COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2016-17 STAFF BUDGET BRIEFING

DEPARTMENT OF HIGHER EDUCATION

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

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DEPARTMENT OF HIGHER EDUCATION

Department Overview

The Department of Higher Education has the following key responsibilities:

- Distributes state funding to higher education institutions through:
    - The College Opportunity Fund Program that provides stipends to students for undergraduate education,
    - Fee-for-service contracts with institutions to provide graduate, professional, specialized, rural, and other education programs; and
    - State subsidies for Local District Junior Colleges and Area Vocational Schools
- Distributes state-funded financial aid for students through allocations to higher education institutions
- Establishes policy and provides central coordination for state-supported higher education programs under the authority of the Colorado Commission on Higher Education (CCHE). This includes ensuring institutional degree programs are consistent with institutional missions, establishing statewide enrollment policies and admissions standards, determining allocation of financial aid among institutions, and coordinating statewide higher education operating and capital construction budget requests. Responsibilities include developing a new model for the allocation of higher education operating funds pursuant to H.B. 14-1319.
- Oversees and allocates funding from various sources for vocational and occupational education programs
- Regulates private occupational schools under the oversight of Colorado State Board of Private Occupational Schools
- Oversees CollegeInvest and CollegeAssist, statutorily-authorized state enterprises with responsibilities related to college savings and student loan programs;
- Develops reports on the higher education system as needed or directed by the General Assembly, and, as part of this function, provides a central repository for higher education data with links to P-12 and employment data;
- Under the oversight of the Colorado Opportunity Scholarship Initiative (COSI) board, allocates grants to nonprofits and other entities to increase the availability of pre-collegiate and postsecondary student support and will provide associated student scholarships
- Administers various programs supported through federal and private grants. These include, among others, the "CollegeInColorado" program, which disseminates information about planning for college and higher education financing options, and the Gear Up program, which provides services beginning in middle school that are designed to increase higher education participation for youth who might not otherwise attend college.
- Collects, preserves, exhibits, and interprets items and properties of historical significance through History Colorado (formerly the State Historical Society).

Authority over Colorado's higher education system is fairly decentralized. Individual governing boards have substantial independent authority over the management of their institutions. The Governor appoints, with consent of the Senate, the members of CCHE, most members of the governing boards of the state institutions of higher education (with the exception of the regents of the University of Colorado, who are elected), and the members of the State Board of Private Occupational Schools.

Department divisions include the Department Administrative Office (centrally-appropriated line items), Colorado Commission on Higher Education, Colorado Commission on Higher Education Financial Aid, College Opportunity Fund Program, Governing Boards, Local District Junior Colleges, the Auraria Higher Education Center, and History Colorado.

Colorado Commission on Higher Education: The executive director of CCHE, currently Lieutenant Governor Garcia, is also the executive director of the Department. The appropriation for CCHE funds the Commission's central administrative staff of 29.9 FTE, the Division of Private Occupational Schools, and various special-purpose line items. This section is largely supported through indirect cost recoveries.

College Opportunity Fund Program and Governing Boards: About 76 percent of state General Fund appropriations to the Department are for the College Opportunity Fund (COF) Program, with amounts reappropriated to each of the governing boards in consolidated line items in the Governing Boards section. The COF Program provides stipends for undergraduate resident students to attend public colleges and participating private colleges in Colorado and also supports fee-for-service contracts with public higher education institutions for graduate education and other educational services not covered by the stipends.

Colorado Commission on Higher Education Financial Aid: State support for higher education financial aid, which comprises about 20 percent of General Fund appropriations to the Department, is appropriated to CCHE for allocation to the Governing Boards.

Other Higher Education Divisions: The Division of Occupational Education oversees Colorado Vocational Act programs, the Area Vocational Schools, federal Perkins technical training programs, and resources for the promotion of job development, job training, and job retraining. Separate divisions provide state subsidies for Local District Junior Colleges and reappropriated funds for the Auraria Higher Education Center, which maintains the single shared campus of the Community College of Denver, Metropolitan State College of Denver, and the University of Colorado at Denver.

History Colorado: The Department budget includes appropriations for the Colorado History Museum and regional museums and facilities. Funding is largely comprised of state Limited Gaming revenues deposited to the State Historical Fund. History Colorado is considered a state educational institution, but CCHE has no related administrative authority over the organization.

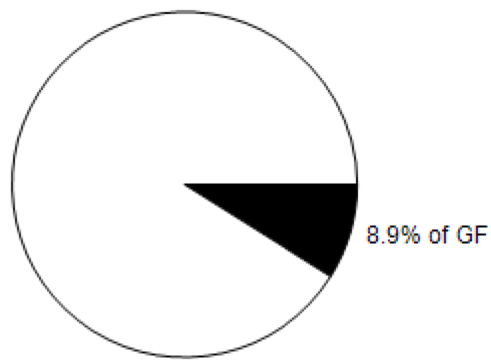
Department Budget: Recent Appropriations

Funding Source	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 *
General Fund	$659,108,061	$762,082,525	$857,415,995	$838,524,430
Cash Funds	1,933,397,850	2,048,656,281	2,150,842,834	2,150,717,922
Reappropriated Funds	576,697,493	634,406,378	701,803,695	683,021,791
Federal Funds	19,290,300	22,431,064	22,494,551	22,540,831
Total Funds	**$3,188,493,704**	**$3,467,576,248**	**$3,732,557,075**	**$3,694,804,974**
Full Time Equiv. Staff	22,842.3	23,455.2	23,856.3	23,856.3

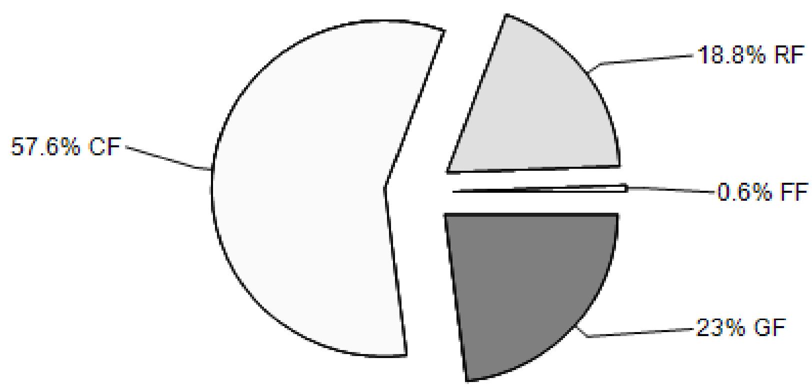
*Requested appropriation.

Department Budget: Graphic Overview

Department's Share of Statewide General Fund

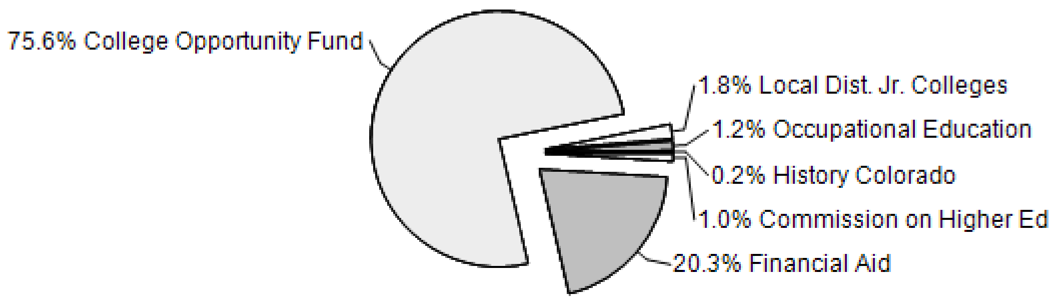


Department Funding Sources

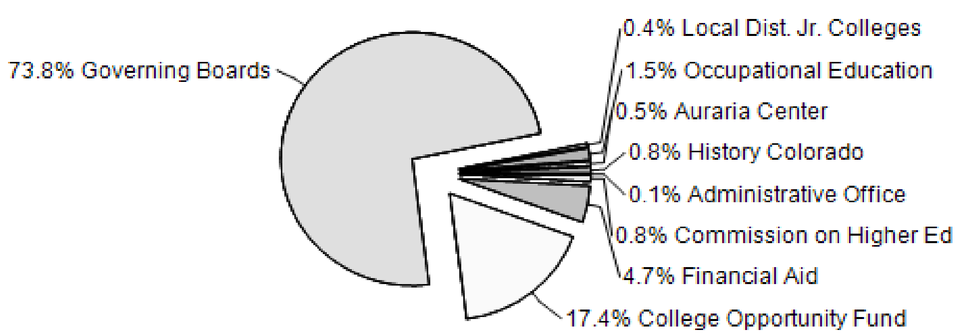


All charts are based on the FY 2015-16 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



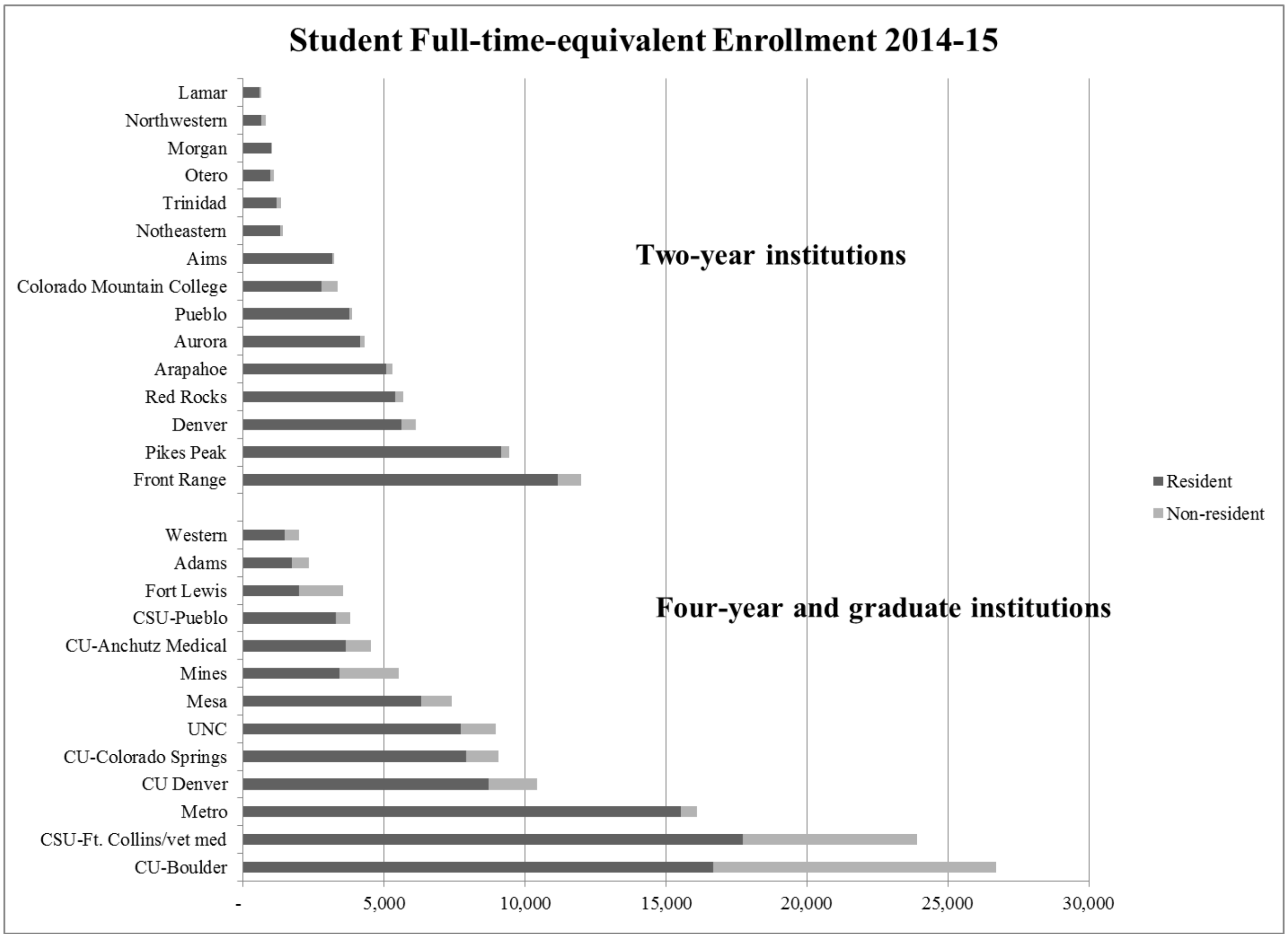
All charts are based on the FY 2015-16 appropriation.

