DEPARTMENT OF HIGHER EDUCATION
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA
(1 of 3)

Tuesday, January 5, 2016
9:00 am – 12:00 pm

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9:00-10:15 DEPARTMENT OF HIGHER EDUCATION

INTRODUCTION AND OPENING COMMENTS

HIGHER EDUCATION QUESTIONS

HIGHER EDUCATION FUNDING SOURCES, TUITION AND FEE INCREASES, INSTITUTIONAL COST DRIVERS, AND BUSINESS MODELS

1. **Based on department studies, what are the real cost drivers of the increase in cost to students?**

   The real cost drivers of the increase in cost to students attending Colorado state institutions of higher education, according to a 2015 study conducted by the National Center for Higher Education Management Systems (NCHEMS) are:

   - *The compensation of the highly trained personnel i.e. faculty (this type of technical, knowledge-based work consumes a significant portion of overall expenditure in Colorado.) and around the nation. This is the same for institutions of higher education across the nation.*

   - *The revenue per student available to finance costs is substantially less than revenues available to similar institutions in most other states. Colorado institutions receive significantly less state support than many similar institutions around the country. As a result, institutions must rely on tuition revenue to cover expenses resulting in increased cost to students. However, Colorado public institutions charge average or below average tuition. Hence, the overall lower total revenue available to Colorado institutions.*

   In addition, the NCHEMS cost driver study concluded that Colorado institutions:

   - *Operate on fewer resources to support basic operations than do similar institutions in other states*

   - *Have reduced costs and are already far more efficient than similar systems and institutions in other states*

   - *Spend less than what would be expected, relative to peer institutions across the country.*

   As the Colorado Department of Higher Education (CDHE) and the Colorado Commission on Higher Education (CCHE) engaged in the process of drafting a new tuition policy, as required by H.B. 14-1319, CDHE contracted with NCHEMS to undertake an extensive cost driver analysis of state public institutions of higher education in Colorado.

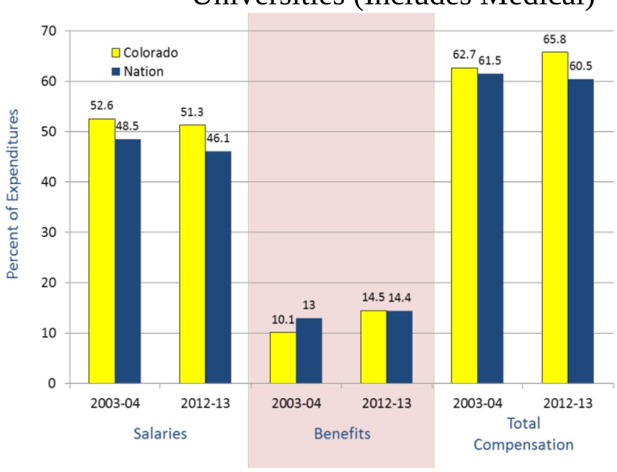
   The NCHEMS study was conducted with the help of the Cost Driver and Analysis Expert

Team - comprised of individuals from Colorado's 10 governing boards, the Colorado Commission on Higher Education, and the Office of State Planning and Budgeting - to advise, provide feedback, review, and work with NCHEMS throughout their analysis process. The group produced two reports: "Why Higher Education Costs are What They Are" and "Tuition-Setting Practices in Colorado's Public Colleges and Universities," which have recently been shared with you and are available to anyone by request.

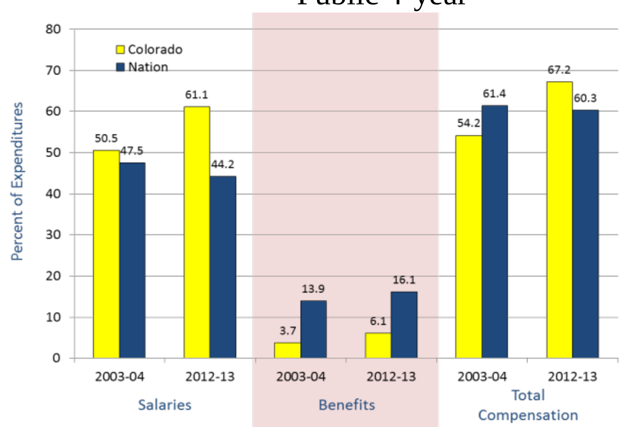
Among other things, the results of this study identified that the revenue-per-student available to Colorado institutions is substantially less than revenues available to similar institutions in most other states. Meaning, Colorado institutions receive significantly less state support than many similar institutions around the country. As a result, institutions are forced to rely increasingly on tuition revenue to cover operating expenses. Tuition rates and access are inextricably linked to the state investment in higher education. When costs rise, but state funding does not, tuition is the primary source of needed revenue. In these situations, institutions are forced to balance how to increase efficiencies while not impacting quality with tuition increases – all while remaining competitive.

The NCHEMS study acknowledged faculty as fundamental to higher education, and further acknowledged that technical, knowledge-based work demands relatively inelastic compensation and consumes a significant portion of overall expenditures in Colorado and around the nation.

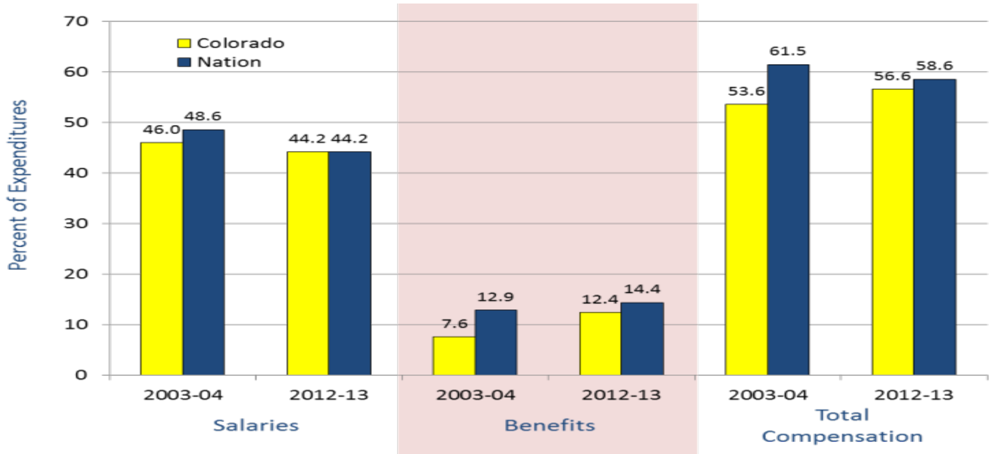
Compensation as a Percent of Expenditures, 2003-04 Compared to 2012-13, Research Universities (Includes Medical)



Compensation as a Percent of Expenditures, 2003-04 Compared to 2012-13, Public 4-year



Compensation as a Percent of Expenditures,
2003-04 Compared to 2012-13,
Public 2-Year



Source: NCES, IPEDS 2003-04 Finance Files; f0304_f1a and f0304_f2 Final Release Data Files. NCES, IPEDS 2012-13 Finance Files; f1213_f1a and f1213_f2 Final Release Data Files.

As evidenced by the above charts, over half of institutional expenditures are for employee compensation. The remaining balance is devoted to supplies and operating expenses (utilities, maintenance, etc.), interest, and depreciation. Because state divestment has forced institutions to rely more heavily on tuition revenue, many institutions have transitioned to using more part-time faculty as a cost-cutting measure. This is much harder at research universities because full-time faculty are necessary to carry out the intensive research mission of the institution. The reliance on part-time faculty is more prevalent and viable at those institutions that have undergraduate instruction as their primary mission, such as community colleges and urban four-year schools.

Colorado's public institutions of higher education employ 56 percent of all state employees and 25 percent of all state classified employees. A modest one-percent salary increase for state employees would equate to $27 million for institutions of higher education. For comparison, a one-percent increase in tuition would generate only $9.2 million in additional revenue.

In terms of salary competitiveness, Colorado's research universities have managed to remain broadly competitive, although the other public four-year and two-year institutions have not. A research university's ability to hire highly qualified faculty is a major factor in their ability to garner research funds. Should they fail to remain competitive, their standing in the research community - and associated contribution to the state's economy - would be jeopardized. This is a major difference between research universities and other four-year and two-year institutions.

Other major differences in the types of costs institutions incur are:

- *Medical or other programs that prepare health care practitioners (doctors, dentists,* *veterinarians) are more expensive than most higher education programs of study. This is due to the cost associated with individualized training and clinical experience, as well as that faculty must be relatively well-paid, so they do not leave for more lucrative careers outside of academe.*

- *Research faculty are generally expected to earn revenue that pays for the time they spend on research activities. The academic discipline, as well as the reputation and success of professors, drives the salary required to recruit and retain faculty; top researchers are highly sought. The demand for these competitive salaries drives the cost of teaching and other non-research related activities. Research plays a crucial role in the economic health and economic stability of Colorado.*

- *Institution's with an emphasis on science and engineering programs will also see significant costs for these expensive programs - expensive laboratory equipment and professional support staff to prepare, maintain, and teach laboratory sections. It is important to note that faculty in these disciplines often have greater access to external research funds, however also have options for highly-paid jobs in the private sector.*

- *The prevalence of students who need extra help to succeed. This cost driver is found in community colleges and open access four-year institutions. Many students in these types of institutions come to college ill-prepared for college-level work. In order for them to succeed they frequently need extra tutoring or additional student support services. These services drive up the cost of education.*

2. **How much governing board revenue is not reflected in the state budget? What share of governing board revenue originates as General Fund from an "education and general" perspective versus a total revenue perspective? If more than 10 percent of governing board revenue originates as General Fund, how can they be classified as enterprises under TABOR?**

<u>How much governing board revenue is not reflected in the state budget?</u>
For FY 2014-15, the state budget does not reflect a total of $3.7 billion in governing board revenues. Revenues not reflected in the state budget are "restricted" revenues, largely related to self-supporting auxiliaries (e.g. housing, food service), external grants and other revenues restricted to a specific purpose.

According to the Office of the State Auditor's (OSA) analysis, total revenues for Colorado's public higher education governing boards were $6.3 billion in FY 2014-15, of which the state budget reflected institutional revenues of $2.6 billion. The state budget reflects state general fund support for operating (Tuition, Academic Fees, College Opportunity Fund, Fee-for-Service contracts); approved capital projects and controlled maintenance; and, state funded student financial aid. As the chart below illustrates, 40.8 percent of total institutional revenues are reflected in the state budget.

Governing Board	Total Revenue FY 2014-15*	State Budget Revenue FY 2014-15**	Not in State Budget FY 2014-15	% of Revenue NOT in State Budget	% of Revenue in State Budget
Adams State University	$65,803,843	$37,232,419	$28,571,424	43.4%	56.6%
Colorado Community College System	$633,643,668	$419,805,384	$213,838,284	33.7%	66.3%
Colorado School of Mines	$254,665,296	$139,218,677	$115,446,619	45.3%	54.7%
Colorado State University System	$1,142,416,142	$494,012,011	$648,404,131	56.8%	43.2%
Fort Lewis College	$78,765,006	$52,386,216	$26,378,790	33.5%	66.5%
Colorado Mesa University	$134,599,950	$80,901,069	$53,698,881	39.9%	60.1%
Metropolitan State University of Denver	$182,234,349	$151,587,084	$30,647,265	16.8%	83.2%
University of Colorado System	$3,559,728,505	$1,035,486,324	$2,524,242,181	70.9%	29.1%
University of Northern Colorado	$203,955,249	$130,387,474	$73,567,775	36.1%	63.9%
Western State Colorado University	$48,468,969	$28,974,209	$19,494,760	40.2%	59.8%
Total Colorado Publics	$6,304,280,977	$2,569,990,867	$3,734,290,110	59.2%	40.8%

*Total revenues are from the Memorandum from OSA about Higher Education Enterprise Status to the Legislative Audit Committee, Oct 1, 2015.
**Governing Board revenue include in the State Budget derived from estimates used in the Long Bill (HB 14-1336) plus institutional appropriation's from the JBC Appropriations Report: Fiscal Year 2014-15.

<u>What share of governing board revenue originates as General Fund from an "education and general" perspective versus a total revenue perspective?</u>

From an Education and General (E&G) perspective, in FY 2013-14 the General Fund accounted for 18 percent of E&G revenues and represented 8 percent of total revenues.

E&G is calculated by summing together funds spent on all activities other than self-supporting auxiliary enterprises and hospitals. For the purposes of this question, E&G revenue that originated from the General Fund includes the College Opportunity Fund (COF) stipend and Fee-for-Service contracts (FFS).

FFS and COF funds are appropriated to the Colorado Department of Higher Education

(CDHE) from the General Fund. CDHE then distributes these funds in the form of stipends paid to institutions on behalf of eligible students and fee-for-service contracts based on institutional outcomes through the higher education funding allocation formula. These allocations are shown in the Long Bill as re-appropriated funds to the institutions. This calculation of E&G revenues originating from General Fund is different than the Taxpayer Bill of Rights (TABOR) enterprise calculation described below, since the institutions receive COF and FFS as re-appropriated funds and not General Fund.

Note that the source of the E&G revenues is the Colorado Budget Data Books and the source of total revenues is the U.S. Department of Education's Integrated Post-Secondary Data System (IPEDS). Please see the charts below for individual institution information and a more detailed explanation of calculations.

Institutions of Higher Education E&G Sources of Revenue (FY 2013-14 Actuals)							
	Education and General Revenues				Percentage of E&G Revenues		
By Institution	Tuition	College Opportunity Fund & Fee-for-Service	Other E&G	Total E&G Revenue	Tuition	COF & FFS	Other E&G
Adams State University	19,757,318	11,561,201	57,152	31,375,671	63.0%	36.8%	0.2%
Colorado Mesa University	54,712,027	19,833,811	1,341,658	75,887,496	72.1%	26.1%	1.8%
Colorado School of Mines	107,103,260	16,813,547	9,417,378	133,334,185	80.3%	12.6%	7.1%
Colorado State University-Fort Collins	289,321,265	52,948,011	64,309,036	406,578,312	71.2%	13.0%	15.8%
Colorado State University-Pueblo	27,715,099	12,766,314	6,500,022	46,981,435	59.0%	27.2%	13.8%
Fort Lewis College[1]	38,580,620	9,540,320	534,140	48,655,080	79.3%	19.6%	1.1%
Metropolitan State University of Denver	96,683,951	39,230,013	2,440,645	138,354,610	69.9%	28.4%	1.8%
University of Colorado - Boulder	492,731,552	57,346,290	76,454,728	626,532,570	78.6%	9.2%	12.2%
University of Colorado – CO Springs	86,992,435	18,401,613	5,375,297	110,769,345	78.5%	16.6%	4.9%
University of Colorado - Denver	124,366,670	22,695,378	13,412,862	160,474,909	77.5%	14.1%	8.4%
University of Colorado - Anschutz	70,501,699	51,812,358	91,076,873	213,390,931	33.0%	24.3%	42.7%
University of Northern Colorado	79,572,053	33,640,060	16,304,628	129,516,741	61.4%	26.0%	12.6%
Western State Colorado University	15,064,346	9,532,909	813,053	25,410,308	59.3%	37.5%	3.2%
Subtotal Four Year	$1,503,102,295	$356,121,825	$288,037,472	$2,147,261,591	70.0%	16.6%	13.4%
Arapahoe Community College	27,232,877	9,827,533	1,554,945	38,615,355	70.5%	25.4%	4.0%
CO Northwestern Community College	3,683,873	3,113,716	717,236	7,514,825	49.0%	41.4%	9.5%
Community College of Aurora	19,933,564	8,856,665	1,713,854	30,504,084	65.3%	29.0%	5.6%
Community College of Denver	29,269,232	11,307,133	8,525,622	49,101,987	59.6%	23.0%	17.4%
Front Range Community College	59,289,087	18,530,277	11,095,055	88,914,419	66.7%	20.8%	12.5%
Lamar Community College	2,901,057	3,021,414	482,537	6,405,008	45.3%	47.2%	7.5%

Institutions of Higher Education E&G Sources of Revenue (FY 2013-14 Actuals)							
	Education and General Revenues				Percentage of E&G Revenues		
By Institution	Tuition	College Opportunity Fund & Fee-for-Service	Other E&G	Total E&G Revenue	Tuition	COF & FFS	Other E&G
Morgan Community College	4,088,607	4,586,026	175,033	8,849,667	46.2%	51.8%	2.0%
Northeastern Junior College	5,391,790	5,296,956	482,243	11,170,989	48.3%	47.4%	4.3%
Otero Junior College	4,874,939	4,563,033	706,733	10,144,705	48.1%	45.0%	7.0%
Pikes Peak Community College	43,976,314	14,831,246	2,150,009	60,957,569	72.1%	24.3%	3.5%
Pueblo Community College	17,005,041	10,143,550	3,513,041	30,661,632	55.5%	33.1%	11.5%
Red Rocks Community College	27,616,511	10,192,551	337,213	38,146,275	72.4%	26.7%	0.9%
Trinidad State Junior College	5,866,902	8,844,378	1,935,641	16,646,921	35.2%	53.1%	11.6%
Subtotal Two Year	$251,129,796	$113,114,478	$33,389,163	$397,633,437	63.2%	28.4%	8.4%
Total Governing Boards	$1,754,232,091	$469,236,303	$321,426,635	$2,544,895,028	68.9%	18.4%	12.6%
Aims Community College[2]	8,925,478	6,964,136	23,930,051	39,819,665	22.4%	17.5%	60.1%
Colorado Mountain College[2]	11,608,234	5,686,189	36,964,684	54,259,108	21.4%	10.5%	68.1%
Total Local District Junior Colleges	$20,533,712	$12,650,325	$60,894,735	$94,078,773	21.8%	13.4%	64.7%
Grand Total Public Institutions of Higher Education	$1,774,765,803	$481,886,628	$382,321,371	$2,638,973,801	67.3%	18.3%	14.5%

Institutions of Higher Education ALL Additional Sources of Revenue (FY 2013-14 Actuals)						
			Percentage of Total Revenues			
By Institution	Restricted Revenues	Total Revenues	Tuition	COF & FFS	Other E&G	Restricted
Adams State University	27,545,525	58,921,196	34%	20%	0.10%	47%
Colorado Mesa University	54,799,897	130,687,393	42%	15%	1.03%	42%
Colorado School of Mines	114,149,339	247,483,524	43%	7%	3.81%	46%
Colorado State University-Fort Collins	529,850,910	936,429,221	31%	6%	6.87%	57%
Colorado State University-Pueblo	30,358,289	77,339,724	36%	17%	8.40%	39%
Fort Lewis College[1]	23,583,872	72,238,952	53%	13%	0.74%	33%
Metropolitan State University of Denver	35,880,339	174,234,949	55%	23%	1.40%	21%
University of Colorado - Boulder	629,592,195	1,256,124,765	39%	5%	6.09%	50%
University of Colorado - CO Springs	52,151,572	162,920,917	53%	11%	3.30%	32%
University of Colorado - Denver University of Colorado - Anschutz	1,268,548,462	1,642,414,302	8%	1%	0.82%	77%
University of Northern Colorado	70,236,178	199,752,919	40%	17%	8%	35%
Western State Colorado University	15,645,576	41,055,884	37%	23%	2%	38%
Subtotal Four Year	$2,852,342,155	$4,999,603,746	30%	7%	6%	57%
Arapahoe Community College	8,211,787	46,827,142	58%	21%	3.32%	18%
CO Northwestern Community College	8,993,820	16,508,645	22%	19%	4.34%	54%
Community College of Aurora	7,178,701	37,682,785	53%	24%	4.55%	19%
Community College of Denver	10,092,010	59,193,997	49%	19%	14.40%	17%
Front Range Community College	21,889,463	110,803,882	54%	17%	10.01%	20%
Lamar Community College	2,867,162	9,272,170	31%	33%	5.20%	31%
Morgan Community College	2,696,467	11,546,134	35%	40%	1.52%	23%

Institutions of Higher Education ALL Additional Sources of Revenue (FY 2013-14 Actuals)						
			Percentage of Total Revenues			
By Institution	Restricted Revenues	Total Revenues	Tuition	COF & FFS	Other E&G	Restricted
Northeastern Junior College	9,121,918	20,292,907	27%	26%	2.38%	45%
Otero Junior College	13,089,964	23,234,669	21%	20%	3.04%	56%
Pikes Peak Community College	26,415,868	87,373,437	50%	17%	2.46%	30%
Pueblo Community College	14,543,066	45,204,698	38%	22%	7.77%	32%
Red Rocks Community College	18,039,976	56,186,251	49%	18%	0.60%	32%
Trinidad State Junior College	4,158,426	20,805,347	28%	43%	9.30%	20%
Subtotal Two Year	$147,298,627	$544,932,064	46%	21%	6%	27%
Total Governing Boards	$2,999,640,781	$5,544,535,810	32%	8%	6%	54%
Aims Community College[2]	$35,017,360	74,837,025	12%	9%	32%	47%
Colorado Mountain College[2]	$20,398,128	74,657,236	16%	8%	50%	27%
Total Local District Junior Colleges	$55,415,488	$149,494,261	14%	8%	41%	37%
Grand Total Public Institutions of Higher Education	$3,055,056,270	$5,694,030,071	31%	8%	7%	54%

Explanation: This report shows revenues at Institutions of Higher Education (IHE). There are two general categories of revenues; education and general (E&G) revenues and restricted revenues. E&G revenues are used to finance the instructional missions and general operations; and restricted revenues are used for a specific purpose.

DHE collects Educational and General (E&G) revenues and expenditures (actuals and estimates) and reports them in the Budget Data Book.

Total revenue figures are from the Integrated Post-Secondary Data System (IPEDS), collected every year by the US Department of Education. The most recently released IPEDS finance survey is for FY 2013. Annual financial reports were not used for total revenues because they are reported by governing board and are not broken down by institution.

Definitions:

College Opportunity Fund - A per credit hour stipend paid to institutions on behalf of eligible resident undergraduate students at a state institution or participating private institution in Colorado. 23-18-201, C.R.S.

Fee-For-Service - Contract with the Department of Higher Education for the delivery of higher education services by the institution for the benefit of the state and its residents. 23-18-303, C.R.S.

Education and General Revenues - are revenues used to support the instructional mission and general operations of an institution. Revenue attributed to auxiliaries, housing, hospital and independent operations are not included in this category.
Tuition - revenues from tuition charges, includes $85.4 million in State Financial Aid.
Reappropriated Fund - The fund for which institutions receive State tax support for their operating budget through the College Opportunity Fund Stipend to students and Fee-For-Service contracts where by the state purchases services from the institution.
Other E&G - includes Academic fees, Amendment 50 moneys (Limited Gaming), Tobacco Settlement Moneys, DOLA Local Government Mineral Impact Fund, indirect cost recoveries, miscellaneous revenues, incidental income (educational activities), state grants or contracts (not FFS), and mandatory fees. This also may reflect changes in fund balance.
Restricted Revenues - are revenues generated by self-supporting operations such as auxiliaries, housing, hospital and other independent operations. By their very nature, restricted revenues cannot be used to cover costs other than that for which they were intended.

Footnotes:

[1] Fort Lewis College Native American Tuition Waiver ($14.5 million) is reported as Tuition.
[2] Aims Community College and Colorado Mountain College receive direct General Fund appropriations and are also locally financed. A portion of their Other E&G is from local property tax dollars.
[3] Excludes Professional Veterinary Medicine, agricultural Experiment Station, Forest Service and Extension service

Sources: 2014 Audit financial Report, Colorado Budget Data Book 2014 Actuals (General Fund and Tuition Revenue). Does not include Area Vocational Schools.

If more than 10 percent of governing board revenue originates as General Fund, how can they be classified as enterprises under TABOR?

It is important to note that College Opportunity Fund (COF) and Fee-For-Service Contract (FFS) revenue are re-appropriated funds to the institutions and therefore are not counted as General Fund in the Taxpayer Bill of Rights (TABOR) enterprise calculation. It is because these funds are first appropriated to the Colorado Department of Higher Education (CDHE) and then re-appropriated to the institutions by purchases of services through FFS (in accordance with 23-18-303, C.R.S.), or paid on behalf of eligible enrolled students to institutions in the form of the COF tuition stipend (23-18-201 C.R.S.).

It is not often that an institution falls out of enterprise status in a given year based on the TABOR calculation. Generally speaking, the only source of General Fund dollars which count against the institution's enterprise status is capital construction and controlled maintenance appropriations. The chart below from the Office of the State Auditor report shows the enterprise status calculation.

HIGHER EDUCATION TABOR-EXEMPT ENTERPRISE STATUS ACTUAL REVENUES AND STATE SUPPORT FISCAL YEAR 2015						
	TOTAL REVENUE	STATE SUPPORT GENERAL FUND APPROPRIATION	STATE SUPPORT CAPITAL APPROPRIATION (NOTE 1)	OTHER STATE SUPPORT	TOTAL STATE SUPPORT	STATE SUPPORT AS A PERCENTAGE OF TOTAL REVENUE (NOTE 2)
ADAMS STATE UNIVERSITY	$ 65,803,843	$-	$ 13,039,450	$-	$ 13,039,450	19.82%
COLORADO COMMUNITY COLLEGE SYSTEM	$633,643,668	$3,625,022 (NOTE 3)	$15,343,405	$3,694,783 (NOTE 4)	$22,663,210	3.58%
COLORADO SCHOOL OF MINES	$254,665,296	$1,858,014	$1,679,745	$700,411 (NOTE 4)	$4,238,170	1.66%
COLORADO STATE UNIVERSITY SYSTEM	$1,142,416,142	$-	$19,441,811	$2,195,220 (NOTE 4)	$21,637,031	1.89%
FORT LEWIS COLLEGE	$78,765,006	$-	$7,529,278	$172,306 (NOTE 4)	$7,701,584	9.78%
COLORADO MESA UNIVERSITY	$134,599,950	$-	$10,826,623	$1,381,198 (NOTE 4)	$12,207,821	9.07%
METROPOLITAN STATE UNIVERSITY OF DENVER	$182,234,349	$-	$2,023,076	$-	$2,023,076	1.11%
UNIVERSITY OF COLORADO SYSTEM	$3,559,728,505	$-	$18,187,864	$21,554,641 (NOTE 5)	$39,742,505	1.12%
UNIVERSITY OF NORTHERN COLORADO	$203,955,249	$-	$616,702	$1,064,861 (NOTE 4)	$1,681,563	0.82%
WESTERN STATE COLORADO UNIVERSITY	$48,468,969	$-	$2,294,965	$1,935,205 (NOTE 4)	$4,230,170	8.73%

HIGHER EDUCATION TABOR-EXEMPT ENTERPRISE STATUS
ACTUAL REVENUES AND STATE SUPPORT
FISCAL YEAR 2015

SOURCE: Office of the State Auditor analysis of institution-provided financial information.
NOTE 1: Amounts within this column represent available capital funds used during Fiscal Year 2015 and may not equal capital funds appropriated for any one year.
NOTE 2: Any institution that receives 10 percent or more in State support during a fiscal year does not qualify as a TABOR-exempt enterprise.
NOTE 3: This amount includes appropriations of $2,725,022 for Colorado First Customized Job Training, and $900,000 for Occupational Education for CCCS.
NOTE 4: This amount represents State support received from annual lease payments for capital projects financed by State Certificates of Participation.
NOTE 5: Included in “Other State Support” is $13,007,869 from the Tobacco Litigation Settlement Moneys Health Education Fund for the University of Colorado. “Other State Support” also includes $6,965,572 received from annual lease payments for capital projects financed by State Certificates of Participation related to the Anschutz Medical Campus.

3. From the Department's perspective, how have institutions changed their business models in response to declining state funding? For example, have they increased their use of adjunct professors?

With declining state investment in Colorado's public higher education system over the last decade, Colorado's public institutions of higher education have been forced to identify efficiencies, reduce costs, and – in several ways – adjust their business models to reflect these changing dynamics. A large part of this shift has included relying more on part-time faculty. It is important to note that while making these changes, our institutions continue to be among the most efficient and productive in the U.S. Please see individual institutional responses for institutional question #3.

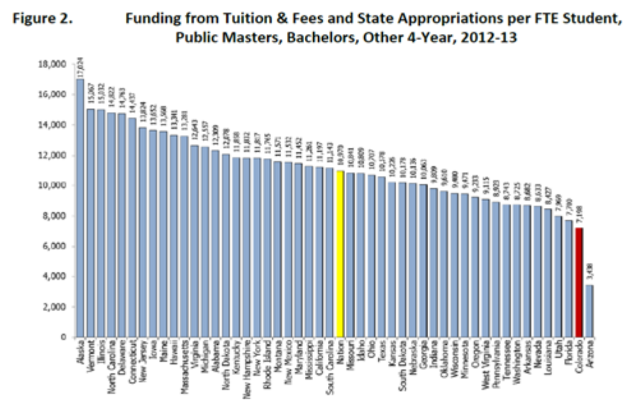
The disinvestment in Colorado shifted who pays for higher education – from the state, to students and their families. In FY 2000-01 the average resident student share of college was 32 percent; in FY 2015-16 it is now 64 percent. By contrast, the state share has gone from 68 percent in FY 2000-01 to 36 percent in FY 2015-16.

This shift has challenged the ability of Colorado public institutions of higher education to balance operational realities and the need to ensure affordable access to higher education for Colorado families.

The Colorado Department of Higher Education (CDHE) contracted with the National Center for Higher Education Management Systems (NCHEMS) to perform an analysis of higher education costs in Colorado and how these compared to costs at comparable institutions from across the country. According to the NCHEMS report ("Why Higher Education Costs are What They Are" June 30, 2015), the majority of costs at Colorado public institutions of higher education are a direct result of faculty and staff compensation. Remaining costs include supplies and operating expenses (utilities, insurance, office and laboratory supplies, maintenance of plant etc.), interest, and depreciation. Among the findings, the study found:

- *Colorado institutions have fewer resources to expend on activities designed to fulfill their missions than do other similar institutions elsewhere in the country.*

Colorado Core Base Costs are Lower than National Average

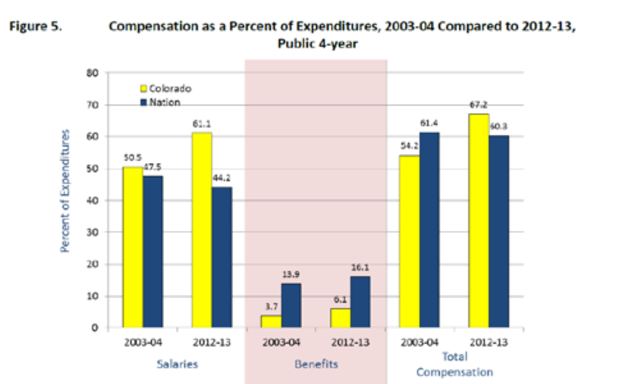


Sources: NCES, IPEDS 2012-13 Provisional Release Finance Files; f1213_f1a, f1213_f2 GASB & FASB Finance Files; NCES, IPEDS 2012-13 Instructional Activity File; efia2013 Provisional Release Data File; NCES, IPEDS 2013-14 Institutional

- Funding and expenditures are closely linked.
- Colorado's funding, and therefore cost, per full time student is the second lowest in the nation

➢ *Colorado institutions are spending an increasing share of their resources on faculty and staff.*

Compensation Represents a Majority of Institutions' Core Base Costs



Source: NCES, IPEDS 2003-04 Finance Files; f0304_f1a and f0304_f2 Final Release Data Files. NCES, IPEDS 2012-13 Finance Files; f1213_f1a and f1213_f2 Final Release Data Files.

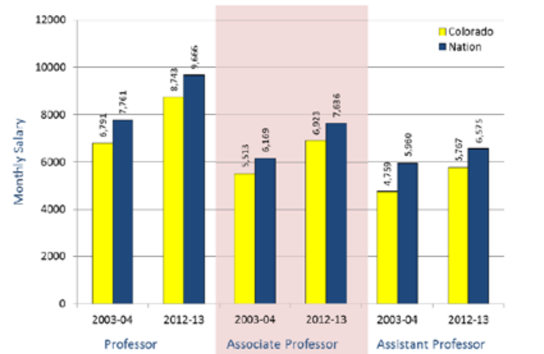
- About 1 in 4 of the state's classified employees work at public institutions of higher education.
- 56% of total state employees work at public institutions.
- Colorado has focused their limited resources on employees more than other states.

➢ *Colorado institutions are more reliant on part-time faculty than their national counterparts.*

Colorado Institutions' Compensation is Lower than National Average

- Individual employee's compensation at Colorado's public institutions is lower than the national average for all public institutions.

Figure 15. Monthly Salary Comparisons, 2003-04 Compared to 2012-13, Public 4-Year



Source: NCES, IPEDS 2003-04 Faculty Salary File; sal2003_a Final Release Data File. NCES, IPEDS 2012-13 Faculty Salary File; sal2012_is Provisional Release Data File.

In other words, Colorado's colleges and universities have adjusted their business models, are doing a good job holding costs down, and are already far more efficient than comparable public institutions.

4. Do you expect institutions to adapt their business models further based on lack of General Fund support? If so, how?

Colorado's public institutions of higher education continually examine (1) their business models as general fund investment continues to be unreliable; (2) how to increase efficiencies while not impacting quality; and (3)how to remain competitive.

Further contraction of state support for higher education is likely to prompt numerous responses and actions from Colorado's public institutions. Generally, as noted in question #3, all of Colorado's public institutions of higher education have fewer resources to support basic operations than do similar institutions in other states. This low level of funding means that Colorado institutions are less able to absorb state revenue shortfalls through productivity enhancements.

Additionally, please see Joint Budget Committee Staff's December 10, 2015 briefing document, pages 24-26, for institutional responses on the impact of a $20 million reduction for higher education.

5. How has the net cost of attendance for low income students changed over time?

Over the five-year period from 2006-07 to 2011-12, the net cost of attendance, as a percentage of family income, at a four-year public institution, for the lowest quintile income students increased by 16.9 percent. Over the same period of time, the net cost of attendance, as a percentage of total family income, for the lowest quintile increased by 11.4 percent at public two-year institutions. While the net cost of attendance for low-income families has increased since 2006-07, it should be noted that a report from the National Center for Higher Education Management Systems (NCHEMS) cites data from 2012-13 showing that Colorado is still well below the national average regarding the net cost of attendance as a percentage of family income.

- *For families in the lowest quintile, the net cost of attendance at a public four-year institution was roughly two-thirds of the total family income. This is below the national average of about 71 percent of family income.*

- *At two-year colleges, Colorado was again below the national average with net cost of attendance comprising about 45 percent of total family income compared to 52 percent.*

The data looked at first-time, full-time undergraduate students, and family income was broken into quintiles - the lowest quintile of total family income was used to evaluate the net cost of attendance for low-income students. NCHEMS pulled historical data from 2006-07 to 2011-12 to capture the change over time.

6. Should Colorado state schools focus on Colorado residents? Are we doing what we should to provide an affordable, quality education for Colorado residents?

*There are **over 210,000 Colorado residents** enrolled in 2 and 4 year public institutions. This includes part time, full time, degree, non-degree, graduate students, and undergraduates.*

The mission of the Colorado Commission on Higher Education (CCHE) is focused on serving Colorado residents:

> *"CCHE's mission is to provide access to high-quality, affordable education for all Colorado residents that is student-centered, quality driven and performance-based. CCHE's primary "customers" are Colorado students and citizens. CCHE is committed to providing the best quality education at the best price with the best possible service for its customers."*

In addition, CCHE's 2012 Master Plan recognizes that the benefits of a highly educated citizenry are well known:

> *"Adults with postsecondary degrees and certificates earn higher incomes than those without such credentials. They have lower unemployment rates and better health outcomes. They rely on fewer social services and public safety nets. They create jobs that*

yield tax revenue and contribute toward building a stronger economy and a better society. That is, the contributions they make to their communities and their state far exceed their consumption of public goods."

According to the Georgetown Center for Education and the Workforce, by 2020, an estimated 74 percent of jobs in Colorado will require some level of postsecondary education and Colorado is expected to have the third highest demand in the nation of college-educated adults. CCHE used its Master Plan to set a goals of ensuring that 66 percent of Coloradans have a postsecondary credential or degree by 2025. In order to meet this goal, Colorado must:

- *educate more resident underserved populations and resident adults who may need additional educations or training for the workforce; and*
- *not rely solely on the "importing" of college educated adults.*

<u>*Are we doing what we should to provide an affordable, quality education for Colorado residents?*</u>

The state's divestment in higher education has significantly impacted the ability of institutions of higher education to provide an affordable, quality education for Colorado residents. Affordability and access are inextricably linked to the state investment in higher education. As such, reductions in funding for higher education are in conflict with providing an affordable, quality education for Colorado resident students.

Due to a variety of factors, including recessions and State finance policies, Colorado has divested State support from public higher education over the last 15 years. In FY 2000-01 student support - tuition and fees - made up one-third of the cost of higher education, while state support made up two-thirds. Despite recent investments in public higher education over the last few years, which slowed increases to resident tuition rates, longer-term state divestment has reversed this ratio. So much so that students now pay two-thirds of the cost, while state support makes up only one-third.

In an effort to reduce the financial burden on students, CCHE, CDHE, and institutions implement innovative programs that reduce the overall costs to students and increase their opportunities for success. Reducing time to degree can have a profound impact on the overall cost of higher education. For example, one additional year in a program increases the student's cost by at least 25 percent and a second year by at least 50 percent. Initiatives such as Concurrent Enrollment, Guaranteed Pathways to Success, Prior Learning Assessment, and Remedial Redesign are just a few of the approaches to increase the success of our students while reducing their overall costs.

As discussed in the answers to Question 3 and 4, Colorado's public institutions of higher education have been forced to continually examine (1) their business models as general fund investment continues to be unreliable; (2) how to increase efficiencies while not impacting quality; and (3) how to remain competitive. One way institutions have accomplished this is by changing the mix of resident to non-resident students. By paying significantly higher tuition rates, non-resident students help subsidize the cost of resident students, keeping tuition rates lower for resident students.

Another strategy has been to increase tuition and fee costs for all students, including resident students. However, as JBC staff noted in the December 10th briefing document, "Public access to higher education is significantly influenced by tuition and fee rates: high rates may discourage participation or may result in high debt loads for those who do participate."

The reduction in State support for higher education has had the biggest impact on tuition rates, and arguably debt loads for Colorado resident students. Additional state support is needed for the State of Colorado to do all it can to provide an affordable, quality education for its residents.

7. **How is Arizona able to provide a low cost, high quality program? (See p. 37 of the staff budget briefing document)?**

   The information cited in the chart included in the Joint Budget Committee (JBC) staff briefing document, as generated by the National Center for Higher Education Management Systems (NCHEMS), could lead a reader to a skewed conclusion. The representation of Arizona in the Public Bachelors & Masters chart should be treated as an outlier and artifact of a single, tribal institution as opposed to reflecting anything representing policy decisions.

   Colorado Department of Higher Education (CDHE) contacted NCHEMS, which was the source of the chart, and NCHEMS confirmed the following:

   > *"In the chart on page 37 of the JBC report, which is limited to public bachelors and masters institutions, Arizona is represented by a single institution, Diné College, which is a tribal institution with enrollment of 1,488 (the other public four-year institutions in Arizona are all flagged as Public Research: Arizona State University, University of Arizona, and Northern Arizona). Therefore, the representation of Arizona in the Public Bachelors & Masters chart should be treated as an outlier and artifact of a single, tribal institution as opposed to reflecting anything representing policy decisions, etc. for their state in that chart."*

   In other words, NCHEMS confirmed that it is neither Arizona's higher education policies nor its finance structures which resulted in their place on the chart as a "low-cost, high quality program", but that they are an outlier in the data.

TUITION POLICY PROPOSAL

8. What is the Department's plan for implementing its proposed tuition policy? What does it see as the role of the General Assembly in this process? Why does the Department believe this is the appropriate path?

This response is separated into four sections: 1) CCHE's Proposed Tuition Policy and its Development; 2) General Assembly Role in Tuition Policy; 3) How to Implement the Policy; and 4) Why is the Best Policy for Colorado:

CCHE's Proposed Tuition Policy

Colorado Commission on Higher Education's (CCHE) proposed tuition policy for FY 2016-17, as adopted during their October 2015 meeting:

- *Governing boards shall have the authority to raise tuition rates for resident undergraduate students within specified tuition increase limits directly linked to the level of General Fund support -*
  - *If the state General Fund appropriation is flat or falls below the level appropriated in FY 2015-16 ($672 million), there will be no restrictions on tuition levels set by governing boards.*
  - *If the state General Fund appropriation increases above the level appropriated for FY 2015-16, the tuition increase limit on resident undergraduate tuition is dependent upon the level of state investment.*

In a year with a tuition limit, Governing boards will have the ability to request flexibility from CCHE's tuition increase limits through a Tuition Accountability Plan. The content of Tuition Accountability Plans will include:

- *Price and tuition strategies including substantiated business case for the increase;*
- *A demonstration of how the governing board will work to protect resident low and middle income students;*
- *How tuition increases will help the institution meet the CCHE's Master Plan Goals; and*
- *Evidence that completion goals are being met.*

CCHE will review each request for tuition flexibility and either approve or deny the request for tuition increases above the recommended tuition increase limit. If CCHE denies the request, the governing board shall not exceed the undergraduate resident tuition increase limit.

Developing CCHE's Proposed Tuition Policy

HB 14-1319 directed the Colorado Commission on Higher Education (CCHE) to develop a new tuition policy by November 1, 2015 – a policy that ensures both accessible and affordable higher education for Colorado residents, while also reflecting the level of state funding for institutions and the need of each institution to enhance its financial position and sustainability. In addition, current statute - C.R.S §23-5-129 (6)(c) and C.R.S §23-1-108

(12)(b) - require CCHE to include in the annual budget request tuition recommendations for resident undergraduate students for each state institution of higher education.

In beginning this process, roles and responsibilities were clearly identified:

- ***The General Assembly** establishes policy and priorities through statute to be implemented by CCHE, CDHE and the Governing Boards.*
- ***CCHE** has a responsibility to exercise oversight and to ensure that educational quality and student access are maintained.*
- ***Governing boards** have the responsibility and authority for the financial management of their institutions. A major component of sound financial management is the setting of tuition. Since institutions have unique roles and missions and differing student needs, governing boards are best equipped to set tuition and hold a fiduciary duty to their respective institutions.*

A collaborative process was undertaken to develop a new tuition policy that is balanced, representative, and sustainable. Institutions and stakeholders - with various interests, responsibilities and perspectives – were engaged throughout the process.

As this cooperative work began, all parties agreed that articulating a set of values would be helpful in finding the right balance between affordability for students and sustainability of the institutions - especially in light of the current, somewhat challenging, state budget environment.

The key values decided upon are:

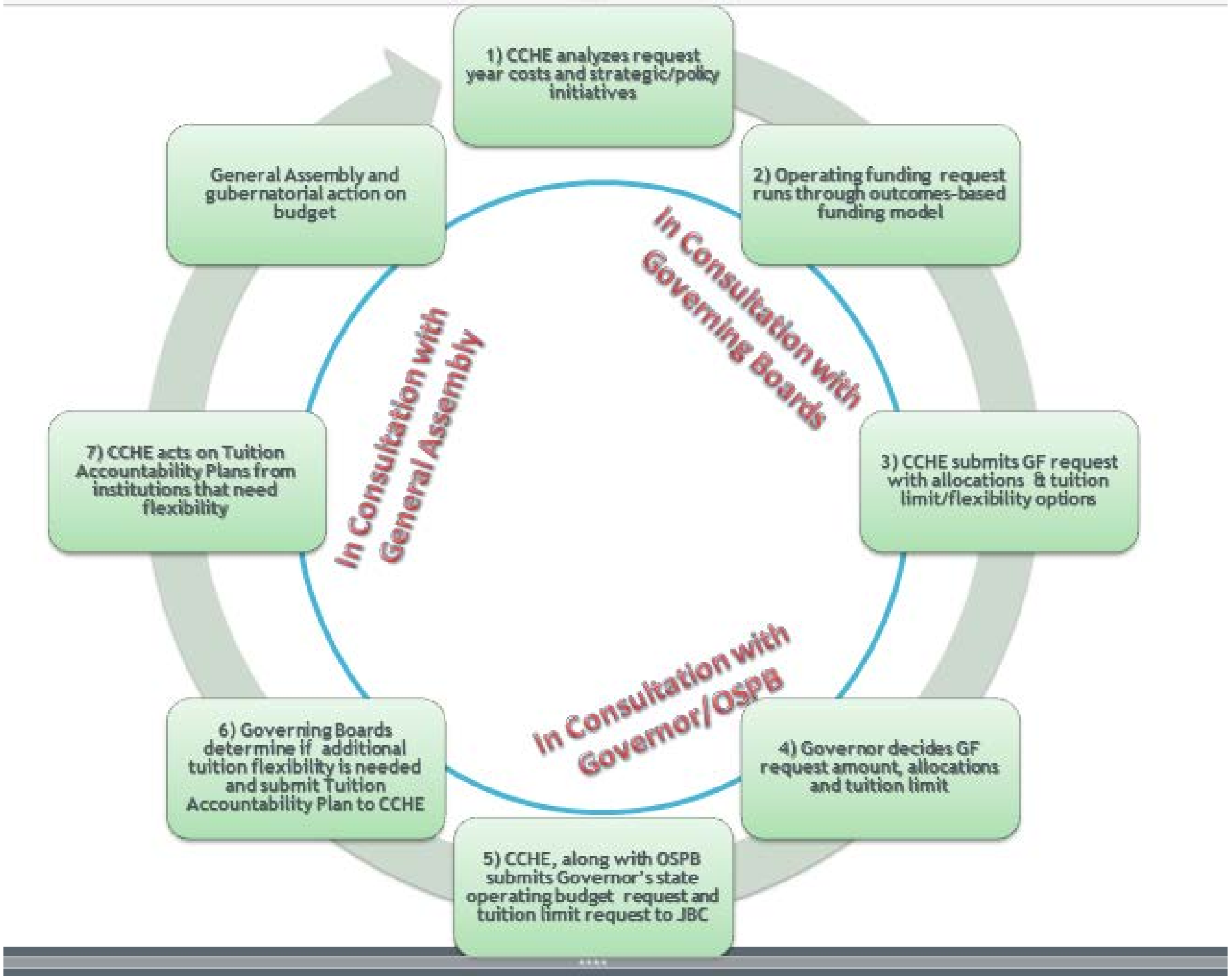
- *the condition of the state general fund and state investment levels in higher education;*
- *the impact of tuition increases on students and families;*
- *the financial health of institutions and their ability to enhance overall quality; and ,*
- *accountability and progress towards completion goals.*

This value-based framework was adopted by CCHE. It links statewide attainment goals to the tuition policy and ensures that the major elements of higher education financing policy – appropriations, tuition, and financial aid – are all aligned to address college affordability and student access and success.

Knowing that changing fiscal climates will impact any tuition policy, it was agreed that an annual process for evaluating tuition increase limits is critical. CCHE, in consultation with the governing boards and other interested parties, developed an annual process and methodology – following a business cycle approach - for setting tuition increase limits. Such a process takes into consideration the key values outlined above.

The following steps mirror the state's budget cycle and integrate the tuition recommendation process with the General Fund appropriation process, while also including a mechanism for the Governing Boards to request additional flexibility from the CCHE above the tuition increase limit through a Tuition Accountability Plan. The development of the business cycle *approach to tuition setting acknowledges the enterprise status of institutions. Operating in a market environment makes tuition setting paramount to an institution's success as an enterprise. The business cycle approach accounts for market pressures each institution faces and the state's ability to buy down tuition at these state enterprises through increased General Fund support.*

Tuition Policy Framework: CCHE Business Cycle Approach to Tuition Policy



The following steps mirror the state's budget cycle:

1) *CCHE/CDHE works with governing boards to analyze budget request year base costs and the costs of possible strategic improvements (June, July).*
2) *CCHE/CDHE, in consultation with governing boards runs operating funding request scenarios through the funding allocation model to determine allocations for the budget year. Also, determining tuition limit/flexibility based on returns of the allocation model (July, August).*
3) *CCHE submits to the Governor: the General Fund operating request and tuition limit/flexibility options (Aug, September) based on the identified base cost.*

4) *Governor determines General Fund operating request and tuition limit/flexibility request (October).*
5) *CCHE, along with the Office of State Planning and Budgeting, submits Governor's General Fund operating request and tuition limit/flexibility request to Joint Budget Committee (November 1).*
6) *Governing Boards, based on the Governor's request, determine if additional flexibility is needed and if so, submit Tuition Accountability Plans to CCHE (December, January)*
7) *CCHE acts on Tuition Accountability Plans from governing boards that request additional flexibility (spring)*
8) *General Assembly and Governor's action on the budget (spring)*

For FY 2016-17, the Governor's request is for Governing Board tuition flexibility. Specifically, the CCHE recommendation for FY 2016-17 is that there will be no restrictions on tuition levels set by governing boards if funding falls below FY 2015-16 levels.

In order to balance the state budget, the Governor's request calls for a $20 million (3.1%) reduction for public college and universities.

In analyzing possible tuition policy, it was clear that General Fund Investment and Tuition Increases are inextricably linked. Again, the Department of Higher Education performed an evaluation of higher education costs and on the relationship of those costs to tuition. Based on this analysis, CDHE conservatively estimates the base cost increases that institutions must bear is $56.6 million. It is important to note that this estimate does not include costs above inflation, additional salary increases, or strategic improvements, including but not limited to maintaining the current quality of educational programs and offerings. The analysis conducted by CDHE incorporates these factors not captured in the cost estimate by applying a Cost plus Policy basis for analyzing and determining the tuition recommendation. This allows for the recommended tuition limit, if there is increased state funding, to capture each institution's own unique niche – reflecting competitive environments, level of state support, and other distinct characteristics.

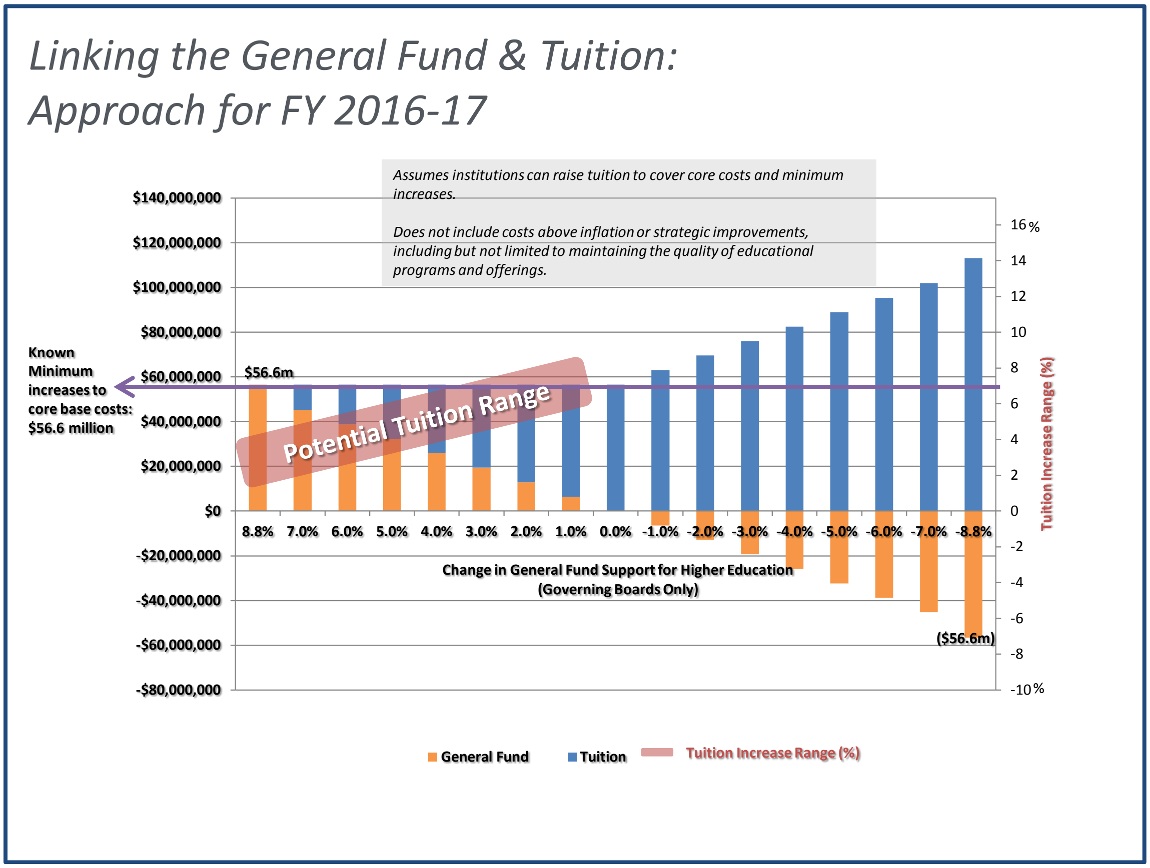
Utilizing this Cost plus Policy approach, if the state meets the entire minimum cost estimate, institutions would require lower tuition rate increases, in order to pay for mandatory cost increases and strategic improvements. As illustrated in the chart below, if the state is unable to cover these minimum costs, tuition rate increases are likely to continue rising.

This chart illustrates how the cost increases could be paid for – general fund or tuition:
- *Purple line - Minimum Cost Increases*
- *Orange – General Fund Investment*
- *Blue – Tuition*

To the extent that General Fund investment cannot cover these costs, tuition has to increase to compensate.
If General Fund declines, as proposed for this coming fiscal year - tuition has to not only cover these increased costs, but also make up the reduced General Fund dollars.

If the state is able to provide an investment (for example, Governor's "contingency" request priority #12 requests an increase up to an additional $50 million) then the proposed limit on undergraduate tuition increases in the red "potential tuition range" bar are imposed.

However, if this is not the case, institutions must have the flexibility to meet the needs of their students and continue to maintain a quality, financially stable institution.



General Assembly Role in Tuition Policy

In preceding fiscal years, higher education investment was often used as a budget balancer - without a full understanding of the impact such investment, or lack thereof, might have on our higher education system and the affordability for Colorado residents.

This new process provides all policy makers with a clear understanding of the impact the final state budget in any given year would have on undergraduate, resident tuition rates. The General Assembly will have the ultimate decision in the level of state funding to be invested, while balancing other statewide priorities. The level of investment will implement the tuition policy for that fiscal year, based on the analysis included with CDHE's annual budget request.

In addition, the General Assembly could express the tuition expectation for that fiscal year in a footnote to the informational item in the Long Bill, or another legislative tool, such as a JBC letter.

How to Implement the Policy

As stated earlier, statute already requires CCHE to include in the annual budget request tuition recommendations for resident undergraduate students for each state institution of higher education.

While no statutory change is needed to implement the process adopted by CDHE and CCHE to develop this annual recommendation, CDHE and CCHE do see a critical need to amend statute to continue including tuition revenue in the long bill for information purposes only.

Implementation of this policy would not have a significant change in the budget process. Rather, it will maintain the current process of including tuition in the long bill for informational purposes and ensure transparency in what happens with tuition each year and why. A reversion to appropriating tuition revenue will require tuition revenue to be trued-up throughout the year, as initial figures in the Long Bill would be based on a forecast of enrollment almost 18 months in advance. This true up would be necessary to recognize actual enrollment at each institution and to ensure institutions have the proper spending authority to match the tuition rate provided in the Long Bill footnotes. The table below provides a crosswalk between current law and processes and the CCHE proposed statutory and process changes.

Process/Authority	Current Law/Process (Appropriated Tuition)	CCHE Proposed Tuition Policy (tuition for informational purposes; continuation of current law)
CCHE and Governing Board Role	CCHE will establish policies based on institutional role and mission and governing boards shall set tuition consistent with said policies. C.R.S. § 23-1-108 (12) (b)	No change.
Executive Budget Process	CCHE will review tuition proposals from the institutions and make recommendations to the general assembly through the annual budget process. C.R.S. § 23-5-129 (6) (c)	No change.
Enrollment and Revenue Forecasting	In February, CDHE and institutional staff provide Legislative Council and JBC staff with executive branch forecast for revenue and enrollment.	No change.

Process/Authority	Current Law/Process (Appropriated Tuition)	CCHE Proposed Tuition Policy (tuition for informational purposes; continuation of current law)
Figure Setting	JBC staff will decide which forecast to use for figure setting — Legislative Council, CDHE or a combination of the two. Tuition will be appropriated in the Long Bill.	No change except that tuition revenue will be for informational purposes in the Long Bill.
General Assembly Role	Tuition will be appropriated in the Long Bill. Tuition rate assumptions will be included in a Long Bill footnote and controlled through spending authority. Supplemental bills and 1331s will likely be required to adjust for actual enrollment mixes at the institutions and variability from the forecast.	If the General Assembly agrees with the CCHE recommendation made during the budget process, this will be expressed in a footnote to the informational item in the Long Bill, or another legislative tool. No supplemental bills or 1331s will be required. If the General Assembly disagrees with the CCHE recommendation, they will run a bill to set a different tuition limit, or another legislative tool.
Tuition Setting	Governing boards will have authority to set tuition prices in line with CCHE policy (C.R.S. § 23-1-108 (12) (b)) and must also comply with the appropriated tuition spending authority and associated footnotes.	Governing boards will have authority to set tuition prices in line with CCHE policy (C.R.S. § 23-1-108 (12) (b)), which can be overridden by any substantive bills on tuition limits passed by the General Assembly in any given year. The Tuition Accountability Plan mechanism, operational in times of general fund increase, is described in CCHE policy.
Current Year/ True-up Process	Supplemental bills and 1331s will be necessary throughout the fiscal year, to change institutions' spending authority to account for actual revenue due to enrollment mixes and variability from the forecast. Tuition will be trued up in a Long Bill add-on after the fiscal year is over.	Supplemental bills, 1331s and Long Bill add-ons will not be necessary to adjust tuition. Final tuition revenue will continue to be provided to JBC staff through the Budget Data Books.

Process/Authority	Current Law/Process (Appropriated Tuition)	CCHE Proposed Tuition Policy (tuition for informational purposes; continuation of current law)
	The re-appropriated line item for each institution will be adjusted throughout the year for COF stipend enrollment changes and tuition changes. The adjustment for these items will be delineated in a footnote.	

Why is This the Best Policy for Colorado

As stated earlier, institutional governing boards have the fiduciary responsibility to ensure quality education programs for Colorado residents, and all students who attend. State policy should focus on statewide policies to achieve state goals, and not delve into micromanaging the businesses of each individual institution.

Therefore, the CCHE approach provides a clear understanding of the costs for Colorado's higher education system, articulates how these costs can be financed, and ensures that policy makers have the information needed when making the difficult decisions around the state budget. By tying the policy to the state budget process, Colorado can now use data and analyses to develop its resident tuition rate increase limit/flexibility so the state can easily adjust to the changes in the revenue forecast and state budget needs.

In addition, this approach will significantly reduce the administrative work on both institutions and the state with regard to enrollment forecasts, truing up actual enrollments, and executing budget supplemental bills to reconcile these.

9. Who do you expect to sponsor your proposed tuition bill (if this is now public)? How do you expect the JBC to proceed with figure setting if there is another bill out there?

As of this writing, Colorado Department of Higher Education (CDHE) continues to work with legislators on the best path forward for the proposed legislation.

CDHE expects the JBC to proceed as it has done in past years. As noted in question #8, the pre-Long Bill signing process will not change much if the tuition amount is appropriated or kept as an informational footnote. However, the post-Long Bill signing process changes significantly if tuition is appropriated.

CDHE is ready to work with the JBC as normal, and will continue to provide enrollment and revenue forecasts to JBC and Legislative Council staff prior to figure setting. In addition, tuition revenue estimates will continue to be included in the Long Bill, with assumptions about tuition rates in the footnotes. In short, the only change for figure setting if tuition is for informational purposes, as opposed to appropriated, is the "(I)" in the Long Bill as opposed *to spending authority limits.*

However, if tuition is appropriated, after the Long Bill has been signed, there will be many true-ups throughout the year for actual enrollment and the mix of students at each institution. If tuition is appropriated, multiple supplemental bills and 1331s will be necessary throughout the fiscal year, creating new and significant administrative burdens.

10. Why not analyze governing board tuition on a more individual basis? Why is a single tuition policy appropriate? If the General Assembly wanted to look at the different cost drivers for different institutions to set tuition, what would be the best way to do this?

The Colorado Commission on Higher Education (CCHE) FY 2016-17 tuition policy is based on each individual governing boards fixed costs, which they must meet in order to maintain the financial stability of their institution. Next, the Colorado Department of Higher Education (CDHE) evaluated higher education costs and the relationship of the costs to tuition.

In order to estimate the potential tuition amount needed to cover core minimum fixed costs, the table below takes the $56,599,819 core base costs increases identified for FY 2016-17 and adds the $19,181,905 General Fund reduction proposed for Governing Boards. The sum of these components adds to $75,781,724 (see table below), which Governing Boards would need to generate to cover base costs or cut other costs to cover the inflationary increases. The National Center for Higher Education Management Systems (NCHEMS) Cost Driver Study established there is limited opportunity to cut costs without impacting quality because "…Colorado institutions have reduced costs and are already far more efficient than similar systems and institutions...."

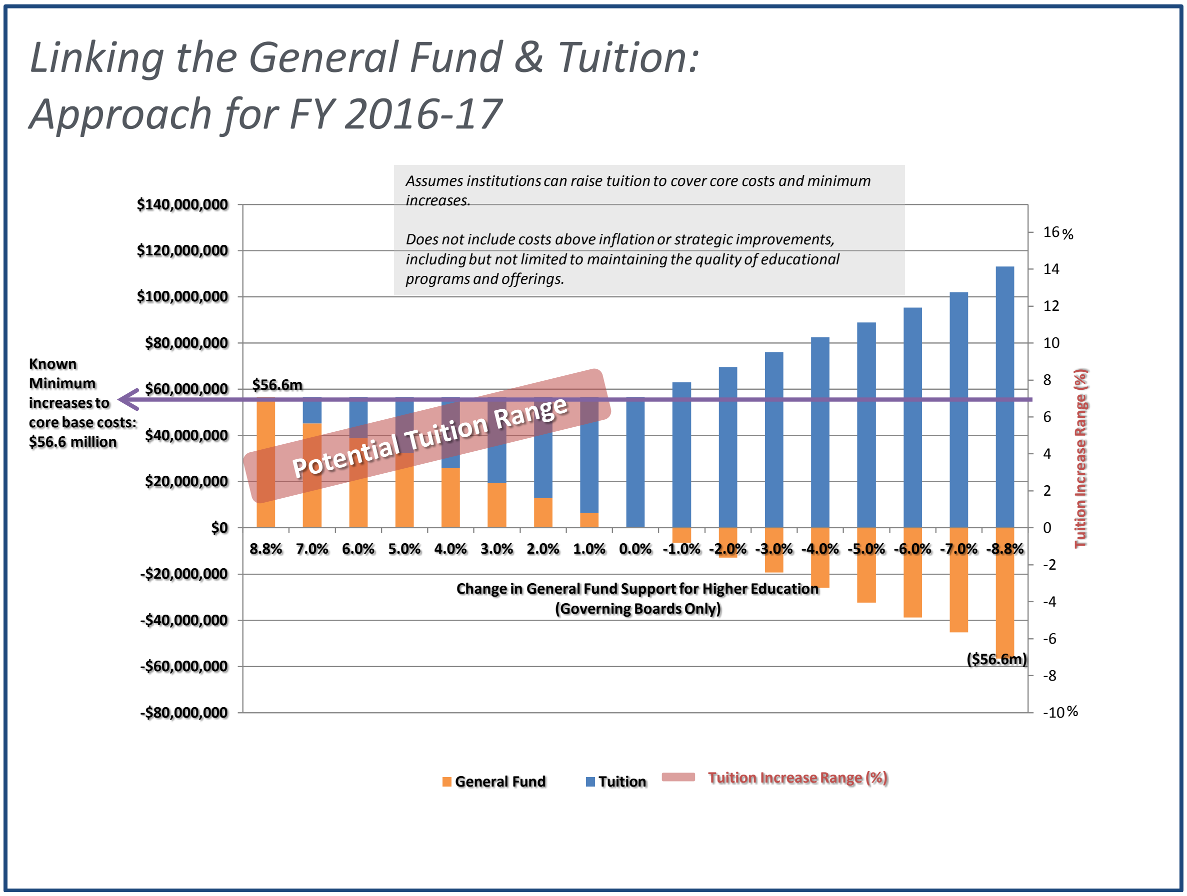
The table below identifies the total dollars generated by each 1.0 percent increase in tuition for each individual governing board. The $75.8 million (core base costs plus General Fund reduction) calculation is then divided by the figure of $9.1 million (by governing board) to estimate the tuition impact.

Governing Board	TOTAL of Inflationary Increase and GF Reduction	Total Raised by 1% Tuition Increase	% Tuition Increase Needed to Cover (only) Core Costs and GF Reduction
Adams State University	$930,547	$94,918	9.8
Colorado Mesa University	$2,344,271	$454,022	5.2
Colorado School of Mines	$3,669,817	$519,482	7.1
Colorado State University System	$15,152,721	$1,638,346	9.2
Colorado Community College System	$14,440,963	$1,957,771	7.4
Ft. Lewis College	$1,572,067	$115,664	13.6
Metropolitan State University of Denver	$3,665,003	$810,792	4.5
University of Colorado System	$27,348,862	$2,975,541	9.2
University of Northern Colorado	$5,841,050	$491,053	11.9
Western State Colorado University	$ 816,423	$86,087	9.5
TOTAL	$75,781,724	$9,143,675	8.3

As the table above indicates, the range of tuition increases is substantial. Using this metric, the calculated tuition increase is over 8.0 percent (median of 9.2 percent) with the individual impact and corresponding tuition increases varying significantly by institution.

It is important to note that this estimate does not include costs above inflation, additional salary increases, or strategic improvements, including but not limited to maintaining the current quality of educational programs and offerings. The analysis conducted by CDHE incorporates these factors not captured in the cost estimate by applying a Cost-plus-Policy basis to analyze and determine the tuition recommendation. This allows Governing Boards to determine the recommended tuition limit that captures each institution's own unique niche – reflecting competitive environments, level of state support, and other distinct characteristics.

Utilizing this Cost-plus-Policy approach, if the state meets the entire minimum cost estimate, institutions would require lower tuition rate increases, in order to pay for mandatory cost increases and strategic improvements. As illustrated below, if the state is unable to cover these minimum costs, tuition rate increases are likely to continue rising.



In the context of the FY 2016-17 budget request, which contains a budget decrease, the CCHE tuition recommendation is for Governing Board tuition flexibility. Specifically, the CCHE recommendation for FY 2016-17 states that there will be no restrictions on tuition levels set by governing boards if funding falls below FY 2015-16 levels, which the budget request seeks to do. Additionally, because CCHE adopted an annual process to establish a tuition recommendation it is possible to develop governing board specific parameters in future budget cycles.

11. Can universities continue to operate in a budget cut era if they don't have control of tuition?

Governing Board's control of tuition is critical to carrying out their statutorily mandated fiduciary duties and responsibilities. Taking control of tuition away from governing boards could limit a governing board's ability to adequately fulfill their unique mission, address costs, respond to competitive pressure, threaten their operational viability, and significantly impact institutional quality. Furthermore, the lack of tuition control could lead to higher borrowing costs as ratings agencies may view the lack of tuition control, along with low and volatile state funding, as a negative factor in lending decisions.

Governing boards have the constitutionally granted responsibility and authority for the financial management of their institutions. A major component of sound financial *management is the setting of tuition. Since institutions have unique roles and missions, market competitive pressures, and differing student needs, governing boards are best equipped to set tuition and hold a fiduciary duty to their respective institutions. Colorado Commission on Higher Education (CCHE) has a responsibility to exercise oversight and to ensure that educational quality and student access are maintained.*

Traditionally, tuition increases are a function of higher education costs relative to an institution's ability to generate dollars (either General Fund or tuition) to cover those costs. Costs which are not funded by General Fund may need to be supported through tuition increases or through the cutting of other costs to cover the inflationary increases. The National Center for Higher Education Management Systems (NCHEMS) Cost Driver Study established there is limited opportunity to cut costs without impacting quality because "…Colorado institutions have reduced costs and are already far more efficient than similar systems and institutions...."

Colorado's shift from a funding approach largely supported by state appropriations to one primarily dependent on tuition revenue has challenged the institutions ability to balance operational realities and the need to ensure affordable access to higher education for Colorado families.

The Colorado Department of Higher Education contracted with NCHEMS to perform an analysis of tuition setting practices in Colorado ("Tuition-Setting Practices in Colorado's Public Colleges and Universities" June 30, 2015). According to the NCHEMS report:

- *Tuition rate decisions in Colorado are particularly high stakes decisions because:*
  - *Much of the institutions' revenue comes from tuition: if set too low, the institutions' ability to invest in quality and initiatives designed to further goal achievement is jeopardized; if set too high, enrollment numbers could be negatively affected.*
  - *Colorado institutions are already operating with comparatively few general operating funds. Revenue shortfalls engender major changes not easily found through additional efficiencies.*

- *Enrollment numbers (and the in-state/out-of-state mix) play an extraordinarily important role in determining the fiscal stability and health of Colorado institutions. The ability for an institution to grow their enrollment numbers helps keep tuition rates down.*

REQUEST R1, HOUSE BILL 14-1319 FUNDING MODEL 2.0, AND INSTITUTIONAL OUTCOMES/PERFORMANCE

12. Explain the department's point of view on the model version 2.0. What other options did you consider for addressing role and mission funding and why were those rejected? What is the Department's opinion of the staff alternatives?

Higher Education Funding Allocation Model Version 2.0

Colorado Department of Higher Education (CDHE) made critical changes to the higher education funding allocation formula to ensure a sustainable, intuitive, and dynamic structure, which balances the desires to fund according to outcomes, with the financial sustainability of each institution.

As you know, the legislative mandate to develop the formula had very aggressive deadlines, providing only seven months to develop the initial iteration of the formula - CDHE, governing boards, and Colorado Commission on Higher Education (CCHE) knew that refinements would be necessary.

Given this, beginning in April, 2015, a Funding Allocation Model Review Team (FAMRT), comprised of a representative from each governing board and one from the Office of State Planning and Budgeting, convened to: review the structure of the formula, ensure long-term stability and predictability; respond to the Joint Budget Committee's seven Requests for Information related to the formula; and, provide and respond to recommended changes.

The Joint Budget Committee's RFIs were the main focus of the FAMRT and subsequent changes to the model, which resulted in version 2.0. The RFIs asked CDHE to examine a variety of issues within the model; some which the JBC believed made the model counterintuitive in its results. The Joint Budget Committee's Requests for Information were:

CDHE RFI #25

a) *Examine the role of the "Tuition Stability Factor" within the model and how it should be utilized in the future.*
b) *Examine the feasibility, cost, and benefit to weighting resident and non-resident students within the model.*
c) *Examine the feasibility, cost, and benefit to program the ability to download model settings and funding results into an Excel spreadsheet format for any given "run" of the model; allowing users to compare the impact of various model settings without excessive data entry.*
    I. *Ensure the ability for all concerned parties to examine data used by the model; and*
    II. *Examine the feasibility, cost, and benefit to program a mechanism into the model that would allow for consideration of how model results would change with different underlying data, e.g., data from prior years.*

d) Examine the feasibility, cost, and benefit to program a mechanism to run the model so that an adjustment to any particular model setting or value does not change the funding allocation associated with other model components but instead increases or decreases the total model funding - thus enabling an increase or decrease support for services (such as Pell-eligible students or masters degrees awarded) without simultaneously reducing funding to other model components.

e) Continue to examine how performance funding is awarded to incentivize increased completions, retentions, and transfers. In particular:

I. Explore why increasing the proportion of funding directed to performance in the FY 2016 model reduces funding to the state's more selective institutions. Does this indicate a need for further changes to the model?

II. Explore how changes in the numbers of degrees awarded at small versus large governing boards could affect performance funding for each, given FY 2016 model settings and recent trends in degrees awarded at boards of different sizes.

f) Examine the feasibility, cost, and benefit to incorporating total institutional revenue within the model.

The overarching goals of the review process and subsequent changes to the allocation formula were to provide a simple, clear, and sustainable model that implements the legislation and provides incentives to institutions to meet the policy objectives of the General Assembly and the CCHE's Master Plan. Specifically, The ***CDHE sought to simplify and reduce the volatility of the model, as well as to ensure the model could work under various state budget scenarios, such as funding reductions.***

The first phase of the work involved bringing the model in house to CDHE from the vendor, the National Center for Higher Education Management Systems, and conducting a thorough technical review of every aspect of the model. CDHE identified and made technical corrections, which were vetted through the FAMRT.

Through the second phase of work, CDHE and FAMRT addressed needed structural changes to the allocation model. After analysis and input from the review team, CDHE staff and the Funding Allocation Model Review Team concluded two areas needed refinements to make the model simpler and less volatile:

- *The Tuition Stability Factor (Role and Mission) and its role in creating a less volatile representation of Role and Mission; and*
- *The influence and mechanics of the Volume Adjusted Awards (Performance), which created issues regarding the intuitiveness of model.*

Modifications to Role and Mission

In the FY 2015-16 allocation model, Role and Mission was based on three factors:

- *Weighted Student Credit Hours;*
- *Pell as Percentage of the College Opportunity Fund Stipend; and*
- *The Tuition Stability Factor.*

In particular, the Tuition Stability Factor was identified as an area for immediate improvement. After conducting further analysis, it was also determined that the Weighted Student Credit Hours created additional volatility, as it was primarily driven by changes in enrollment at institutions in an already volume/production-heavy model. The review team concluded that Role and Mission funding should provide a counterbalance to the enrollment/volume driven nature of the College Opportunity Fund (COF) stipend and the statutorily required counts of awards conferred on the Performance side of the model.

Solution
Change the nature of Role and Mission funding: Capture the role and mission of each governing board (i.e., size, location, selectivity, cost of programs) by eliminating weighted student credit hours and the tuition stability factor and replacing these with a factor that captures "mission differentiation", which is based on the outputs from the FY 2015-16 funding allocation model along with institution type and size. For more detailed information on the Mission Differentiation factor, see CDHE's response to question #15.

Modifications to Outcomes/Performance
Within the Outcomes/Performance component, the influence of the "Volume Adjusted Awards" metric hurt the intuitiveness of the first version of the model. However, without this metric, the entire outcome/performance component of the model would be driven by counts, making it difficult for smaller institutions, such as the high performing Colorado School of Mines, to earn performance funding.

Solution
Cap the Volume Adjusted Awards Metric and rename it Institutional Productivity: By placing a monetary cap on this metric, any new additional dollars flow directly to the Completion and Retention Metrics. Capping the amount of funding flowing through the Institutional Productivity balances the importance of increasing award attainment (counts) and the efficiency of increasing award attainment (awards per FTE student).

<u>Options Considered</u>
The FAMRT met throughout the summer to explore many options and alternatives to improve the funding allocation formula, as well as review and give feedback to CDHE staff on the well over one hundred draft modified versions of the formula. Suggestion and ideas from the FAMRT members were thoroughly explored and evaluated.

Role and Mission

While it was determined early on in the review process, and confirmed by conversations with experts from the four other states with similarly robust performance models, that a component capturing unique difference in institutional missions (Mission Differentiation) was needed in the model to reduce volatility and address the JBC RFIs. However, determining how the Mission Differentiation component would be calculated – making it easy to understand, based on data, and agreeable to the governing boards - proved to be very challenging.

A subcommittee of the FAMRT was formed to more closely examine the issue and CDHE reached out to JBC staff for additional suggestions. A significant amount of input from stakeholders resulted in a data-based Mission Differentiation component that most stakeholders agree fits the statutory intent of H.B.14-1319 while making the model less volatile.

Outcomes/Performance

CDHE considered removing the Institutional Productivity metric ("Volume Adjusted Awards" in version 1.0) after it recognized that it was causing the model to produce counterintuitive results when more funding was put into the Outcomes portion of the model.

CDHE staff was met by strong resistance from smaller institutions when it made the recommendation to remove the metric, as this was the only way that these institutions could compete for any of these dollars. Per statute, the Completion and Retention metrics are based solely on counts. Smaller schools do not have the same ability as larger schools to compete for the Outcomes/Performance funding.

The Institutional Productivity measure rewards institutions based on their efficiency in completing students with an award or degree. A compromise was reached among the FAMRT to cap the Institutional Productivity metric at ten million dollars, which allows smaller institutions to compete for Outcomes funding but also solves the counterintuitive issues within the model.

JBC Staff Alternatives

CDHE believes the changes it has made to the higher education funding allocation model result in a more sustainable, intuitive, and dynamic structure, which balances the desire to fund according to outcomes with the financial sustainability of institutions. Joint Budget Committee staff provided the members with four possible changes to the CCHE FY 2016-17 recommended model. CDHE's thoughts about the alternatives are below:

Assign a portion of the Role and Mission funding to weighted credit hours:

CDHE does not support eliminating reintroducing the weighted credit hour metric (see also CDHE's response to question #15):

Early on in the model review process, staff concluded the weighted credit hour portion of Role *and Mission funding was mainly to blame for the volatility in the first version of the model as it is an enrollment-based factor.*

The weighted credit hour portion in the first version was recommended by our model building consultant and has been used in other states. It gave institutions points per credit hour completed in the previous year based on the cost to provide that credit hour. For example, under weighted credit hours, a doctoral level chemistry credit hour was worth more points than a first-year history credit hour. While the weighted credit hour approach takes into account the cost per credit hour, staff found that most of the change from year to year in this metric was due to changes in enrollment - rather than a change in the costs of programs.