General Factors Driving the Budget

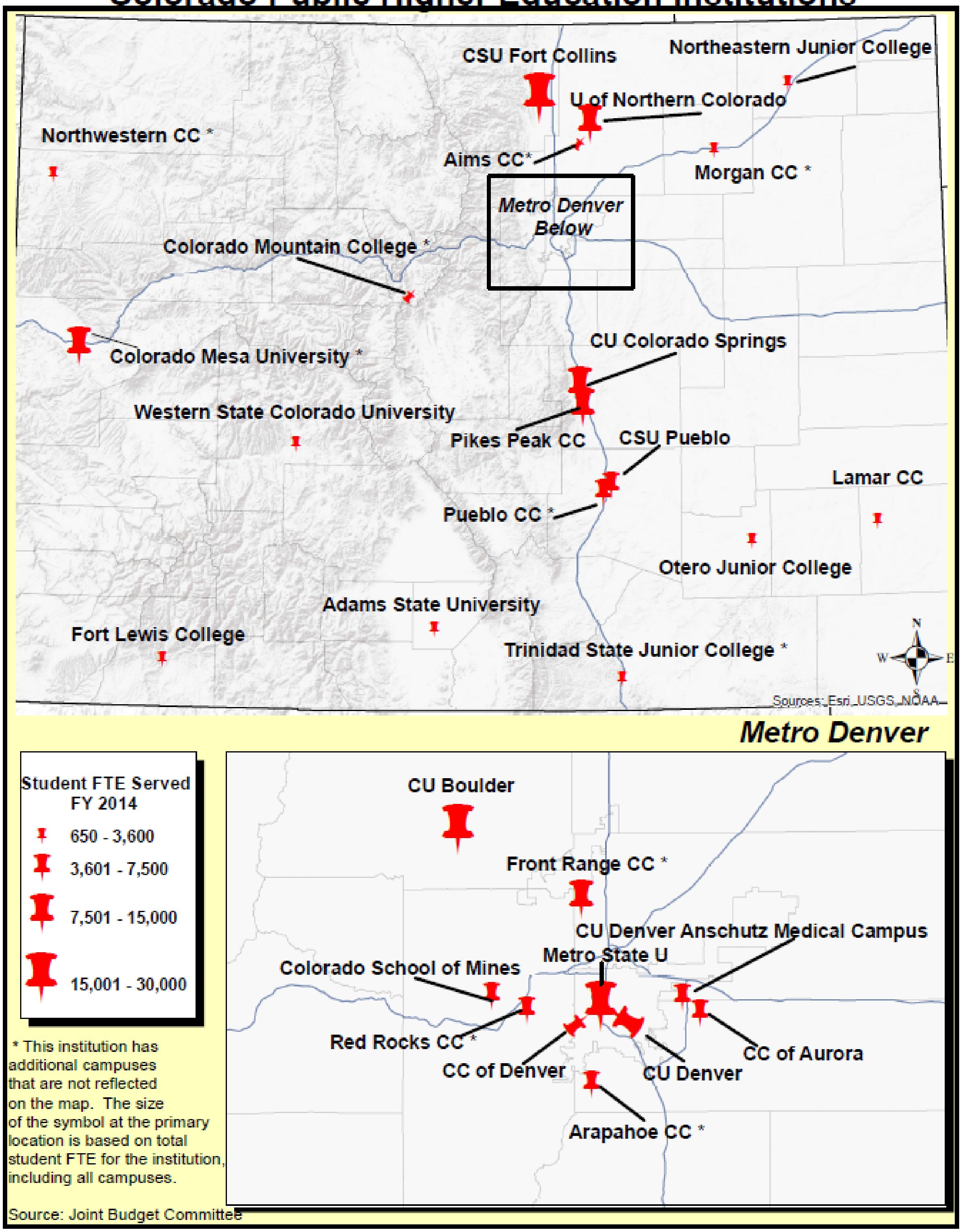
Overview and Organization

The state higher education system served about 180,000 full-time equivalent students (FTE) in FY 2014-15, including just over 150,000 Colorado residents. About 10,000 additional FTE were served by local district junior colleges, which receive regional property tax revenues in addition to state funding, and area vocational schools, which offer occupational certificates and serve both secondary and post-secondary students. About thirty-five percent of student FTE attend 2-year and certificate institutions. Students attending institutions that offer baccalaureate and higher degrees are concentrated at the University of Colorado, Colorado State University, and Metropolitan State University of Denver.

The Colorado Commission on Higher Education (Commission) coordinates the higher education delivery system, including requests for state funding. However, each institution has a governing board that makes policy and budget decisions for the institution.



Colorado Public Higher Education Institutions

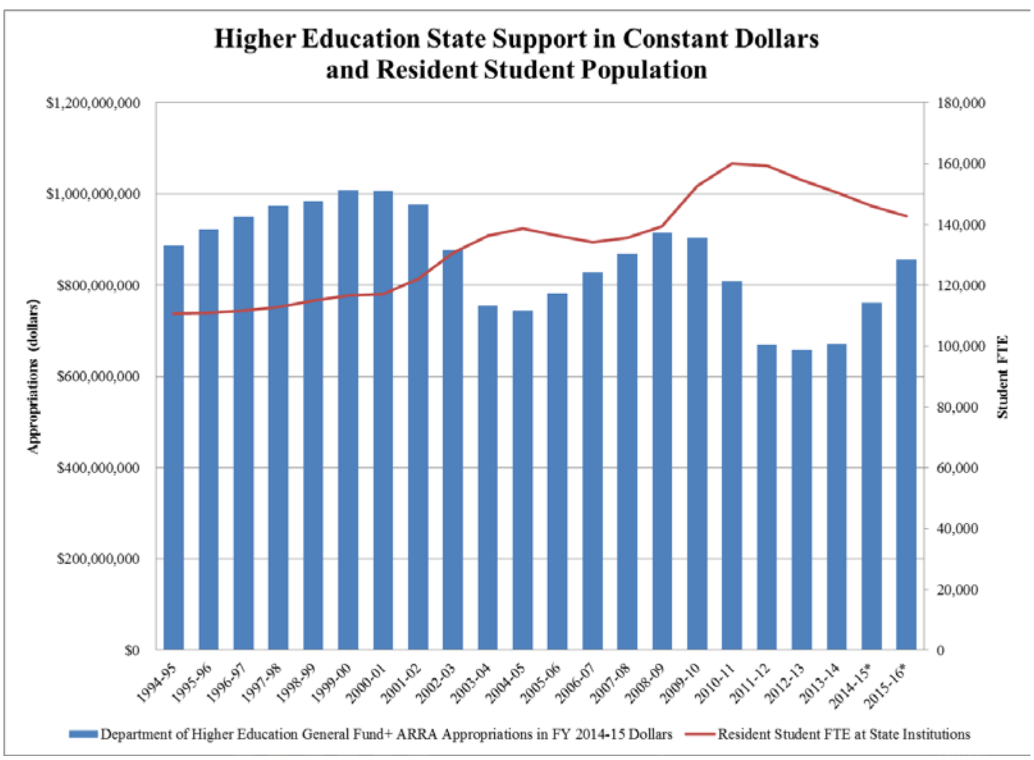


Impact of the Statewide Budget Outlook

The State has historically subsidized higher education at state institutions based on the public benefits of providing educational access to all citizens and promoting a more educated population. An educated population is associated with higher wages, lower unemployment, and lower dependence on public resources. Higher education may also be part of strategies to fill unmet needs in the community, such as nurses or teachers or engineers. Finally, subsidizing higher education is frequently described as a form of economic development for the community, as it attracts business and cultural resources.

While there are many potential benefits to supporting higher education, there are no statutes, constitutional provisions, or federal guidelines requiring specific amounts of state funding per student. As a result, this is one of the budget areas most affected by the availability of state funds.

The chart below shows how statewide General Fund support for higher education has declined during economic downturns (FY 2002-03 through FY 2004-05 and FY 2008-09 through FY 2011-12) and increased in better economic times, such as the last two years. The General Assembly approved increases of $103.0 million (15.6 percent) General Fund for FY 2014-15 and $95.3 million (12.5 percent) General Fund for FY 2015-16. These increases, and the earlier decreases, were large compared to the changes in most other state agencies. As also reflected in the chart, student demand for higher education tends to be higher during recessions and lower as the economy improves.



*For FY 2014-15 through FY 2015-16, reflects nominal appropriations; resident student FTE for FY 2015-16 are based on governing board projections. Students at local district junior colleges or area vocational schools are not included.

The table below shows the allocation of the overall increase in General Fund support from FY 2014-15 to FY 2015-16 by governing board and funding category.