While the weighted credit hour option has worked well in other states with an outcomes-based funding allocation model, Colorado's higher education funding structure is unique among the states in that it provides funding for enrollment through the Colorado Opportunity Fund (COF) stipend, which is solely enrollment driven and is paid to the institutions on behalf of students. Statute requires that the enrollment based COF stipend make up at least 52.5 percent of the total funding flowing through the model. Thus, when weighted credit hours (also an enrollment driven component in the formula) are included in the model, in addition to the COF stipend, a significant portion of institutions' change in funding from year to year is based solely on enrollment. When such a large part of institution's state funding is based on enrollment, unnecessary volatility in the allocation and thus fiscal pressure is placed on the institutions. Reintroducing weighted credit hours makes the model overly complex, increases the amount of volatility within the model due to enrollment fluctuations, and reduces the long-term sustainability of the model, especially in cut-funding scenarios.

Adjust the weighted credit hours above so that they do not include non-resident students
CDHE does not support including weighted credit hours in the model.

Eliminate the Institutional Productivity Factor
CDHE does not support eliminating the productivity metric. As discussed above, CDHE believes the model should include some ability for smaller institutions to compete for a portion of the Outcomes/Performance dollar, since the other metrics are based solely on counts. A capped amount for Institutional Productivity allows institutions to be rewarded based on their efficiency in completing students with an award or degree, while not impacting the intuitiveness of this portion of the formula. However, if JBC staff has an idea for a metric that allows small institutions to earn funding in the performance component based on counts, we would welcome exploring and analyzing this idea with JBC staff and the governing boards.

Change some of the model's settings
CDHE does not support the JBC staff recommendation to keep the College Opportunity Fund stipend amount at $75 per credit hour when total State funding to institutions is being reduced by $20 million.

With the understanding that the amount of State funding available for institutions would be in flux throughout the FY 2016-17 budget cycle, CDHE solicited feedback from FAMRT about how it should adjust the various weights in the model if funding levels changed. FAMRT recommended keeping the variation in results between institutions similar in different budget scenarios. This requires proportional adjustments to the amount of funding flowing through the three portions of the model: College Opportunity Fund stipend, Role and Mission, and Outcomes/Performance. The proportional adjustment resulted in a recommended stipend amount of $73 per credit hour.

If the stipend was increased to $75, the results from the model would be significantly different from the CCHE's recommendation and the Governor's requested allocation and would provide substantially more funding to those institutions which receive a larger portion of their funding from the stipend (enrollment).

13. **Describe how the HB 14-1319 model is being used for budget cuts. Is this an appropriate use of the model? Is the proportionate allocation the same if there's a funding increase? What happens with flat funding?**

Unlike the K-12 school finance formula, which determines the overall amount of state funding, the higher education funding allocation formula allocates among the institutions the level of state funding provided in the long bill.

The higher education funding allocation formula was specifically developed to allocate limited state resources to institutions primarily based on (1) the number of students they are serving and (2) their successes with those students (retention and completion). In addition, the formula provides Role and Mission (mission differentiation) funding to each institution in order to ensure continued access and availability of higher education opportunities in all areas of the state. Whether in a year of state increases or decreases, the allocation formula does just this.

Prior to the Governor's budget request, Colorado Department of Higher Education (CDHE) conducted analyses based on several different scenarios – 5 percent funding increase, flat funding, and 5 percent funding decrease - to determine how the funding allocation formula would behave in various budgetary conditions. It was through this review that it became clear the first version of the model created too much volatility in outcomes.

There were a few members of the Funding Allocation Model Review Team (FAMRT) who expressed the desire to have proportionate reductions in the case of a budget cut or hold to the previous year's allocation in the case of flat funding. While CDHE understands the motivation behind this suggestion, CDHE also understands the importance (to the General Assembly and CCHE) of honoring the purpose of creating a funding allocation formula in the first place – to remove the politics from the conversation and base the allocation on students *and outcomes. This was the basis of creating a balance between the two stakeholder opinions, as described in more detail in questions #12 and #15.*

The first goal was to reduce the volatility in the model from year to year. The Mission Differentiation solved much of the volatility problem as it captures the role and mission of each governing board (i.e., size, location, selectivity, cost of programs) by eliminating weighted student credit hours and the tuition stability factor and replacing these with a factor that captures "Mission Differentiation," which is based on the outputs from the FY 2015-16 funding allocation model along with institution type and size.

As a result of changing to Mission Differentiation, the FAMRT was able to focus on the policy that should drive the funding through the model in times of cuts or increased funding. It was important that as State funding to higher education increased, a larger portion of the funding should go to performance and as State funding to higher education decreased, a larger portion of the total amount should go towards College Opportunity Fund (COF) stipend and Role and Mission funding to "keep the doors open" at the intuitions. The use of Mission Differentiation allows the FAMRT to structure the model so that it functions according to the statutory mandate.

While these changes created less volatility in the model, they did not result in proportionate cuts. CDHE and Colorado Commission on Higher Education (CCHE) believe the proper balance has been struck between the two in version 2.0 of the model.

The charts below show version 2.0 allocations under various scenarios, including at flat funding and at an increase of $50 million.

Higher Education Funding Allocation Model 2.0 - Flat Funding Scenario

Governing Board	FY 2016 Approps (COF and FFS)	FY 2017 Total From COF Stipend	FY 2017 Total From Role & Mission	FY 2017 Total from Performance	FY 2017 Total From Model	FY 2017 Total with SEP and Special Bills	% Change from Prior Year
Adams	$14,121,017	$2,890,626	$8,510,340	$2,853,800	$14,254,765	$14,254,765	0.95%
Mesa	$24,465,356	$13,706,155	$6,500,682	$4,144,173	$24,351,011	$24,351,011	-0.47%
Mines	$20,547,328	$6,194,533	$9,771,997	$4,807,023	$20,773,553	$20,773,553	1.10%
CSU	$134,660,184	$43,047,716	$20,546,221	$17,056,183	$80,650,120	$134,464,491	-0.15%
CCCS	$153,462,581	$106,473,273	$28,467,474	$17,932,111	$152,872,858	153,462,581	-0.38%
Ft. Lewis	$11,822,422	$4,041,098	$5,046,259	$2,492,511	$11,579,868	$11,579,868	-2.05%
Metro	$50,153,399	$32,248,782	$9,817,499	$9,119,909	$51,186,189	$51,186,189	2.06%
CU	$184,615,667	$62,352,540	$31,925,706	$29,341,897	$123,620,143	$186,217,064	0.87%
UNC	$41,092,729	$15,440,878	$16,715,361	$7,057,469	$39,213,708	$39,213,708	-4.57%
Western	$11,643,992	$2,967,276	$6,757,260	$1,946,535	$11,671,071	$11,671,071	0.23%
Aims	$7,452,827	$ -	$ -	$ -	$ -	$7,452,827	0.0%
CMC	$8,797,782	$ -	$ -	$ -	$ -	$8,797,782	0.0%
AVS	$9,971,721	$ -	$ -	$ -	$ -	$9,971,721	0.0%
Total	$672,893,975	$289,362,876	$144,058,800	$96,751,611	$530,173,286	$672,893,975	0.0%

Higher Education Funding Allocation Model 2.0 - $50 Million Increase Scenario

Governing Board	FY 2016 Appropriations (COF and FFS)	FY 2017 Total From COF Stipend	FY 2017 Total From Role & Mission	FY 2017 Total from Performance	FY 2017 Total From Model	FY 2017 Total with SEP and Special Bills	% Change from Prior Year
Adams	$14,121,017	$3,083,334	$9,105,462	$3,055,00	$15,243,795	$15,243,795	7.95%
Mesa	$24,465,356	$14,619,899	$6,953,773	$4,517,567	$26,091,239	$26,091,239	6.65%
Mines	$20,547,328	$6,607,502	$10,455,539	$5,237,885	$22,300,926	$22,300,926	8.53%
CSU	$134,660,184	$45,917,563	$21,980,391	$18,911,568	$86,809,523	$144,623,136	7.4%
CCCS	$153,549,541	$113,571,491	$30,445,383	$19,930,051	$163,946,926	$164,033,886	6.83%
Ft. Lewis	$11,822,422	$4,310,504	$5,399,49	$2,671,978	$12,381,531	$12,381,531	4.73%
Metro	$50,153,399	$34,398,701	$10,499,809	$10,061,342	$54,959,853	$54,959,853	9.58%
CU	$184,615,667	$66,509,376	$34,153,674	$32,621,297	$133,284,347	$200,533,191	8.62%
UNC	$41,092,729	$16,470,270	$17,883,527	$7,749,267	$42,103,064	$42,103,064	2.46%
Western	$11,643,992	$3,165,094	$7,229,922	$2,057,271	$12,452,287	$12,452,287	6,94%
Aims	$7,452,827	$ -	$ -	$ -	$ -	$8,006,688	7.43%
CMC	$8,797,792	$ -	$ -	$ -	$ -	$9,451,604	7.43%
AVS	$9,971,721	$ -	$ -	$ -	$ -	$10,712,775	7.53%
Total	$672,893,975	$308,653,734	$154,106,530	$106,813,228	$530,173,286	$722,893,975	7.43%

14. What have we accomplished with HB 1319? Did we complicate something and end up with the same answer? How has it changed the budget in terms of what would have happened without it? Have the rural schools benefited as was expected from the plan?

The development and implementation of the new higher education funding allocation formula is a significant policy change for Colorado and now allocates funding based on specific state goals through common, measurable, and updatable factors and metrics. Previously, funding for institutions was frequently based on proportional increases or decreases based on available state funds in any given year.

Over the years, the General Assembly and Administration had complaints about higher education funding - that it was unclear what state dollars were buying; politics and lobbying by individual institutions was driving allocations rather than policy; as well as, concerns that we were not meeting our workforce needs.

The passage of H.B. 14-1319 changed all of this by requiring a mechanism be developed to allocate limited state resources to institutions based on statewide goals and objectives. The new formula, developed in conjunction with all affected governing boards, allocates state funding primarily based on (1) the number of students they are serving and (2) their successes with those students (retention and completion). In addition, the formula provides Role and Mission funding to each institution to offset costs ensuring continued access and availability of higher education opportunities in all areas of the state. This represents a significant policy change

Governing boards will no longer receive a proportionate base (plus or minus) change, allocations are now based on the outcomes from the model.

As required by HB 14-1319, the higher education funding allocation model consists of three sections:

The College Opportunity Fund Stipend

A per-student stipend for new and continuing undergraduate resident students going to college in Colorado.

Role & Mission Factors

Funding to support the role and mission and general operations of institutions. Additional funding provided for services to support low income students.

Outcomes/Performance Metrics

Outcomes-based measurment rewarding institutions for the: (1) degrees and certificates produced; and, (2) student progression to a degree or certificate. Funding is provided based on both total numbers produced and production relative to institution size.

The allocation formula has been designed to provide a simple, clear, and sustainable model that implements the legislation and provides incentives to institutions to meet state policy objectives and Colorado Commission on Higher Education's (CCHE) Master Plan. The Funding Allocation Model Review Team (FAMRT) worked to develop and implement an allocation formula that finds the right balance between rewarding performance and sustainability for all of Colorado's public institutions of higher education (e.g.; rural, urban).

The language in HB 14-1319 is clear in its goal to develop a higher education allocation formula that is transparent and understandable. To achieve this goal, the legislation outlines Role and Mission funding, designed to offset costs incurred in providing undergraduate programs at Colorado's unique institutions of higher education and performance funding rewarding completion and retention. There is no specific intent in the legislation to benefit rural institutions.

15. If we turn role and mission funding into a "base," does this mean that role and mission no longer matters?

The Role and Mission (Mission Differentiation) portion of the higher education funding allocation formula has not been turned into a "base". Rather, it is flexible and the amount of funding dedicated to this factor can be increased when state funding increases or decreased when state funding decreases.

This provides a valuable, input-targeted stabilization tool within the model vital to withstand the volatile State funding conditions of Colorado's public higher education system. It could also be used to target funding at specific types of schools, based on state priorities. For example, if a state priority emerged that sought to target larger community colleges, the percentage weight given to the schools in tier "2-year, A" could be increased. *See chart on page 45.*

As discussed in earlier answers - after version 1.0 of the model was completed and implemented, Colorado Department of Higher Education (CDHE) was asked by the Joint Budget Committee (JBC) and Colorado Commission on Higher Education (CCHE) to analyze the stability of the model. CDHE conducted analyses based on several different scenarios – 5 percent funding increase, flat funding, and 5 percent funding decrease - to understand how the funding allocation formula would behave in various budgetary conditions.

It was through this review that it became clear the initial version of the model created too much volatility in outcomes when using second year data. CDHE was especially concerned about the volatility of the model when reviewing funding cut scenarios, as it walked the fine line of keeping all institutions viable while continuing to use an outcomes-based funding allocation model.

It was concluded that the use of the weighted credit hour factor in the Role and Mission funding was the primary cause for volatility in the first version of the model, as it is an enrollment-based metric. The weighted credit hour portion in the first version was recommended by our model building consultant and has been used in other states. It gave institutions points per credit hour completed in the previous year based on the cost to provide that credit hour. For example, under weighted credit hours, a doctoral level chemistry credit hour was worth more points than a first-year history credit hour. While the weighted credit hour approach takes into account the cost per credit hour, the FAMRT <u>identified that most of the change from year to year in this factor was due to changes in enrollment - rather than a change in the costs of programs</u> – and, as such, would have a significant negative impact on our smaller and rural schools.

While the weighted credit hour option has worked well in other states with an outcomes-based funding allocation model, Colorado's higher education funding structure is unique among the states in that it provides funding for enrollment through the Colorado Opportunity Fund (COF) stipend, which is solely enrollment driven and is paid to the institutions on behalf of students. Statute requires that the enrollment based COF stipend make up at least 52.5 percent of the total funding flowing through the model. Also, the performance component (except for the productivity metric) is volume driven. Thus, when weighted credit hours (also an enrollment driven component in the formula) are included in the model, in addition to the COF stipend and the vast majority of performance, a significant portion of institutions' change in funding from year to year is based solely on enrollment. When such a large part of institution's state funding is based on enrollment, unnecessary volatility in the allocation and thus fiscal pressure is placed on the institutions.

In order to mitigate the fiscal pressure and underlying volatility, CDHE sought to capture the role and mission of each governing board (i.e., size, location, selectivity, cost of programs) by eliminating weighted student credit hours and the tuition stability factor and replacing these with a factor that captures "Mission Differentiation." This measurement is based on the outputs from the FY 2015-16 funding allocation model as well as institution type and size. Throughout the summer, the FAMRT, CDHE staff, and CCHE's Fiscal Affairs and Audit standing committee considered many versions of Mission Differentiation.

The revised Role and Mission (Mission Differentiation) could be modified based on the amount of State funding going through the model and State priorities.

The Mission Differentiation factor is calculated using the FY 2015-16 funding model allocation output for Role and Mission and Performance, multiplied by the institution's tier percentage. The tier percentage is determined based on the type of institution and number of full time equivalent students it serves with more dollars going to smaller institutions to help offset the "volume" nature inherent in the formula. See the table below for details.

Mission Differentiation Chart		
Mission Differentiation Tiers		
Tier	FTE Range	Tier Percentage
Research		
R1	25,000+	45%
R2	15,000 to 25,000	50%
R3	Under 15,000	68%
Comp 4-year		
C1	15,000+	45%
C2	10,000 to 15,000	50%
C3	5,000 to 10,000	60%
C4	2,500 to 5,000	68%
C5	Under 2,500	75%
2-year		
A	7,500 +	45%
B	1,500 to 7,500	60%
C	< 1,500	65%

16. What impact does the H.B. 14-1319 model have on institutional net cost and tuition?

The level of state funding will be the primary driver of any overall impact on institutional net cost and tuition, while the higher education funding allocation formula allocates the state dollars provided in a manner consistent with statute.

Tuition increases are a function of Education and General (E&G) costs relative to an institution's ability to generate dollars (either General Fund or tuition) to cover those costs. Costs which are not funded by General Fund may need to be supported through tuition increases. As it stands currently, a $20 million cut to higher education funding will result in *less money flowing through the model, which will likely raise institutional net cost and thus tuition.*

The higher education funding formula has only been in place for one year. Therefore, it is too soon to tell what impact the formula might have on net cost and tuition. However, because all state general funds are allocated through the allocation funding formula, some governing boards may receive an allocation that is less than the overall percentage decrease for higher education — and may require higher tuition increases to cover the General Fund reduction as well as increased costs.

17. How are we using the H.B. 14-1319 model to reward performance? Has it impacted performance?

In both the FY 2015-16 and FY 2016-17 models, performance accounts for 18.1 percent of the total state appropriation. Performance funding allocations are based on two components:

- ***Completion and Retention** – This metric rewards an institution's performance based on (1) the number of students who transfer from a two-year to a four-year institution after completing at least 18 credit hours; (2) the number of certificates/degrees conferred; and (3) the number of students who make academic progress of 25 percent, 50 percent, and 75 percent in the relative two-year or four-year program.*

- ***Institutional Productivity** – This metric rewards an institution's performance in relation to their size compared to the other state governing board institutions in Colorado. This addresses concerns about small/rural institutions' inability to compete for Completion and Retention dollars and recognizes rates of productivity.*

FY 2015-16 is the first year that governing boards are receiving allocations under the H.B. 14-1319. As a result, it is too soon to tell what impact the formula has on performance.

18. In what other ways does the Department assess institutional performance?

Prior to H.B. 14-1319 and the new higher education funding model, S.B. 11-052 required the Colorado Commission on Higher Education (CCHE) to create a statewide master plan setting the agenda for the CDHE and framing the focus of our public colleges and universities through 2025. The plan developed identifies four goals that address areas of critical concern to the state: (1) increase credential attainment; (2) improve student success; (3) reduce gaps; and (4) restore fiscal balance.

As required by S.B. 11-052, and negotiated with each public institution's governing board, performance contracts lay out specific metrics against which each institution's performance toward meeting the goals is measured. While the four performance goals are intended to *address areas of statewide concern, each public institution has its own role and mission, service area, and own distinct demographic challenges and target students. Recognizing these differences, CCHE developed performance contracts that contain specific metrics that are common to all institutions as well as individual metrics specifically developed by each institution and tied to its individual mission. These metrics were rolled up to the governing board level for system colleges. Each institution or governing board's performance is assessed based on its progress in successfully meeting its metrics.*

Additionally, the CDHE annually reports at the institutional level on how students are progressing through our public colleges and universities. These reports include remedial rates, retention rates, transfer rates, number of students enrolling in and graduating from STEM programs and graduation rates. Over the last two years CDHE has also released two reports and complimentary websites, Colleges Measures (2013) and Ed Pays (2015) showing wage earnings by college and major for graduating Coloradans.

19. Why does UNC end up at the bottom? What is driving it? Enrollment?

The previous method for allocating funding to the institutions was generally considered a base plus/minus model, meaning any increase or decrease was proportionately distributed to each institution's base and frequently did not fully account for any changes in enrollment, especially during the years of the Great Recession when deep state budget cuts were required. As now mandated by H.B. 14-1319, statute now specifically requires that the enrollment based College Opportunity Fund (COF) stipend make up at least 52.5 percent of the total funding flowing through the higher education funding allocation formula. Therefore, the largest portion of funding is allocated primarily by enrollment. For example, 70 percent of the change in UNC's funding is attributed to a decline in the COF (enrollment) portion of the model.

UNC has seen significant decreases in enrollment over the past 10 years and several institutions have experienced significant increases in enrollment. During this same period, the state has significantly reduced state support per FTE student. Without new dollars, it is extremely difficult to fully account for enrollment changes in funding allocations because it forces the redistribution of existing state funds among institutions. The General Assembly anticipated that a period of time is necessary for institutions to adjust to the new funding allocation formula, and included a provision in the law to provide a five-year guardrail to ensure no governing board's total appropriation decrease (or increase) by more than 5 percent of the change in the total state appropriation (per 23-18-305 C.R.S.) from its prior year appropriation.

“SOME COLLEGE” IS THE NEW HIGH SCHOOL

20. What does the Department think about the idea that every student should have a technical or associate’s degree before leaving school?

Regarding the question as to whether every high school student should have a post-secondary credential, Colorado Department of Higher Education (CDHE) experts express caution about whether it is appropriate for every high school student to have a postsecondary credential. Even if the 13th year became the new standard for high school, it would be difficult for a student to get a full associates degree within the expanded 13th year. Some might think a Career and Technical Education (CTE) certificate is a good idea then, since it is shorter. But that might not be appropriate for a student who intends to transfer to a university. Some students need to be focused on Guaranteed Transfer (GT) courses, while others may indeed choose a pathway to a CTE certificate. Thorough advising of individual students, so students can make the most appropriate decision, is critical in either case.

However, the importance of having a postsecondary credential has never been greater. By 2020, an estimated 74 percent of jobs in Colorado will require some form of postsecondary education, according to Georgetown Center for Education and the Workforce. In contrast, the demand for high school only trained adults in Colorado is the second weakest in the nation (49th in the nation).

For context, in 1973, nationally - workers with postsecondary education held only 28 percent of jobs. The recent Colorado Talent Pipeline Report found that 88 percent of “top jobs” (jobs that have high growth rates and openings, and typically offer a living wage) will require a postsecondary education.

To meet workforce needs, Colorado Commission on Higher Education’s (CCHE) Master Plan has a goal of ensuring that 66 percent of the population has a postsecondary certificate or degree by 2025.

To get to our goal of 66 percent, we know we must serve more Coloradans, and specifically more underserved/nontraditional students.

Today about 46 percent of Coloradans (age 25+) have at least an associate degree (Only 20 percent of Hispanics, 34 percent of Black Coloradans, and 31 percent of Native Americans have at least an associate degree)

If we add in Coloradans who have a certificate, the most optimistic of estimates say that about 56 percent of Coloradans have attained some form of a postsecondary credential, which includes technical certificates.

CDHE is collaborating with the Department of Education, Department of Labor and

Employment, Office of Economic Development and International Trade, and Workforce Development Council on these efforts.

CDHE, CCHE, and their partners are proud of the innovative thinking that has led to so many initiatives, such as Concurrent Enrollment, which help to increase access to and success with higher education, as well as reduce time-to-degree/credential (which reduces overall costs). But we know much more must be done. For example, although Concurrent Enrollment is seeing success, in order to take it to scale in Colorado, there is missing pieces that will make Concurrent Enrollment more successful. CDHE and its partners are involved in a LEAN process to study, document, and implement necessary improvements to Concurrent Enrollment.

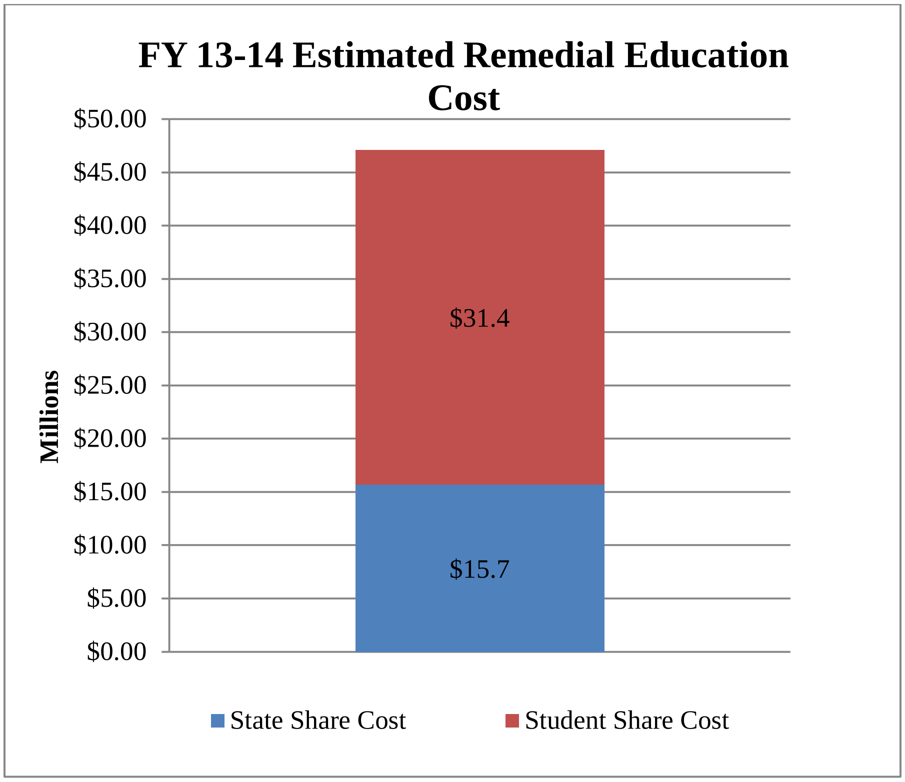
In addition, CDHE is spearheading an initiative to close the attainment gap, and is pursing evidence-based student success strategies such as enhanced/intrusive advising, wrap-around services for low-income and under-served students, career pathways, guided pathways to success, career counseling, and connections to business and industry in order to expand and scale experiential learning opportunities for students.

Finally, the CCHE and CDHE are fully engaged with institutional leaders and faculty to facilitate the expansion of Prior Learning Assessment - which provides opportunities to gain college credit for college-level learning acquired from other sources, such as work-experience, military training and other professional training.

21. How much of community college coursework is for remedial classes? How much is being paid in the postsecondary system for costs that should have been covered in the K-12 system?

According to the Colorado Department of Higher Education's (CDHE) most recent annual report on remedial education, 135,224 credit hours were taken in remedial courses. In 2014, students at community colleges took 751,938 total credit hours. Using these figures, 18 percent of community college coursework taken between fall 2013 and spring 2014 was in remedial courses.

Two-year and four-year institutions that are authorized to offer remedial instruction reported that 51,874 remedial courses were taken in fall 2013 and spring 2014, a decrease from last year's figure of 70,541 remedial courses. The estimated total cost for remedial instruction associated with these courses is $47.1 million. This total is comprised of an estimated state cost of $15.7 million and an estimated student cost of $31.4 million. The FY 2013-14, remedial education cost is a decrease over last year's estimated cost of $56.1 million and shows a savings of over nine million dollars due to fewer students taking remedial courses and fewer courses being offered. Consistent with last year's estimated figures, the high portion of responsibility is on the student to cover.



22. What are the savings to the State and students of the early college system, *i.e.*, when students obtain degrees and certificates before graduating high school?

Reducing time to degree can have a profound impact on the overall cost of higher education for students. For example, one additional year in their program increases the students cost by at least 25 percent; a second year by at least 50 percent.

Dual enrollment programs provide high school students the opportunity to enroll in college-level courses and earn college credit in tandem with earning their high school diploma. The table bellows shows the small percent of students who earned a credential while still in high school.

Students who obtained a postsecondary credential while still in high school			
High School Graduation Year	**Count of students who obtained a postsecondary credential while still in high school**	**Total High School Graduates**	**Percent of student who obtained a postsecondary credential while still in high school**
2009	169	50,174	0.34%
2011	249	52,245	0.48%
2014	292	53,745	0.54%
2010	452	51,683	0.87%
2012	658	52,012	1.27%
2013	911	54,480	1.67%

While the cost savings to the state and the students for early college programs are difficult to quantify, data are available that show the positive impact dual enrollment programs have on student success.

In 2014, Colorado Department of Higher Education (CDHE) conducted a robust multivariate analysis that better isolated and estimated the effect of dual enrollment participation on college-going rates and remedial rates. The study found that participation in dual enrollment is associated with a 23 percent increase in the likelihood of enrolling in college and a 10 percent decrease in the need for remediation, holding gender, income, race/ethnicity, and ACT scores constant.

Of the high school students participating in a dual enrollment program, on average more than 78 percent enrolled in college in the fall immediately following graduation. Among students who were not enrolled in a dual enrollment program, on average only 51 percent enrolled in college the following fall.

College students who participated in a dual enrollment program had higher earned cumulative credit hours, on average 36 credit hours, by the end of their first year of college compared to approximately 27 credit hours earned for students who were not dually enrolled in high school. Although this finding may not be surprising since students begin earning college credits in high school, the accumulation of higher credit hours has been linked to retention and successful degree attainment.

Examining the 2011 and 2012 high school graduates who have enrolled in college, those students who participated in a dual enrollment program have a higher first-year retention rate at 82 percent, on average, compared to a retention rate of 79 percent for students who did not take dual enrollment courses in high school. First-year persistence has been shown to be a positive predictor of degree attainment.

Both reduced remedial rates and increased persistence rates reduce the cost of degree completion for the student and the state.

23. Are high school and postsecondary goals aligned? How do we measure what we value in the two systems? Does k-12 match what Higher Ed wants? Are we remediating the correct things? Does K-12 need to look different?

<u>Are high school and postsecondary goals aligned?</u>
High school and postsecondary goals are aligned. The State Board of Education's Graduation Guidelines and Colorado Commission on Higher Education's (CCHE) Admissions and Remedial Policies have been created in concert with the goals of the Colorado Department of Education (CDE) and Colorado Department of Higher Education (CDHE).

The Graduation Guidelines contain a multitude of ways high school students can demonstrate readiness for college and career, as well as the ways CCHE's policies are in line with those pathways. Having multiple ways for students to demonstrate college and career readiness help meet the needs of students and ensures CDE and CDHE can meet their respective goals to promote an educated Colorado citizenry.

<u>How do we measure what we value in the two systems?</u>
Working under the assumption that the State values college and career readiness for K-12 students and award completion for students in higher education, one way of measuring college and career readiness for K-12 is by the number of students requiring remediation before taking college-level coursework. Higher education award completion is measured by the number of students who complete credentials and the time it takes for a student to reach completion.

<u>Does K-12 match what Higher Ed wants?</u>
One of the outputs higher education values from the K-12 system is graduates who are ready for college-level work. Unfortunately, a significant number of Colorado high school graduates are unprepared for college-level English and mathematics coursework in their chosen degree path. In addition, many students lack proficiency in competencies, such as critical thinking, determination, organization, and time management. It is important to note that a student's chosen degree path can impact whether they are considered college ready. For example, a student might be prepared to complete a Career and Technical Education (CTE) certificate, but may not yet have the math skills required for a bachelor's degree in engineering.

<u>Are we remediating the correct things? Does K-12 need to look different?</u>
The Colorado Department of Education and CDHE staff are working together to ensure higher education's expectations are more clearly communicated to K-12 students, counselors,

and parents. As noted earlier, the expectations for readiness vary by pathway. For instance a Career and Technical Education (CTE) certificate has different requirements for secondary students compared to an associate's or bachelor's degree in a STEM field. CDHE anticipates its work to update the CCHE's Graduation Guidelines and Remedial Policy will provide greater clarity to help prepare students for the next steps after high school.

24. Are workforce ready and college ready the same thing today?

Colorado Revised Statute defines workforce ready and college ready as the same.

Many of the skills (both academic and social/behavioral) that ensure success in higher education are also valued by employers. There is a body of research that strongly suggests expectations of businesses and employers are the same expectations of higher education institutions.

25. What do we know about whether students are landing a job after completing a degree or certificate and how much they earn?

While we have data on employment outcomes in Colorado, we do not have data on our graduates' employment outcomes in other states, nor do we know the impetus of why a student would or would not be employed in Colorado (some students continue their education, some move out of state for job opportunities, some leave the workforce due to personal reasons, etc.).

Earnings outcomes are highly dependent on program type and credential level, as one would expect that different occupations have different earnings potential. For example, graduates of an associate degree in fire protection program show median fifth year earnings of $73,800, while completers of an associate degree in vehicle maintenance show median fifth year earnings of $43,400. Median fifth year earnings for bachelor's degree completers in computer science are $78,000, whereas median fifth year earnings for bachelor's degree completers in human development are $40,000.

Across all programs, however, median earnings do typically increase over the years. For example, median first year earnings across all bachelor's degrees may start at $33,100, but even five years later that figure has increased to $47,000, and ten years later $55,300.

Overall, students with resident tuition status are more likely to be working in Colorado the year following graduation (73 percent of residents compared to 31 percent of non-residents). However, when we look at whether a graduate is participating in Colorado's workforce between one and five years following graduation, these figures typically increase overall.

Credential type can also influence how many graduates are employed in-state, which likely reflects the national trend of higher mobility levels as one increases his or her level of *education. On average, 74 percent of certificate completers are found in Colorado's workforce the year following completion, 76 percent of associate of applied science, 67 percent of bachelor's, 61 percent of master's, and 45 percent of doctoral degrees.*

Additional variation exists by program major, in terms of who is found working in the state the year following graduation; influences on these trends are numerous, from the attraction of different industries inside or outside of Colorado and where job opportunities are to whether additional education is typically needed for employability, etc. For example, 90 percent of registered nursing program completers (associate degree level) are found to be working in Colorado the year following graduation, while 76 percent of completers of a precision metalworking associate degree are. Sixty-three percent of civil engineering bachelor's completers are, whereas 81 percent of accounting bachelor's degrees are.

For specific information about the earnings of Colorado graduates please see the Ed Pays website: http://co.edpays.org/

26. What are our four-year institutions doing to lock in a two year accredited degree within the four years?

Students who complete an Associate of Arts or an Associate of Science at a community college are guaranteed admission to a 4-year institution. Students who follow one of the 32 statewide transfer agreements are guaranteed to have all 60 credits of their Associate of Arts or an Associate of Science transfer and apply to their bachelor's degree and are also guaranteed to get through the bachelor's degree in no more than an additional 60 credits to meet the statutory credit cap of 120 credits for bachelor's degrees.

For more information about Guaranteed Transfer (GT) courses, please visit: http://highered.colorado.gov/academics/transfers/students.html

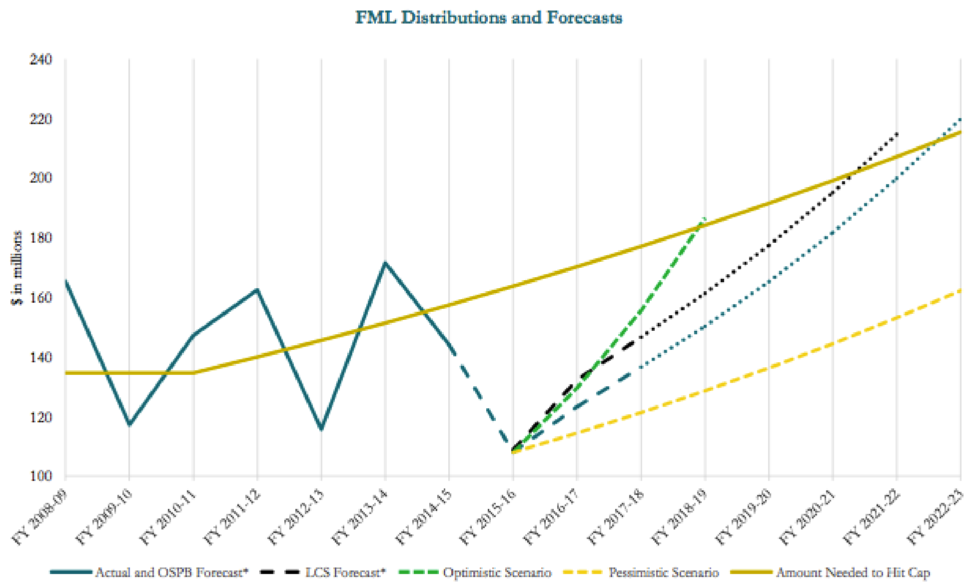
FEDERAL MINERAL LEASE HIGHER EDUCATION CERTIFICATE OF PARTICIPATION PAYMENTS

27. **[Background: The General Assembly authorized new higher education certificates of participation (COPs) payments in 2008 that were expected to be supported by federal mineral lease (FML) moneys. FML moneys have not been consistently available for the payments, so the General Fund has provided partial or full backfill. JBC staff has recommended either eliminating higher education from the FML allocations structure and instead supporting the COPs with General Fund or combining the two higher education funds (the FML Revenues Fund and the FML Maintenance and Reserve Fund).] Does the Executive Branch have a position on the recommendation at this time?**

The structure of the Federal Mineral Lease (FML) revenue disbursement was changed in 2008 through Senate Bill 08-218. One of the changes was to dedicate spillover revenue from the FML revenues to finance certificates of participation for higher education capital construction and maintenance. The funding was made available through Senate Bill 08-233 and supported through House Joint Resolution 08-1042. The executive does not support a change to the structure at this time. The spillover funding dedicated to the certificates of participation is the remaining amount above a cap after transfers are made to other funds. When the decision to back certificates of participation was made, FML revenue was well above the cap making this a viable funding source. The continued decline in oil and gas prices is the primary cause in the decline in the available FML revenue, but the State was not absolved of its obligations created through the certificates of participation, just as repurposing the spillover funds will also not absolve the State of its obligations to make these payments. If oil and gas prices increase, it is possible that FML revenues will exceed the spillover cap.

While this issue is technical, it is also part of a larger policy discussion. Approximately two-thirds of the State's square footage belongs to institutions of higher education, and finding a dedicated source of state revenue to address capital construction and maintenance concerns has been a continuous policy debate. Institutions are a direct beneficiary of the FML certificates of participation, with 12 capital construction projects being funded through this mechanism. Additionally, institutions can benefit from controlled maintenance funding from this revenue source. The legislation (SB 08-233 and HJR 08-1042) allowing FML revenue to back certificates of participation for institutional capital construction and controlled maintenance is clear in its intent to provide funding for institutions to meet their capital construction needs. With the intent being clear to fund higher education capital construction, the executive branch does not support a change at this time.

As indicated by Office of State Planning and Budgeting (OSPB) Economists, FML revenue is a volatile and difficult to predict revenue source as it is highly influenced by oil and gas prices. Thus, it is a less reliable funding stream. This is especially the case for the funds that receive "spillover" money, such as the Higher Education FML Revenues Fund, as they are *essentially the last in line to receive revenue. The funds that receive spillover revenue are not guaranteed to receive money every year as are other funds in the FML distribution. Not receiving additional revenue from production on the Roan Plateau is just one of the reasons why there have been less than expected funds for the Higher Education FML Revenues Fund. The substantial decline in FML revenue during the great recession, as well as the current decline in FML revenue, is primarily because of the decline in oil and gas prices. The prices of oil and gas are likely more important factors, at least in the near term, for why there has been less FML revenue for the fund.*



*OSPB and LCS forecast through FY 2017-18. Future years are shown for illustrative purposes with a growth rate near the historical average growth rate of FML revenue.

The chart above, produced by economists for the Office of State Planning and Budgeting illustrates the volatility of Federal Mineral Lease revenues. The solid gold line is the cap that must be exceeded for any revenue to be available for the certificates of participation payments. The dashed lines in the chart illustrate different scenarios, with the green line being the most optimistic and the yellow line being the most pessimistic. The black and blue lines show the Office of State Planning and Budgeting and Legislative Council Services (LCS) forecasts. It must be noted that these forecasts only go out to FY 17-18, and the lines after that are not reflective of the forecasts, but instead are trend lines based on historical average *growth rates in FML revenue. Based on the December OSPB FML revenue forecast through Fiscal Year 2017-18, and assuming FML revenue beyond the forecast date grows at around its historical average annual growth rate, including years with declines, the Higher Education FML Revenues Fund would receive revenue again in Fiscal Year 2022-23. However, higher or lower FML revenue growth would move forward/back, perhaps significantly, the year in which the fund would receive revenue again. For example, a more optimistic scenario for FML revenue growth of 20 percent average annual growth would generate revenue to the fund again in FY 2018-19, while a pessimistic assumption of only 6 percent annual growth would cause revenue to the fund to not occur again for about another 20 years.*

GENERAL FUND EXEMPT

28. **[Background: Based on General Fund trends and technical problems with making retroactive General Fund Exempt adjustments after the close of the fiscal year, JBC staff has recommended a change to the statutory requirement that most General Fund Exempt be equally split between K-12 funding, higher education, and health care.] Does the Executive Branch have a position on the recommendation at this time?**

As this is an issue which affects the State budget as a whole, CDHE defers to the Governor's Office on this issue.

Governor's Office Response:

We appreciate the opportunity to respond to the question about the General Fund Exempt (GFE) under Referendum C and its size relative to the Higher Education share of the General Fund budget. As JBC staff correctly identified in the Higher Education JBC briefing issue on this subject, the share of the General Fund designated as GFE under Referendum C has indeed grown substantially since Referendum C and its statutory implementation companion, HB05-1350, was passed in 2005. While Referendum C specified that the General Fund Exempt Account funds be used for health care, K-12, and higher education, House Bill 05-1350 implemented Referendum C statutorily and provided definitions and percentages for the measure. Because often the GF-GFE financing "true-ups" for Referendum C are necessarily made in arrears, we acknowledge the technical concern that sufficient General Fund be available with which to refinance the Referendum C General Fund.

We do not have a recommendation at this time, however. This use of the Referendum C General Fund Exempt Account is an important issue for which we need additional time to evaluate all aspects of this issue, including the potential future scope. This issue is therefore part of our internal discussion agenda for the beginning of the year. We will report back on our response to the Joint Budget Committee at a later date and look forward to working with you on this issue.

OTHER

29. How many residents establish residency before they graduate? What is the State policy on this?

Although CDHE was unable calculate the exact number of students who established residency before graduating, proxy data was used to provide an estimate. To get a proxy estimate of the number of students who changed residency status within the necessary time frame, the CDHE looked at degree completions by students who received financial aid. Based on estimates using this data set, financial aid recipients who change residency status from non-resident to resident are approximately 4.6% of completions at four-year public institutions and approximately 1.75% of completions at public two-year institutions. The total number of degrees awarded to financial aid recipients who changed residency status was approximately 938 students.

While a student's initial tuition classification is determined by the tuition classification officer at each of Colorado's institutions, it is possible to change residency status during a student's tenure. The Colorado Commission on Higher Education (CCHE) and the Colorado Department of Higher Education (CDHE) in consultation with the Attorney General's office issue tuition classification guidelines that outline the statutory and policy definitions for residency status. The main factor in attaining in-state status is having and demonstrating domicile in Colorado. Domicile is defined as the "true, fixed, and permanent home and place of habitation," essentially an individual's primary, legal residence.

Students under the age of 22 are considered unemancipated minors for the purpose of residency status, and their residency status is dictated by their parent's domicile. If an unemancipated minor's parents have been domiciled in Colorado for at least 12 months, the student qualifies as in-state. However, if the parents have not been domiciled in Colorado for at least one year, the student is classified as a non-resident student. Once the 12 month domicile period has been met by the parents, the student may qualify for in-state status. Adult students between 22 and 23 years of age may qualify as in-state students through a parent or legal guardian who has established domicile in Colorado for 12 months prior to the first day of classes.

A student who meets the definition of a qualified person, meaning the student is at least 22 years old, or married, or emancipated, or a graduate student will have domicile determined based on their status, not their parent's status. The definition of emancipated is the parent or guardian cannot provide financial support of any nature for any purpose. Students emancipated prior to the age of 22 are eligible to establish domicile. A qualified person must be residing in Colorado with the present intention to reside permanently for 12 months before the first day of class. Individuals at least 22 years of age are eligible to establish domicile in Colorado. Evidence of domicile includes:

- *Payment of Colorado state income tax*
- *Colorado driver's license. If a student has a driver's license from another state, they must apply for a Colorado driver's license. If they do not drive, they may obtain a Colorado identification card.*
- *Colorado vehicle registration*
- *Voter registration in Colorado*
- *Permanent employment or acceptance of future permanent employment in Colorado*
- *Ownership of residential real property in Colorado that is the student's primary residence. Ownership of vacation or income property is not an indication of domicile.*
- *Graduation from a Colorado high school*
- *Continued residence in Colorado during the summer or during other periods when not enrolled as a student or during periods between academic sessions.*
- *Other factors particular to each situation may be considered also, and should be documented.*

Physical presence and intent must be established for 12 months prior to the first day of classes. For example, an individual turning 22 will meet the requirements of the law no sooner than the student's 23rd birthday.

Individuals who feel they meet the requirements for in-state tuition may file a petition requesting a change in tuition classification. The procedures usually require submission of a petition for "in-state" tuition, with appropriate documentation to support the claim of Colorado "in-state" status, but may also include additional steps or requests for information. The burden of proof rests upon the petitioner who has the responsibility to submit a timely petition with the required documentation.

30. What is the impact on classified staff at Higher Education institutions if the General Assembly approves the current executive request for salary survey and anniversary, *i.e.*, no increases other than to ensure all classified staff receive the minimum in their range? Are there any differences between how higher education and other state classified state staff are treated?

Classified staff at state higher education institutions are treated the same as other state classified staff for purposes of salary survey, etc. Therefore, the decisions made in the Long Bill for state employees have a significant and real impact on the cost institutions of higher education incur. However, higher education institutions do not receive additional state funding through the common policy adjustments. Colorado's public institutions of higher education employ 56 percent of all state employees and 25 percent of all state classified employees. A modest one-percent salary increase for state employees would equate to $27 million for institutions of higher education.

It is also important to note, when classified employees receive pay increases in the Long Bill, *institutions of higher education often must also give comparable increases to their non-classified staff.*

10:15-10:30 Break

10:30-12:00 PANEL 1: COMMUNITY COLLEGES, LOCAL DISTRICT JUNIOR COLLEGES, AREA VOCATIONAL SCHOOLS

INTRODUCTIONS AND OPENING COMMENTS (5 MINUTES PER GOVERNING BOARD)
NOTE: THE JBC REQUESTS ONLY ONE SPEAKER PER GOVERNING BOARD

PANEL QUESTIONS

FUNDING SOURCES, COST DRIVERS, AND BUSINESS MODELS

1. **Provide an overview of your revenue and expenses.**

   (a) How has your total revenue per student FTE changed over time?

   Colorado Community College System
   From 2008 through FY 2012, total E&G revenue per student dropped in un-adjusted terms from $5,977 per student FTE to $5,914 per student FTE. FY 2012 total unadjusted E&G revenue was 9.3% (or $609 per FTE) below its inflation-adjusted level. Unadjusted total E&G revenue improved over the next two fiscal years but still remained below its inflation-adjusted level by $57 (or 0.8%) per student FTE in FY 2014. Only with the infusion of significant state General Fund in FY 2015 did our funding per student FTE move above its inflation-adjusted figure.

   Aims Community College
   FY16 Financial Overview

Total Revenue	*$83.9*	*Million*
Total Operating	*$60.8*	*Million*
Total Capital Construction Expenditures	*$23.1*	*Million*
Total Expenditures	*$83.9*	*Million*

   Aims Community College has not increased student tuition or fees for 6 years. However, the average annual increase of total revenue per student FTE has increased an average of 2.23% over 10 years.

FY 06 Cost per Student FTE	*$9,541*
FY 15 Cost per Student FTE	*$11,670*

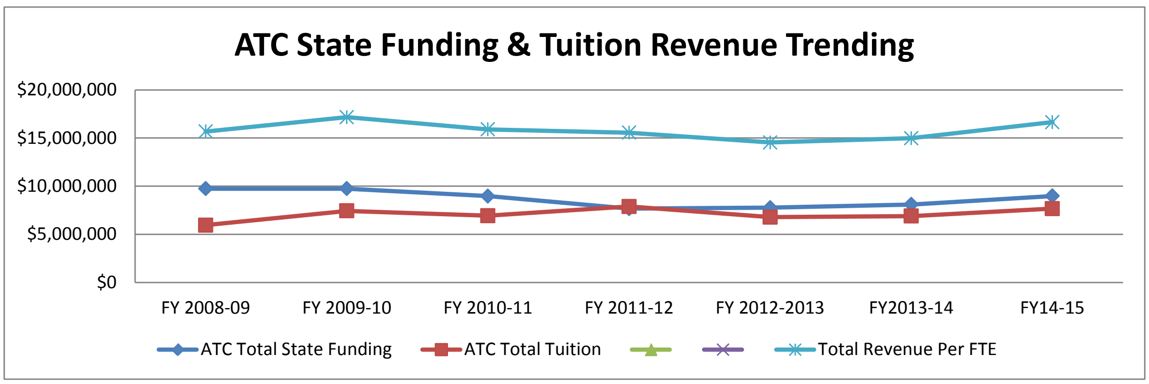
   Colorado Mountain College

   From the chart below you can see that Colorado Mountain College's (CMC) revenue can fluctuate significantly from year to year. This is due to property tax revenue which comprises over 70% of the total revenue. In the past five years both the oil and gas industry and the housing market have had a negative impact on the College's total revenue, causing greater *reliance on state revenue and tuition revenue.*

	2011	2012	2013	2014	2015
Net Revenue	72,011,133	63,692,448	64,721,572	59,278,950	61,994,948
FTE	4,148	4,509	4,367	4,078	4,092
Net Revenue/FTE	17,361	14,126	14,820	14,537	15,151

<u>Area Vocational Schools</u>

The Area Vocational Schools (AVS) total revenue per student FTE has increased 6% over the sample period of seven (7) years. As shown below, in 2008/09, state funding made up 62% of our revenue, compared to 38% from tuition. As of the most recent fiscal year close, FY 2014/15, state funding made up 54% of our revenue compared to 46% from tuition. As a result of this trend, the AVS have become more reliant on student tuition to fund our operations. An important point to note is that over this seven year sample period, the AVS schools have kept tuition rate increases between 0-4% year over year.



	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-2013	FY2013-14	FY14-15
ATC Total State Funding	$ 9,736,133	$ 9,736,131	$ 8,964,762	$ 7,664,871	$ 7,765,822	$ 8,091,845	$ 8,983,645
ATC Total Tuition	$ 5,942,024	$ 7,425,467	$ 6,930,315	$ 7,884,724	$ 6,775,835	$ 6,886,657	$ 7,664,641
Total Revenue Per FTE	$ 15,678,157	$ 17,161,598	$15,895,077	$ 15,549,595	$ 14,541,657	$ 14,978,502	$ 16,648,286
State Funding %	62%	57%	56%	49%	53%	54%	54%
Tuition Revenue %	38%	43%	44%	51%	47%	46%	46%

(b) What are your primary revenue sources? How significant is revenue from non-residents? Which of your revenue sources are not reflected in the state budget and how large are these?

Colorado Community College System

Our primary revenue sources are resident tuition and state appropriations, which are E&G revenues and shown in the Long Bill. We received $38.8 million in non-resident tuition in FY 2014-15, compared to $215 million in resident tuition and $137.5 million in state appropriations. The primary revenue sources at CCCS not included in the Long Bill are auxiliaries and federal grants. Auxiliary revenues were $35.4 million in FY 2014-15. Total federal grants were $55.9 million, but approximately $16 million of this figure is Perkins funds that are already shown in the Long Bill for informational purposes.

Aims Community College

As a local district college, general property taxes represent the single largest source (72%) of our total revenue sources. This continues to increase annually and is up from 54% in 2014. In FY 16, tuition made up 11% of revenue, with fees contributing 5%. Interest, grants and contracts comprised 1% of revenue. The College's state appropriation, including gaming monies, is 10% of our total revenue.

Colorado Mountain College

CMC has three primary revenue sources – property tax, tuition and state funding. The chart below reflects the portion of the total revenue that each of these sources contributes.

	2011	%	2012	%	2013	%	2014	%	2015	%
Property Taxes	55,832,297	77.5%	47,912,655	75.2%	48,415,908	74.8%	42,938,217	72.4%	44,333,010	71.5%
State FTE Reimbursement	6,066,635	8.4%	5,038,178	7.9%	5,416,018	8.4%	5,686,189	9.6%	6,435,286	10.4%
Net Tuition	9,049,713	12.6%	9,799,889	15.4%	10,380,718	16.0%	10,112,840	17.1%	10,712,178	17.3%
Other	1,062,488	1.5%	941,726	1.5%	508,928	0.8%	541,703	0.9%	514,475	0.8%
	72,011,133	100%	63,692,448	100%	64,721,572	100%	59,278,950	100%	61,994,948	100%

Colorado Mountain College has student housing on three of the seven campuses which attract out of state students. Additionally, our campuses are located in resort areas which also attract out of state students. Niche programs such as ski area operations and veterinary technology also attract out of state students. The chart below shows that approximately 45% of the total net tuition revenue is generated by out of state students, however only 18% of the total student FTE are out of state residency status.

	2011	2012	2013	2014	2015
Tuition-Net of Discounts	9,049,713	9,799,889	10,380,718	10,112,840	10,712,178
OS Tuition-Net of Discounts	4,418,346	4,490,943	4,527,820	4,058,866	4,728,837
OS as % of Total	49%	46%	44%	40%	44%

Colorado Mountain College is not part of the state system of colleges and universities therefore, our tuition and property tax revenues are not reflected in the state budget. For fiscal year 2014-15 these revenues are as follows:

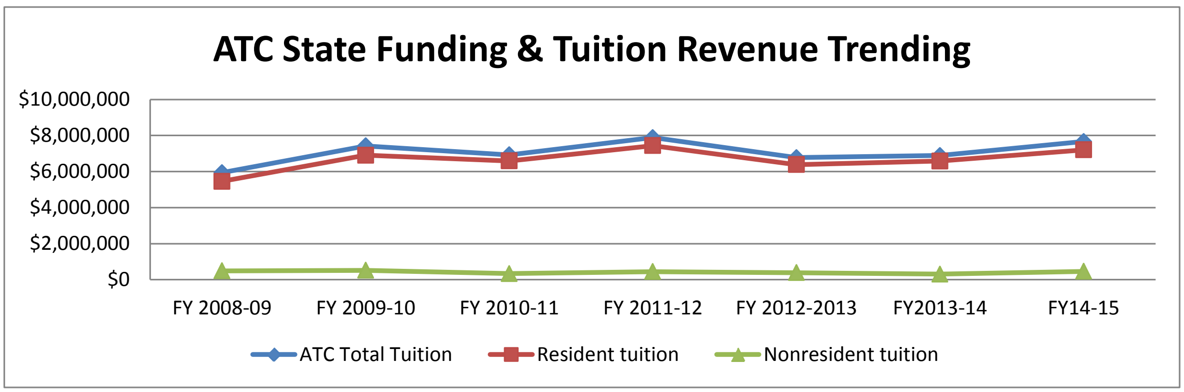
Tuition *$10,712,178*
Property Tax *$44,333,010*

Area Vocational Schools

The primary AVS revenue sources are made up of a combination of state General Fund support, tuition revenue (primarily from resident students), federal grants, state grants and local awards that our foundation is able to secure.

Non-resident tuition makes up a very small percentage of overall tuition revenue for the AVS. Given the seven year sample period below, non-resident tuition has made up less than 8% of our total tuition revenue. Given this, our resident student population is very sensitive to any tuition rate increases that we implement.

Roughly half of our revenue sources are not reflected in the state budget, which makes up approximately $8M per year.



	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-2013	FY2013-14	FY14-15
ATC Total Tuition	$ 5,942,024	$ 7,425,467	$ 6,930,315	$ 7,884,724	$ 6,775,835	$ 6,886,657	$ 7,664,641
Resident tuition	$ 5,454,355	$ 6,905,080	$ 6,592,090	$ 7,436,399	$ 6,384,932	$ 6,582,341	$ 7,203,580
Nonresident tuition	$ 487,669	$ 520,387	$ 338,225	$ 448,325	$ 390,903	$ 304,316	$ 461,061
Resident tuition %	92%	93%	95%	94%	94%	96%	94%
Non-resident tuition %	8%	7%	5%	6%	6%	4%	6%

(c) What are the real cost drivers of the increase in cost to students?

Colorado Community College System

In terms of overall expense categories, instruction constitutes 42.5% of total expenses with student services/academic support constituting a combined additional 19.4%. But the primary drivers of cost increases at our governing board are personnel (salaries and benefits) and, especially over the last 5 years, growing informational technology needs.

<u>Aims Community College</u>

Cost drivers for Aims Community College include:

- *Salary and Benefits (60% of budget)*
- *Technology Advancements*
- *Campus Safety and Security*
- *Academic Support including tutoring, assessment and placement, accessibility services, First year experience and student leadership*

In FY 15, instructional expenses increased by 19.7% and academic support increased 30.4% all while maintaining the same tuition and fee rate for the 6th straight year.

<u>Colorado Mountain College</u>

Colorado Mountain College has eleven full service site locations and a central administration building. The College covers a 12,000 square mile service area on the western slope in rural resort communities with very high cost of living (approximately 160% of the national mean). In fact, some of the communities served by CMC are among the highest cost locations in the nation.

The physical aspects of the organization are higher cost than most other colleges. In order to attract quality staff and faculty to CMC we must offer a very competitive total compensation package and still many candidates turn us down due to the high cost of living in the area and the smaller pools of qualified adjuncts (compared to the Front Range). The rural resort areas of the western slope have some of the highest health care costs in the nation. Staying competitive in the salary and benefit arena is a real cost driver for CMC.

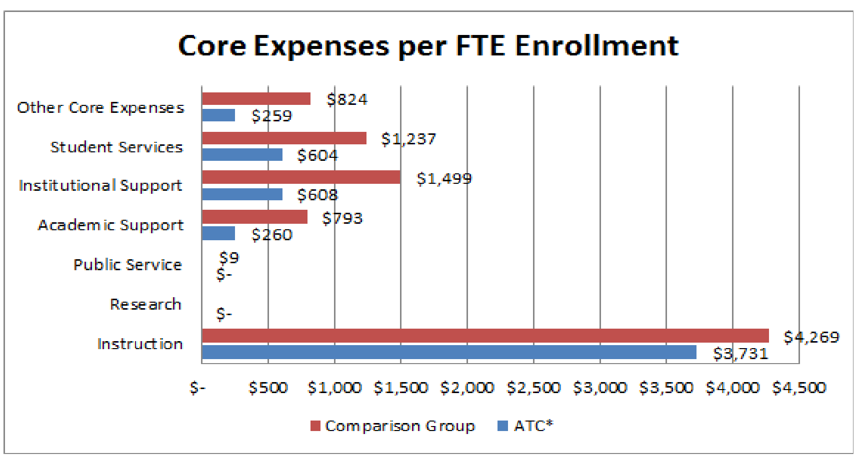
Additionally, we serve rural Colorado thus, our student numbers are not large and critical mass in our classrooms can be a challenge. This leads to lower average class size and higher costs per course. The outcomes of these smaller class sizes—higher rates of graduation and transfer, compared to most community colleges nationally—are a great benefit to our students and communities, but are more costly than the average community college.

As a "local district" enterprise, the college has a responsibility to locate campuses in the communities that provide financial support to it. As a result, economies of scope and scale often seen at colleges with a single comprehensive campus are less often available at CMC. Operating eleven instructional sites across much of the Colorado central mountain region requires maintaining a distributed structure for college personnel. In other words, the college cannot simply locate certain critical services, such as disability support services, at certain campuses. Federal law requires that all students have access to these kinds of services, and therefore the college must provide these supports across all of its campuses. Moreover, the college must make investments in technology that are more costly than those observable at single comprehensive campuses. Delivering high-speed internet appropriate for a modern *college enterprise across 11 campus sites and a central administrative office in regions with historically inadequate broadband access and higher costs for the services available significantly increases IT investments on per FTE basis.*

Being an open enrollment institution also leads to higher costs as the number of students with financial and academic needs continues to grow. The College has had success in securing public and foundation funds to deliver enhanced access to student support and college access programming. Additionally, the college launched an initiative with high schools in its service area to address remediation while students are still in high school. Results will not be known for at least two to three years, but this partnership is very exciting and embraced by both the high schools and the College.

<u>Area Vocational Schools</u>

The AVS have done a wonderful job of managing costs and operating as lean as possible while still delivering world class instruction to our students. As shown in the chart below, the AVS core expenses per FTE are 58% less than our peer comparison group. As a result of this diligent cost management, we are able to keep tuition rate increases between 0-4% per year, with no tuition increase in FY 2015-16. With this said, we acknowledge that we need to continually invest in critical items like student services support, technical infrastructure and capital improvements to continually attract and retain students. In the past year, Emily Griffith Technical College has moved into three new buildings, collocating with Denver Public Schools administration at the 1860 Lincoln St. campus. In addition, we have undergone a new student information system upgrade that launched in the fall of 2015. Lastly, we have invested heavily in student services focused roles like career navigators, scholarship coordinators and concurrent enrollment specialist, all of which have contributed to our completion rate hitting 85% for 2014/15. In addition, given our rigid accreditation standards for completion, placement and licensure, we have real cost increases in student support and instruction related roles that potentially drive cost increases to students in the form of higher tuition.



2. **What is your assessment of the financial health of the institution(s) you oversee? What threats do you see, and how are you addressing them?**

<u>Colorado Community College System</u>

Based on both JBC staff analysis and the CCCS Moody's bond rating of Aa3, CCCS is in moderate to good financial health. The primary threat to CCCS's financial health would be continual reductions in state funding as well as any major reductions in Pell funding at the federal level—both of which are key to maintaining affordable tuition for the student demographics that we serve. At this point, we will continue to demonstrate control over expenditures, evaluate key risks and opportunities, and focus our strategic investments on key operational priorities—all of which will hopefully allow us to maintain a quality, safe, and innovative education delivery environment for students.

<u>Aims Community College</u>

The financial health of the institution is incredibly strong. This is due in large part to the property tax revenue from Weld County. College leadership is able to support college operations, perform major maintenance and repairs, construct new state-of-the art facilities to support student learning at three campuses without utilizing any debt financing.

The College's major source of financing is a 6.325 Mill levy generating 72% of the revenue to support the College's budget. As a result, a decline in oil and gas prices, production and construction comprises the institution's greatest threat. A downturn in revenue for FY 17 and FY 18 is projected. Given fiscally responsible planning, College leadership expects to cover operating expenses through this time period by limiting construction to major maintenance only. Aims Community College does not receive State of Colorado Capital Construction or College Opportunity Fund (COF) funding. Given the swings in potential property tax, the Direct General Fund Grant the College receives via state appropriations is extremely important to the college.

<u>Colorado Mountain College</u>

The overall financial health of Colorado Mountain College is good. As noted above, the largest revenue source for the College is property tax. Though this source of revenue can swing up or down significantly, it has proven to be reliable for longer-term planning and maintaining very low costs to students. Because this is our largest and most volatile revenue source we must plan accordingly for the long term and be sure to have reserve funds set aside for years with large reductions in tax revenues. Recently, the oil and gas portion of the total tax has dropped considerably and we do not expect it to recover quickly. For this next fiscal year, 2016-17, the College is anticipating a 50% reduction in oil and gas revenue equivalent to $4 million. To address this, the College is concerned with keeping the growth of the on-going operational budget to a minimum from year to year. With about eighty percent of our budget spent on salary and benefits, commitments to new staff and faculty positions are seriously weighed prior to approval. Over the past two years, the college has not authorized *any new growth in full-time personnel. Additionally, the college reduced its investments in health care costs and implemented a five-year "early retirement plan" for nearly 20% of its full-time workforce. The college has also eliminated certain short-term benefits programs. Over the coming years, the college plans to increase average class size by approximately 20% and realign its administrative structure to increase administrative efficiencies and lower operating costs. Finally, the college is in the process of implementing gradual modifications to its tuition prices to better align public subsidies with intended beneficiaries while maintaining overall tuition rates that are among the lowest in the state and the nation.*

The College's accreditation process is AQIP thus creating a culture of continuous improvement and efficiency.

Area Vocational Schools

The overall financial health of the AVS is strong, as we serve a very important sector of the market. We focus on continuous improvement, leading edge instruction, all while completing and placing our students debt free. Given we do not offer student loans, we are very sensitive that any real cost increases have an impact on our students in the form of tuition increases. We appreciate the support of the Joint Budget Committee and its understanding of the critical role that state funding plays for our institutions. We are constantly looking at ways to increase our financial viability, and have included below a few examples:

We committed to developing new programming to be more responsive to student and industry demands. This includes the development and roll-out of new programming, as well as leading industry round tables around economic development opportunities. This ensures that our institutions stay at the forefront of emerging trends and constant linkage with industry partners.

We are committed to investing in student support positions that positively impact our matriculation pipelines. This includes working with area school districts to raise awareness and participation in concurrent enrollment. This also includes offering robust adult basic education and GED testing services with the offering of career and technical education opportunities for graduates. In addition, English as a second language and refugee specific programs support not only language acquisition, but the opportunity for acquisition of career and technical education certificates in our programs.

We work closely with our foundations to raise dollars to support student scholarships, capital construction projects, technology investments and funding for 360 degree support services, all designed to help reduce student burden and increase completion percentages.

Continually looking for federal, state and local grant opportunities that will provide for a more robust network of services, backfill critical expenditure and prevent passing the burden of increased tuition rates on to our student population.

3. **How have you changed your business model over time to address cost increases and General Fund reductions?**

<u>Colorado Community College System</u>

Higher education governing boards in Colorado, including CCCS, are among the most efficient in the nation. CCCS continues to centralize functions as it makes operational and financial sense and works to manage our key costs drivers like personnel and IT costs. CCCS has also raised tuition more than we had historically done to help cover General Fund reductions, maintain quality, and invest in key performance and other initiatives.

<u>Aims Community College</u>

Due to a variety of factors including a cost per student FTE growth factor of 2.23%, double digit inflation for benefits, modest salary increases and the demand for technology based delivery modes, Aims Community College has transitioned to a LEAN management culture. The college is currently completing a college-wide business process review in order to improve efficiency and productivity while reducing cost. The end goal is to implement technology based solutions where appropriate in order to divert savings to the classroom.

<u>Colorado Mountain College</u>

The Board of Trustees began discussions in 2014 concerning the tuition pricing philosophy in an effort to stabilize overall revenue in a time when future revenue from property tax and state funding was uncertain. The Board is considering the cost of educating a student and what portion of that cost a student, based on his or her classification (i.e., non-resident, in-state, in-district, high school/concurrent enrollment) should bear. This is a shift from a model of "backing into" an incremental increase each year. Moving forward, the college is building a tuition plan that will first identify the costs to educate a student in a given year, and then subtract public subsidies—state and local. The nest result is the balance in costs not otherwise funded by public sources. Tuition rates will be set according to this figure, not to exceed actual costs per student.

Additionally the College has developed an enrollment management plan targeting certain populations with incentives to become full time and apply for financial aid. For example, the college recently launched a $1,000 "President's Scholarship" for every graduating senior in the college's service area. The purpose of this award was to encourage more students to apply for financial aid on time and register full-time, thus reducing time to degree and the potential for increased debt. The College serves many part time students, thus the strategy in this plan is to increase the number of full time students, creating more critical mass in our classrooms and lowering total costs. The result has been very positive: the proportion of full-time students has increased, the number of graduates has increased, the number of students from traditionally underserved populations is on the rise significantly, and the average financial aid award per student has increased.

Area Vocational Schools

As mentioned previously, we have always been diligent about managing our costs, and providing the greatest return on state dollars. We have been fortunate to have solid growth in our student enrollment, which has provided for a strong revenue base from which to operate. Over the past few years, we have worked more closely with our foundations to raise dollars to help offset critical capital investments, which include funding technology advancements and capital construction projects. In addition, we have become more adept at identifying and receiving grant dollars to help fund new revenue producing initiatives as well as to support critical student services and auxiliary support services that are critical to the success of students.

The AVS converted to a new accreditation agency this past year, specifically the Council on Occupational Education (COE), which puts very rigid standards on our completion, placement and licensure rates. As a result, we have focused on offering programs that are intended to produce these mandatory rates and teach out those programs we previously offered that were not producing minimum required percentages.

MINIMUM REQUIRED PERCENTAGES FOR EACH PROGRAMS	
Completion Rate	60%
Placement Rate	70%
Licensure Exam Pass Rate	70%

Lastly, we have invested in customized training to help drive awareness for our colleges, stay relevant with industry, provide supplemental revenue to subsidize the general fund and provide a potential incubator to future certificate programs.

4. How does on-line learning fit into your programs? Has this affected your revenue and expenses? How do you see this changing over time?

Colorado Community College System

CCCS has had a very robust on-line presence for the last decade and it is integrated into our educational delivery systems and financial modeling. Nearly 1/5 of CCCS credit hours are delivered on-line. Over time, we plan to have on-line educational offerings continue to be a significant part of our educational delivery models.

Aims Community College

Online learning is an essential component of Aims' academic offerings; providing alternative *forms of access to courses and programs. Online courses provide an alternative for classes and programs that typically have low enrollments. For the student, online offerings allow alternative time and delivery formats for those who find it difficult to attend in a synchronous environment. Currently, online learning environments are available in all academic departments.*

While there is no known impact on revenue, the number of sections offered online continues to grow with approximately 600 annual FTE. Increasing the number of courses and programs that can and should be offered online will increase and sustain college enrollments over time. However, access to technology and the Internet for students, specifically for those who are in rural areas, is an area of concern. The College will continue to identify cost-effective technology solutions for students.

Colorado Mountain College

At Colorado Mountain College on-line learning produces 18.5% of the credit FTE. The CMC district is rural in nature which, at times, requires offering courses via technology in order to create the critical mass to offer a class. Many of CMC's on-line students are actually enrolled in regular courses in the college. Without on-line course offerings many of our students would not be able to complete a degree without attending a second location of CMC. On-line courses provide a critical component to our academic course plan/schedule. On-line course offerings and the on-campus course offerings complement each other in order to meet the needs of all students, regardless of the campus they attend.

On-line courses are offered at the same tuition rates as all other courses. The tuition revenue they produce is significant to the College's budget when considering that 18.5% of the FTE are accounted for through on-line learning.

Area Vocational Schools

Currently we offer four (4) certificate programs that have online content. COE, our accrediting body, mandates that no more than 50% of certificate programs can be delivered via online learning. Given this, it limits the amount of expansion we can commit to online learning. Given the small scope that online learning represents in our current portfolio of certificate programs, there is a minimal impact from both a revenue and expenses standpoint.

TUITION POLICY PROPOSAL

5. What do you like/dislike about the Department's tuition policy proposal?

Colorado Community College System

We are supportive of the following: 1) governing board decision-making on tuition rates when there is flat funding or reductions in state funding for higher education; 2) an ability to request additional tuition flexibility through the CCHE if circumstances warrant; 3) continuing the practice of listing tuition appropriations as an informational-only item in the long bill; and 4) the sliding scale for tuition limits if General Fund appropriations increase.

Aims Community College

College affordability and access is extremely important to the Aims Community College Board of Trustees. It is the position of the Board that tuition and fee policy decisions should remain at the institutional level due to the fact that 90% of the cost to attend Aims Community College is a function of local taxes, tuition and fees.

Aims Community College has not increased tuition or fees for six years. A significant decline in property tax revenue may justify the Governing Board requiring a tuition increase higher than the rate established by the State.

Colorado Mountain College

The tuition policy does not apply to Colorado Mountain College.

Area Vocational Schools

The tuition policy proposal would not apply to the Area Vocational Schools.

REQUEST R1 (BASE REDUCTION FOR PUBLIC COLLEGES AND UNIVERSITIES)

6. How would the proposed budget reductions affect your institution?

Colorado Community College System

While our Board has not formally addressed the Governor's proposal, staff at CCCS would likely bring them a mix of options for operating and personnel reductions, coupled with a tuition increase recommendation. Based on the Governor's proposed cut level for CCCS, this would be equivalent to eliminating 90 positions at system-wide average salaries or drive a 2.7 percent.

Aims Community College

The estimated budget reduction to Aims Community College of $270,000 would result in the loss of 3-4 full time positions. With a focus on the Colorado Higher Education Master Plan, the achievement gap and completion, Aims has dedicated additional resources to student support and success including additional full-time faculty, tutors and mentors for first-generation and students of color. Additional cuts may result in the College's inability to expand these successful programs.

Colorado Mountain College

The proposed $20 million general fund reduction to higher education is equal to a three percent or $261,000 reduction in Colorado Mountain College's (CMC) state funding. Though this may not seem significant it comes at the same time that the College will experience a large decrease in oil and gas property tax revenue. CMC, like other institutions in the state, faces higher annual fixed costs and lower state appropriations but is committed to operating efficiently and making smart financial decisions for the long-term.

To address this reduction the College is looking to both expenses and revenues as noted in many of the questions above. CMC will make changes to health benefits, restrict new position hiring,, increase student class sizes and implement a revised philosophy concerning tuition pricing.

State funding for CMC is especially important to the citizens of our district because they have agreed to be taxed twice by prioritizing higher education in their communities through a mill levy. This funding shows that the State is supporting their communities as well.

Area Vocational Schools

The proposed budget cuts would force us to look at a variety of options, including increased tuition rates to our students, reduced personnel expenditures, holding off on critical technology and building improvements, and a re-prioritization to our foundation to focus on additional scholarship opportunities to try to offset any tuition increases. We run the AVS model lean, as evidenced by our core expenditures per FTE, however we are not immune to budget reductions which critically support our core operations, including student services and *instruction.*

HOUSE BILL 14-1319 FUNDING MODEL 2.0 AND INSTITUTIONAL OUTCOMES/PERFORMANC**E**

7. **What do you like/dislike about the "2.0" version of the H.B. 14-1319 funding model? Should role and mission funding be "base" funding? Why? How well do you think the new model works for allocating budget cuts?**

Colorado Community College System

We appreciate the Department's efforts in gaining a modicum of consensus/acceptance on a funding formula for FY 2016-17 given the very different missions, sizes, geographies, student populations, external funding source opportunities, etc. of the governing boards in the state. Generally, we feel that this funding formula is an improvement over the prior version, particularly with the inclusion of a formal base amount that helps to stabilize funding on a year to year basis—which is especially helpful for the small rural four-year governing boards. CCCS's funding is predominately driven by the COF stipend—this was true before the passage of HB 14-1319 and neither version of the funding formula has really changed this reality.

While we believe there are still improvements to be had in the model, the element that we dislike most about the model is the $20 million reduction to higher education. While this seems obvious, one of reasons we have been supportive of adding performance elements to the higher education funding conversation was the thought process that this would highlight our efficiency compared to other states and encourage policy makers to allocate additional appropriations to higher education--allowing us to continue to moderate tuition given our student demographics. Given the relatively low level of state support that Colorado provides to higher education compared to other states, any model, including this one, is going to struggle to allocate funding reductions.

Aims Community College

Aims Community College does not have an official position on the H.B. 14-1319 funding model because the College does not receive funding based on the negotiated processes.

Colorado Mountain College

The Funding Model and Institutional Outcomes/Performance do not apply to Colorado Mountain College.

Area Vocational Schools

The HB 14-1319 Funding Model does not apply to the Area Vocational Schools.

8. **How has the new funding model affected your governing board? Do you think it has changed allocations from what would otherwise have happened? Has it affected your governing board's focus or behavior?**

<u>Colorado Community College System</u>

The State Board for Community Colleges and Occupational Education and its community colleges have been focused for some time on increasing performance while maintaining affordability. Before there were performance contracts or performance components within the state funding allocation model, our Board set out and monitored performance through metrics like retention, degree/certificate completion, and successful transfer. In terms of changing allocations from what otherwise would have occurred, that is difficult to evaluate since there were not alternatives to what was required in statute. However, we had hoped that a funding model would encourage more appropriations being allocated to higher education governing board generally, given where Colorado higher education funding compares nationally.

<u>Aims Community College</u>

Due to the fact that Aims Community College does not receive funding based on the processes of H.B. 14-1319, the Aims Board of Trustees has not adopted a position. The Board has established a set of goals that do align with the performance indicators outline in both S.B. 09-52 and H.B. 14-1319.

<u>Colorado Mountain College</u>

The Funding Model does not apply to Colorado Mountain College.

<u>Area Vocational Schools</u>

The HB 14-1319 Funding Model does not apply to the Area Vocational Schools.

9. How does your governing board define performance/quality?

<u>Colorado Community College System</u>

Our governing board defines performance quality primarily through measuring the results of achieving our strategic plan goals via our performance metrics and through our performance contracts with the state. The following is a link to our recently released 10-year strategic plan: https://www.cccs.edu/wp-content/uploads/2012/08/StrategicPlan.pdf. The following is a link to the CCCS performance contract with the state: http://highered.colorado.gov/Academics/PerformanceContracts/currentcontracts/CCCS%20Contract%20Signed%204-13.pdf. Quality is also measured via our accreditation planning and accreditor evaluations.

<u>Aims Community College</u>

The Aims Board of Trustees has ultimate responsibility for the quality and integrity of the institution. The Board annually reaffirms the institution's mission and establishes institutional goals focused on student success and long-term financial, operational, human and environmental sustainability. The College's president and chief executive officer is *charged with leading a strategic planning process that aligns with the Colorado Higher Education Master Plan goals.*

Colorado Mountain College

Colorado Mountain College adopted a series of internal performance metrics in fall 2014. These metrics concern areas related to improving the college's performance in overall enrollment and retention, degree/certificate completion, remediation/development of basic skills, diversity/equity, concurrent enrollment, and cost performance/productivity. These metrics are used to evaluate, on an annual basis, the performance of each of the college's 11 campuses/instructional sites. In addition, the college is in the process of connecting these metrics to the annual performance evaluations of campus executive leaders as well as setting aside "performance based" funding for campuses to earn. The college's office of institutional research has prepared a robust website for our campus communities/leaders to view their performance in each of the college's major performance objectives (please see: http://coloradomtn.edu/departments/institutional-research/cmc-facts/performance-metrics/).

Area Vocational Schools

First and foremost, as part of our accreditation standards, we must maintain a completion, placement and licensure rate that meets the below illustrated minimum standards.

MINIMUM REQUIRED PERCENTAGES FOR EACH PROGRAMS	
Completion Rate	60%
Placement Rate	70%
Licensure Exam Pass Rate	70%

Any program that does not achieve this minimum percentage will be triggered for remediation. Any program that does not improve and meet the minimum required percentages will be closed down. As a result, we place a very high emphasis on providing relevant and effective instruction, coupled with complete student support services to ensure we can meet these percentages. This includes working closely with our foundations to raise institutional aid packages that can help provide wrap around support to those students who most critically need it.

Faculty are evaluated regularly by their supervisors and by their students, and goals set at the beginning of each academic year are reviewed twice a year. Additionally, EGTC's faculty serve as discipline chairs for the Colorado Community College System and frequently present *at conferences and to their peers.*

The AVS have been awarded several prestigious distinctions over the past two years, including being awarded the campus of the year by Denver Downtown Partnership (DDP) and being selected by the Educational Opportunity Center (EOC) as the Educational Partner of the Year as a result of the collaborative support the Emily Griffith has provided the program, serving students for whom financial aid is essential to obtain the skills necessary to pursue the career of their dreams.