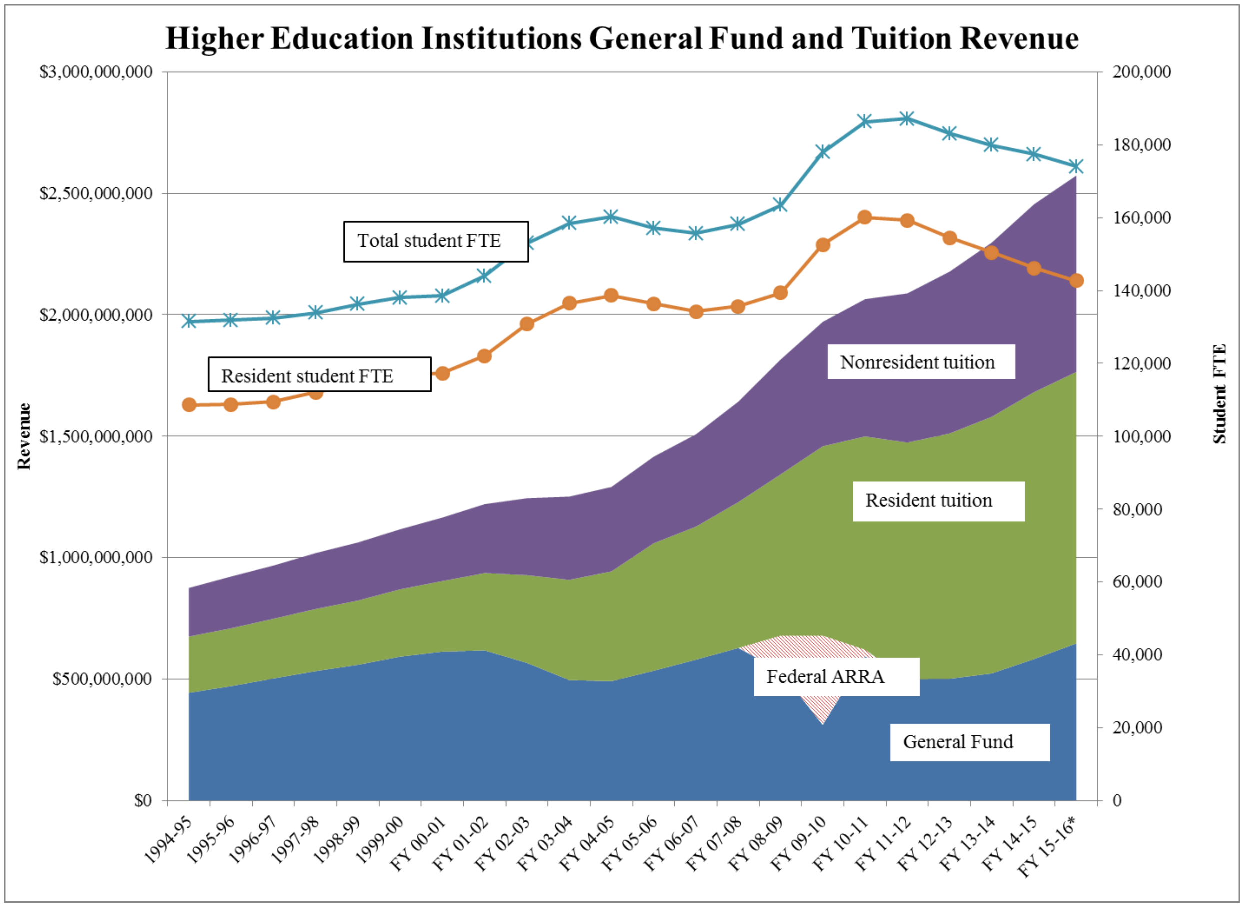
Department of Higher Education Operating Budget:
General Fund Appropriations Increases by Category and Governing Board
FY 2014-15 to FY 2015-16

Governing Boards/Institutions*	FY 2014-15	FY 2015-16	Amount Change	Percentage Change
Adams State University	$12,837,288	$14,121,017	$1,283,729	10.0%
Colorado Mesa University	22,027,251	24,465,356	2,438,105	11.1%
Metropolitan State University	43,681,193	50,153,399	6,472,206	14.8%
Western State Colorado University	10,585,447	11,643,992	1,058,545	10.0%
Colorado State University System	121,978,483	134,660,184	12,681,701	10.4%
Ft. Lewis College	10,594,604	11,822,422	1,227,818	11.6%
University of Colorado System	167,097,810	184,615,667	17,517,857	10.5%
Colorado School of Mines	18,669,456	20,547,328	1,877,872	10.1%
University of Northern Colorado	37,357,027	41,092,729	3,735,702	10.0%
Community College System	137,465,925	153,549,541	16,083,616	11.7%
Colorado Mountain College	6,435,286	7,143,039	707,753	11.0%
Aims Community College	7,609,305	8,446,176	836,871	11.0%
Area Vocational Schools	8,983,694	9,971,721	988,027	11.0%
Subtotal - Governing Boards/Institutions	$605,322,769	$672,232,571	$66,909,802	11.1%
Financial Aid	$152,747,922	$174,082,678	$21,334,756	14.0%
Move Lease Purchase Payments to Operating Budget from Capital Budget	n/a	$7,204,931	$7,204,931	n/a
Other	$4,011,834	$3,895,815	($116,019)	(2.9%)
Total - Department of Higher Education	**$762,082,525**	**$857,415,995**	**$95,333,470**	**12.5%**

*Includes College Opportunity Fund stipends, fee-for-service contracts, and grants to local district junior colleges and area vocational schools in all enacted bills.

One reason this budget area is more subject to state-funding adjustments than some others is that there is an alternative funding source: individual tuition payments. Colorado has always expected that individuals and families who benefit from higher education will bear at least some portion of the cost. Policymakers differ in the extent to which they believe higher education should be an individual versus a public responsibility. However, limited state funds and the ability to increase tuition have, together, pushed Colorado and other states toward a funding model in which the share of higher education costs borne by individuals and families has increased dramatically while state funding has declined.

The chart below illustrates how tuition, as well as temporary federal American Recovery and Reinvestment Act (ARRA) funds, have augmented and substituted for General Fund revenues for the higher education institutions. As shown, tuition revenue increases have more-than-compensated for declines in General Fund support since FY 2007-08.



*FY 2015-16 tuition revenue and student FTE reflect governing board projections.

Tuition and Fees

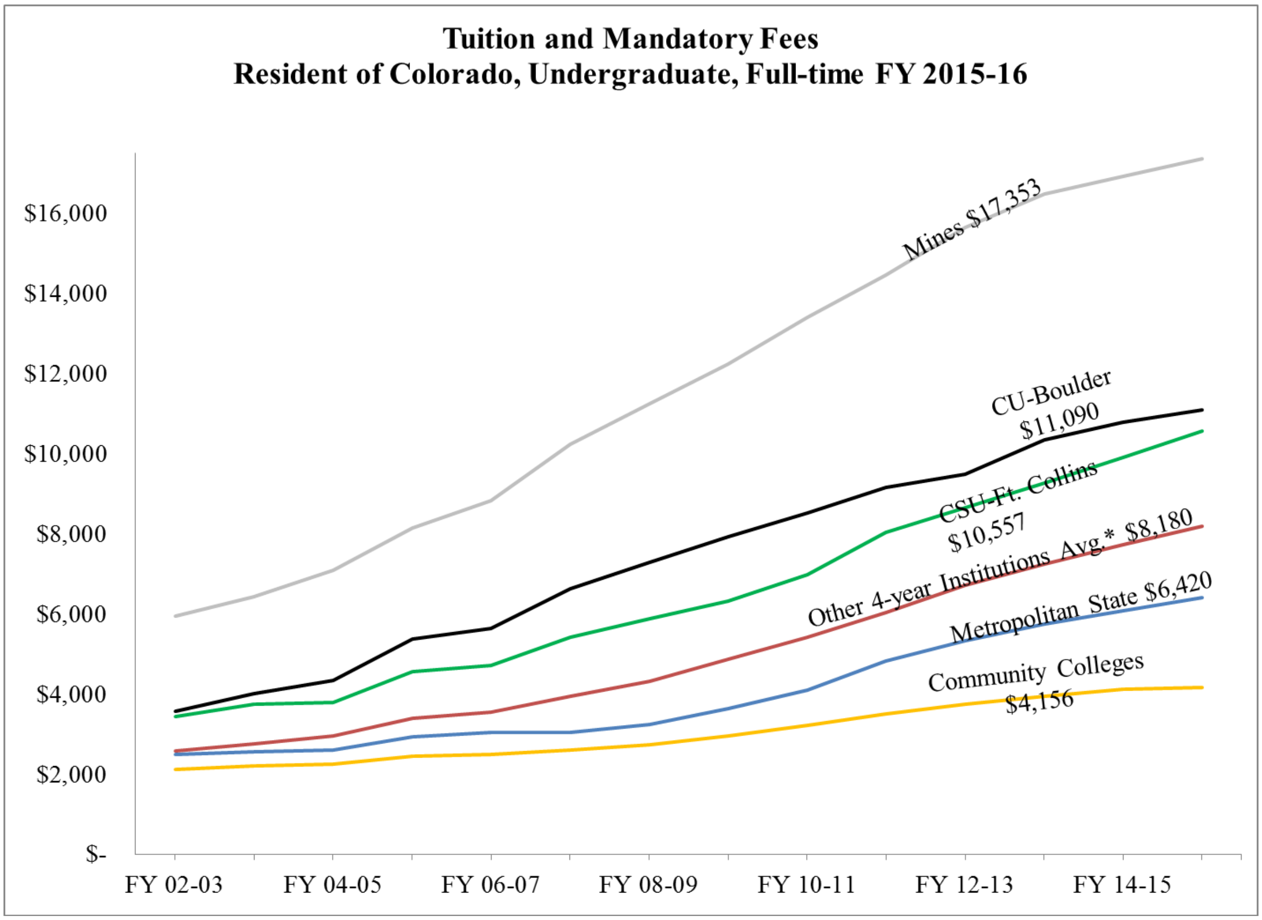
Public access to higher education is significantly influenced by tuition and fee rates: high rates may discourage participation or may result in high debt loads for those who do participate. Nonetheless, Colorado and other states have often used tuition increases to substitute for higher education General Fund support due to the multiple demands on state General Fund revenue.

The General Assembly has provided more flexibility for institutions to increase tuition revenue in times of state General Fund cuts and has restricted tuition growth when more state revenue is available for higher education.

- Prior to FY 2011-12, the General Assembly appropriated tuition revenue to the institutions and set forth its assumptions about tuition increases in a Long Bill footnote.
- Senate Bill 10-003 temporarily delegated tuition authority to higher education governing boards from FY 2011-12 through FY 2015-16 (five years).
- From FY 2011-12 through FY 2013-14, governing boards could increase resident undergraduate tuition rates up to 9.0 percent per year, and could submit a plan to ensure access and affordable tuition for low- and middle-income students to the Commission for permission to implement larger rate increases.