FINANCIAL AID AND LOW INCOME STUDENTS

10. How has the net cost of attendance at your institution(s) for low income students changed over the last five years?

Colorado Community College System

The net cost of attendance for the lowest income group has increased by 16.3 percent over the past five years compared to the average change for all students of 21.4 percent. In a recent study by the National Center for Higher Education Management Systems submitted to the Colorado Department of Higher Education, it was reported that tuition and fees comprise approximately 23 percent of the cost of attendance at public two-year colleges in Colorado with 77 percent coming from books and supplies, room and board and transportation.

Aims Community College

A review of the IPEDS Institutional Characteristics Survey Data, was used to verify five year Aims Community College attendance costs. The five year net cost of attendance change for students not living with the family have not statistically changed while the five year change for students who live at home has decreased 3.06%.

Colorado Mountain College

The net cost for CMC's full-time, low-income students has changed very little over the past five years as a result of the college's commitment to maintaining very low tuition and increased investments in state and federal financial aid. For the 2008-09 year through 2012-13 period, the average increase in total costs of attendance at community colleges was 16.2% over five years. For this same cohort of CMC students from the 2011-12 through the 2015-16 period, the increase for in-district students, on average, was 11.88%. The cost change for in-state students was up slightly to 3.55% and the out-of-state students similarly had a small increase of 3.7%. For the in-district student who lived at home, which is the most common scenario, their costs were up only .51%. NOTE: there was a change in the cost of attendance formula starting with the 2013-14 aid year when the tuition and fees calculation went from 15 credits down to a 12 credit hour calculation. A 5 Year Net Cost Review is shown below:

5 Year Net Cost Review

	15 credits	15 credits	12 credits	12 credits	12 credits	5 Year % Change	prior year change
	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**		
In District Tuition & Fees	$ 2,445.00	$ 2,445.00	$ 1,524.00	$ 1,548.00	$ 1,556.00	<36.4%	0.51%
In-State Tuition & Fees	$ 4,605.00	$ 4,605.00	$ 2,460.00	$ 2,604.00	$ 2,756.00	<40.2%	5.83%
Out-of-State Tuition & Fees	$10,740.00	$ 10,740.00	$ 7,356.00	$ 7,788.00	$ 9,140.00	<14.9%	17.36%
On-Campus Rm& Brd/other	$10,267.00	$ 11,339.00	$10,314.00	$10,314.00	$10,962.00	6.76%	6.28%
Off-Campus Rm & Brd/other	$ 9,747.00	$ 10,969.00	$11,014.00	$11,016.00	$13,788.00	41.45%	25.16%
Average Room & Board/other	$10,007.00	$ 11,154.00	$10,664.00	$10,665.00	$12,375.00	23.66%	16.03%
Ave. Rm&Brd + Tuition & fees						5 Year $ and % change	
In-District:	$12,452.00	$ 13,599.00	$12,188.00	$12,213.00	$13,931.00	$1479 11.88%	14.07%
In-State:	$14,612.00	$ 15,759.00	$13,124.00	$13,269.00	$15,131.00	$519 3.55%	14.03%
Out-of State:	$20,747.00	$ 21,894.00	$18,020.00	$18,453.00	$21,515.00	$768 3.70%	16.60%
Pell Maximum	$ 5,550.00	$ 5,550.00	$ 5,635.00	$ 5,730.00	$ 5,775.00	4.05%	0.78%

* In-District shows a higher 5 year % change since the a majority of the cost increase for this student is from a 23.66% increase in average room & board. Most in-district students live at home, so the 11.88% increase is not typical for these students.

To arrive at a basic net cost using low-income students, the following was applied:
With the maximum Pell amounts for this period increasing from $5500 in 2011-12 up to $5775 for the 2015-16 aid year, this was a 4.05% increase in funding for low-income Pell recipients.

Averaging the in-district, in-state and out of state 5-year costs will yield a 6.37% increase in the cost of attendance at CMC compared to the national increase of 16.2% as noted above. A basic net cost formula adding the 6.37% cost increase, minus a 4.05% increase in Pell funding, results in a change of net cost of +2.32%.

**Figures are using the Current dollars data for 2-year institutions, years 2008-09 through 2012-13: can be seen here: https://nces.ed.gov/fastfacts/display.asp?id=76*

Area Vocational Schools
In addition to our tuition and fee rate schedule, we use the Colorado Commission of Higher Education's (CCHE) annual guidelines for student living expenses to develop the total cost of attendance. Over the past five years, student living expenses have increased by 10%, based on the data from CCHE. In addition, we have kept our tuition and fee increases in line with Denver area CPI, averaging about 4% per year. With that said, we have also seen increases in federal, state, local and institutional aid that has helped relieve the total burden to the student. This includes increases in state merit, FSEOG and institutional aid. Our foundations have worked hard to focus on increasing institutional aid options for our low income students, which includes the advent of 360 scholarship funds to help offset student living expenses.

Through grants, we are able to offer some programs to our most vulnerable low-income student's free-of-charge.

11. How much of your institutional aid supports low-income Colorado residents? Have you reduced, moved or restructured your institutional aid in light of increases in state need-based aid?

Colorado Community College System

This ranges from 55-70% of institutional aid, depending on the college. Our institutions have not made significant changes to institutional aid based on increases in state financial aid.

Aims Community College

Using Pell as a proxy to define low income students, Aims provided 60.49% of institutional aid during the FY 15 year to low income Colorado residents. The institution paid $653,707 of institutional aid to low income Colorado residents out of the $1,080,662 distributed aid.

It is important to note, two Weld County programs that have impacted the restructuring of institutional aid at the College. The Weld County Bright Futures Grant Program is a "first-in" educational financial assistance program for high school graduates, GED recipients, and Honorably Discharged Veterans. The program is funded by donations from taxpayers who receive a county property tax credit for 50% of their donation amount when contributing to the county workforce development fund. The purpose is to provide financial assistance to Weld County residents who pursue post high school education or training from an accredited higher education institution or certified training program. The Aims College Promise Scholarship Program provides financial support for tuition, books and fees for students who have graduated from a Greeley or Ft Lupton high school within the past three years. Students may pursue either certificate or degree programs.

Colorado Mountain College

CMC did not reduce, move or restructure our awarding of increased CRP grant funding from the state, rather we elected to raise the per student award amount for our neediest students from $1700 per year last year to $2200 for 2015/16, representing a 29% increase going directly to high-need students. Additionally, the college implemented a universal "President's Scholarship" initiative of $1,000 for every graduating senior in the CMC service area. This award, though funded by institutional sources, allowed the college to identify more resident students who could take full advantage of the recent increases in state need-based financial aid.

CMC is a strong supporter of the CCHE's need-based financial aid allocation method. This method, which allocates additional funding to colleges that improve performance on behalf of low-income residents, provides important incentives for public colleges to focus on increasing average credit loads per student, decreasing time to degree, and improving persistence, retention, and completion.

Area Vocational Schools

The AVS utilize a scholarship process for all institutional aid that is distributed. A core part of this process is to identify need, and to award to Colorado residents who demonstrate this need in their application. We do not typically award any institutional aid to out of state students. As part of established internal procedures, we work closely with our foundations on a regular cadence to identify needs for additional institutional aid. Even in light of increased state merit-based aid, we have challenged our foundations to raise additional funding for low income resident student to help supplement tuition and fee costs, as well as critical support costs like transportation, living expenses and child care.

12. What steps do you take to reach out to low income students?

Colorado Community College System

Our colleges have a variety of activities to reach out to low income students and their families. Our aid directors and their staffs attend numerous high school financial aid nights in the fall and spring. Some of our colleges even make presentations to middle school students. We collaborate with various community agencies such a local workforce centers and agencies that work with low income families such as the Jeffco Action Center. Eight of our colleges are also sites for College Goal Sunday which is a statewide program to encourage families to come to campus to obtain assistance on completing the FAFSA. Those colleges that do not host a site promote College Goal Sunday as well. Presentations are made on campus as well and financial aid works with groups on campus such as students in the TRiO programs, who are low income.

Aims Community College

Aims offers three academic support programs that provide outreach to low income students. Two SSS TRiO Grants (TRiO Classic and TRiO STEM) annually serve 280 students who are designated as first generation/low income. Aims sponsors a program called CORE (Center for Opportunity and Resilience in Education) which supports 75 students who are first generation/low income. All three programs provide intensive academic advising, mentoring, tutoring, cultural enrichment, and financial aid counseling. The two SSS TRiO Grants offer program participant institutional scholarship awards totaling over $20,000 annually.

Colorado Mountain College

CMC uses a variety of methods to reach out to low-income students. The financial aid office hosts an annual College Goal Sunday event at 6 locations across the Central Rocky Mountain region to assist students in filling out the Free Application for Federal Student Aid (FAFSA). Our office also presents High School nights that explain the FAFSA, CMC scholarships and other resources available for high-need students. A new Presidential initiative launched for the 15/16 academic year including auto-admissions and the awarded of $1000 Presidential Scholarships to all service-area high school graduates who submitted Registration

Information/Application and FAFSA by a March 31st deadline. This was a tremendous success in reaching all high school students including those with high need. Student Affairs personnel also work in collaboration with all CMC campuses hosting general and minority recruitment events throughout the year. The Admissions Office works in collaboration with area high schools for general and specific groups such DACA students. There they share important financial aid, student support resources and other information at these events. Finally, the college has entered into agreements with all of the school districts in its district to increase the number of high-need students who complete a FAFSA on-time. This initiative, launched as part of the college's Colorado Opportunity Scholarship Initiative program funding, is intended to increase the number of students from the central mountain communities who complete a FAFSA, regardless of where those students ultimately enroll.

Area Vocational Schools

We have established outreach efforts that we perform as the AVS. This includes working with our local high schools and central administration to identify concurrent enrollment prospects and inform them of the highly successful credential programs we offer. In addition, we work closely with the Office of Economic Development (OED), not only marketing our programs with workforce centers, but also housing a TANF case worker on site to assist with students enrolled in our credential programs. We have a Workforce Initiative Act (WIOA) caseworker on site two days a week that provides the same support for recent high school graduates. This has worked out very well, as critical support from OED takes place in our campus to further reduce barriers to entry and retention, and to help facilitate higher completion rates. In addition, we work closely with our pre-college populations (ESL, ASE, ABE students), to integrate those students into campus life, student activities, opportunities to pursue CTE programs and to gain employment. We also provide a case management approach for our concurrent enrollment students with our Concurrent Enrollment Coordinator, who works closely with the students and their high school counselors to provide supportive services that promote retention and completion. We also dedicate space and staffing to our Student Success Centers. These areas and the resources provided include student bus passes, emergency funds, tutoring, and resources for daily life, provide a solid support system for all students (including low income).

HIGH SCHOOL TO COLLEGE CONTINUUM AND WORKFORCE PREPARATION

13. What do you think of the idea that no student should leave "school" without a technical certificate or associate's degree?

Colorado Community College System

We agree that at least having a certificate or associate's degree is an increasingly essential element in having and sustaining economic success in the modern economy. By 2020, approximately three-quarters of jobs in Colorado will require some form of postsecondary education.

Aims Community College

Aims Community College supports a philosophy of a defined career pathway for every student. A Career Pathway is a coherent, articulated sequence of rigorous academic and career/technical courses leading to an associate degree, baccalaureate degree and beyond, an industry recognized certificate, and/or licensure. Each Career Pathway is developed, implemented, and maintained in partnership among secondary and postsecondary education, business, and employers.

Colorado has provided leadership nationally in the development of appropriate concurrent enrollment experiences for qualified students. Rather than mandating that all students graduate from high school with a postsecondary degree or certificate, College leadership believes it is better to focus on providing seamless transitions from secondary to postsecondary work, while connecting to workforce needs. Aims Community College partners with three early college high schools which provide students the opportunity to earn a high school diploma and Associate of Arts Degree concurrently; and, sponsors the Career Academy which provides students the opportunity to earn a post-secondary CTE credential while enrolled in high school.

Colorado Mountain College

Colorado Mountain College strongly supports the concept of accelerating entry into college-level courses for high school students, including creating opportunities for such students to earn a postsecondary credential while still in high school. Though each school district is different and has different priorities for its graduates, CMC has found very strong partners among the high schools in its district for integrating college-level courses into high school curricula. For example, CMC's Rifle campus, located in the "oil and gas" region of western Garfield County, has partnered with the school districts in that region to integrate certificate programs into the 12th grades of all schools in the region. Entitled "Career Academies," these programs allow students to complete a technical certificate during their 12th grade year. Certificate programs include welding, solar installation, processing technology, and early childhood education. Moreover, CMC's Edwards campus, in Eagle County, has grown its concurrent enrollment participation by 44% in 2015-16 alone—and its concurrent enrollment programs were already the largest in the entire central rocky mountain region.

Area Vocational Schools

Data from Denver Public Schools has shown that those students who complete some concurrent postsecondary enrollment or a certificate or degree, have higher graduation rates than those students who do not. Completing postsecondary credits while in high school reduces time-on-task to complete a credential or degree, and concurrent enrollment saves students costs on postsecondary tuition and fees. For those students wishing to enter the workplace upon graduation, this model supports their success in this endeavor.

14. What share of the courses you provide are remedial? What are the primary drivers behind the need for remediation? Does the k-12 system provide what the higher education system wants in its students? Are we remediating the correct things?

Colorado Community College System

The overall share of remedial courses taught at CCCS is approximately 6.25 percent. The June 2015 report (linked here: https://highered.colorado.gov/Publications/Reports/Remedial/FY2014/2014_Remedial_relJune03.pdf) by the Department of Higher Education to the General Assembly provides a significant amount of information on remediation rates of high school completers. And, specifically, Table 9 in the report shows data on the number of students assigned to remediation by school district and high school. The report also outlines some of the key gaps in those who require more remediation and those who require less. From a subject/content area perspective, the biggest area of remediation need is math deficiencies, followed by writing and then reading.

The primary drivers for the need for developmental education are twofold. There are students who have never been exposed to or learned content before, and there are students who have forgotten content that is needed to move into credit bearing coursework in writing, reading, and math (as well as in content areas that require prerequisite skills in writing, reading and math). For example, the traditional k-12 system does a great job preparing students to read and analyze literature. But when students are asked at the college level to translate those skills to reading and analyzing a biology text, they often do not know how to transfer the skill set. Half of the students we serve are not traditional college age students (18-21 years old). As a result, many have forgotten skills that they previously learned in their k-12 experience. For example, non-traditional students have often taken math classes in their past that cover how to multiply fractions. Since they have not used the skill recently, however, they have difficulty demonstrating this foundational competency that is required to place into college level coursework.

The Colorado Community College System recently redesigned our delivery of remedial education in an effort to have better success rates in remedial education—and to speed the time it takes to reach college level coursework and obtain a credential. Over the course of the past several years, community college faculty statewide have spent a great deal of time *reverse-designing our current remedial coursework so that the content and skills covered in those classes are only the essential skills needed to be successful in credit bearing work. The Colorado Community College System model for teaching developmental education has received positive attention on a national scale and is being used as a model that other states are trying to emulate in their remediation work. Here is a link to a report that outlines the latest update and results from the redesign effort: https://www.cccs.edu/Docs/SBCCOE/Agenda/2015/11Nov/2_WS_IC_DevEdUpdate.pdf. The results to date look promising, but further time and data are needed to validate initial results.*

Aims Community College

Currently, 10.7% of the course sections offered by Aims Community College are considered remedial education. The goal of the Aims Developmental Education Program is to prepare students who assess into reading, writing, and/or mathematics at the high school level to enter and succeed in 100 level or above classes.

Based upon the open enrollment philosophy and the diverse student population and service area, it would not be appropriate for the College to articulate a "one size fits all" approach to the K-12 educational system. Aims is committed to our ongoing relationship with our K-12 partners.

Colorado Mountain College

What share of the courses you provide are remedial?

During the 2014-15 academic year Colorado Mountain College offered 3,058 classes, 206 of which were remedial. This reflects that 6.74% of CMC courses are remedial. However, approximately 50% of all first-time enrollees at the college require some form of basic skills development.

What are the primary drivers behind the need for remediation?

Students come to the community college from the high schools unprepared or underprepared for the rigors of a college-level course, lacking appropriate reading, writing, and mathematical skills. This is not necessarily a failure of the K-12 system, but a historical lack of alignment between the skills taught in high schools with the requirements for college readiness. Recent changes in K-12 standards will greatly improve this alignment. Also, CMC is working closely with many schools in its service area to embed remedial courses into the 12th grade year for students identified as needing these courses. This "early identification" effort should result in fewer high school graduates needing basic skills assistance. Of course, many adult students need remedial support. After being out of school for many years without using the skills in the workplace, these students often need to re-learn writing and mathematical skills. Additionally, however, traditional methods of evaluating students for placement into remedial courses are flawed and often result in more students being placed into remedial courses than actually need it. CMC, like many colleges, is reviewing its placement procedures to ensure that only the students who actually need additional basic *skills development are enrolled in remedial courses.*

<u>*Does the k-12 system provide what the higher education system wants in its students?*</u>
In general, yes, the K-12 system, especially the school systems in the central mountain communities, does a very good job preparing students for the rigors of college. Evidence of this is the historically high graduate rate, the incremental lowering of the state's remedial rate among high school graduates, and the historically high college enrollment levels. The K-12 system has many challenges, however, including high mobility of at-risk students and diminished funding. Importantly, preparing all students for college should not be a K-12 challenge in isolation. Achieving college readiness can only be accomplished by way of strong partnerships between postsecondary and K-12 systems. It is CMC's position that the responsibility to prepare students for the rigors of college is shared between colleges and k-12 districts.

<u>*Are we remediating the correct things?*</u>
In general, yes. However, the procedures used to assess student knowledge are flawed and can result in inaccurate placements into remedial courses. Also, in the past, colleges assumed that all students needed a common level of mathematics aptitude, principally "college algebra." Recently, colleges have addressed this and now provide "pathways" into certain math courses based on the quantitative skills needed for success in a particular major or career. These refinements allow colleges to more accurately and appropriately "remediate" the skills necessary for success in a particular discipline.

<u>***Area Vocational Schools***</u>
Currently, roughly 11% of the courses we offer are considered remedial, which include courses offered in our Adult Basic Education program, Adult Secondary Education program English Language Acquisition programs, and our career pathway/transitions programs. Many of these programs are funded through grant dollars. The drivers behind the needs for remediation are based upon community and industry need and also on assessment scores lower than the required level required by the CTE program. According to the CDE, there were over 10,000 students who dropped out of school in Colorado last year https://www.cde.state.co.us/cdereval/dropoutinfographic2013-14. Additionally, there are over 15,000 students without a high school diploma in the state of Colorado. As a result, we are focused on building math and reading proficiency as part of our remedial programs. In addition, our ASE and ABE courses are aligned to the College and Career Readiness Standards, which are the adult extension of the common core standards. Given this, we are aligned to the remediation expectations of the department of education.

15. Are workforce ready and college ready the same thing today?

<u>**Colorado Community College System**</u>
By 2020, approximately three-quarters of jobs in Colorado will require some form of

postsecondary education. So, while it may not be completely the same thing yet, the opportunities for economic stability and advancement without a college credential are slowly but surely closing over time.

<u>Aims Community College</u>

After discussions with business and industry leaders, Aims Community College academic leaders believe that workforce and college ready are identical. Students who are college and career ready demonstrate the knowledge, skills and abilities necessary to successfully complete entry-level postsecondary coursework without the need for remediation; or, enter an economically viable entry-level career placement; or, serve in the military. For students to successfully meet any postsecondary goal, all must master the same set of secondary learning competencies.

<u>Colorado Mountain College</u>

Yes. Comprehensive college and career preparation must address four distinct dimensions of readiness: cognitive strategies, content knowledge, self-management skills, and knowledge about future opportunities (Conley, 2008). Employers report that these are the same skills required for success in the workplace. Therefore, these skills are mutually reinforcing and not divorced from one another. Until a student selects a specific career path and thus begins to focus his or her preparation in a very concentrated, very specific way, we should assume that all students should possess the same "readiness" aptitudes for entry into college or the workforce.

<u>Area Vocational Schools</u>

This question leads to subjective responses, but research bears out that students need to acquire skills leading to both post-secondary education and workforce readiness, as the two skills sets are inter-related. Students graduate today with many options, and those students who are prepared for both pathways will be more successful than those who do not, as many students entering some type of postsecondary experience often have to work while in school.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

DEPARTMENT OF HIGHER EDUCATION (FOR CCHE/DEPARTMENT)
(See shorter list below for governing boards)

1. **Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list**

   The Department has partially implemented the following:

   > *Senate Bill 11-052 – The department has implemented all the sections related to the statewide master plan, data collection, institutional performance contract, and annual report. Legislation is not fully implemented because the legislation prescribes that the actual allocation of performance funding can occur no earlier than FY 2017-18. For the 2017 Session, the Department plans to bring forward a recommendation to amend sections of SB 11-052 that create duplication or confusion since the passage of HB 14-1319.*

2. **Please provide a detailed description of all program hotlines administered by the Department, including:**
   a. **The purpose of the hotline;**
   b. **Number of FTE allocated to the hotline;**
   c. **The line item through which the hotline is funded; and**
   d. **All outcome data used to determine the effectiveness of the hotline.**

   The central unit of the Department of Higher Education does not administer any program hotlines.

3. **Describe the Department's experience with the implementation of the new CORE accounting system.**
   a. **How has the implementation improved business processes in the Department?**
   b. **What challenges has the Department experienced since implementation and how have they been resolved (i.e. training, processes, reports, payroll)?**
   c. **What impact have these challenges had on the Department's access to funding streams?**
   d. **How has the implementation of CORE affected staff workload?**
   e. **Do you anticipate that CORE implementation will result in the need for a permanent increase in staff? If so, indicate whether the Department is requesting additional funding for FY 2016-17 to address it.**

   Please refer to the Governor's Office of State Planning and Budgeting's November 30, 2015 *letter to the Joint Budget Committee for the Department's response to question 3.*

4. **If the Department receives federal funds of any type, please provide a detailed description of any federal sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2015-16.**

   The central unit of the Department of Higher Education does receive federal funds. The Department has not received notification of any federal sanctions nor are we aware of any federal sanctions that maybe issued.

5. **Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?**

   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf

   As of June 30, 2015, the Department has no outstanding audit recommendations.

6. **Is the department spending money on public awareness campaigns related to marijuana? How is the department working with other state departments to coordinate the campaigns?**

   The central unit of the Department of Higher Education is not spending money on public awareness campaigns related to marijuana.

7. **Based on the Department's most recent available record, what is the FTE vacancy rate by department and by division? What is the date of the report?**

   Please refer to the Governor's Office of State Planning and Budgeting's November 30, 2015 letter to the Joint Budget Committee for the Department's response to question 7.

8. **For FY 2014-15, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2015-16? If yes, in which programs and line items do you anticipate this reversions occurring? How much and in which fund sources do you anticipate the reversion being?**

   Please refer to the Governor's Office of State Planning and Budgeting's November 30, 2015 *letter to the Joint Budget Committee for the Department's response to question 8.*

Please note that the department reverted $21,935 from the CCHE Administration line item to the general fund in FY 2015. This is a result of the Department saving funds on personnel services contracts related to H.B. 14-1319. The Department expended less on both the H.B. 14-1319 facilitator and model building contracts than was budgeted for in the fiscal note.

9. **Are you expecting an increase in federal funding with the passage of the FFY 2015-16 federal budget? If yes, in which programs and what is the match requirement for each of the programs?**

   Please refer to the Governor's Office of State Planning and Budgeting's November 30, 2015 letter to the Joint Budget Committee for the Department's response to question 8.

10. **For FY 2014-15, did your department exercise a transfer between lines that is allowable under state statute? If yes, between which line items and programs did this transfer occur? What is the amount of each transfer by fund source between programs and/or line items? Do you anticipate transfers between line items and programs for FY 2015-16? If yes, between which line items/programs and for how much (by fund source)?**

    Please refer to the Governor's Office of State Planning and Budgeting's November 30, 2015 letter to the Joint Budget Committee for the Department's response to question 8.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

DEPARTMENT OF HIGHER EDUCATION (GOVERNING BOARDS)

1. **Provide a list of any legislation that the governing board has: (a) not implemented or (b) partially implemented. Explain why the governing board has not implemented or has only partially** implemented the legislation on this list.

   Colorado Community College System
   None. N/A

   Aims Community College
   Currently, all legislative mandates have been successfully implemented.

   Colorado Mountain College
   Colorado Mountain College has no legislation that has not been fully implemented.

   Area Vocational Schools
   no legislation that we have not implemented or partially implemented.

2. **Does the governing board have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?**

   Colorado Community College System
   No. N/A

   Aims Community College
   Aims Community College is audited annually by BKD Auditing Firm. There are no outstanding high priority audit recommendations or findings. The Aims Community College Financial Statements and Independent Auditor's Report is available at: http://www.aims.edu/about//departments/financial/statements/2015.pdf

   Colorado Mountain College
   Colorado Mountain College has no outstanding audit recommendations.

   Area Vocational Schools
   We are not subject to state audits, but receive regular audits as part of our school districts. To our knowledge, we have no unimplemented audit recommendations that pertain to the AVS.

DEPARTMENT OF HIGHER EDUCATION
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA
(1 of 3)

Tuesday, January 5, 2016
9:00 am – 12:00 pm

9:00-10:15 DEPARTMENT OF HIGHER EDUCATION

INTRODUCTION AND OPENING COMMENTS

HIGHER EDUCATION QUESTIONS

Higher Education Funding Sources, Tuition and Fee Increases, Institutional Cost Drivers, and Business Models

1. Based on department studies, what are the real cost drivers of the increase in cost to students?

2. How much governing board revenue is not reflected in the state budget? What share of governing board revenue originates as General Fund from an "education and general" perspective versus a total revenue perspective? If more than 10 percent of governing board revenue originates as General Fund, how can they be classified as enterprises under TABOR?

3. From the Department's perspective, how have institutions changed their business models in response to declining state funding? For example, have they increased their use of adjunct professors?

4. Do you expect institutions to adapt their business models further based on lack of General Fund support? If so, how?

5. How has the net cost of attendance for low income students changed over time?

6. Should Colorado state schools focus on Colorado residents? Are we doing what we should to provide an affordable, quality education for Colorado residents?

7. How is Arizona able to provide a low cost, high quality program? (See p. 37 of the staff budget briefing document)?

Tuition policy proposal

8. What is the Department's plan for implementing its proposed tuition policy? What does it see as the role of the General Assembly in this process? Why does the Department believe this is the appropriate path?

9. Who do you expect to sponsor your proposed tuition bill (if this is now public)? How do you expect the JBC to proceed with figure setting if there is another bill out there?

10. Why not analyze governing board tuition on a more individual basis? Why is a single tuition policy appropriate? If the General Assembly wanted to look at the different cost drivers for different institutions to set tuition, what would be the best way to do this?

11. Can universities continue to operate in a budget cut era if they don't have control of tuition?

Request R1, House Bill 14-1319 Funding Model 2.0, and Institutional Outcomes/Performance

12. Explain the department's point of view on the model version 2.0. What other options did you consider for addressing role and mission funding and why were those rejected? What is the Department's opinion of the staff alternatives?

13. Describe how the HB 14-1319 model is being used for budget cuts. Is this an appropriate use of the model? Is the proportionate allocation the same if there's a funding increase? What happens with flat funding?

14. What have we accomplished with HB 1319? Did we complicate something and end up with the same answer? How has it changed the budget in terms of what would have happened without it? Have the rural schools benefited as was expected from the plan?\

15. If we turn role and mission funding into a "base", does this mean that role and mission no longer matters?

16. What impact does the H.B. 14-1319 model have on institutional net cost and tuition?

17. How are we using the H.B. 14-1319 model to reward performance? Has it impacted performance?

18. In what other ways does the Department assess institutional performance?

19. Why does UNC end up at the bottom? What is driving it? Enrollment?

“Some College” is the New High School:

20. What does the Department think about the idea that every student should have a technical or associate’s degree before leaving school?

21. How much of community college coursework is for remedial classes? How much is being paid in the postsecondary system for costs that should have been covered in the K-12 system?

22. What are the savings to the State and students of the early college system, *i.e.*, when students obtain degrees and certificates before graduating high school?

23. Are high school and postsecondary goals aligned? How do we measure what we value in the two systems? Does k-12 match what Higher Ed wants? Are we remediating the correct things? Does K-12 need to look different?

24. Are workforce ready and college ready the same thing today?

25. What do we know about whether students are landing a job after completing a degree or certificate and how much they earn?

26. What are our four-year institutions doing to lock in a two year accredited degree within the four years?

Federal Mineral Lease Higher Education Certificate of Participation Payments:

27. [Background: The General Assembly authorized new higher education certificates of participation (COPs) payments in 2008 that were expected to be supported by federal mineral lease (FML) moneys. FML moneys have not been consistently available for the payments, so the General Fund has provided partial or full backfill. JBC staff has recommended either eliminating higher education from the FML allocations structure and instead supporting the COPs with General Fund or combining the two higher education funds (the FML Revenues Fund and the FML Maintenance and Reserve Fund).] Does the Executive Branch have a position on the recommendation at this time?

General Fund Exempt for Higher Education:

28. [Background: Based on General Fund trends and technical problems with making retroactive General Fund Exempt adjustments after the close of the fiscal year, JBC staff has recommended a change to the statutory requirement that most General Fund Exempt be equally split between K-12 funding, higher education, and health care.] Does the Executive Branch have a position on the recommendation at this time?

Other

29. How many residents establish residency before they graduate? What is the State policy on this?

30. What is the impact on classified staff at Higher Education institutions if the General Assembly approves the current executive request for salary survey and anniversary, *i.e.*, no increases other than to ensure all classified staff receive the minimum in their range? Are there any differences between how higher education and other state classified state staff are treated?

10:15-10:30 BREAK

10:30-12:00 PANEL 1: COMMUNITY COLLEGES, LOCAL DISTRICT JUNIOR COLLEGES, AREA VOCATIONAL SCHOOLS

INTRODUCTIONS AND OPENING COMMENTS (5 MINUTES PER GOVERNING BOARD)

Note: the JBC requests only one speaker per governing board

PANEL QUESTIONS

Funding Sources, Cost Drivers, and Business Models

1. Provide an overview of your revenue and expenses.
   (a) How has your total revenue per student FTE changed over time?
   (b) What are your primary revenue sources? How significant is revenue from non-residents? Which of your revenue sources are not reflected in the state budget and how large are these?
   (c) What are the real cost drivers of the increase in cost to students?

2. What is your assessment of the financial health of the institution(s) you oversee? What threats do you see, and how are you addressing them?

3. How have you changed your business model over time to address cost increases and General Fund reductions?

4. How does on-line learning fit into your programs? Has this affected your revenue and expenses? How do you see this changing over time?

Tuition Policy Proposal

5. What do you like/dislike about the Department's tuition policy proposal?

Request R1 (Base reduction for public colleges and universities)

6. How would the proposed budget reductions affect your institution?

House Bill 14-1319 Funding Model 2.0 and Institutional Outcomes/Performance

7. What do you like/dislike about the "2.0" version of the H.B. 14-1319 funding model? Should role and mission funding be "base" funding? Why? How well do you think the new model works for allocating budget cuts?

8. How has the new funding model affected your governing board? Do you think it has changed allocations from what would otherwise have happened? Has it affected your governing board's focus or behavior?

9. How does your governing board define performance/quality?

Financial Aid and Low Income Students

10. How has the net cost of attendance at your institution(s) for low income students changed over the last five years?

11. How much of your institutional aid supports low-income Colorado residents? Have you reduced, moved or restructured your institutional aid in light of increases in state need-based aid?

12. What steps do you take to reach out to low income students?

High School to College Continuum and Workforce Preparation

13. What do you think of the idea that no student should leave "school" without a technical certificate or associate's degree?

14. What share of the courses you provide are remedial? What are the primary drivers behind the need for remediation? Does the k-12 system provide what the higher education system wants in its students? Are we remediating the correct things?

15. Are workforce ready and college ready the same thing today?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED
DEPARTMENT OF HIGHER EDUCATION (FOR CCHE/DEPARTMENT)
(See shorter list below for governing boards)

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list.

2. Please provide a detailed description of all program hotlines administered by the Department, including:

a. The purpose of the hotline;
b. Number of FTE allocated to the hotline;
c. The line item through which the hotline is funded; and
d. All outcome data used to determine the effectiveness of the hotline.

3. Describe the Department's experience with the implementation of the new CORE accounting system.
   a. How has the implementation improved business processes in the Department?
   b. What challenges has the Department experienced since implementation and how have they been resolved (i.e. training, processes, reports, payroll)?
   c. What impact have these challenges had on the Department’s access to funding streams?
   d. How has the implementation of CORE affected staff workload?
   e. Do you anticipate that CORE implementation will result in the need for a permanent increase in staff? If so, indicate whether the Department is requesting additional funding for FY 2016-17 to address it.

4. If the Department receives federal funds of any type, please provide a detailed description of any federal sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2015-16.

5. Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?

   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf

6. Is the department spending money on public awareness campaigns related to marijuana? How is the department working with other state departments to coordinate the campaigns?

7. Based on the Department’s most recent available record, what is the FTE vacancy rate by department and by division? What is the date of the report?

8. For FY 2014-15, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2015-16? If yes, in which programs and line items do you anticipate this reversions occurring? How much and in which fund sources do you anticipate the reversion being?

9. Are you expecting an increase in federal funding with the passage of the FFY 2015-16 federal

budget? If yes, in which programs and what is the match requirement for each of the programs?

10. For FY 2014-15, did your department exercise a transfer between lines that is allowable under state statute? If yes, between which line items and programs did this transfer occur? What is the amount of each transfer by fund source between programs and/or line items? Do you anticipate transfers between line items and programs for FY 2015-16? If yes, between which line items/programs and for how much (by fund source)?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED DEPARTMENT OF HIGHER EDUCATION (GOVERNING BOARDS)

1. Provide a list of any legislation that the governing board has: (a) not implemented or (b) partially implemented. Explain why the governing board has not implemented or has only partially implemented the legislation on this list.

2. Does the governing board have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?

   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf

DEPARTMENT OF HIGHER EDUCATION
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA
(2 of 3)

Wednesday, January 6, 2016
9:00 am – 12:00 pm

9:00-10:30 PANEL 2: ADAMS STATE UNIVERSITY, FORT LEWIS COLLEGE, WESTERN STATE COLORADO UNIVERSITY

INTRODUCTIONS AND OPENING COMMENTS (5 MINUTES PER GOVERNING BOARD)
Note: the JBC requests only one speaker per governing board

PANEL QUESTIONS

Funding Sources, Cost Drivers, and Business Models

1. Provide an overview of your revenue and expenses.
   (a) How has your total revenue per student FTE changed over time?
   (b) What are your primary revenue sources? How significant is revenue from non-residents? Which of your revenue sources are not reflected in the state budget and how large are these?
   (c) What are the real cost drivers of the increase in cost to students?

2. What is your assessment of the financial health of the institution(s) you oversee? What threats do you see, and how are you addressing them?

3. How have you changed your business model over time to address cost increases and General Fund reductions?

4. How does on-line learning fit into your programs? Has this affected your revenue and expenses? How do you see this changing over time?

Tuition Policy Proposal

5. What do you like/dislike about the Department's tuition policy proposal?

Request R1 (Base reduction for public colleges and universities)

6. How would the proposed budget reductions affect your institution?

House Bill 14-1319 Funding Model 2.0 and Institutional Outcomes/Performance

7. What do you like/dislike about the "2.0" version of the H.B. 14-1319 funding model? Should role and mission funding be "base" funding? Why? How well do you think the new model works for allocating budget cuts?

8. How has the new funding model affected your governing board? Do you think it has changed allocations from what would otherwise have happened? Has it affected your governing board's focus or behavior?

9. How does your governing board define performance/quality?

Financial Aid and Low Income Students

10. How has the net cost of attendance at your institution(s) for low income students changed over the last five years?

11. How much of your institutional aid supports low-income Colorado residents? Have you reduced, moved or restructured your institutional aid in light of increases in state need-based aid?

12. What steps do you take to reach out to low income students?

High School to College Continuum and Workforce Preparation

13. What do you think of the idea that no student should leave "school" without a technical certificate or associate's degree?

14. Does the k-12 system provide what the higher education system wants in its students? What share of your students require remediation or supplemental academic instruction?

10:30-10:45 BREAK

10:45-12:00 PANEL 3: METROPOLITAN STATE UNIVERSITY OF DENVER & COLORADO MESA UNIVERSITY

INTRODUCTIONS AND OPENING COMMENTS (5 MINUTES PER GOVERNING BOARD)
Note: the JBC requests only one speaker per governing board

PANEL QUESTIONS

Funding Sources, Cost Drivers, and Business Models

15. Provide an overview of your revenue and expenses.
    (a) How has your total revenue per student FTE changed over time?
    (b) What are your primary revenue sources? How significant is revenue from non-residents? Which of your revenue sources are not reflected in the state budget and how large are these?
    (c) What are the real cost drivers of the increase in cost to students?

16. What is your assessment of the financial health of the institution(s) you oversee? What threats do you see, and how are you addressing them?

17. How have you changed your business model over time to address cost increases and General Fund reductions?

18. How does on-line learning fit into your programs? Has this affected your revenue and expenses? How do you see this changing over time?

<u>Tuition Policy Proposal</u>

19. What do you like/dislike about the Department's tuition policy proposal?

<u>Request R1 (Base reduction for public colleges and universities)</u>

20. How would the proposed budget reductions affect your institution?

<u>House Bill 14-1319 Funding Model 2.0 and Institutional Outcomes/Performance</u>

21. What do you like/dislike about the "2.0" version of the H.B. 14-1319 funding model? Should role and mission funding be "base" funding? Why? How well do you think the new model works for allocating budget cuts?

22. How has the new funding model affected your governing board? Do you think it has changed allocations from what would otherwise have happened? Has it affected your governing board's focus or behavior?

23. How does your governing board define performance/quality?

<u>Financial Aid and Low Income Students</u>

24. How has the net cost of attendance at your institution(s) for low income students changed over the last five years?

25. How much of your institutional aid supports low-income Colorado residents? Have you reduced, moved or restructured your institutional aid in light of increases in state need-based aid?

26. What steps do you take to reach out to low income students?

<u>High School to College Continuum and Workforce Preparation</u>

27. What do you think of the idea that no student should leave "school" without a technical certificate or associate's degree?

28. Does the k-12 system provide what the higher education system wants in its students? What share of your students require remediation or supplemental academic instruction?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED - DEPARTMENT OF HIGHER EDUCATION (GOVERNING BOARDS)

1. Provide a list of any legislation that the governing board has: (a) not implemented or (b) partially implemented. Explain why the governing board has not implemented or has only partially implemented the legislation on this list.