- For FY 2014-15 and FY 2015-16, the General Assembly paired increases in state funding with a 6.0 percent "hard" cap on undergraduate resident tuition increases through S.B. 14-001 (College Affordability Act).
- Beginning in FY 2016-17, the responsibility to set tuition spending authority reverts to the General Assembly for all institutions except the Colorado School of Mines [Section 23-5-129 (10), C.R.S.], and the tuition increases used to derive the total spending authority for each governing board will be detailed in a footnote to the Long Bill [Section 23-18-202 (3) (b), C.R.S.].

The chart below shows rates through FY 2015-16. All rates are for students who are full-time (30 credit hours per year), beginning their studies, Colorado resident, undergraduate, and taking liberal arts and sciences courses.



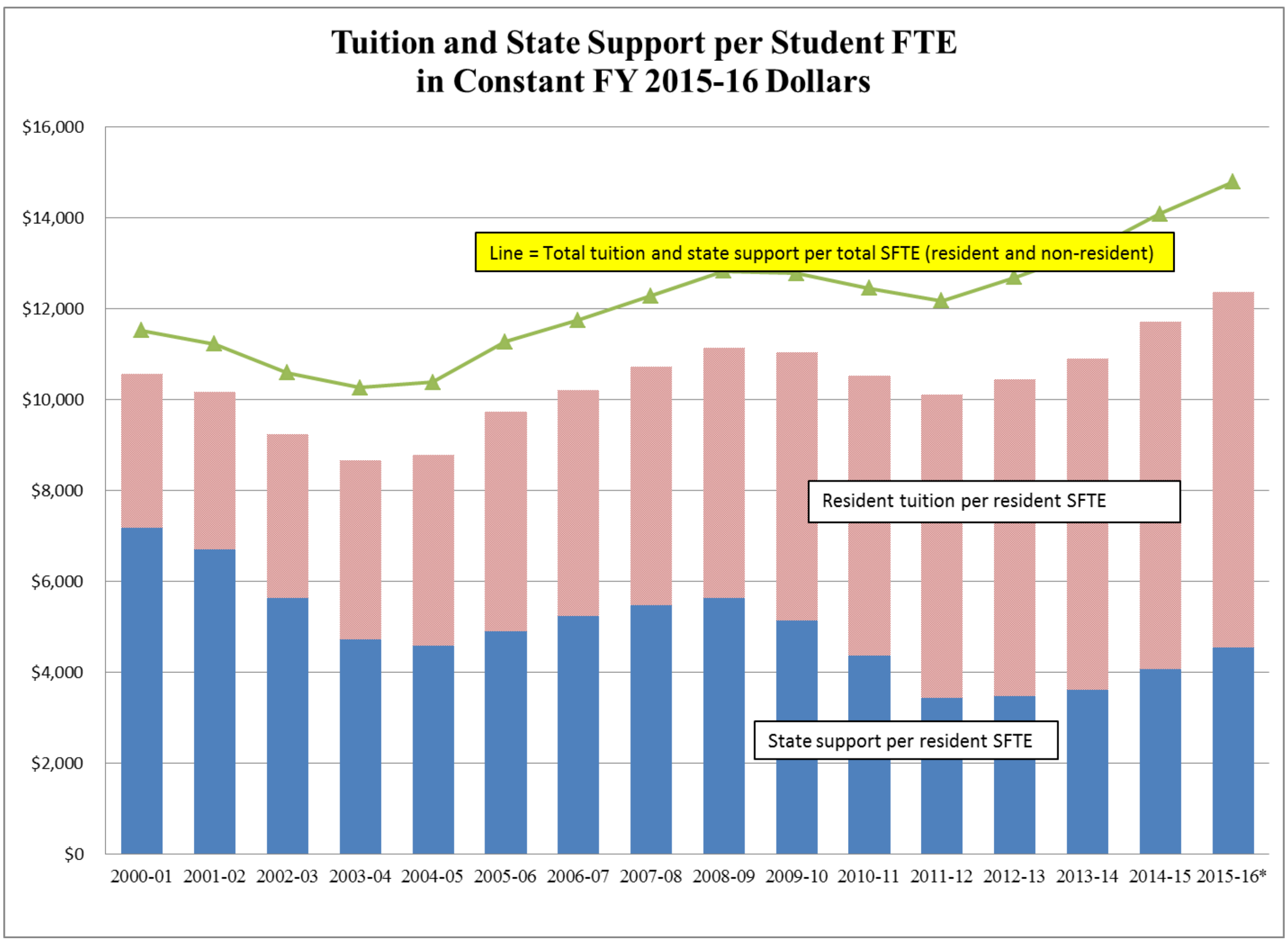
*CSU-Pueblo, Fort Lewis College, University of Northern Colorado, Adams State University, Colorado Mesa University, Western State Colorado University

Most, but not all, tuition increases in recent years are explained by declines in state support per student FTE. The following chart shows the change in General Fund and tuition revenue to the institutions per student since FY 2000-01 after adjusting for inflation (years prior to FY 2015-16 are reflected in FY 2015-16 dollars, based on the Denver-Boulder-Greeley consumer price index/CPI). Fiscal year 2015-16 amounts are based on governing board projections.

- The share of costs covered by the *resident* student—as opposed to the General Fund—has changed substantially, as reflected by the bars on the chart. In FY 2000-01, the General Fund provided about two-thirds of the revenue per resident student; for FY 2015-16, it is expected to provide 36.6 percent.

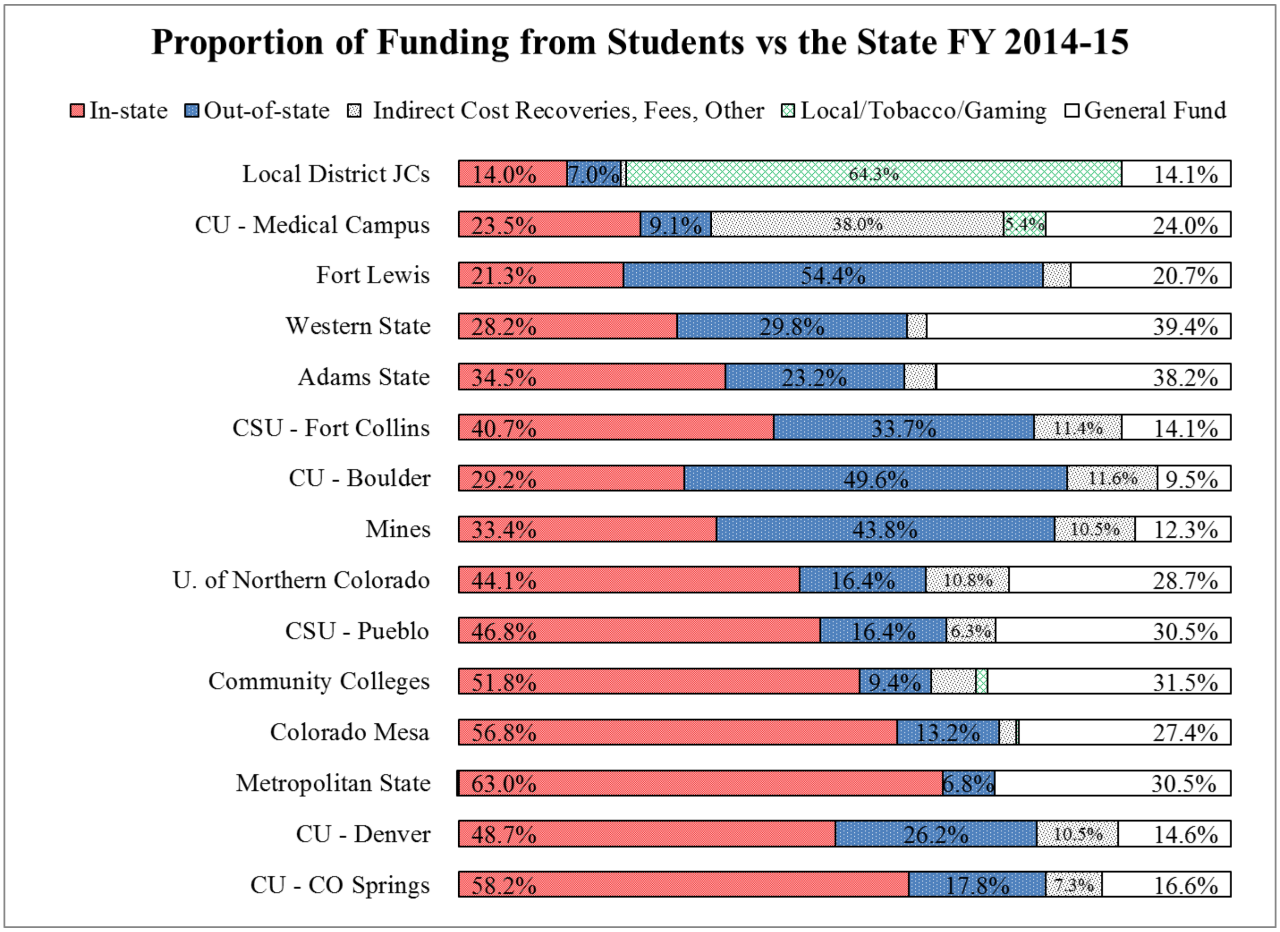
- Revenue to the institutions per resident student (bars on the chart; combination of General Fund and resident tuition revenue) is projected to increase 17.1 percent from FY 2000-01 to FY 2015-16, after adjusting for inflation, but has not grown as quickly or consistently as total revenue.

- When non-resident students and related revenue are included, overall revenue to the institutions per student (the line on the chart) has increased far more rapidly than CPI inflation: per-student revenue is projected to increase 28.3 percent from FY 2000-01 to FY 2015-16 after adjusting for inflation. This revenue, however, is not equally distributed across institutions.



*FY 2014-16 tuition revenue and student FTE reflect governing board projections.

Institutions have different abilities to bring in out-of-state student tuition revenue or to raise tuition above that of other institutions based upon their individual missions and the populations they serve. The chart below compares the revenue mix at various state institutions for educational expenditures reported to the General Assembly in FY 2014-15. Note that this excludes revenue and expenditures for research grants and auxiliary facilities such as dormitories and dining halls.

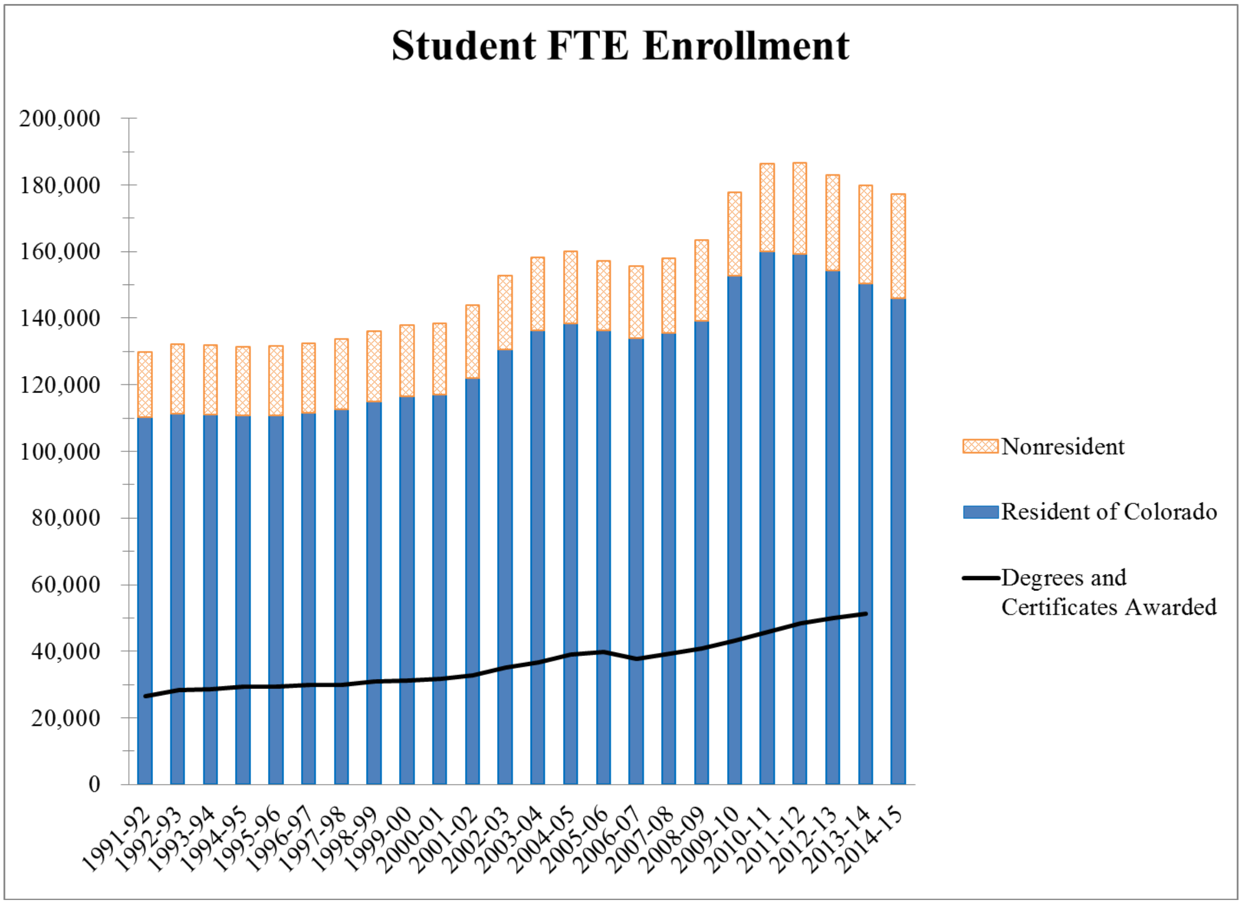


Enrollment

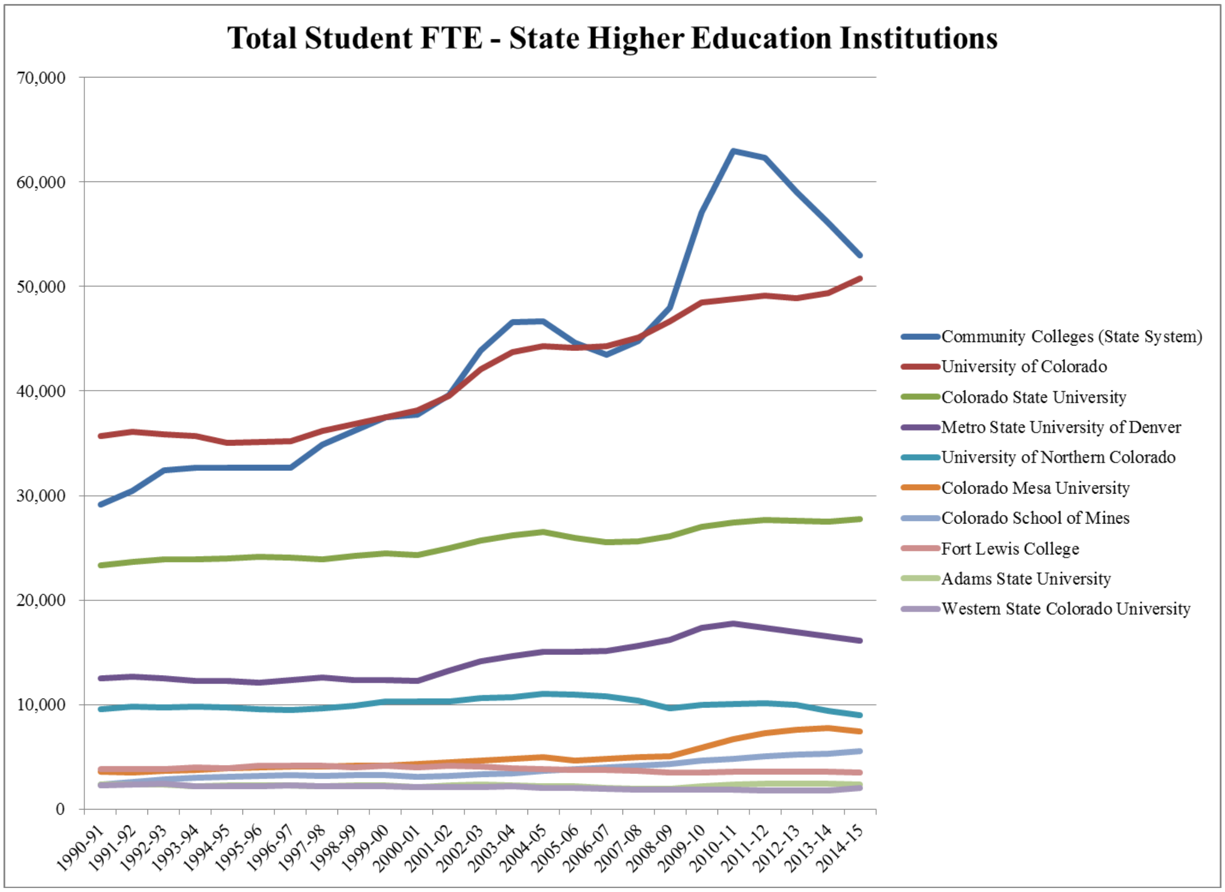
Enrollment is both a workload and performance measure for campuses, and it affects tuition and fee revenue. For some institutions, nonresident enrollment is important because nonresident tuition helps subsidize resident education. Increases in enrollment also drive costs for faculty, advising, and general operating.

Enrollment tends to be counter-cyclical: when the economy slows, higher education enrollment grows more rapidly. The following chart reports student FTE since FY 1990-91 (excluding Local District Junior College and Area Vocational School data). Thirty credit hours in a year equals one full-time-equivalent student. The chart also includes a trend line for degrees awarded through the most recent year of data (FY 2014-15). This is an unduplicated count of graduates. The chart reflects relatively modest enrollment growth in the 1990's and significant growth in the

2000's, inversely correlating with the economic circumstances of the state during those time frames. As the economy began to improve in FY 2012-13, resident enrollment began to decline, particularly at two-year institutions. Although enrollment is projected to continue to fall in FY 2014-15 and FY 2015-16, overall enrollment levels are unlikely to decline to pre-recession levels.



The chart below shows total enrollment by governing board. As shown, enrollment is far more variable for some governing boards than others.



Personnel

Higher education governing boards are allowed by statute to determine the number of employees they need, but the Long Bill reflects estimates provided by the governing boards of the numbers of employees at their institutions. In FY 2015-16, the institutions employ an estimated 23,638.5 FTE, excluding employees of self-supporting auxiliary programs such as food services, book stores, or housing.

Of the amount state-operated institutions spend on education, approximately two-thirds is spent on salaries and benefits, and most of this is spent on instructional faculty. Some higher education FTE such as administrative support and maintenance staff are classified staff for whom salaries and benefits are defined by the state personnel system and the policies of the General Assembly. However, the majority of FTE and personal services expenditures are for exempt staff such as faculty for whom governing boards have control of compensation. Four-year institutions that employ tenure-track faculty in high-demand fields may need to offer compensation to professors competitive with peer institutions in other states and, in some cases, the private sector. This is a significant cost driver at some institutions. However, four-year institutions have increasingly relied on less-expensive adjunct faculty to limit associated cost increases. At two year institutions, the vast majority of staff are adjunct faculty who carry part-time teaching loads and receive modest compensation.

College Opportunity Fund and the Higher Education Funding Model

Pursuant to the provisions of H.B. 14-1319 (Outcomes-based Funding for Higher Education), Colorado adopted a new model for allocating funds among the higher education governing boards in FY 2015-16. The new model includes three major components:

- funding for institutional roles and missions;
- funding for institutional outcomes (such as numbers of graduates); and
- funding provided per resident undergraduate student (student stipends).

The new model refines and restructures the funding system first adopted during the 2004 legislative session through S.B. 04-189. It distributes higher education funding through two mechanisms: student stipends and fee-for-service contracts. Funding for stipends for resident undergraduates is appropriated into a fund that pays each institution a stipend for each eligible resident undergraduate student. The balance of the appropriation is used for fee-for-service contracts between the Commission and the governing boards to address services that are not accounted for in the student stipends. The sum of stipends and fee-for-service contracts is the state General Fund support provided to each institution for their operations.

The fee-for-service portion of the model under H.B. 14-1319 addresses: funding for specialty education programs (such as medical and veterinary schools), payments for student outcomes (such as degrees), and payments for costs associated with maintaining institutional roles and missions (such as serving low-income students or operating small rural programs). The Colorado Commission on Higher Education developed an initial version of the model which was used for the FY 2015-16 budget submission. The General Assembly used the model, with some adjustments to the original submission, to set FY 2015-16 budget allocations for the governing boards. The Department's FY 2016-17 request includes further adjustments to the model.