2. Does the governing board have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?

http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf

Joint Budget Committee Hearing: Colorado Commission on Higher Education and Department of Higher Education

January 5, 2016

Lieutenant Governor Joseph A. Garcia

Chairman Monte Moses

COLORADO
Department of Higher Education

The Colorado Commission on Higher Education (CCHE)

Colorado's Central Policy and Coordinating Board for Higher Education *(CCHE is not a governing/regulatory board).*

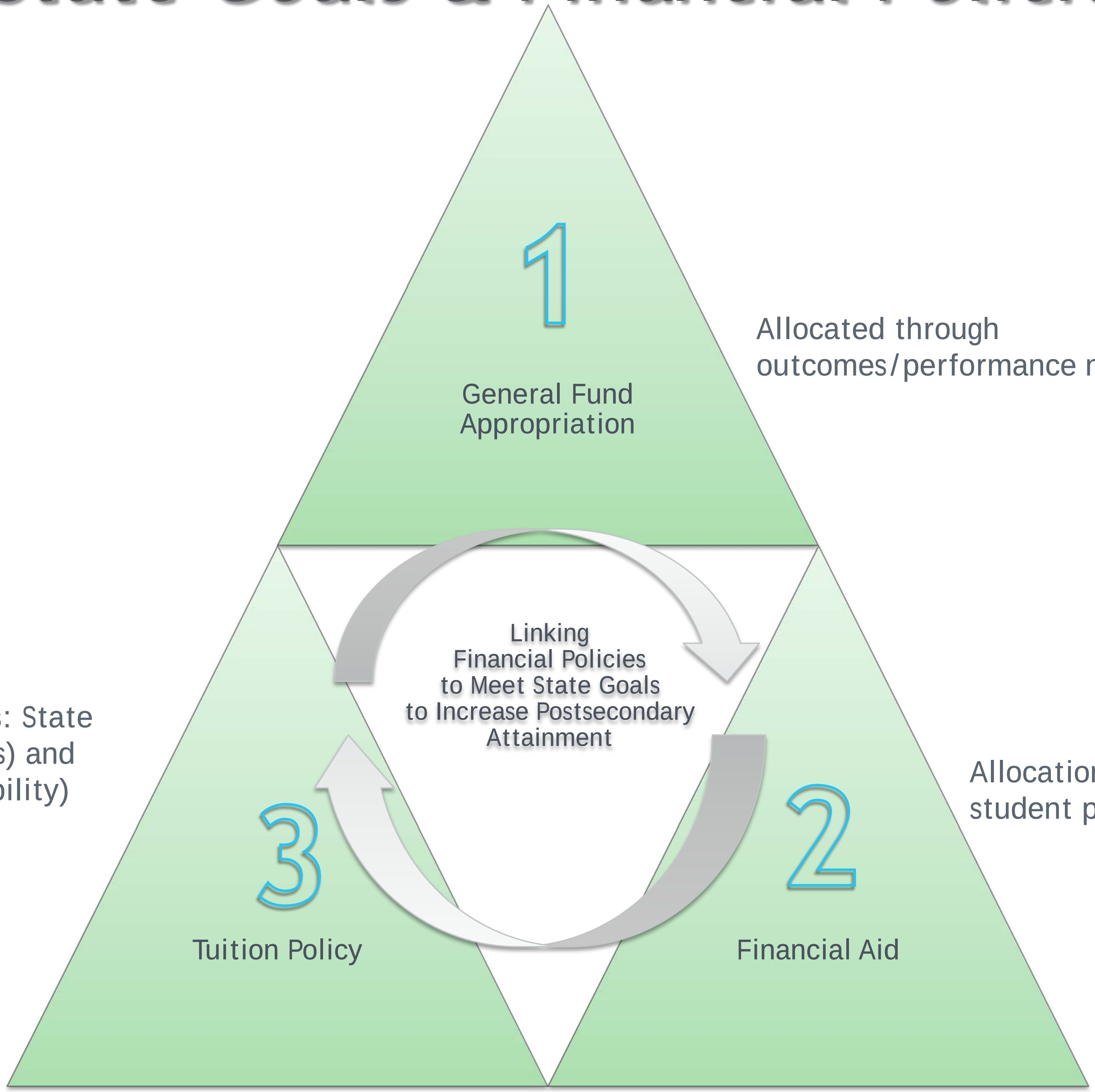
11 Commissioners

- Appointed by the Governor, confirmed by the Senate
- Four-year terms, with limit of two consecutive terms.
- At least one member from each congressional district, and at least one from West of the continental divide.

13 Member Advisory Committee

- Includes 6 legislative members, appointed by legislative leadership - *3 from each chamber, 2 from the majority party and one from the minority party*
- Plus: Faculty, Student, Non-profit Private, Institutional Finance, Academic Council, K-12, and Parent Advisory members – all appointed by their groups.

Linking State Goals & Financial Policies



Allocated through outcomes/performance model

Tied to costs and financing of costs: State (completion goals) and Student (affordability)

Allocations are based on student progression

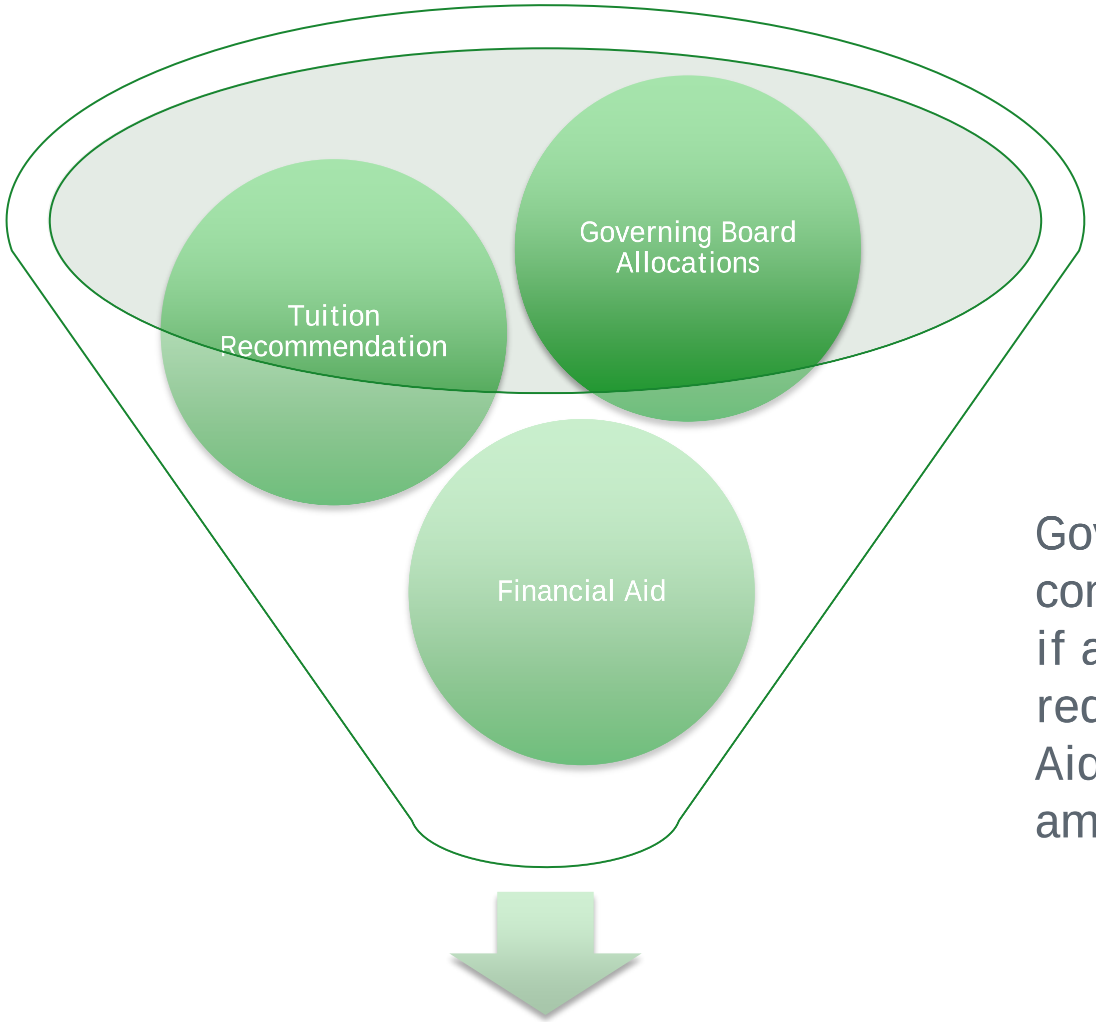
FY 2016-17 Governor's Budget Request

Governor's request necessary to **balance** the General Fund

- $20 million (3.1%) reduction for public colleges and universities
- Continuation of Financial Aid at 2015-2016 level

Governor's **"contingency" request** if revenues improve

- Priority #5-restore $20 million
- Priority #12 -increase up to an additional $50 million.

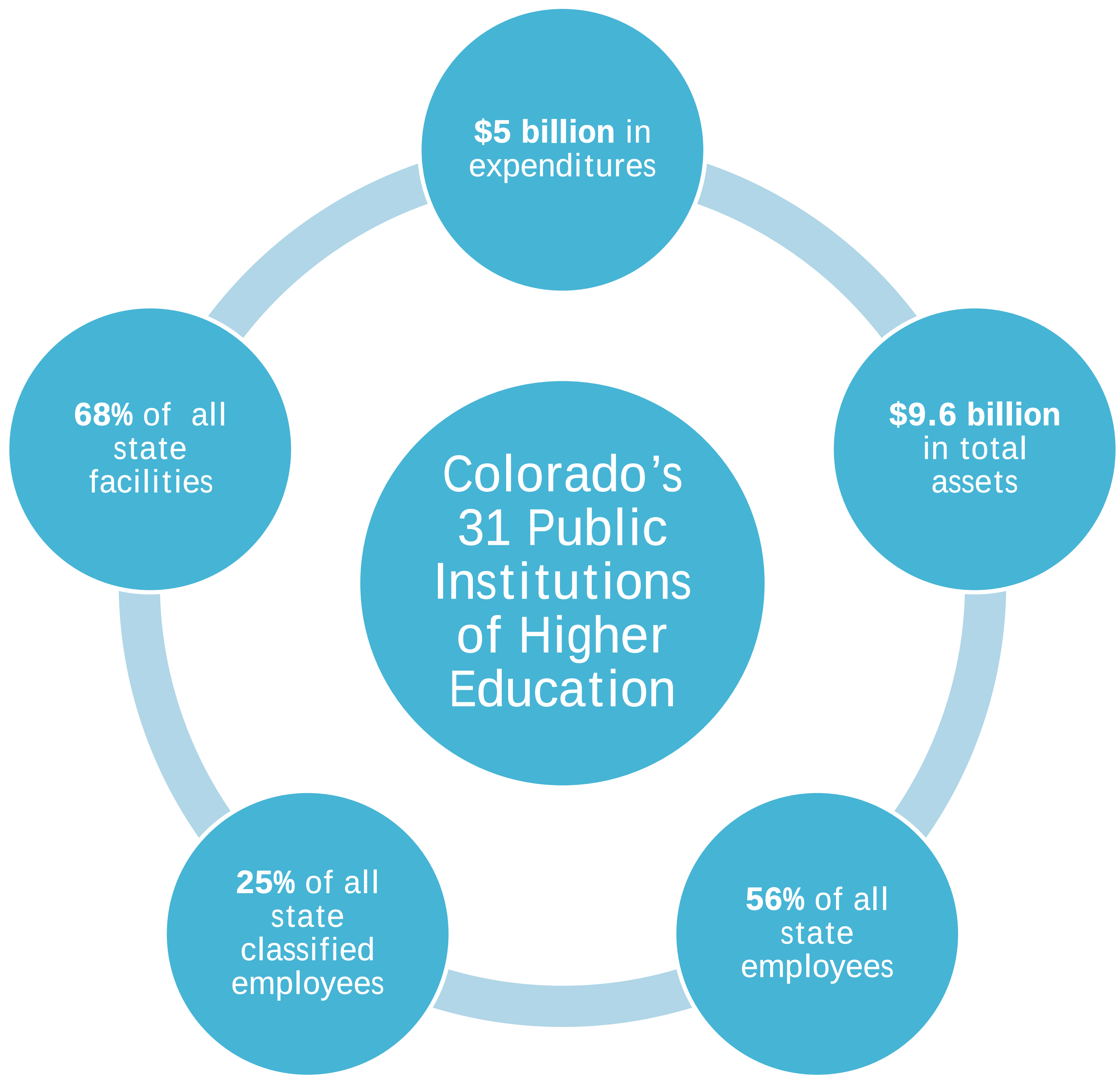


FY 2016-17 Request

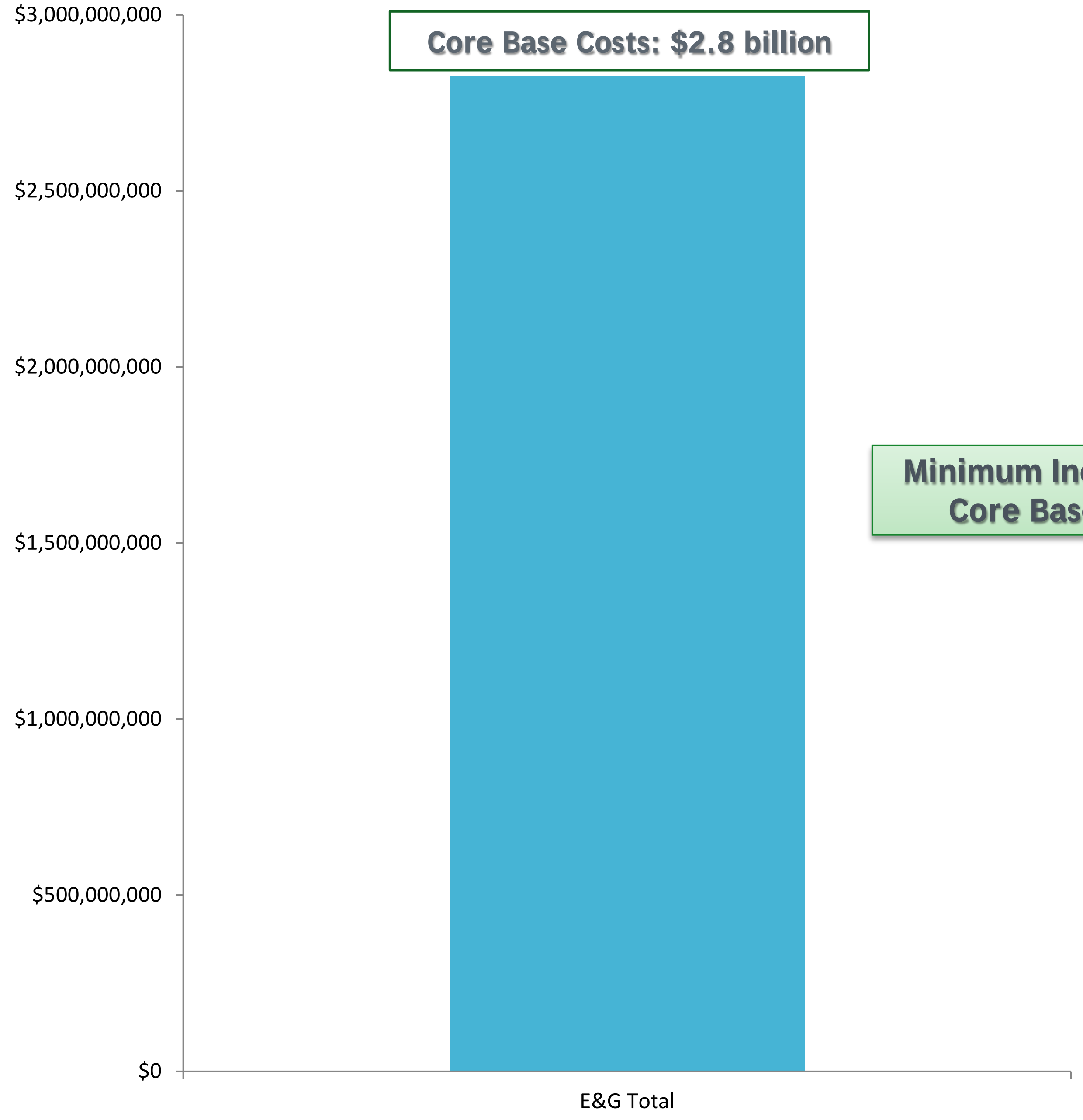
Governor's request assumes showing **tuition in the Long Bill for information purposes only**

Governor's request continue at 15-16 level; if an increase, statutory requirement that Financial Aid increase by same amount

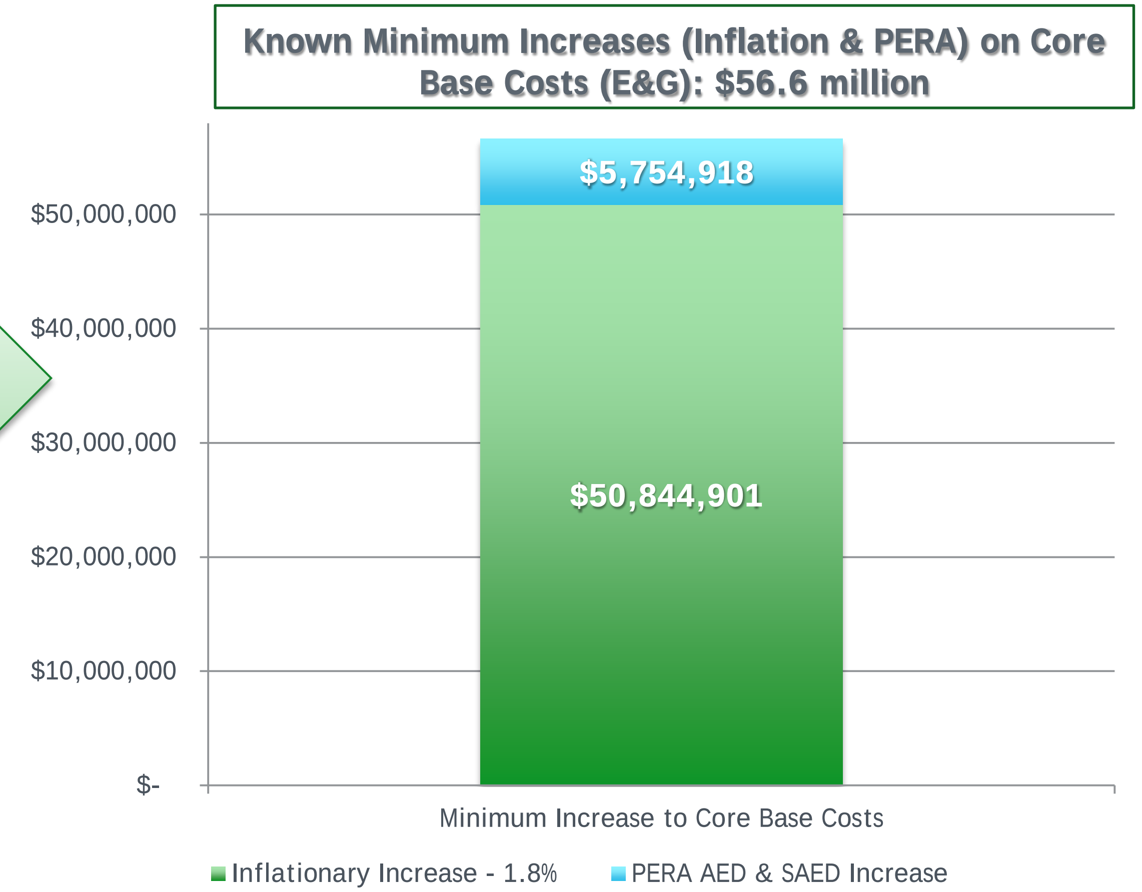
The Footprint of Colorado's Public Institutions of Higher Education



Financing Core Base Costs & Known Minimum Increases Requires Significant Annual Investment (FY 2016-17)



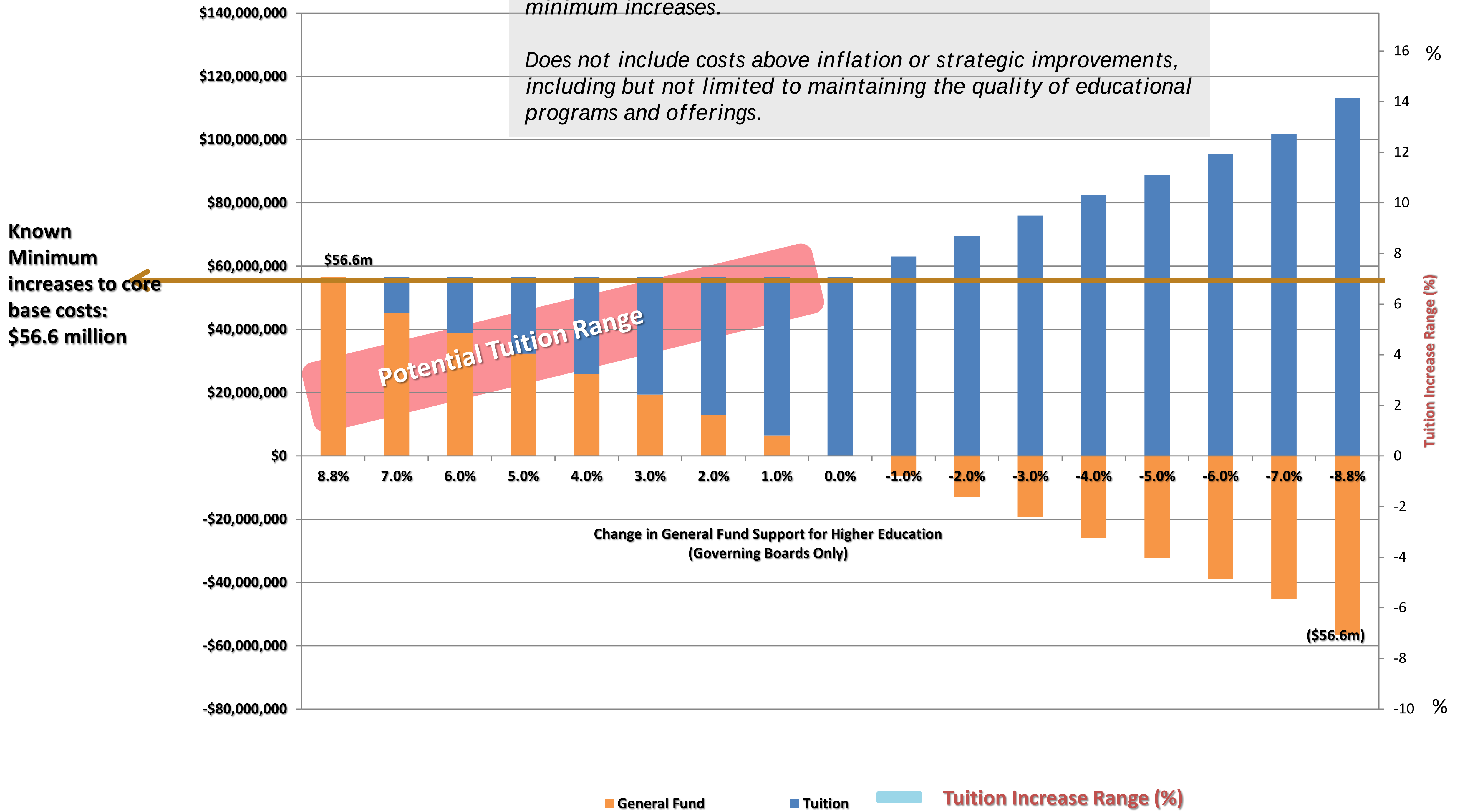
Minimum Increases to Core Base Costs



Cost Sharing Matrix: A Shared Responsibility Approach to Link the General Fund & Tuition to Core Minimum Costs -- Approach for FY 2016-17

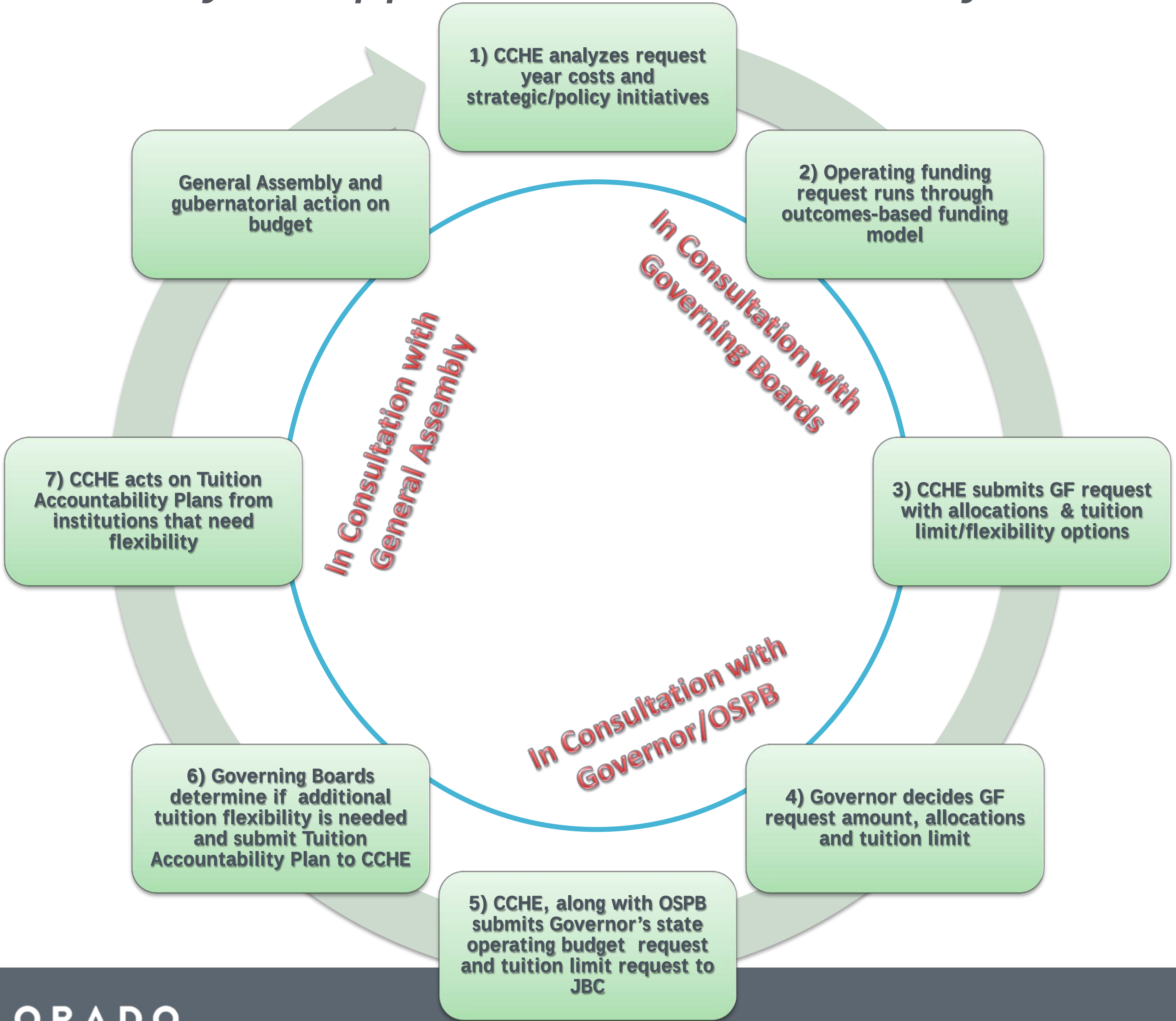
Assumes institutions can raise tuition to cover core costs and minimum increases.

Does not include costs above inflation or strategic improvements, including but not limited to maintaining the quality of educational programs and offerings.

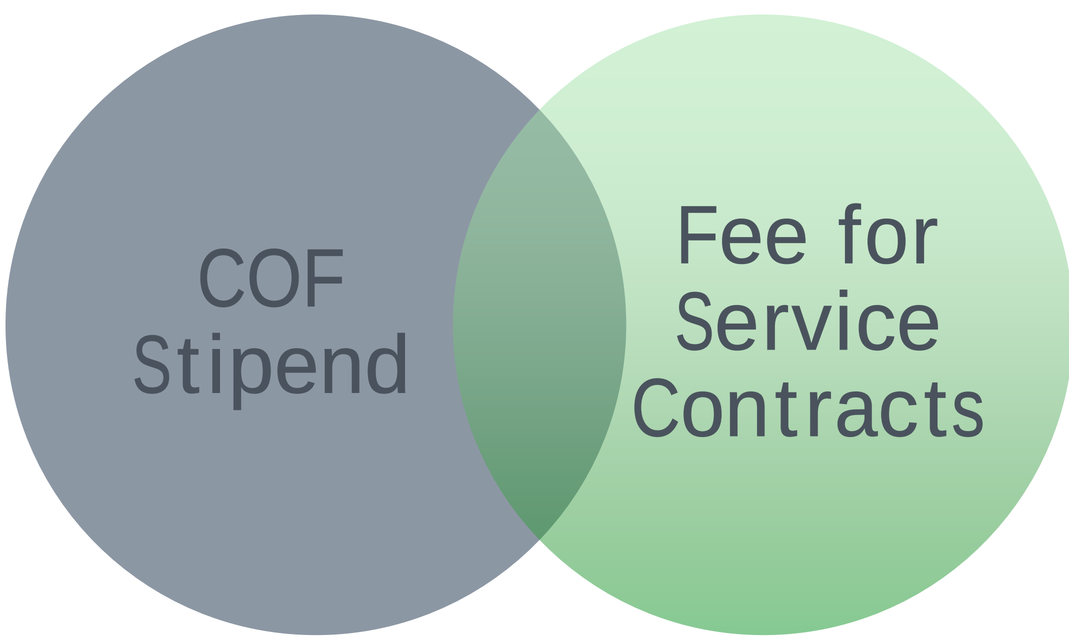


Tuition Policy Framework:

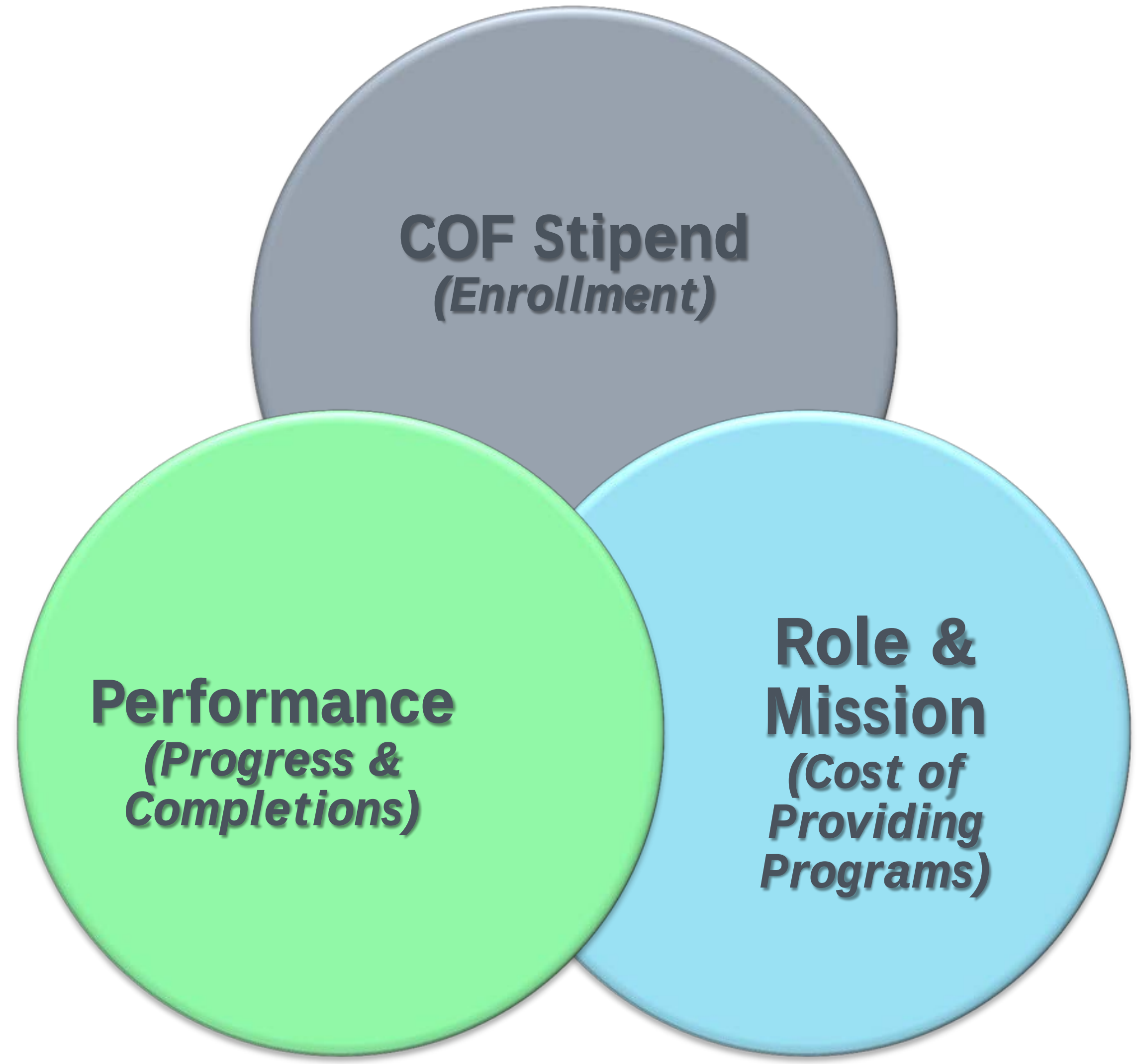
CCHE Business Cycle Approach to Tuition Policy



Higher Education Finance in Colorado: Before and Current

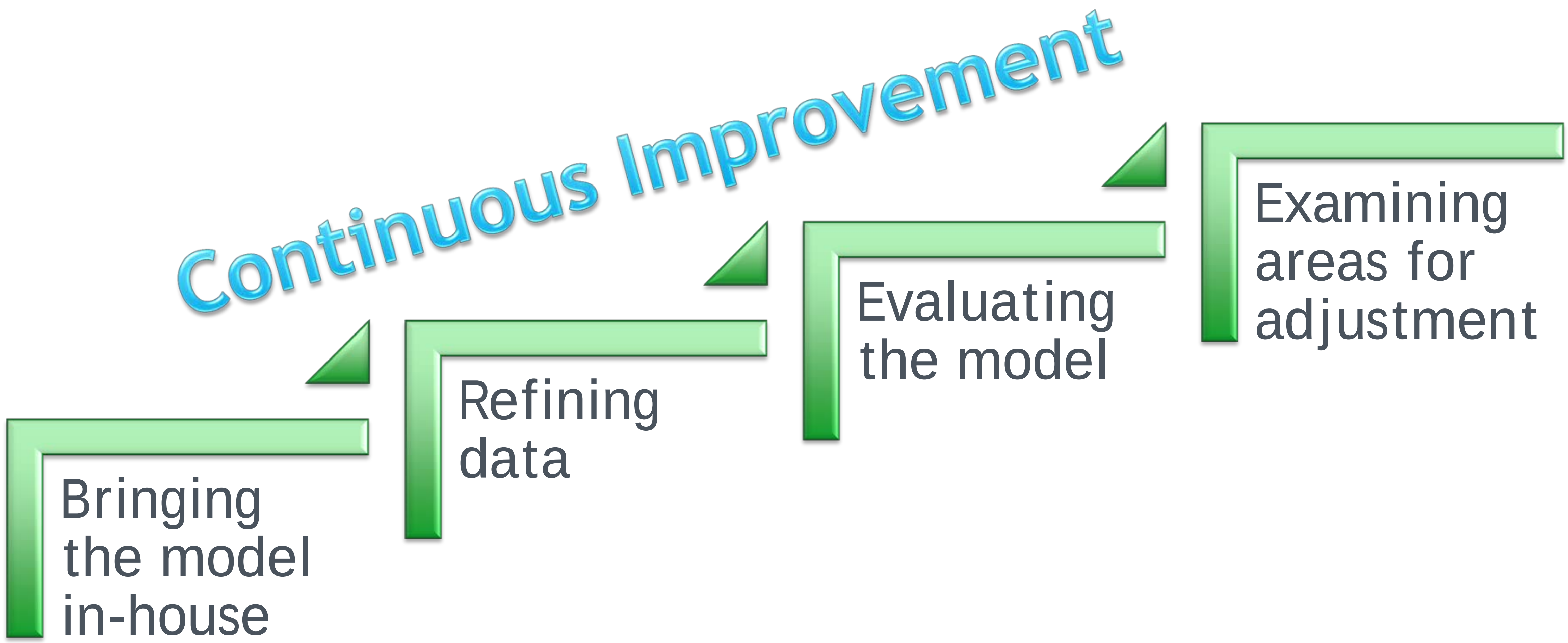


Before: 2004-2014



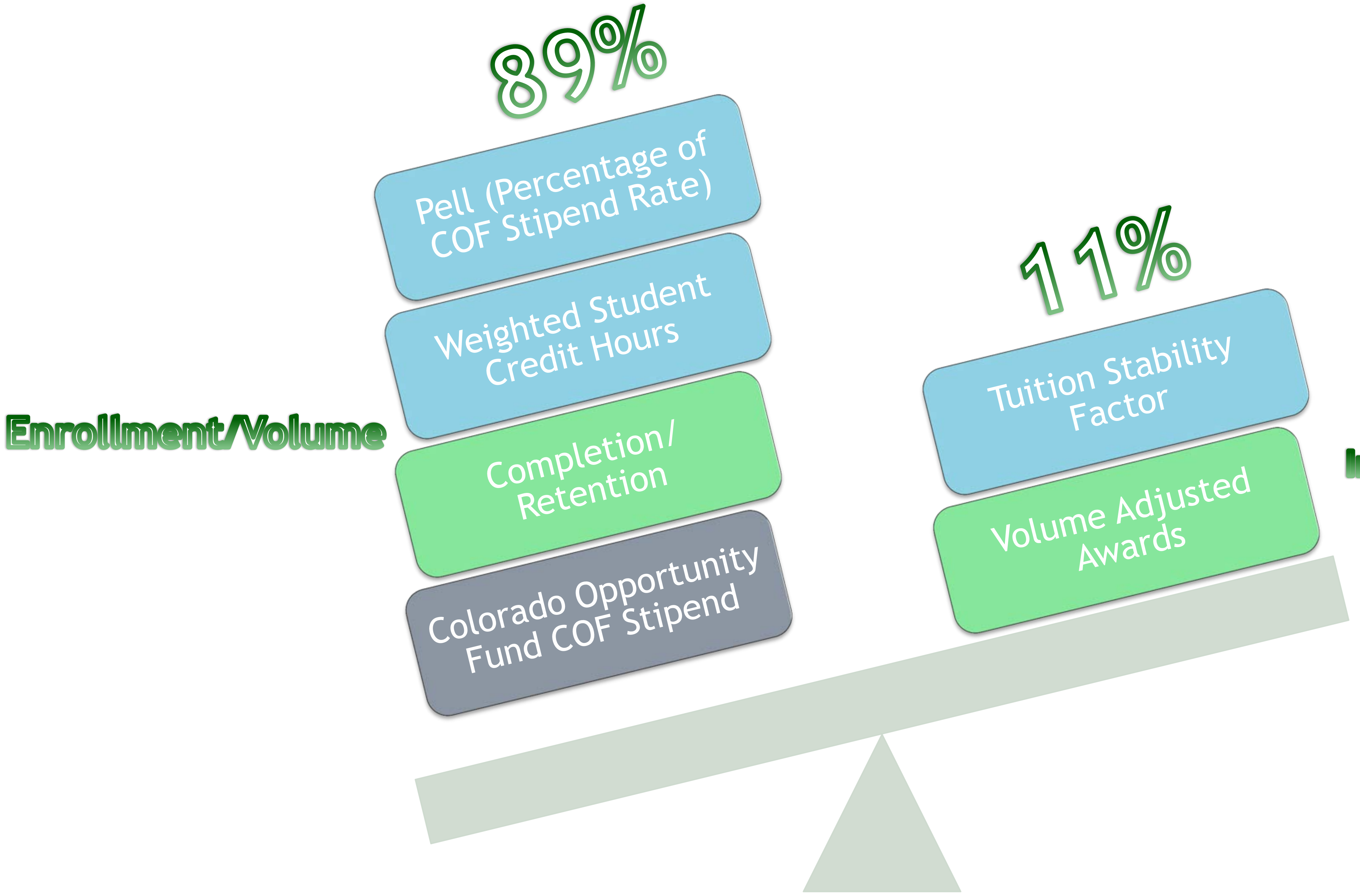
After:2014

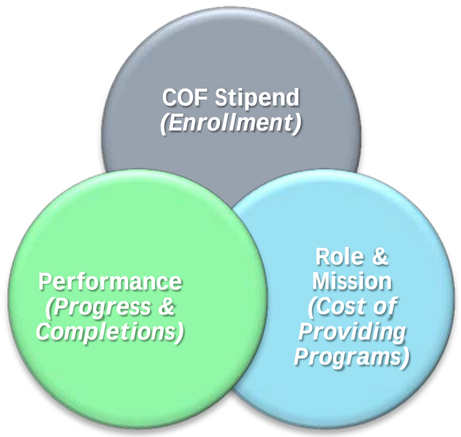
Higher Education Funding Allocation Model
Review Process