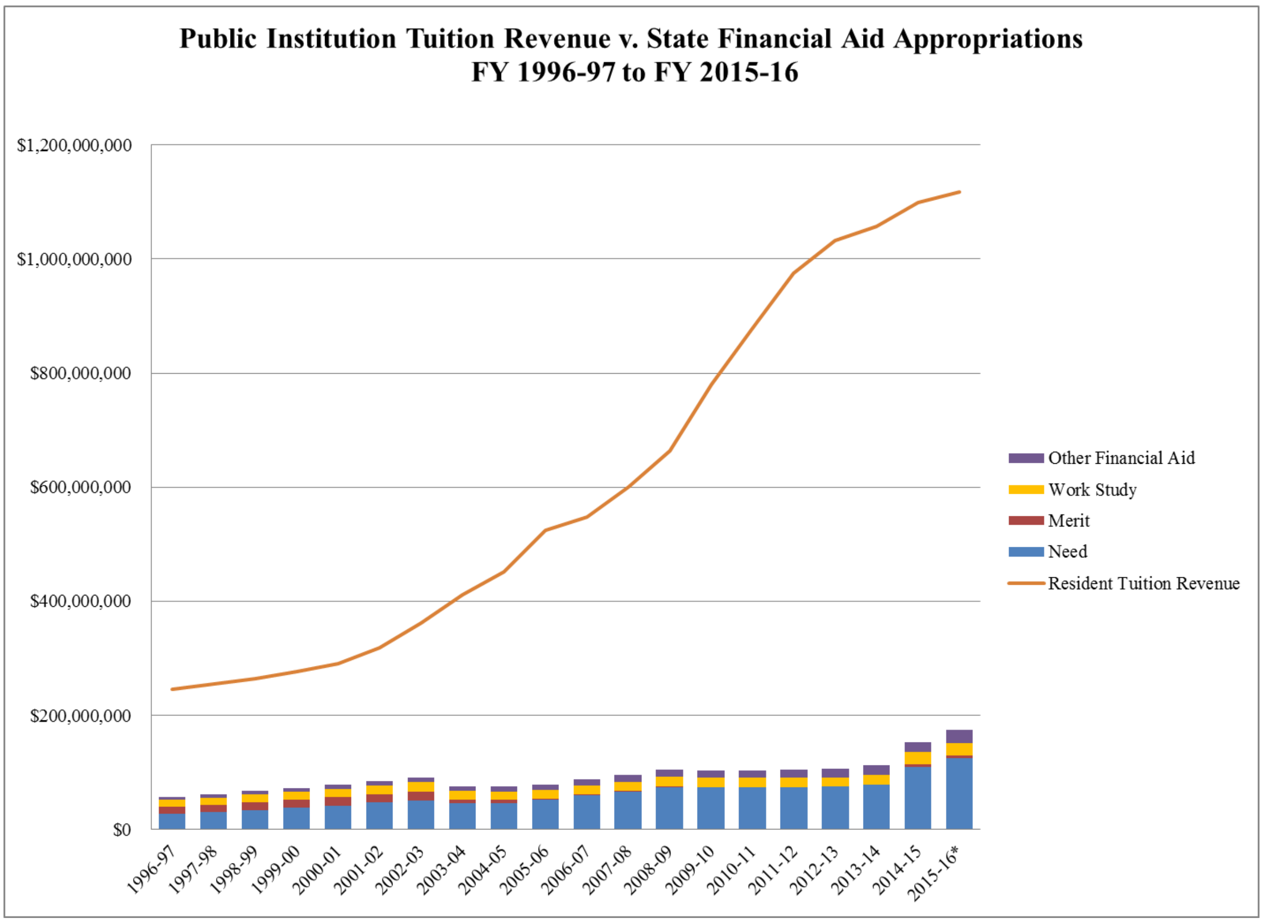
One benefit of both S.B. 04-189 and H.B. 14-1319 is that they have enabled the State to designate qualifying state higher education institutions as enterprises under Article X, Section 20 of the Colorado Constitution (TABOR). Revenue, such as tuition, that is generated by enterprises is exempt from the statewide revenue limits imposed by TABOR and has no impact on any refund that may be due pursuant to TABOR. To achieve enterprise status under TABOR, a program must: (1) be a government-owned business; (2) have authority to issue revenue bonds; and (3) receive less than 10 percent of annual revenue from state and local grants. Stipends and fee-for-service contracts are defined in statute as different from a state grant. All of the institutions have been designated as TABOR enterprises.

Financial Aid

Of the state General Fund appropriations for higher education in FY 2015-16, $174.1 million (20.3 percent) is for financial aid. The majority of the money goes for need-based aid and work study. A small appropriation for merit-based grants was restored in FY 2014-15 and continued in FY 2015-16, and there are a number of smaller, special purpose financial aid programs. These include the Colorado Opportunity Scholarship Initiative, added in FY 2014-15, to fund services, supports, and scholarships for high achieving low income students in collaboration with private funders and agencies.

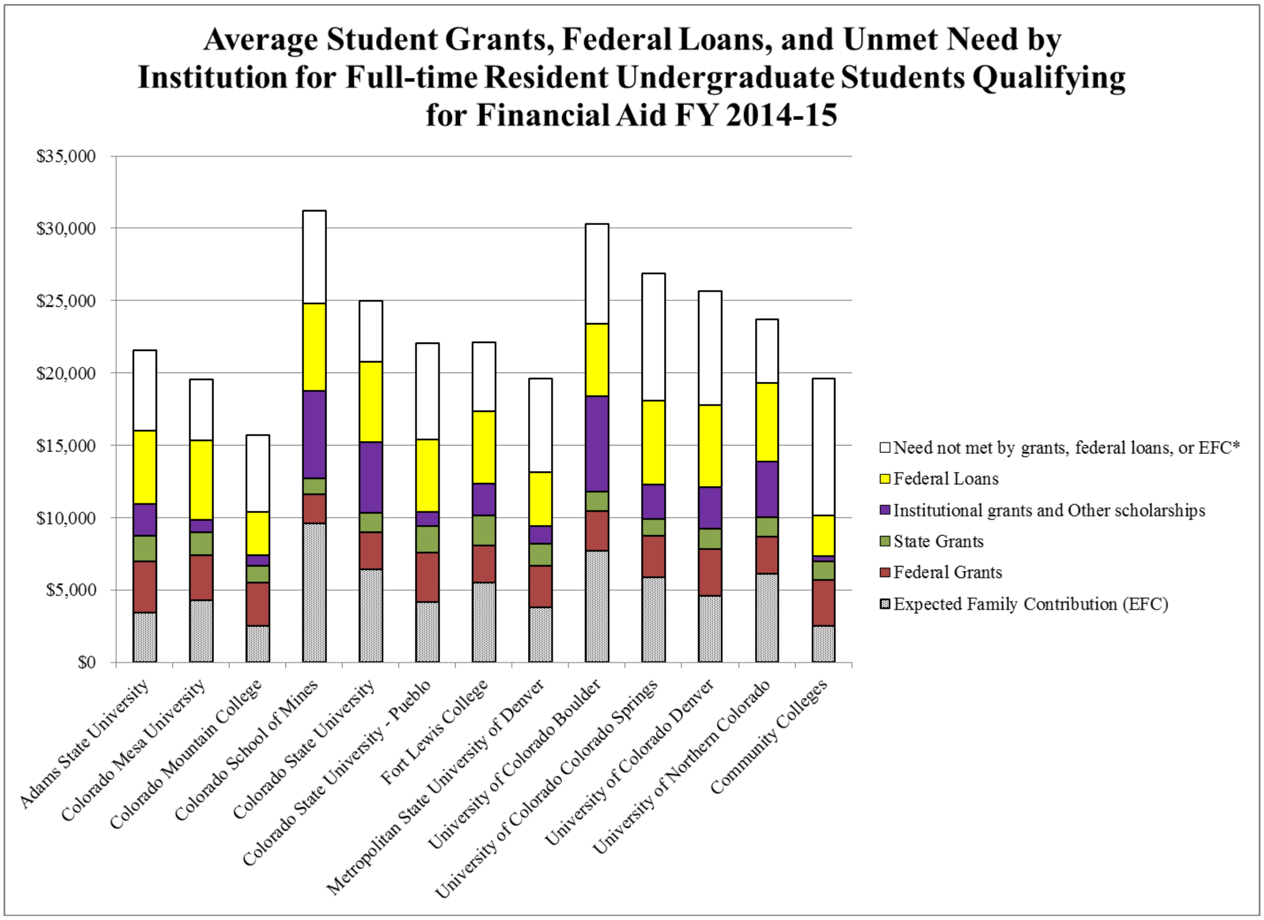
For most of the financial aid programs, the General Assembly appropriates financial aid funds to the Colorado Commission on Higher Education, which allocates them to institutions, including to some private institutions, based on formulas that consider financial need at the schools, total student enrollment, student retention, and program eligibility criteria. A total of 82,480 students received state-supported financial aid in FY 2014-15, most of whom received need-based or work-study support. The average state need-based award was $1,632 and the average state work study award was $2,429.

For FY 2014-15, the General Assembly provided a 37.0 percent increase in financial aid, and for FY 2015-16 it provided a 14.0 percent increase. These increases will have a significant impact for some students, although the overall demand for aid will still far outstrip available funding, as suggested by the chart below.



*Tuition revenue reflects governing board estimates for FY 2015-16.

Most sources of student financial aid are not reflected in the state budget. However, even when these other funding sources are included, financial aid support is far less than the cost of higher education. The following chart compares grants and loans awarded in FY 2014-15 to full-time resident undergraduate students with financial need (calculated based on federal formulas) and the average cost of attendance for a resident student at each governing board. Of the funding sources shown, only state grants are reflected in the state budget.



*This shortfall may be addressed by the student by reducing their out-of-pocket costs, e.g., by living with family or in less expensive accommodation than the cost of attendance formula calculates, by additional earned income or savings, or by private unsubsidized loans taken out by the student or family.

As reflected in the chart, state grants represent only one relatively small component of financial aid. The average state need-based aid grant was $1,632 in FY 2014-15.

The largest source of need-based aid is the federal government, which provides student grants that are not reflected in the state budget. The federal Pell grant program provided up to up to $5,730 per eligible student in FY 2014-15, and the average grant was $3,369. The families of dependent students receiving a full Pell had an average adjusted gross income of $17,139 while the average for students receiving any Pell award was $29,520. In FY 2014-15, 98,973 students statewide received a Pell grant.

Students may also receive grants from the higher education institutions they attend. About twenty-five percent of all aid students receive at public and private Colorado institutions is institutional aid. Some institutions make significant funds available from their operating budgets and donated funds, based on moneys available and the number of students who qualify for institutional aid. About one-third of institutional aid is used for need-based aid, primarily for resident students, and this is reflected in the chart above.

The calculated "Cost of Attendance" is far greater than just tuition and academic fees. It includes expenses related to room, board, transportation, and learning materials, in addition to tuition. Depending on the institution, these other costs of attendance may dwarf the price of tuition. As shown, the total cost of attendance for a resident student in FY 2014-15, including room and board and fees, ranged from about $17,500 at some rural community colleges to over $31,000 at the Colorado School of Mines.

In order to fill the gap between cost of attendance and available grant funds, students typically rely heavily on student loans. In addition to grant funds, the federal government provides guaranteed loans and tax credits and deductions for tuition.

- Seventy-one percent of students completing a bachelor's degree from a public institution graduated with debt in FY 2014-15, and the average federal student loan debt at graduation was $25,509.
- Sixty-one percent of students completing an associate's degree from a public institution graduated with debt in FY 2014-15, and the average student loan debt at graduation was $13,762.
- There is a substantial gap between the calculated cost of attendance for students with need and known sources of student support. A portion of this gap may be filled with additional unsubsidized student or family loans which are not included in these figures.

Summary:FY 2015-16 Appropriation & FY 2016-17 Request

Department of Higher Education	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2015-16 Appropriation						
S.B. 15-234 (Long Bill)	$3,731,739,272	$856,871,803	$2,150,856,183	$701,516,735	$22,494,551	23,856.2
Other legislation	817,803	544,192	(13,349)	286,960	0	0.1
TOTAL	**$3,732,557,075**	**$857,415,995**	**$2,150,842,834**	**$701,803,695**	**$22,494,551**	**23,856.3**
FY 2016-17 Requested Appropriation						
FY 2015-16 Appropriation	$3,732,557,075	857,415,995	$2,150,842,834	$701,803,695	$22,494,551	23,856.3
R1 Base reduction for public colleges and universities	(39,181,905)	(20,000,000)	0	(19,181,905)	0	0.0
R2 Fort Lewis Native American Tuition Waiver	1,112,096	1,112,096	0	0	0	0.0
R3 Western Interstate Commission for Higher Education	8,000	0	0	8,000	0	0.0
HC1 Investment in Cumbres and Toltec Railroad Sustainability	1,421,000	1,092,500	328,500	0	0	0.0
Nonprioritized requests	402,144	4,141	423	397,580	0	0.0
Centrally appropriated line items	173,704	24,589	27,489	30,917	90,709	0.0
Annualize prior year budget actions and legislation	(1,687,140)	(1,124,891)	(481,324)	(36,496)	(44,429)	0.0
TOTAL	**$3,694,804,974**	**$838,524,430**	**$2,150,717,922**	**$683,021,791**	**$22,540,831**	**23,856.3**
Increase/(Decrease)	($37,752,101)	($18,891,565)	($124,912)	($18,781,904)	$46,280	0.0
Percentage Change	(1.0%)	(2.2%)	(0.0%)	(2.7%)	0.2%	0.0%

R1 Base reduction for public colleges and universities: The request includes a decrease of $20,000,000 General Fund (3.0 percent) for public institutions of higher education allocated among the state governing boards, local district junior colleges, and area vocational schools based on the H.B. 14-1319 funding model.

R2 Fort Lewis College Native American Tuition Waiver: The request includes an increase of $1,112 096 General Fund for the Fort Lewis College Native American tuition waiver, bringing the total to $17,269,714 General Fund for the program. This requested increase is mandated by Section 23-52-105 (1) (b) (I), C.R.S., which requires the General Assembly to fund 100 percent of the tuition obligations for qualifying Native American students attending Fort Lewis College. Funding for the tuition waiver is made one year in arrears and is calculated based on the prior year enrollment estimates.

R3 Western Interstate Commission for Higher Education: The request includes an increase of $8,000 appropriated funds (indirect cost recoveries) to pay for the increase in Western Interstate Commission for Higher Education (WICHE) dues.

HC1 Investment in Cumbres and Toltec Railroad sustainability: The request is for $1,421,000 total funds to address deferred maintenance/capital costs for this historic scenic railroad, which is located on the border between Colorado and New Mexico and jointly owned by the two states. The request would replace $1,421,000 total funds appropriated in FY 2013- 14, FY 2014-15, and FY 2015-16 that is eliminated ("annualized") in FY 2016-17, pursuant to footnote #19 of the FY 2013-14 Long Bill (S.B. 13-1230) which stated that funding is not assumed to continue after FY 2015-16. If this request is approved, the result would be a net $0 change/continuation funding for the railroad for FY 2016-17.

Nonprioritized Requests: The request includes an increase of $423 cash funds for resources for administrative courts and $4,141 General Fund for the Secure Colorado initiative in the Governor's Office of Information Technology. It also includes $397,580 reappropriated funds spending authority for increases in Auraria Higher Education Center costs that are paid by the three higher education institutions on the campus: the Community College of Denver, Metropolitan State University of Denver, and the University of Colorado at Denver.

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees Retirement Association (PERA) pension fund; workers compensation; administrative law judges; legal services, payment to risk management and property funds; payments to OIT; and leased space. Centrally appropriated line items in this department support the operations of the Colorado Commission on Higher Education, Department of Higher Education central offices, and History Colorado but do not fund the higher education institutions.

Annualize prior year budget actions and legislation: The request annualizes prior-year appropriations for Cumbres and Toltec railroad operations, salary survey and merit-based pay, lease purchase payments for the History Colorado museum and academic facilities at Fitzsimons, and the Department's purchase of Tableau software. It also annualizes reductions included in S.B. 15-186 (Yoga Teacher Training Private Occupational School).

Informational Issue: Overview of Request for Public Institutions of Higher Education

The Department of Higher Education has requested a reduction of $20.0 million General Fund for governing boards for budget balancing purposes. The Governor requests that if sufficient revenue is available, contingent proposal #5 would restore the cut, and contingent proposal #12 would provide for a governing board increase.

SUMMARY:

- Department of Higher Education has requested a decrease of $20.0 million General Fund in support for the higher education governing boards. It has also requested an increase of $1.1 million for the Fort Lewis Native American tuition waiver. No change is proposed to financial aid.

- Contingent proposal #5 would restore the proposed $20.0 million cut, and contingent proposal #12 would provide for an increase of up to $50.0 million.

- The governing boards have provided preliminary feedback on the impact of the requested budget cuts on their institutions indicating that the results might involve both tuition increases and program cuts.

DISCUSSION:

The Department of Higher Education has historically played a significant role in state budget balancing, as it is one of the most flexible pieces of the State General Fund budget, *i.e.*, there are no state Constitutional or (in most years) federal requirements driving particular levels of funding.

Request R1: The Department's priority request R1 is for a $20.0 million (3.0 percent) General Fund reduction to higher Education public governing boards for FY 2016-17. According to the submission "**the request is made solely due to state budget balancing needs**".

Request Components	General Fund
Governing Boards	($19,181,905)
Local District Junior Colleges	(482,099)
Area Vocational Schools	(295,826)
COF- Private Stipend	(40,170)
	($20,000,000)

The reduction is allocated among the governing boards through the model developed pursuant to H.B. 14-1319. This model has undergone changes, which are described in more detail in a separate issue. The net result as submitted provides for reductions ranging from 0.93 percent

(Metropolitan State University of Denver) to 7.42 percent (University of Northern Colorado), as reflected in the chart below. As required by statutory formulas, the request includes proportionate reductions to the local district junior colleges (Aims and Colorado Mountain College), as well as the College Opportunity Fund (COF) Private Stipend (based on a requested cut to the public institutions' COF stipend), resulting in the total $20.0 million reduction shown.

Governing Board	FY 2015-16	FY 2016-17	Change	Percent Change from Prior Year
Adams	14,121,017	$13,847,673	(273,344)	-1.94%
Mesa	24,465,356	$23,653,557	(811,799)	-3.32%
Mines	20,547,328	$20,155,942	(391,386)	-1.90%
CSU	134,660,184	$130,420,511	(4,239,673)	-3.15%
CCCS	153,549,541	$148,542,857	(5,006,684)	-3.26%
Ft. Lewis	11,822,422	$11,255,570	(566,852)	-4.79%
Metro	50,153,399	$49,688,568	(464,831)	-0.93%
CU	184,615,667	$180,531,397	(4,084,270)	-2.21%
UNC	41,092,729	$38,045,385	(3,047,344)	-7.42%
Western	11,643,992	$11,348,270	(295,722)	-2.54%
Total	646,671,635	627,489,730	(19,181,905)	-2.97%

Tuition: The request indicates that the Executive proposal is for tuition to be "uncapped" in the event of declining state support such as Request R1. The tuition policy proposal is described in more detail in a subsequent issue.

Fort Lewis Native American Tuition Waiver: The Department requests $1,112,096 General Fund for the Fort Lewis College Native American Tuition Waiver. This increase would bring the total appropriation to $17,269,714. The State covers these costs based on a federal treaty that commits the State to covering tuition for Native Americans at the College regardless of their state or origin. This represents anticipated FY 2015-16 waiver expenditures and will be updated later in the year.

Financial Aid: The request includes no changes to financial aid. Statute requires that financial aid increase at, minimally, the same rate as support for the governing boards. However, it does not require that financial aid be reduced in the event of a cut to the governing boards, and no reduction has been requested.

Contingent Proposals: According to a letter from the Governor, "if available revenue increases," the Governor recommends retaining the S.B. 09-228 triggers and various restorations and increases in priority order.

- Contingent priority #5 would restore the $20 million General Fund for allocation to institutions of higher education.

- Contingent priority #12 would increase General Fund support for institutions of higher education by up to an additional $50.0 million

- If the General Assembly were able to fund more than flat funding for the governing boards (i.e., if it chose to provide anything more than contingent request priority #5), the executive proposes that there would be tuition caps.

  The Department anticipates that with a General Fund increase of $56.6 million for the governing boards, tuition at the governing boards could be held to 3% to 4%. **At the proposed reduction level of 3.0 percent, the Department anticipates that the governing boards would, *on average*, have to increase tuition by <u>at least</u> 8.3 percent, though the specific adjustment would vary by governing board.**

Impact on the Governing Boards: Staff requested that the governing boards provide feedback on the impact of the proposed cuts. The following information is summarized from the responses. As reflected below, *the governing boards are not yet prepared to identify specific cuts or tuition increases. The responses indicate that most would use some combination of the two, although some responses indicate more of an emphasis on cuts, while others focus more on tuition increases.*

Adams State University: The response suggests that Adams will avoid tuition increases. Adams is in the process of implementing guaranteed four-year tuition for FY 2016-17. It has experienced a decline in enrollment that it attributes to the impact of tuition increases on its largely low-income population. It would therefore look at cuts. "The first thing to be cut will likely be cost of living increases for faculty and exempt staff. We will also…pass more of the health, life, and dental costs on to employees. We have already withheld several cost of living adjustments, and continuing down this route is not sustainable…"

Aims Community College: "The impact to Aims…equates to the possible elimination of three full-time benefited positions."

Colorado Community College System: The Board has not yet formally considered the impact of potential reductions. However, a $5.0 million reduction is equivalent to a 2.72 percent increase to the college's FY 2015-16 resident tuition rate ($106.53 per year for a full time student); and elimination of approximately 90 positions at an average system-wide salary level.

Colorado Mesa University: The reduction of $812,000, combined with non-discretionary cost increases, will result in a minimum negative impact of $1.5 million which will grow based on key discretionary investments. "A combination of budget reductions, revenue enhancements, and cost savings will be required to offset this impact."

Colorado School of Mines: "The proposed cut…will impact many budget decisions…Our Board will determine the appropriate tuition rate increase and expenditure reductions to ensure a balanced budget."