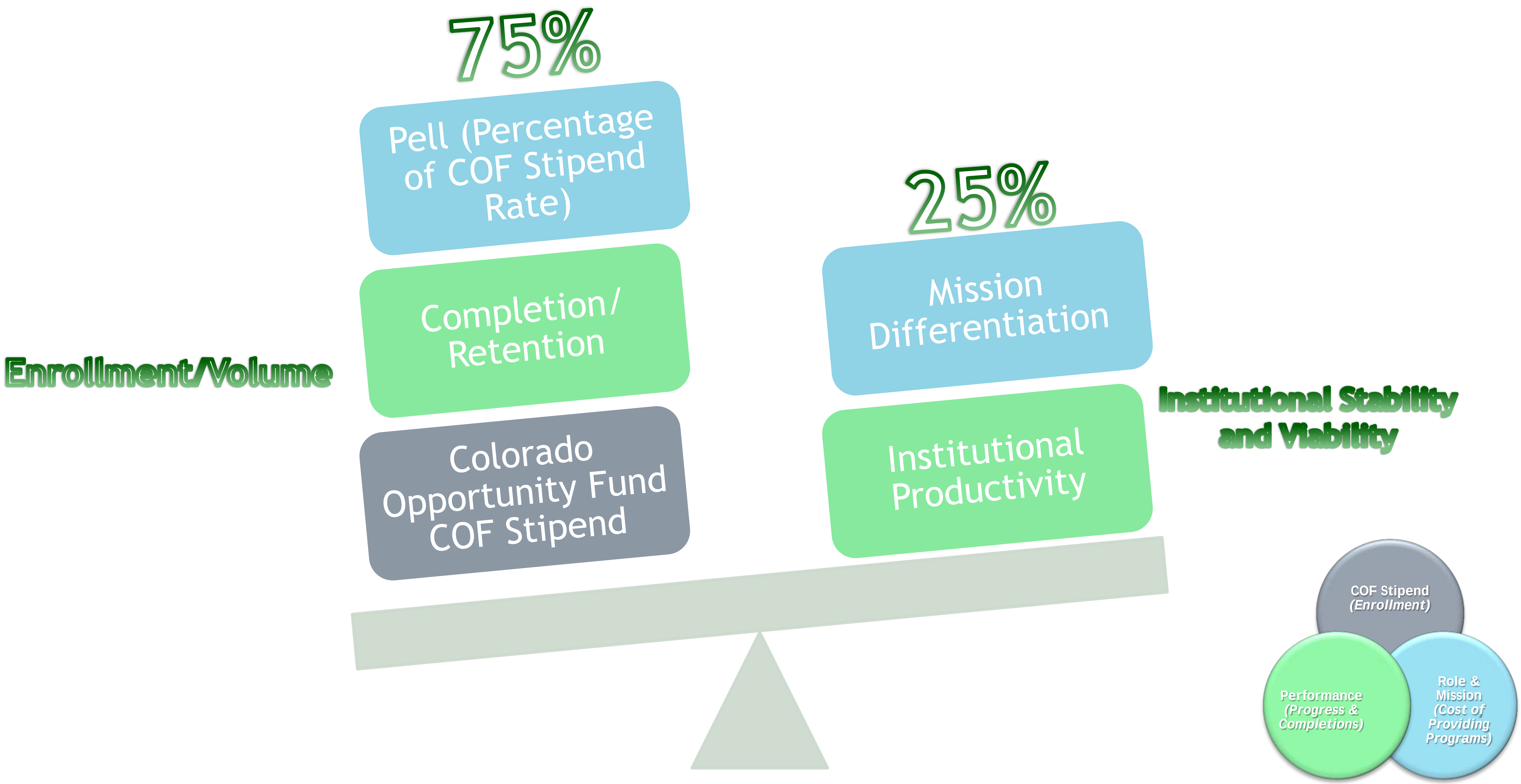
Higher Education Funding Allocation Model

1.0 Framework





Higher Education Funding Allocation Model
2.0 Framework



Summary

FY 2016-17 Request:

$20 million (3.1%) reduction for public colleges and universities

Tuition Policy: Based on the proposed $20 million budget reduction, the FY 2016-17 recommendation is for Governing Board tuition flexibility. Specifically, the CCHE recommendation for FY 2016-17 is that there will be no restrictions on tuition levels set by governing boards if funding falls below FY 2015-16 levels, which this request seeks to do. If fiscal conditions improve and increased funding is appropriated, please see the Cost Sharing Matrix for CCHE's corresponding tuition policy.

Allocations determined through revised model. The overarching goals of the review process and subsequent changes to the allocation formula were to provide a simple, clear and sustainable model that implements the legislation and provides incentives to institutions to meet the policy objectives of the Colorado Commission on Higher Education's Master Plan.


Questions
CO
COLORADO

Colorado Mountain College
Office of the President
802 Grand Ave., Glenwood Springs, Co 81601
P. 970.945-8691

January 5, 2016

The Honorable Millie Hamner
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

Dear Representative Hamner:

On behalf of Colorado Mountain College (CMC), I look forward to the discussion with the Joint Budget Committee (JBC) during the Higher Education Hearing today. CMC is well aware of the difficult budget decisions the JBC and the rest of your colleagues in the legislature will face this upcoming session. With an anticipated cut to the higher education budget and lower revenue from property and oil and gas taxes, combined with rising operating costs, CMC faces the same financial challenges as the other institutions of higher education in the State.

CMC is committed to operating efficiently and making smart long-term financial decisions to ensure that we remain exceptionally accessible and affordable, meet the metrics outlined in our performance contract with the state, and respond to the needs of the communities in our service area and the state.

As a local district college, CMC is not subject to the 1319 formula. Though the College is largely funded through revenue from our local taxing district, the state's annual grant – a "flat" operating grant subject to the same increases and decreases for all public college revenues – is necessary in order to keep tuition affordable for residents of our district and the state of Colorado. The grant CMC receives from the state of Colorado comprises approximately 10% of the College's annual operating revenue, funds that allow the College to maintain very low tuition for students from throughout the entire state.

In spite of the financial challenges associated with public higher education, CMC is committed to continuous improvement and innovation. The College is very proud of many recent accomplishments and inventive projects that position the College well to meet the changing landscape of higher education and communities it serves. Below are a few highlights:

- The Aspen Institute's College Excellence Program ranked CMC in the **top 10% of community colleges in the United States**.

- CMC has annually **increased the number of degrees and certificates awarded** (+63%, 2010-2014) while **lowering the average cost per graduate** (-28% per completion, 2010-2014; estimates from the CMC Office of Institutional Research).

- The United States Department of Education ranked **CMC's bachelor's degree as the country's third most affordable** (Office of Postsecondary Education College Affordability and Transparency, 2015).

- **Enrollment of Latino students** has grown steadily for the past four years (16.5% overall credit enrollment is Latino) and Latino students comprise 20% or more of overall enrollments at several CMC campuses (Edwards, Rifle, and Glenwood Springs).

- **Concurrent enrollment** (CEPA) programs are growing at historically high rates. Eagle County Schools has the largest enrollments (approximately 587 students in fall 2015, an increase of +44% in one year) while Garfield County RE-2 (Rifle) offers the largest number of certificate programs through its "Career Academies."

- CMC has committed to dramatically **reduce the need for remediation and award eligible students certificates or Associate's Degrees upon HS graduation** using concurrent enrollment, partnerships with local high schools, and other targeted efforts.

- With support from the COSI program, the College launched the **Mountain Futures Fund** initiative, a program that is providing financial support to nearly all high schools in CMC's 12,000 square mile service area and through which all graduating seniors receive "instant admission" and a scholarship from CMC.

- CMC's Board of Trustees and management are developing a **longer term tuition plan**, a five-year plan to gradually recalibrate tuition while remaining among the lowest cost institutions for all Coloradans.

- CMC has initiated **comprehensive housing and energy management studies** to address the high costs of living in our mountain resort communities and to consider the most sustainable approaches to future capital projects.

Colorado Mountain College looks forward to working with the JBC during the 2016 legislative session and is always available to answer any questions you and your colleagues on the committee may have. Thank you for your continuing support of CMC and all public colleges and universities throughout the state.

With regard and appreciation for your service to the State of Colorado,

Carrie Besnette Hauser, Ph.D.
President and CEO

CC: Representative Dave Young
Representative Bob Rankin
Senator Kent Lambert, Vice-Chair
Senator Kevin Grantham
Senator Pat Steadman
Colorado Mountain College Board of Trustees

11 Locations in 9 counties spanning 12,000 square miles

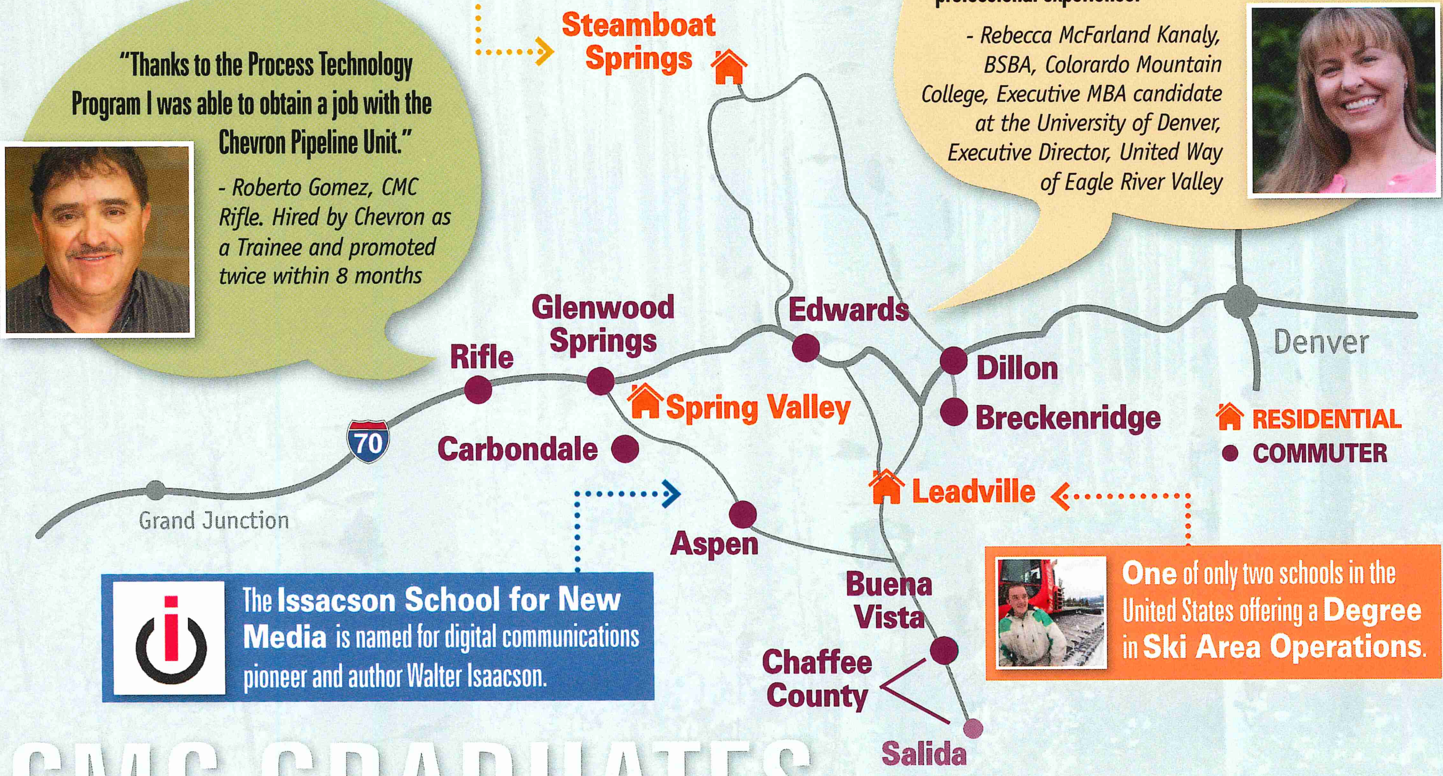
First Ski and Snowboard Business Degree and first national certification for snowsports sales, marketing and retail partnership with SnowSports Industries America (SIA).

"Thanks to the Process Technology Program I was able to obtain a job with the Chevron Pipeline Unit."

- Roberto Gomez, CMC Rifle. Hired by Chevron as a Trainee and promoted twice within 8 months

"Colorado Mountain College proved to be a necessary piece of my personal growth as a change leader. I've gained a strong foundation of education and professional experience."

- Rebecca McFarland Kanaly, BSBA, Colorado Mountain College, Executive MBA candidate at the University of Denver, Executive Director, United Way of Eagle River Valley



The **Issacson School for New Media** is named for digital communications pioneer and author Walter Isaacson.

One of only two schools in the United States offering a **Degree** in **Ski Area Operations**.

120+ Degrees & Certificates

Bachelor's Degrees
- Bachelor of Applied Science (BAS)
- Business Administration
- Elementary Education
- Nursing
- Sustainability Studies

Over 25 Associates Degrees Including:
- Art & Sciences for Transfer
- Business
- Early Childhood Education
- Nursing
- Outdoor Recreation Leadership
- Natural Resource Management
- Professional Photography
- Graphic Design
- Culinary Arts
- Resort Management
- Veterinary Technology

Over 75 Certificate Programs Including:
- Accounting
- Entrepreneurship
- EMT Paramedic
- Medical Assistant
- Solar
- Wilderness EMS
- Law Enforcement Training (CLETA)
- Real Estate
- Paralegal

CMC GRADUATES

- **NASA researcher & professor** Dr. Aileen O'Donoghue
- Colorado **Veterinary Technician of the Year** Leslie Rockey
- **Fulbright scholars** Noelle Brigden & Denise Dimon
- U.S. Dept. of Interior **Conservationist of the Year** Sherri Griffith
- **DNA-sequencing research physicist** Ian Derrington
- **Pulitzer Prize-winning photographer** Pat Davison

Colorado Mountain College

2015 2016

www.ColoradoMtn.edu
1-800-621-8559

- Founded **1965**: Classes started **1967**
- College type: Public **bachelor's** and **associate** degree-granting institution
- Governance: **Locally controlled college**, governed by a seven-member elected board of trustees
- Economic Impact: **1,178 FTE jobs** in the nine-county region, **$46.2 million in earnings;** and **$65.4 million in regional economic output** annually.
- Full-time faculty: **112**

TOP 20 IN U.S. FOR STUDENT SUCCESS
-CNN Money

CMC ranked **#17** of nearly 800 community colleges in the country for **graduation & transfer rates**

Student/Teacher ratio **(12:1)**

20,000 STUDENTS

1,200 People trained through **Workforce Training & Customized Business Services**

3,717 **Full-time** equivalent students

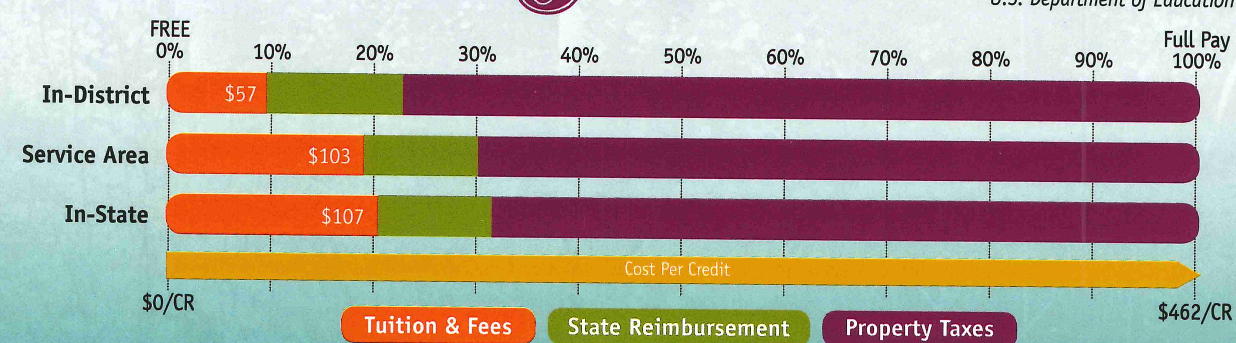
1,797 **English as a Second Language** students

VISION:

We aspire to be the most inclusive and innovative student-centered college in the nation, elevating the economic, social, cultural, and environmental vitality of our beautiful Rocky Mountain communities.

80% of students are from **Colorado**

Investing in Affordability → **3rd** most **affordable public four-year degree** in the country
- *U.S. Department of Education*



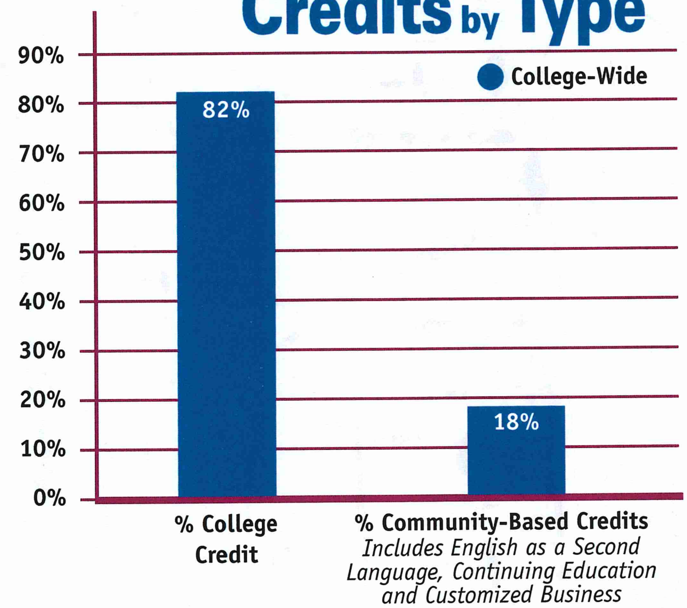
COLLEGE PORTRAIT

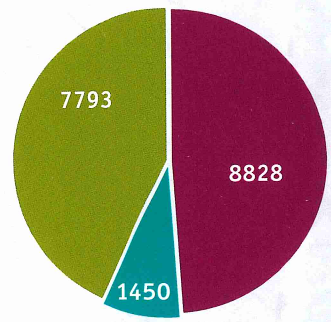
Colorado Mountain College

ACADEMIC YEAR 2014-15

This information is used to identify trends and successes for the students that Colorado Mountain College serves.

Credits by Type





College-Wide

- Credit Only
- Both
- Non-Credit Only

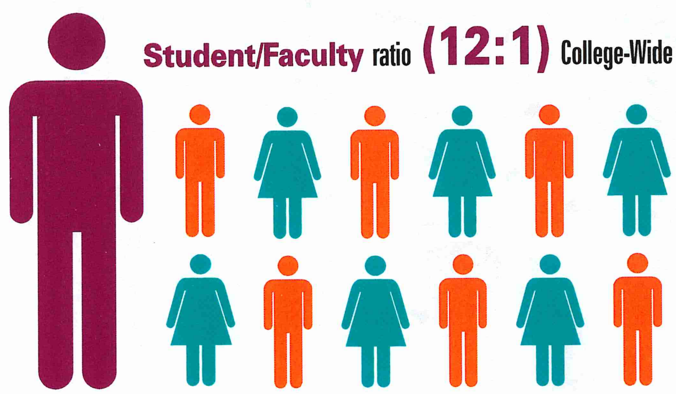
Number of Students by credit type

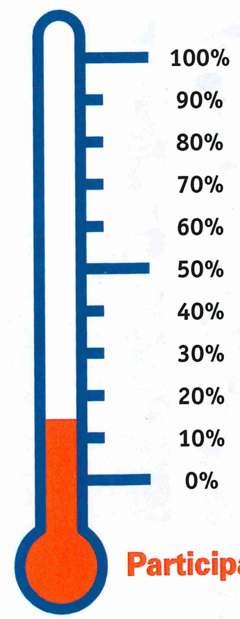
% Degree Seeking Students Awarded Need-Based Aid

*Fall 14 Degree Seeking Students with ≥ 6 credits

48.1% College-Wide

Student/Faculty ratio (12:1) College-Wide





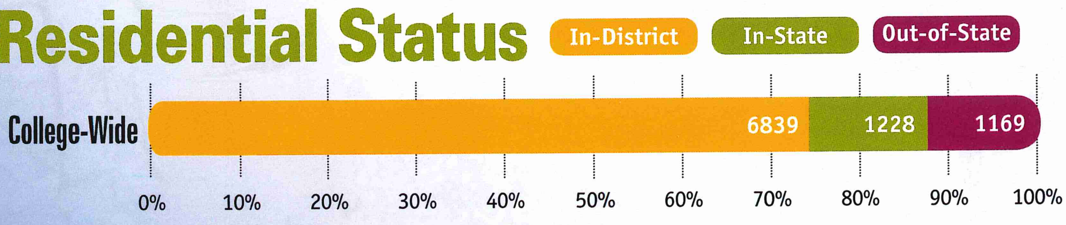
Participation Rate

(Community participation in CMC)

12%

According to the Community College Survey of Student Engagement - CMC students participate in more active and collaborative learning and have increased interactions with faculty when compared to similar institutions.

Residential Status



High School Students Concurrently Enrolled in CMC Courses

% of all students

10.8% College-Wide

1015 Number of Students

Colorado Mountain College

COLLEGE PORTRAIT

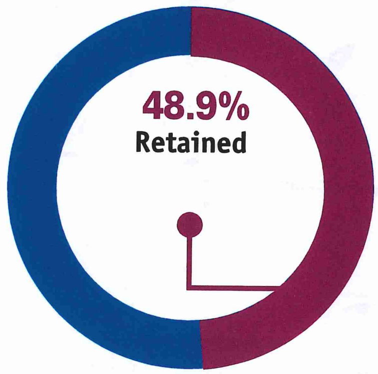
ACADEMIC YEAR 2014-15

"CMC offers students the choice to live, work, learn, and contribute to the workforce and economies of our mountain communities. It is positioned to innovate and serve students like few other institutions."

- Dr. Carrie Besnette Hauser, CMC President & CEO

Retention FA13 to FA14

First time, full time degree seeking students.



College-Wide = **401** Students

College-Wide

Bachelor	102
Associate	539
Certificate	534

Number of Graduates

(Highest Degree Only)

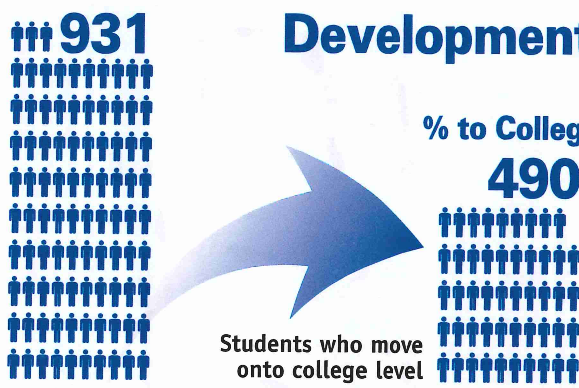
Developmental Education

(Math and English)

% to College Level within a year

*Fall 13 Students only

● College-Wide **52.6%**



SnapShot

College-Wide

Gender	Credit	Non-Credit
Female	57.49%	59.69%
Male	42.51%	35.56%
Undisclosed	--	4.75%
Ethnicity	**Credit**	**Non-Credit**
American Indian/Alaskan	0.47%	0.36%
Asian	0.76%	0.76%
Black or African American	0.61%	0.33%
Hawaiian/Pacific Islander	0.11%	--
Hispanic	14.65%	19.68%
Non-Resident Alien	0.89%	0.49%
Two or More Races	1.82%	0.66%
Undisclosed	11.37%	27.88%
White	69.34%	49.77%
TOTAL	9242	10276

-- = less than 10 individuals, unable to report.

Headcount	FTE**
9243 (College Wide)	3390.1 (College Wide)
2734 (Distance Learning)	628.7 (Distance Learning)
29.6% Distance Learning	18.5% Distance Learning

Distance Learning

*Credit Only

**1 Full-Time Equivalent (FTE) = 30 Credits

Entirely-Online Degrees:
Associate of Arts;
Associate of General Studies;
and Associates of Applied Sciences in Entrepreneurship and/or Paralegal

3rd most **affordable public four-year degree** in the country

- U.S. Department of Education

38%

Transfer Rate

to another institution (College-Wide)

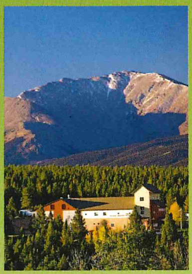
www.ColoradoMtn.edu

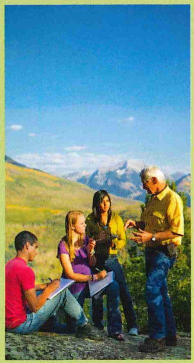
AUGUST | 2015

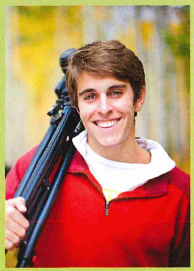
www.ColoradoMtn.edu / 800.621.8559

Colorado Mountain College

Colorado Mountain College







CMC FAST FACTS

- Colorado Mountain College graduates include Fulbright Scholars, NASA researchers, and Pulitzer Prize winners
- Eight athletes from the 2014 Sochi Winter Olympic Games studied here
- 77% of full-time faculty hold advanced degrees
- We offer five bachelor's degrees, 50 associates degrees, and 75 certificate programs.

LOCATIONS

TUITION / FINANCING / ENROLLMENT

2015–2016 Annual Cost of Attending CMC:

	In-District	In-State	Out-of-State
Associates Tuition	$1710	$3210	$11,190
Fees	$180	$180	$180
Room/Board	$8572	$8572	$8572
Books	$1200	$1200	$1200
TOTAL	**$11,662**	**$13,162**	**$21,142**
Bachelor's Tuition*	$2970	$6360	$12,870

**Tuition for bachelor's courses (300-400 level) costs slightly more than lower level courses at CMC.*

Special rates available for veterans and military families and other groups. Visit **www.coloradomtn.edu/tuition** for more information.

FINANCING OPTIONS:

- Payment Plan: Pay your tuition and fees in monthly payments
- Financial Aid: **www.coloradomtn.edu/financial_aid**
- Scholarships: **www.coloradomtn.edu/scholarships**

TO APPLY

- To get started, apply online: **www.coloradomtn.edu**
- CMC is an open enrollment school. There are no fees to apply, and there is no general application deadline, however you must apply for admission and for scholarships prior to March 1st to be considered for scholarships. Several select programs, as well as scholarships and financial aid have deadlines as outlined below:

Application Due Dates

FINANCIAL DEADLINES:

CMC Foundation Scholarships Application.........Mar 1
Federal Financial Aid Priority Deadline.............Mar 31

PROGRAM DEADLINES:

BSN: Fall Semester Start...Jun 15
BSN: Spring Semester Start.....................................Nov 15
Culinary Apprenticeship..Mar 1
Isaacson School for New Media...........................Mar 15
(Digital Media, Graphic Design, Photography)
Nursing (AAS)..Feb 1
Paramedic...Oct 31
Veterinary Technology Priority Deadline...........May 15

facebook.com/ColoradoMtnCollege twitter.com/ColoMtnCollege youtube.com/CMCeagle instagram.com/ColoradoMtnCollege

More info about our programs and where they are offered on the back!

Where Our Programs are Offered - 2015/2016

Colorado Mountain College

Degree Programs

Colorado Mountain College

Program	DEGREE TYPE	ASPEN	BRECKENRIDGE	BUENA VISTA	CARBONDALE	DILLON	EDWARDS	GLENWOOD SPRINGS	LEADVILLE	RIFLE	SPRING VALLEY	STEAMBOAT SPRINGS	ONLINE
BACHELOR DEGREES													
Bachelor of Applied Science*	BAS						•	•			•	•	
*Add the Bachelor of Applied Science to any of these Associate Degrees													
Business Administration	BS		•			•	•	•			•	•	
Elementary Education	BA						•	•			•		
Nursing	BS		•								•		
Sustainability Studies	BA		•		•	•	•				•	•	
ASSOCIATE DEGREES													
Associate of Arts	AA	•	•	•	•	•	•	•	•	•	•	•	•
Associate of General Studies	AGS	•	•	•	•	•	•	•	•	•	•	•	•
Associate of Science	AS		•	•	•	•	•	•	•	•	•	•	
Accounting: Bookkeeper	AAS	•			•		•	•		•	•	•	•
Accounting: Tax Return Preparer	AAS	•			•			•		•	•	•	
Anthropology	AA	•			•			•		•	•	•	
Applied Engineering Technician	AAS									•			
Art History	AA											•	
Biology	AS		•		•	•	•	•	•	•	•	•	
Business	AA	•	•	•	•	•	•	•	•	•	•	•	
Chemistry	AS		•		•	•	•	•	•	•	•	•	
Culinary Arts - Vail Valley	AAS						•						
Culinary Arts Apprenticeship	AAS		•			•							
Digital Media	AAS							•			•		
Early Childhood Education	AAS	•	•	•		•	•		•	•		•	•
Early Childhood Education	AA	•	•			•	•		•	•		•	
Economics	AA	•	•		•	•	•	•	•	•	•	•	
Elementary Teacher Education	AA	•	•			•	•	•		•	•	•	
EMT Paramedic	AAS						•						
Engineering	AGS											•	
English Literature	AA	•	•	•	•	•	•	•	•	•	•		
Entrepreneurship	AAS		•	•	•	•	•	•	•	•	•	•	•
Environmental Science	AS		•			•	•		•	•	•	•	
Environmental Studies	AA	•	•		•	•	•	•	•	•	•	•	
Fire Science Technology	AAS						•		•				
Geology	AS		•		•	•		•	•		•	•	
Graphic Design	AAS							•			•		
History	AA	•	•		•	•	•	•	•	•	•	•	
Information Technology Specialist	AAS					•		•			•		
Mathematics	AA	•	•		•	•		•	•	•	•		
Medical Assistant	AAS						•						
Natural Resource Management	AAS								•				
Nursing	AAS		•								•		
Outdoor Education	AA		•		•	•		•	•		•	•	
Outdoor Recreation Leadership	AGS								•				
Paralegal	AAS												•
Philosophy	AA		•		•	•		•	•		•	•	
Physics	AS		•			•		•			•	•	
Political Science	AA	•			•			•		•	•	•	
Professional Photography	AAS										•		
Psychology	AA	•	•		•	•	•	•	•	•	•	•	
Psychology	AS	•	•		•	•	•	•	•	•	•	•	
Resort Management	AAS						•					•	
Restaurant & Culinary Management	AAS											•	
Ski & Snowboard Business	AAS											•	
Ski Area Operations	AAS								•				
Social Work	AA	•	•	•	•	•	•	•	•	•	•	•	
Sociology	AA	•	•		•	•		•		•	•	•	
Spanish	AA	•			•		•	•	•	•	•	•	
Studio Art	AA	•										•	
Theatre	AA										•		
Veterinary Technology	AAS										•		

BA - Bachelor of Arts
BS - Bachelor of Science
AA - Associate of Arts
AS - Associate of Science
AGS - Associate of General Studies
AAS - Associate of Applied Science

OUR NEWEST, INNOVATIVE PROGRAMS:

Bachelor of
APPLIED SCIENCE
AAS + BAS

Expand your **career and professional options** after completing **technical AAS degrees** by developing **leadership and management** skills.

isaacson school | NEW MEDIA

digital media
graphic design
professional photography

innovation

Bachelor's in
ELEMENTARY EDUCATION

CULTURAL AND LINGUISTIC DIVERSITY

Certificate Programs

We offer **75 Certificate of Completion programs** across 17 categories to meet your career goals. These are typically completed in a year or less when attending full-time.
Learn more about specific tracks at: **www.coloradomtn.edu/programs**

75 CERTIFICATE PROGRAMS OFFERED IN 17 CATEGORIES:
Automotive Service Technician
Business & Accounting
Culinary Arts
Digital Media & Graphic Design
Early Childhood Education
Emergency Medical Technician
Energy Technology
Fire Sciences
Hospitality & Resort Management
Information Technology
Law Enforcement (CLETA Police Academy)
Medical & Health Sciences
Natural Resource Management
Ski & Snowboard Business
Ski Area Operations
Veterinary Technology
Welding & Cutting

DEPARTMENT OF HIGHER EDUCATION
FY 2016-17 JOINT BUDGET COMMITTEE HEARING AGENDA
(3 of 3)

Thursday, January 7, 2016
9:00 am – 12:00 pm

9:00-11:15 PANEL 4: UNIVERSITY OF COLORADO, COLORADO STATE UNIVERSITY, COLORADO SCHOOL OF MINES, UNIVERSITY OF NORTHERN COLORADO

INTRODUCTIONS AND OPENING COMMENTS (5 MINUTES PER GOVERNING BOARD)
Notes: the JBC requests only one speaker per governing board
A break will be taken as needed

PANEL QUESTIONS

Funding Sources, Cost Drivers, and Business Models

1. Provide an overview of your revenue and expenses.
   (a) How has your total revenue per student FTE changed over time?
   (b) What are your primary revenue sources? How significant is revenue from non-residents? Which of your revenue sources are not reflected in the state budget and how large are these?
   (c) What are the real cost drivers of the increase in cost to students?

2. What is your assessment of the financial health of the institution(s) you oversee? What threats do you see, and how are you addressing them?

3. How have you changed your business model over time to address cost increases and General Fund reductions?

4. How does on-line learning fit into your programs? Has this affected your revenue and expenses? How do you see this changing over time?

Tuition Policy Proposal

5. What do you like/dislike about the Department's tuition policy proposal?

Request R1 (Base reduction for public colleges and universities)

6. How would the proposed budget reductions affect your institution?

House Bill 14-1319 Funding Model 2.0 and Institutional Outcomes/Performance

7. What do you like/dislike about the "2.0" version of the H.B. 14-1319 funding model? Should role and mission funding be "base" funding? Why? How well do you think the new model works for allocating budget cuts?

8. How has the new funding model affected your governing board? Do you think it has changed allocations from what would otherwise have happened? Has it affected your governing board's focus or behavior?

9. How does your governing board define performance/quality?

Financial Aid and Low Income Students

10. How has the net cost of attendance at your institution(s) for low income students changed over the last five years?

11. How much of your institutional aid supports low-income Colorado residents? Have you reduced, moved or restructured your institutional aid in light of increases in state need-based aid?

12. What steps do you take to reach out to low income students?

High School to College Continuum and Workforce Preparation

13. What do you think of the idea that no student should leave "school" without a technical certificate or associate's degree?

14. Does the k-12 system provide what the higher education system wants in its students? What share of your students require remediation or supplemental academic instruction?

11:15-11:30 BREAK

11:30-12:00 HISTORY COLORADO

INTRODUCTIONS AND OPENING COMMENTS

Cumbres Toltec Scenic Railroad

15. Explain the mission of the Cumbres Toltec Scenic Railroad. Are there specific learning objectives or is it just a recreational thing?

16. What's the ridership for the railroad and how has this changed over time?

17. How much is Colorado investing in Cumbres Toltec? Explain the other sources of revenue for the railroad.

18. Is the current request a one-time investment? For how long? Will the railroad become self-sufficient?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED
DEPARTMENT OF HIGHER EDUCATION (HISTORY COLORADO)

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implemented or has only partially implemented the legislation on this list.

2. Please provide a detailed description of all program hotlines administered by the Department, including:
   a. The purpose of the hotline;
   b. Number of FTE allocated to the hotline;
   c. The line item through which the hotline is funded; and
   d. All outcome data used to determine the effectiveness of the hotline.

3. Describe the Department's experience with the implementation of the new CORE accounting system.
   a. How has the implementation improved business processes in the Department?
   b. What challenges has the Department experienced since implementation and how have they been resolved (i.e. training, processes, reports, payroll)?
   c. What impact have these challenges had on the Department's access to funding streams?
   d. How has the implementation of CORE affected staff workload?
   e. Do you anticipate that CORE implementation will result in the need for a permanent increase in staff? If so, indicate whether the Department is requesting additional funding for FY 2016-17 to address it.

4. If the Department receives federal funds of any type, please provide a detailed description of any federal sanctions for state activities of which the Department is already aware. In addition, please provide a detailed description of any sanctions that MAY be issued against the Department by the federal government during FFY 2015-16.

5. Does the Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?

   http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf

6. Is the department spending money on public awareness campaigns related to marijuana? How is the department working with other state departments to coordinate the campaigns?

7. Based on the Department's most recent available record, what is the FTE vacancy rate by

department and by division? What is the date of the report?

8. For FY 2014-15, do any line items in your Department have reversions? If so, which line items, which programs within each line item, and for what amounts (by fund source)? What are the reasons for each reversion? Do you anticipate any reversions in FY 2015-16? If yes, in which programs and line items do you anticipate this reversions occurring? How much and in which fund sources do you anticipate the reversion being?

9. Are you expecting an increase in federal funding with the passage of the FFY 2015-16 federal budget? If yes, in which programs and what is the match requirement for each of the programs?

10. For FY 2014-15, did your department exercise a transfer between lines that is allowable under state statute? If yes, between which line items and programs did this transfer occur? What is the amount of each transfer by fund source between programs and/or line items? Do you anticipate transfers between line items and programs for FY 2015-16? If yes, between which line items/programs and for how much (by fund source)?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED - DEPARTMENT OF HIGHER EDUCATION (GOVERNING BOARDS)

1. Provide a list of any legislation that the governing board has: (a) not implemented or (b) partially implemented. Explain why the governing board has not implemented or has only partially implemented the legislation on this list.

2. Does the governing board have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office and dated October 2015 (link below)? What is the department doing to resolve the outstanding high priority recommendations?

http://www.leg.state.co.us/OSA/coauditor1.nsf/All/4735187E6B48EDF087257ED0007FE8CA/$FILE/1542S%20Annual%20Report.%20Status%20of%20Outstanding%20Audit%20Recommendations,%20As%20of%20June%2030,%202015.%20Informational%20Report.%20October%202015.pdf

COLORADO
Department of
Higher Education

1560 Broadway, Suite 1600
Denver, CO 80202

John Hickenlooper
Governor

Lieutenant Governor Joseph A. Garcia
Executive Director

MEMORANDUM

TO: Rep. Millie Hamner, Chair, Joint Budget Committee

FROM: Lt. Governor Joseph A. Garcia, Executive Director, Department of Higher Education

DATE: January 22, 2016

SUBJECT: Response to Letter dated January 12, 2016

Thank you for your letter dated January 12, 2016 seeking additional information on the higher education funding allocation formula and the Governor's proposed tuition policy.

Funding Allocation Model

The Colorado Commission on Higher Education (CCHE) and the Department of Higher Education (CDHE) also **would have preferred to achieve a consensus of the 10 governing boards**, and sought to accomplish that. However, unfortunately, despite the best efforts of all involved parties that proved to be impossible. That said, **the support of 8 out of 10 governing boards is significant**, especially given that they are facing a $20 million cut in the budget.

Extensive work – 11 representatives, 35 hours over 14 meetings with over 170 model scenarios tested – was undertaken by the Funding Allocation Model Review Team (FAMRT), which comprised ALL 10 governing boards and a representative from OSPB. **Eight governing boards agreed to move forward with Version 2.0**.

The resulting formula is the product of these meetings discussions, and concessions made by the individual team members along the way. The FAMRT achieved a **carefully developed compromise.** The formula **implements the provisions of HB 14-1319 while balancing the stated goals in the legislation** - to distribute funding among governing boards based on the metrics set forth and **ensure the educational quality and financial sustainability of all the state's institutions** of higher education.

Tuition Policy

As for the proposed tuition policy, current law has specifically charged the Colorado Commission on Higher Education (CCHE) with the role of establishing tuition policies:

- **SB 10-003; C.R.S. § 23-1-108(12)(b):** CCHE shall *"establish tuition policies based on institutional role and mission, and the governing boards shall set tuition consistent with said policies"* beginning in FY 2016-17.
- **C.R.S. § 23-5-129(6)(c):** *"While operating pursuant to a performance contract negotiated pursuant to this section, the governing board of a state institution of higher education"*...such institution *"shall report to the Colorado commission on higher education its plans for any tuition or other proposed increases for the following fiscal year, using approved forms, for the commission to review and make recommendations to the general assembly during the annual budget process."*

- **HB 14-1319; C.R.S. § 23-18-306(5):** *"Commission shall submit to the Joint Budget Committee and to the Education Committees"…"tuition policies that ensure both accessible and affordable higher education for Colorado residents."…"Must also reflect the level of state funding"…"the need of each institution to enhance the quality of education programs and offerings and strengthen the financial position of the institution."*

CCHE is not requesting additional statutory authority, nor is it intending to limit in any way the General Assembly's role. Rather, it seeks only to comply with existing statute. CCHE's tuition policy is largely a continuation of previous state tuition policy practices. However, the primary difference is that, absent legislative change or action by the General Assembly to codify the limit in some manner, any tuition increase limitation for the coming fiscal year is set by CCHE and not in statute. Any potential tuition increase limitation would be informed by the Cost Sharing Matrix, which utilizes minimum increased costs and state funding levels to calculate possible tuition increase limits. CCHE would grant full flexibility to the governing boards to set tuition based on their individual circumstances within guidelines of CCHE tuition policy. Beginning with the FY 2017-18 budget development process, the Cost Sharing Matrix will be developed jointly with the Governing Boards.

Over the past five years, the Commission has worked to **align the major elements of higher education financing policy** – appropriations, tuition, and financial aid — **in order to increase postsecondary attainment; promote college affordability; and ensure student access and success**. Too often, these issues have been dealt with individually rather than reflecting the interrelated nature of appropriations, tuition, and financial aid. Through the work of CCHE over the last few years, these three policies have been reviewed and updated to provide greater affordability to students, incent completion, while also providing operational stability and fiscal flexibility for our state's public postsecondary institutions. The work of the Commission, the Department and the governing boards represents a significant increase in accountability and transparency, as well as additional information and analysis of higher education costs.

For more details on CCHE's recommended tuition policy, including changes to process and statute, please see the attachment, "Tuition Policy Crosswalk".

ADDITIONAL INFORMATION

The following pages provide additional information on specific issues outlined in the Committee's letter.

Funding Allocation Model

The first version of the funding allocation formula was developed in only 7 months. It was clearly understood and agreed upon by the Department, governing boards, and CCHE that additional refinements would be needed following the initial implementation in FY 2015-16 to ensure the sustainability and predictability of the model going forward. The Joint Budget Committee (JBC) provided nine Requests for Information (RFI) related specifically to the funding allocation model and focused primarily on the complexity and lack of intuitiveness of Version 1.0 of the model. The issues raised in the RFIs were also conveyed by the JBC members to the Department in an update to the Committee on June 19, 2015.

The **overarching goals of the review process and subsequent changes** to the allocation formula were to **provide a consistent and predictable model** that implements the legislation and **provides incentives to institutions to meet the state's policy objectives** as outlined in the CCHE's Master Plan. After analysis and lengthy conversations and debates within the FAMRT, Department staff came to the conclusion that (1) a more direct approach to the Role & Mission portion of the model and (2) modifications to the Outcomes/Performance portion were required in order to create a simpler, less volatile model.

Weighted Credit Hours vs. Mission Differentiation

After Version 1.0 of the model was completed and implemented, **the Colorado Department of Higher Education (CDHE) was asked by the JBC and CCHE to analyze the stability of the model.** CDHE conducted analyses based on several different scenarios – 5 percent funding increase, flat funding, and 5 percent funding decrease - to understand how the funding allocation formula would behave in various budgetary conditions.

It became clear through this analysis the initial version of the model created too much volatility given the majority of the formula was based on enrollment-driven factors and metrics. CDHE was especially concerned about the volatility of the model when reviewing funding cut scenarios, as we walked the fine line of keeping all institutions viable while continuing to use an outcomes-based funding allocation model.

While the weighted credit hour option, based mainly on enrollment, has worked well in other states with an outcomes-based funding allocation model, Colorado's higher education funding structure is unique among the states in that it provides funding for enrollment through the **Colorado Opportunity Fund (COF)** stipend, **which is solely enrollment-driven** and is paid to the institutions on behalf of students. **H.B. 14-1319 changed statute to require the enrollment based COF stipend make up at least 52.5 percent** of the total operating funding for public postsecondary institutions.

If an institution's state funding is based heavily on enrollment, unnecessary volatility in the allocation occurs, thus placing fiscal pressure on the institutions.

In order to mitigate the fiscal pressure and underlying volatility, CDHE captures the role and mission of each governing board (i.e., size, location, selectivity, cost of programs) by eliminating the weighted student credit hours and the "tuition stability" metric and replacing these with "Mission Differentiation", which **captures the unique role and mission of each institution.** The Mission Differentiation metric is based on the outputs from the FY 2015-16 funding allocation model as well as institution type and size. In one metric, **Mission Differentiation is able to offset the costs in providing the programs outlined in statute.**

Other Role and Mission Components, Such as Number of Campuses

Both versions of the funding allocation formula are in compliance with statute. As previously stated, the Mission Differentiation metric offsets the costs for providing the programs outlined in H.B. 14-1319.

The Mission Differentiation metric is calculated on an institutional basis and rolled up to the governing board level. It is important to note that while the number of institutions for which a governing board is responsible is defined in statute, the number of campuses a governing board has is not. Further, there is no clear definition of a "campus" in statute. The size, program offerings, and enrollment levels of campuses vary tremendously by governing board and even within institutions. Using institution level data rather than campus level data mitigates the possibility of institutions gaming the system by creating additional campuses in hopes of receiving additional state funding.

Prior Year versus Current Year Enrollment Data

The Department does not and has not used current year enrollments for *meaningful* budgeting purposes.

Prior to the implementation of HB 14-1319, current year COF enrollments were reported, but no overall increase/decrease occurred to a governing board's total General Fund allocation. Under the prior allocation method, if current year COF Stipend enrollment increased from the forecasted amount, the amount for Fee for Service contracts decreased to offset that change. If COF stipend enrollment decreased from the forecast, then amount for Fee for Service contracts increased accordingly. There was no overall net change in a governing board's allocation based on enrollment. Under the requirements of HB 14-1319, enrollment changes are now captured and impact funding levels for the first time since the passage of COF in FY 2005-06.

The FY 2016-17 funding model uses FY 2014-2015 actual enrollments for the COF component of the formula for four primary reasons:

1) It was the **preference of the Joint Budget Committee staff** to use actual enrollments, rather than estimates of current year enrollment;
2) A **clear majority of the governing boards were in favor** of using actual 2014-2015 enrollments;
3) **All other data in the model utilizes FY 2014-15 actuals**; and
4) It is **impractical to utilize estimates** of current year enrollments in the funding model, because the funding formula must be finalized by November 1 of each year for the Governor's budget request and institutions do not submit Fall reconciled actual COF enrollments until January 29th of the following year.

As mentioned previously, the **Department engaged in an inclusive and collaborative process** to discuss the development and implementation of any needed modifications. **Extensive work – 35 hours over 14 meetings and over 170 model scenarios tested** – was undertaken by the Funding Allocation Model Review Team (FAMRT), which comprised of representatives from ALL 10 governing boards and one from OSPB. **Eight governing boards agreed to move forward with Version 2.0**.

Emphasis on Low-Income/Pell Students

Each institution has incentives to argue for different weights/values for any of the metrics in the model, as each metric provides varied benefits to each institution. The model approved by the FAMRT and CCHE represents the best efforts to implement a simple, sustainable and intuitive formula while also providing incentives to institutions to meet State policy objectives as outlined in the CCHE's Master Plan.

Statute ***requires*** the funding model to include a Pell-eligible metric within the Role & Mission portion of the model which equals at least 10% of the College Opportunity Fund (COF) stipend per credit hour taken by a Pell eligible student.

In addition, statute ***allows*** a metric within the Performance portion of the model to provide an additional bonus for each completion and transfer of a Pell-eligible student. **The funding allocation formula complies with statute and provides a 10% bump on the Role and Mission side and a 60% bump on the Performance side.**

Other states with outcomes based funding models provide a Pell bonus <u>on completions only</u>. In fact, Colorado has the highest Pell bonus for completions in the nation – a 60% premium – while most other states with outcomes based funding models provide only a 40% bonus.

The biggest factor that impacts funding for low-income/Pell students is the overall amount of funding for higher education. The proposed reduction of $20 million decreases the amount of state funding available for all students and will likely result in increased tuition rates.

Tuition Policy

Pursuant to statute, **CCHE developed a tuition policy** which will **ensure both accessible and affordable higher education** for Colorado residents; **reflect the level of state operating funding**; reflect the **need of each institution to enhance** the quality of education programs and offerings; and strengthen the financial position of the institution.

- **SB 10-003; C.R.S. § 23-1-108(12)(b):** CCHE shall *"establish tuition policies based on institutional role and mission, and the governing boards shall set tuition consistent with said policies"* beginning in FY 2016-17
- **C.R.S. § 23-5-129(6)(c):** *"While operating pursuant to a performance contract negotiated pursuant to this section, the governing board of a state institution of higher education"*...such institution *"shall report to the Colorado commission on higher education its plans for any tuition or other proposed increases for the following fiscal year, using approved forms, for the commission to review and make recommendations to the general assembly during the annual budget process.*"
- **HB 14-1319; C.R.S. § 23-18-306(5):** *"Commission shall submit to the Joint Budget Committee and to the Education Committees"…"tuition policies that ensure both accessible and affordable higher education for Colorado residents."…"Must also reflect the level of state funding"…"the need of each institution to enhance the quality of education programs and offerings and strengthen the financial position of the institution."*

In developing the policy, roles and responsibilities were clearly identified:

- The **General Assembly establishes policy and priorities through statute** to be implemented by CCHE, CDHE and the Governing Boards.
- CCHE has a responsibility **to exercise oversight** and to **ensure that educational quality** and **student access** are maintained.
- **Governing boards** have the **responsibility and authority for the financial management** of their institutions. A major component of sound financial management is the setting of tuition. Since institutions have unique roles and missions and differing student needs, governing boards are best equipped to set tuition and hold a fiduciary duty to their respective institutions.

In statute, **the authority to set tuition rates continues to remain a power of the governing boards**, which have a responsibility and authority for the financial management of their institutions. This would not change with CCHE's proposed tuition policy.

While there may have been an expectation for the proposed tuition policy to provide a clear cap or restriction on tuition levels for the foreseeable future, the reality is **state funding for higher**

education in Colorado is volatile and unpredictable. Tuition rates are directly linked to the level of investment or disinvestment the state makes annually through the General Fund appropriation to higher education.

Historically, the level of higher education investment has depended on statewide budget balancing. Decisions about the level of state funding for public postsecondary institutions did not have the benefit of a full understanding on the impact state funding for higher education has on the system as a whole and the affordability of a postsecondary education for Colorado residents. Through the Cost Sharing matrix included in the Governor's annual budget package, the Department and CCHE **seek to ensure policymakers have a clear understanding of the implications state budget** decisions around General Fund have on undergraduate, resident tuition rates.

The General Assembly is the ultimate decision maker on the level of state funding invested in public postsecondary institutions. **The Department envisions the level of state investment determined by the General Assembly will trigger the corresponding potential tuition limit for that particular fiscal year**, **based on the Cost Sharing Matrix**. The General Assembly would approve CCHE and the Governor's recommended tuition cap by taking no action (i.e., not running a tuition cap bill).

As always, should the General Assembly choose to, it could convey its annual tuition rate limit expectation – *as expressed by the Cost Sharing Matrix, or a different limit determined by the General Assembly* - in a footnote to the informational tuition line item in the Long Bill, or through the use of other legislative tools, such as a JBC letter or statute. **CDHE's intent with the Cost Sharing Matrix is to provide an analytical tool for the legislature to inform the General Assembly on the link between State funding to institutions and tuition rates.**

As stated earlier, statute already requires CCHE to include tuition recommendations for resident undergraduate students in its annual budget request. CCHE's annual tuition limit recommendation will include a clear picture of higher education finance through the Cost Sharing Matrix.

<u>Tuition Included in the Long Bill for Informational Purposes Only</u>

While **no statutory change is needed to implement the CCHE adopted tuition policy and process**, CDHE and CCHE do see a critical need to amend statute in order to continue including tuition revenue in the Long Bill for information purposes only.

The appropriation of tuition is a bureaucratic process making predictions 18 months in advance for enrollment levels and the mix of students (resident, non-resident, undergraduate and graduate), as well as the tuition to be charged in order to calculate an estimated total tuition revenue amount resulting in a spending authority limit. Actual tuition revenue is then trued-up through the supplemental and 1331 process, adding workload to the JBC, institutions, and the Department. The Department sees no additional value or more accurate tuition revenue estimates with appropriating tuition. Rather, the spending authority limit acts to either limit access, by limiting the number of students an institution can enroll, or hamper quality.

Implementation of the CCHE recommended tuition policy would **not make significant changes to the budget process**. Rather, it will maintain the current process of including tuition in the Long Bill for informational purposes.

Attachment – Tuition Crosswalk

TUITION CROSSWALK

Revised January 21, 2016

The table below provides a crosswalk between current law and processes and the CCHE proposed statutory and process changes. Please note **this process *DOES* envision a role for the General Assembly**, as noted on page 5 of the DHE response to the JBC's January 12, 2016 letter.

PROCESS/ AUTHORITY	CURRENT LAW (EFFECTIVE JULY 1, 2016)	CCHE PROPOSED TUITION POLICY	
		PROPOSED CHANGE TO STATUTE/PROCESS	NOTES
General Assembly Role	The General Assembly passes the state budget and establishes policy and priorities through statute to be implemented by CCHE, CDHE and the Governing Boards. Tuition revenue will be appropriated in the Long Bill. Tuition rate assumptions will be included in a Long Bill footnote and controlled through spending authority. Supplemental bills and 1331s will be required to adjust for actual enrollment mixes at the institutions and variability from the tuition revenue and enrollment forecast. *C.R.S. § 23-1-104(1)(b)(I):* *For the 2010-11 fiscal year and for fiscal years on or after July 1, 2016, the general assembly shall make annual appropriations of general fund moneys, of cash funds received from tuition income.* *C.R.S. § 23-5-129 (10):* *While a state institution of higher education is operating pursuant to a performance contract negotiated pursuant to this section, the general assembly retains the authority to approve tuition spending authority for the governing board of the institution.* *C.R.S. § 23-18-202 (3) (b) (I):* *The tuition increases from which the general assembly derived the total cash spending authority for each governing board shall be noted in a footnote in the annual general appropriations act.*	Tuition revenue would be appropriated in the Long Bill for information purposes only. The level of investment, or lack thereof, for higher education in the Long Bill would implement the corresponding tuition rate policy for that particular fiscal year, informed by the *Cost Sharing Matrix* analysis. *<u>Changes to statute</u>* *Amend: C.R.S. § 23-1-104(1)* *Repeal: C.R.S. § 23-5-129(10)* *Repeal: C.R.S. § 23-18-202 (3) (b) (I)*	The General Assembly ***continues to pass the state budget and establish policy and priorities*** through statute and budget to be implemented by CCHE, CDHE and the Governing Boards. The General Assembly ***continues to have the ability*** to express the tuition rate limit expectation for that fiscal year *– as expressed by the Cost Sharing Matrix, or another level determined by the General Assembly* - for the budget year in a footnote to the informational item in the Long Bill, or another legislative tool, such as a JBC letter or statute.

<table>
<tr><th rowspan="2">PROCESS/ AUTHORITY</th><th rowspan="2">CURRENT LAW
(EFFECTIVE JULY 1, 2016)</th><th colspan="2">CCHE PROPOSED TUITION POLICY</th></tr>
<tr><th>PROPOSED CHANGE TO STATUTE/PROCESS</th><th>NOTES</th></tr>
<tr><td>CCHE Role</td><td>The Commission shall establish tuition policies based on institutional role and mission and, and the governing boards shall set tuition consistent with said policies and the Commission shall be required to include in the annual budget request tuition recommendations for resident undergraduate students for each state institution of higher education.

S.B. 10-003; C.R.S. § 23-1-108(12)(b):
CCHE shall "establish tuition policies based on institutional role and mission, and the governing boards shall set tuition consistent with said policies" beginning in FY 2016-17.

C.R.S. § 23-5-129(6)(c):
"While operating pursuant to a performance contract negotiated pursuant to this section, the governing board of a state institution of higher education"...such institution "shall report to the Colorado commission on higher education its plans for any tuition or other proposed increases for the following fiscal year, using approved forms, for the commission to review and make recommendations to the general assembly during the annual budget process."</td><td>No change.</td><td>Additional tuition rate flexibility could be provided through the Tuition Accountability Plan mechanism, operational only in times of general fund increase, as described in CCHE policy.

Senate Bill 10-003, which provided governing boards with tuition flexibility for five years (FY 2011-12 through FY 2015-16), included the addition of C.R.S. § 23-1-108(12)(b) and goes into effect on July 1, 2016 for the FY 2016-17 fiscal year.

C.R.S. § 23-1-108(12)(b)</td></tr>
</table>

PROCESS/ AUTHORITY	CURRENT LAW (EFFECTIVE JULY 1, 2016)	CCHE PROPOSED TUITION POLICY — PROPOSED CHANGE TO STATUTE/PROCESS	CCHE PROPOSED TUITION POLICY — NOTES
Governing Board Role	Governing boards have the authority to set tuition within specified tuition increase limits, if applicable, established annually by the Commission and subject to any statutory requirements or appropriations in any given year. *S.B. 10-003; C.R.S. § 23-1-108(12)(b):* *CCHE shall "establish tuition policies based on institutional role and mission, and the governing boards shall set tuition consistent with said policies" beginning in FY 2016-17* *C.R.S. § 23-5-129(6)(c):* *"While operating pursuant to a performance contract negotiated pursuant to this section, the governing board of a state institution of higher education"...such institution "shall report to the Colorado commission on higher education its plans for any tuition or other proposed increases for the following fiscal year, using approved forms, for the commission to review and make recommendations to the general assembly during the annual budget process."* *Additional authority per individual governing board statute.*	***No change.***	Governing boards can request additional tuition flexibility could by submitting a Tuition Accountability Plan mechanism, operational only in times of general fund increase, as described in CCHE policy. *C.R.S. § 23-1-108(12)(b)*
Executive Budget Process	Integration of the tuition recommendation process with the development of the executive budget request. *C.R.S. § 23-5-129(6)(c):* *"While operating pursuant to a performance contract negotiated pursuant to this section, the governing board of a state institution of higher education"...such institution "shall report to the Colorado commission on higher education its plans for any tuition or other proposed increases for the following fiscal year, using approved forms, for the commission to review and make recommendations to the general assembly during the annual budget process.*	***No change.***	

PROCESS/ AUTHORITY	CURRENT LAW (EFFECTIVE JULY 1, 2016)	CCHE PROPOSED TUITION POLICY	
		PROPOSED CHANGE TO STATUTE/PROCESS	**NOTES**
Enrollment and Revenue Forecasting	In February, CDHE and institutional staff provide Legislative Council and JBC staff with executive branch forecast for tuition revenue and enrollment.	***No change.***	
Figure Setting	The Joint Budget Committee will decide which tuition and enrollment forecast to use for figure setting — Legislative Council, CDHE or a combination of the two. Tuition will be appropriated in the Long Bill.	***No change in process,*** except that tuition revenue would be for informational purposes in the Long Bill. *Changes to statute* *Amend: C.R.S. § 23-1-104(1)* *Repeal: C.R.S. § 23-5-129(10)* *Repeal: C.R.S. § 23-18-202 (3) (b) (I)*	
Current Year/ True-up Process	Because the current process relies on predictions 18 months out as to enrollment levels and the mix of students, supplemental bills and 1331s will be necessary throughout the fiscal year to adjust institutions' spending authority to account for actual. Tuition revenue will be trued up in a Long Bill add-on after the fiscal year is over. The re-appropriated line item for each institution will be adjusted throughout the year for COF stipend enrollment changes and tuition changes. The adjustment for these items will be delineated in a footnote.	Supplemental bills, 1331s and Long Bill add-ons will not be necessary to adjust tuition revenue. *Changes to statute* *Amend: C.R.S. § 23-1-104(1)* *Repeal: C.R.S. § 23-5-129(10)* *Repeal: C.R.S. § 23-18-202 (3) (b) (I)*	Final tuition revenue will continue to be provided to JBC staff through the Budget Data Books.

DRAFT PROPOSED STATUTORY CHANGES

	CURRENT STATUTE	CHANGES BEING SOUGHT BY CCHE
Financing of Higher Education	**C.R.S. § 23-1-104. Financing the system of postsecondary education--report--repeal**	**Amend as follows:** (1)(a)~~(I) For fiscal years 2011-12 through 2015-16, the general assembly shall make annual appropriations of moneys that are estimated to be received by an institution, under the direction and control of the governing board, as stipends, as defined in section 23-18-102, and through fee-for-service contracts, as authorized in sections 23-1-109.7 and 23-18-303, as a single line item to each governing board for the operation of its campuses; except that, if the general assembly appropriates moneys, as described in paragraph (c) of this subsection (1), to the Colorado state forest service, the agricultural experiment station department of the Colorado state university, or the Colorado state university cooperative extension service, such moneys shall not be included within the single line item appropriations described in this paragraph (a).~~ ~~(II) This paragraph (a) is repealed, effective July 1, 2016.~~ ~~(b)(I) For the 2010-11 fiscal year and for fiscal years beginning on or after~~ Beginning July 1, 2016, and thereafter, the general assembly shall make annual appropriations of general fund moneys~~, of cash funds received from tuition income,~~ and of moneys that are estimated to be received by an institution, under the direction and control of the governing board, as stipends, as defined in section 23-18-102, and through fee-for-service contracts, as authorized in sections 23-1-109.7 and 23-18-303, as a single line item to each governing board for the operation of its campuses; except that, if the general assembly appropriates moneys, as described in paragraph ~~(c)~~ (b) of this subsection (1), to the Colorado state forest service, the agricultural experiment station department of the Colorado state university, or the Colorado state university cooperative extension service, such moneys shall not be included within the single line item appropriations described in this paragraph ~~(b)~~. ~~(II) For the 2010-11 fiscal year and for fiscal years beginning on or after July 1, 2016, the general assembly shall also make annual appropriations of cash funds, other than cash funds received as tuition income or as fees, as a single line item to each governing board for the operation of its campuses. Each governing board shall allocate said cash fund appropriations to the institutions under its control in the manner deemed most appropriate by the governing board.~~

	CURRENT STATUTE	CHANGES BEING SOUGHT BY CCHE
		~~(c)~~ (b) In addition to any appropriations made pursuant to paragraph (a) ~~or (b)~~ of this subsection (1), the general assembly may make annual appropriations of general fund moneys and of moneys received pursuant to a fee-for-service contract negotiated by the board of governors of the Colorado state university system and the department of higher education, as described in section 23-18-303, as separate line items to:
Duties of CCHE	**C.R.S. § 23-1-108 (12) (b):** For fiscal years beginning on or after July 1, 2016, the commission shall establish tuition policies based on institutional role and mission, and the governing boards shall set tuition consistent with said policies.	No need to amend. This statute will be referred to in the governing board statutory sections to require governing boards to set tuition consistent with CCHE policies. See "GB Tuition Authority" section below.
Performance Contracts	**C.R.S. § 23-5-129 (6) (c):** While operating pursuant to a performance contract negotiated pursuant to this section, the governing board of a state institution of higher education...Shall report to the Colorado commission on higher education its plans for any tuition or other proposed increases for the following fiscal year, using approved forms, for the commission to review and make recommendations to the general assembly during the annual budget process; except that the provisions of this paragraph (c) shall not apply for fiscal years 2011-12 through 2015-16. **C.R.S. § 23-5-129 (10):** While a state institution of higher education is operating pursuant to a performance contract negotiated pursuant to this section, the general assembly retains the authority to approve tuition spending authority for the governing board of the institution; except that the provisions of this subsection (10) shall not apply for fiscal years 2011-12 through 2015-16.	**Amend as follows:** While operating pursuant to a performance contract negotiated pursuant to this section, the governing board of a state institution of higher education...Shall report to the Colorado commission on higher education its plans for any tuition or other proposed increases for the following fiscal year~~, using approved forms,~~ for the commission to review and make recommendations to the general assembly during the annual budget process; except that the provisions of this paragraph (c) shall not apply for fiscal years 2011-12 through 2015-16. **Strike**
COF/FFS	**C.R.S. § 23-18-202 (3) (b) (I):** The tuition increases from which the general assembly derived the total cash spending authority for each governing board shall be noted in a footnote in the annual general appropriations act.C.R.S. § 23-18-202 (3) (b) (II): Notwithstanding the provisions of subparagraph (I) of this paragraph (b), for fiscal years 2011-12 through 2015-16, tuition increases shall not be noted in a footnote in the annual general appropriation act. Each governing board shall establish tuition in each of said fiscal years as provided in section 23-5-130.5. This subparagraph (II) is repealed, effective July 1, 2016.	**Strike**

	CURRENT STATUTE	CHANGES BEING SOUGHT BY CCHE
GB Tuition Authority	Tuition setting authority for governing boards is currently managed/restricted in part by section C.R.S. § 23-5-130.5	**Amend each governing board section as follows:** Notwithstanding any provision of subsection (***x***) of this section to the contrary, ~~for fiscal years 2011-12 through 2015-16,~~ the [board of regents/governing board/etc], in accordance with section ~~23-5-130.5~~ 23-1-108 (12) (b) **Statutory Sections to be Amended:** • CU: 23-20-112(2)(a) • CSU: 23-30-112(2)(a) • UNC: 23-40-104.5 • Adams: 23-51-102.5(1) • Ft. Lewis: 23-52-105(1)(b)(II) • Mesa: 23-53-102.5(1) • Metro: 23-54-102.5(1) • Western: 23-56-102.5(1) • CCCS: 23-60-202(1)(c)(I)(B)

COLORADO
Department of
Higher Education

1560 Broadway, Suite 1600
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John Hickenlooper
Governor

Lieutenant Governor Joseph A. Garcia
Executive Director

January 20, 2016

FY 2017 JBC Hearing Follow-up Responses

1) Provide additional detail on higher education cost-drivers. In particular, please provide break-out information on growth in administrative salaries/costs versus other salaries/costs.

Additional Detail on Higher Education Cost Drivers

The Colorado Department of Higher Education contracted with the National Center for Higher Education Management Systems (NCHEMS) to perform an analysis of higher education costs in Colorado, and how these compared to costs of similar institutions (See the attached report, "Why Higher Education Costs are What They Are", June 30, 2015).

*According to the NCHEMS report, the **majority of costs at Colorado public institutions of higher education are a direct result of faculty and staff compensation**. Remaining costs include supplies and operating expenses (utilities, insurance, office and laboratory supplies, maintenance of plant, etc.). Among the findings the study found that Colorado public institutions:*

- ***Operate on fewer resources** to support basic operations than do similar institutions in other states*
- ***Have reduced costs and are already far more efficient** than similar systems and institutions in other states*
- ***Spend less than what would be expected**, relative to peer institutions across the country*

*Furthermore, the study found that the revenue per student available to finance costs is substantially less than revenues available to similar institutions in most other states. **Colorado institutions receive significantly less state support than many similar institutions around the country**. As a result, **institutions must rely on tuition revenue** to cover expenses resulting in increased cost to students. However, Colorado public institutions charge average or below average tuition – hence, the overall lower total revenue available to Colorado institutions.*

The NCHEMS Cost Driver Study did not delve into the details of administrative salaries/costs versus other salaries/costs; however, a recent national study of higher education staffing and compensation patterns generally addresses this question for public higher education institutions.

The Delta Cost Project issue brief, "Labor Intensive or Labor Expensive?" examines higher education staffing and compensation patterns from 2000-2012.[1] *The brief found:*

- *While the public higher education workforce grew by 28% from 2000 to 2012, the **increase largely mirrored rising enrollments at institutions**. In fact, public research institutions and community colleges employed 16 fewer staff per 1,000 student FTE in 2012 than they did in 2000;*
- ***The growth in administrative jobs** across higher education was in professional positions, such as **admissions and student support staff**, as opposed to executive and managerial positions; and*
- *Wage and salary **expenditures for student services** were the **fastest growing salary expense** at most types of institutions nationwide.*

Please note, student services are increasingly important when considering CCHE's Master Plan goals of increasing completions and closing the attainment gap. Some of the costs around student services are associated with providing financial and academic advising to students. The increasing population of non-traditional students institutions must serve to reach the Master Plan goals has resulted in a higher percentage of students which need academic remediation or support and who are low income.

Department staff could conduct a similar Colorado specific analysis of staffing and compensation patterns for the Colorado public colleges and universities; however, this research and analysis would take additional resources and require significantly more time to complete than that allowed for responses to JBC hearing follow-up questions.

Given the importance of staffing and compensation, individual governing boards pay close attention to staffing patterns and compensation. At the JBC hearing, the University of Colorado referred to the extensive tracking of indicators (including administrative expenditures as a percent of total expenditures) and extensive analysis of cost drivers, including staffing and compensation. You can view at https://www.cu.edu/cost-drivers-cu, as an example of the kinds of staffing and compensation data utilized by governing boards to effectively and efficiently manage their respective institution.

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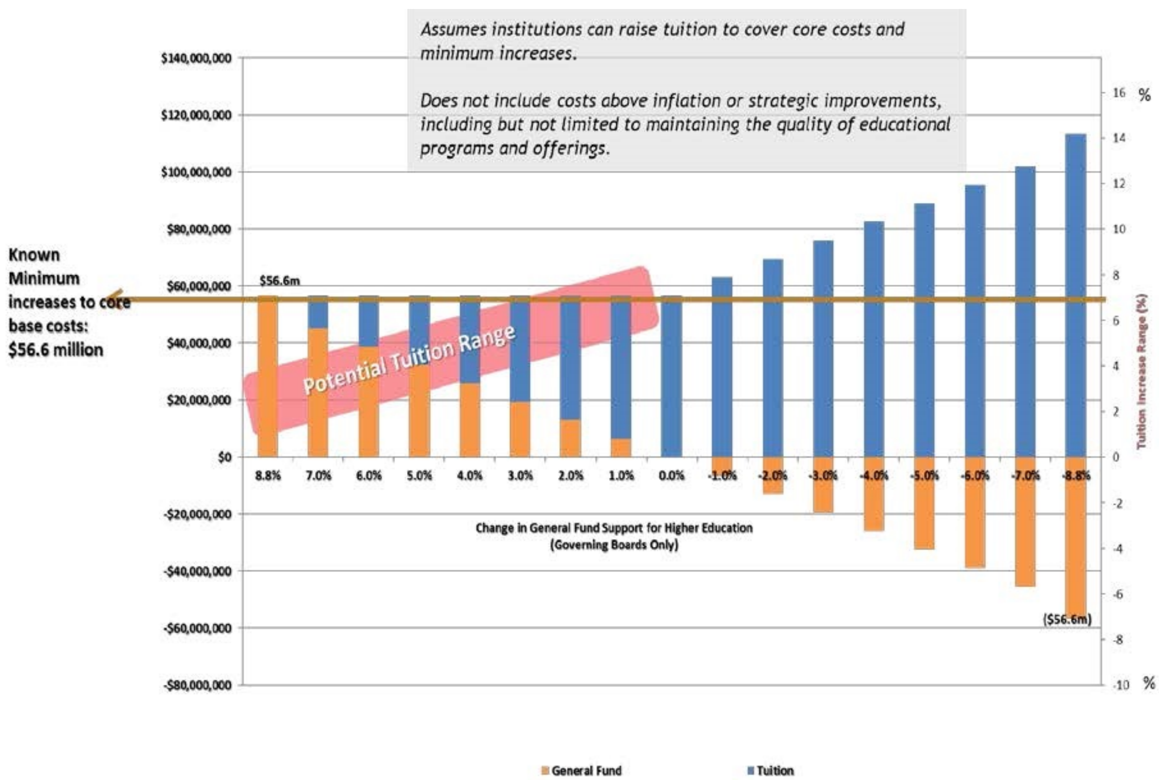
[1] Desrochers, Donna and Rita Kirshstein. "Labor Intensive or Labor Expensive?" February 2014. Delta Cost Project. January 2016 <http://www.air.org/sites/default/files/downloads/report/DeltaCostAIR-Labor-Expensive-Higher-Education-Staffing-Brief-Feb2014.pdf>.

2) Please clarify your tuition proposal in the event that the General Assembly were to provide an increase of $56.6 million, instead of the currently-proposed $20 million funding reduction. In this event, what cap would you propose on tuition levels? If your proposal would be for something greater than 0.0%, what would you expect the additional tuition revenue to fund, i.e., if additional tuition revenue is expected to support "quality improvements" what would those be? Would any entity other than the individual governing boards vet these proposals?

If the General Assembly were to provide the governing boards an increase of $56.6 million[2], instead of the currently proposed $20 million funding reduction, the Colorado Commission on Higher Education (CCHE) would propose a 3% to 4% tuition rate increase cap. See the Cost Sharing Matrix below.



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[2] *A $56.6 million increase to the governing boards results in a total General Fund increase of $72.3, as statute requires proportionate increase the local district junior colleges, area vocational schools and financial aid. Please note the inflation included in the $56.6 million minimum increases is based on the total Education and General (E&G) base, including state funding and tuition revenue. The E&G base is approximately $2.8 billion for public governing boards.*

As the Cost Sharing Matrix illustrates, if the General Assembly reduces funding by \$20 million, the system wide analysis indicates tuition rate increases would need to be in the range of 9% to 11%. This level of rate increase would be necessary to cover the state reduction of \$20 million plus the known core <u>minimum</u> inflationary cost increase of \$56.6 million. The CCHE policy proposes no statewide tuition increase cap if state funding is reduced.

With regard to the question about "what" the revenue generated from a tuition rate increase funds, the answer is dependent upon: (1) the level of General Fund the General Assembly provides and (2) the individual circumstances of each i nstitution.

For example:

- *If there is a General Fund reduction, the revenue generated from a tuition rate increase would primarily be used to finance costs that were funded by the General Fund in the previous year and any mandatory/non-discretionary and inflationary cost increases.*
- *If there is a General Fund increase in the range of \$56 million, a portion of the revenue generated from a tuition rate increase would be used to finance some of the mandatory/non-discretionary and inflationary cost increases above the inflation rate and result in a lower tuition rate increase for students and families.*

As to whether revenue generated from a tuition rate increase is expected to support "quality improvements", those specific decisions are made by an institution's leadership and governing board.

In accordance with our constitutional and statutory governance structure, governing boards hold a fiduciary duty to their respective institution, and provide the necessary financial oversight of their respective institution. Financial oversight includes approval of the institution's annual budget which captures the spending plan for tuition revenues which would include consideration of strategic initiatives.

3) In the event the General Assembly were to provide a funding increase, do you think that you could achieve consensus on the allocation model? (The Lt. Governor indicated that this was unlikely; but it may be something you want to explore further.)

*A state funding increase is **critically important to the affordability of post-secondary education for Colorado students and families**, as it reduces the pressure on tuition to finance postsecondary educational costs.*

As to whether a funding increase could achieve consensus on the allocation model, as Lt. Governor Garcia stated at the January 6, 2016 JBC Hearing, the level of funding is unlikely *to impact achieving consensus on the allocation model. The Colorado Commission on Higher Education (CCHE) and the Department of Higher Education (CDHE) absolutely would have preferred to achieve a consensus of the 10 governing boards. Unfortunately, despite the best efforts of all involved parties that proved to be impossible.*

Extensive work - 35 hours over 14 meetings and completing over 170 model scenarios – *was undertaken by the Funding Allocation Model Review Team (FAMRT), which comprised ALL 10 governing boards and a representative from OSPB.* ***Eight governing boards agreed to move forward with Version 2.0****.*

As mentioned during the third day of your JBC hearings with higher education, each of the governing boards desire something in the formula that would specifically benefit them but would be in conflict with what another governing board would want. These governing boards made concessions throughout the process to help build consensus. Over 170 model scenarios were created to help collectively understand the impact of the many different ideas vetted, and helped inform the discussions and decisions of the FAMRT.

The resulting formula is a product of these discussions, and compromises made by the team along the way, to achieve a ***carefully developed compromise*** *that* ***implements the provisions of HB 14-1319 while balancing the stated goals in the legislation*** *- to distribute funding among governing boards based on the metrics set forth and* ***ensure the educational quality and financial sustainability of all the state's institutions*** *of higher education.*