Colorado Mountain College: "The decline in state funding was not anticipated when the Board began [discussions about how much subsidization should be provided to in-state and out-of-state students]….It will have an impact on the amount that tuition for in-state and out-of-state students must increase in 2016-17, however the board has not yet discussed specific amounts."

Colorado State University System: "The CSU System Board of Governors are in the early stages of planning around the proposed budget reductions. Options currently being considered include tuition increases between 3% to 6%, charging for all credit hours above 12 (at CSU Pueblo), foregoing reducing employee salary increases, deferring academic investments (faculty and benefit expansions) and reducing unit budgets by 2% across the organization."

Fort Lewis College: "After reviewing the impact related to the $20 million reduction scenario, Fort Lewis College believes that up to a 10% increase in resident tuition will be need…staff has not yet discussed tuition increases with the Board of Trustees, and…they may have different thoughts."

Metropolitan State University of Denver: The reduction of $465,000 is combined with mandatory inflationary increases estimated at $3.1 million. "This would adversely impact our students, since a major source of revenue for the University to cover the additional $3.6 million will be through a tuition increase larger than originally planned."

University of Colorado System:
Boulder:
- "Would consider roll back of investments in deferred maintenance..."
- "Would consider holding positions open."
- Would consider delaying some information technology investments.

Colorado Springs:
- "Would reduce the campus' plans to increase staffing to help address enrollment growth."
- "Would consider delay and reductions to infrastructure improvements, including controlled maintenance."

Denver/Anschutz:
"It is likely that enrollment [changes] will not be able to absorb the impact of state fund decreases…"
- "While the Denver Campus continues to explore revenue strategies that support modest base rate increases so as not to encourage decline in enrollment, the Denver Campus may need to consider one time and ongoing budget reductions…"
- "…It is possible that the School of Medicine could experience accreditation issues during its FY 16-17 review because of issues involving high student debt and lack of general funding."
- "If state funds decline for Anschutz, serious efficiencies in programs and operating costs will have to be considered…"

University of Northern Colorado: UNC is currently in the second year of its Five-year Fiscal Sustainability Plan to grow enrollment and create sustainable cost savings. "While we have planned for limited state support, application of the current funding model and a GF reduction of $20 million [statewide], results in a 7.4% decrease to UNC's state funding ($3 million). This decrease is approximately 1.5% of our total operating budget…A $3 million reduction requires us to look at tuition increases. After the effect of institutional discounting, it would take about $420 per undergraduate student (or a 6.6% increase to resident undergraduate tuition) to make up the $3 million."

Western State Colorado University: "We would be looking at around a $300,000 reduction. Unfortunately, this would require us to evaluate program cuts, review our tuition policy, and once again provide less than inflationary cost of living increases for our staff. As a point of reference, in order to offset a reduction of this scale would require a 2.8% increase in tuition."

Informational Issue: Tuition and Fee Increases

Over the last fifteen years, resident undergraduate tuition and fees at most of Colorado's four year institutions have more than doubled. These costs have become a much larger share of household median income, and student debt has grown. Tuition increases are driven significantly—but not exclusively—by declines in state funding. Research indicates that state-level oversight of tuition helps keep tuition levels lower.

SUMMARY:

- Since FY 2000-01, resident undergraduate tuition and fees at most of Colorado's four year institutions have more than doubled. As incomes have not increased at this rate, tuition and fees have become a much larger share of household median income. As a result, some students are discouraged from pursuing higher education, and student debt has spiraled for others. In FY 2014-15, 71 percent of students graduated with debt and the average debt was $25,509 for a bachelor's degree.

- Tuition increases are driven significantly—but not exclusively—but declines in state funding. Institutions have chosen tuition increases and, when feasible, recruitment of out-of-state students over changes in their business models. From FY 2000-01 to FY 2015-16, total resident and non-resident tuition and state support per student FTE increased, on average, by 1.7 percent per year above inflation.

- Research comparing how higher education governance affects tuition indicates that the more control institutions have over their own tuition rates, the higher those tuition rates are likely to be. State-level oversight of tuition thus makes a difference.

- The expenditures per student FTE at Colorado public institutions are generally lower than those at comparable institutions. This may be attributable, in part, to state-level pressure to keep tuition levels low, despite relatively low levels of state General Fund support.

DISCUSSION:

Background: Trends in Tuition, Fees, and Institutional Revenue
Nationwide, tuition increases for higher education have been increasing at a rate well above inflation for at least two decades.[1] Colorado's increases have been particularly rapid in recent years, as reflected in the tables and charts below.

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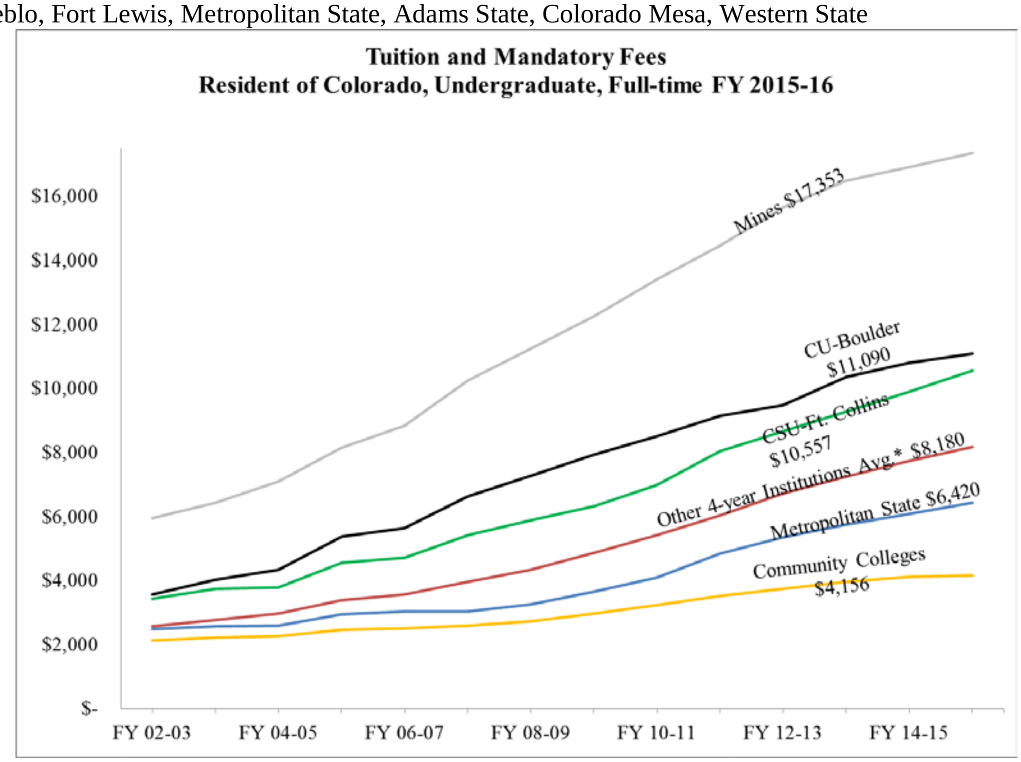
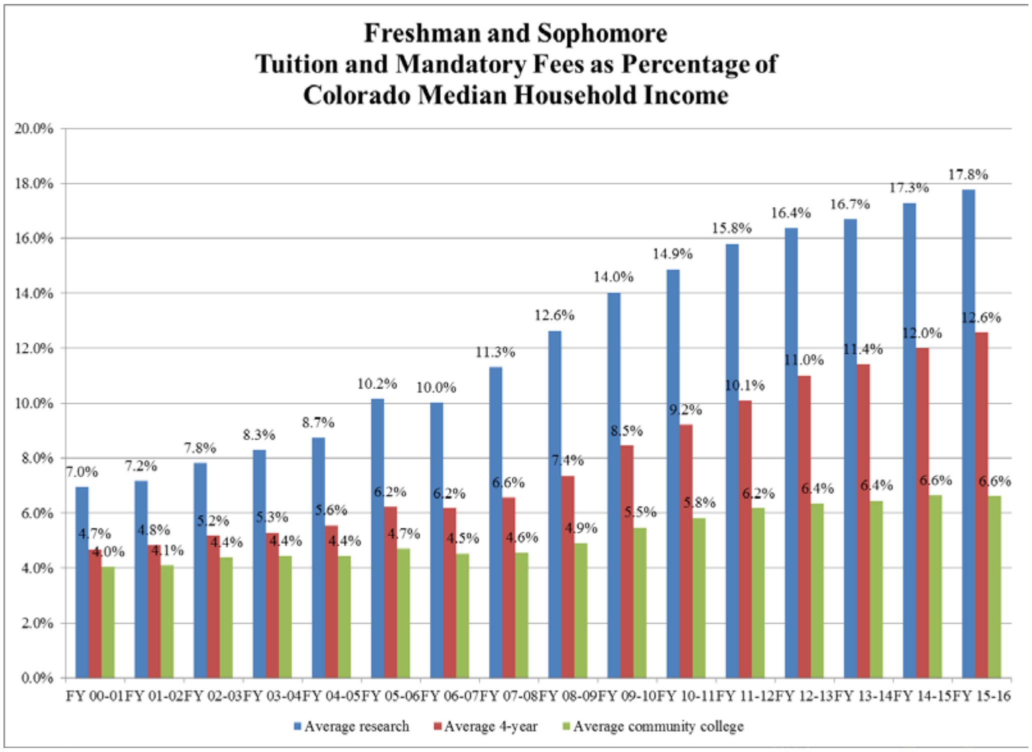
[1] The College Board, Trends in College Pricing 2014. https://secure-media.collegeboard.org/digitalServices/misc/trends/2014-trends-college-pricing-report-final.pdf

	Tuition and Fees, Liberal Arts, Resident Freshmen and Sophomores				Percentage Change Tuition and Fees over Time Period		
	FY 00-01	FY 08-09	FY 14-15	FY 15-16	FY 00-01 to FY 2015-16	FY 08-09 to FY 15-16	FY 14-15 to FY 15-16
CU-Boulder	$3,188	$7,278	$10,789	$11,090	248%	52%	2.8%
CSU-Ft. Collins	3,133	5,874	9,897	10,557	237%	80%	6.7%
Metropolitan State	2,224	3,241	6,070	6,420	189%	98%	5.8%
Mines	5,412	11,239	16,918	17,353	221%	54%	2.6%
Other 4-year Institutions Avg.*	2,349	4,322	7,722	8,180	248%	89%	5.9%
Community Colleges	1,950	2,728	4,119	4,156	113%	52%	0.9%
Denver Metro CPI Percentage Change Over Time Period (LCS 9/15 Forecast)					37%	15%	1.7%

*CSU Pueblo, Fort Lewis, Metropolitan State, Adams State, Colorado Mesa, Western State



Increases in published tuition and fees for the institutions represent a growing share of household incomes (median of $60,729 per year in Colorado in CY 2014).

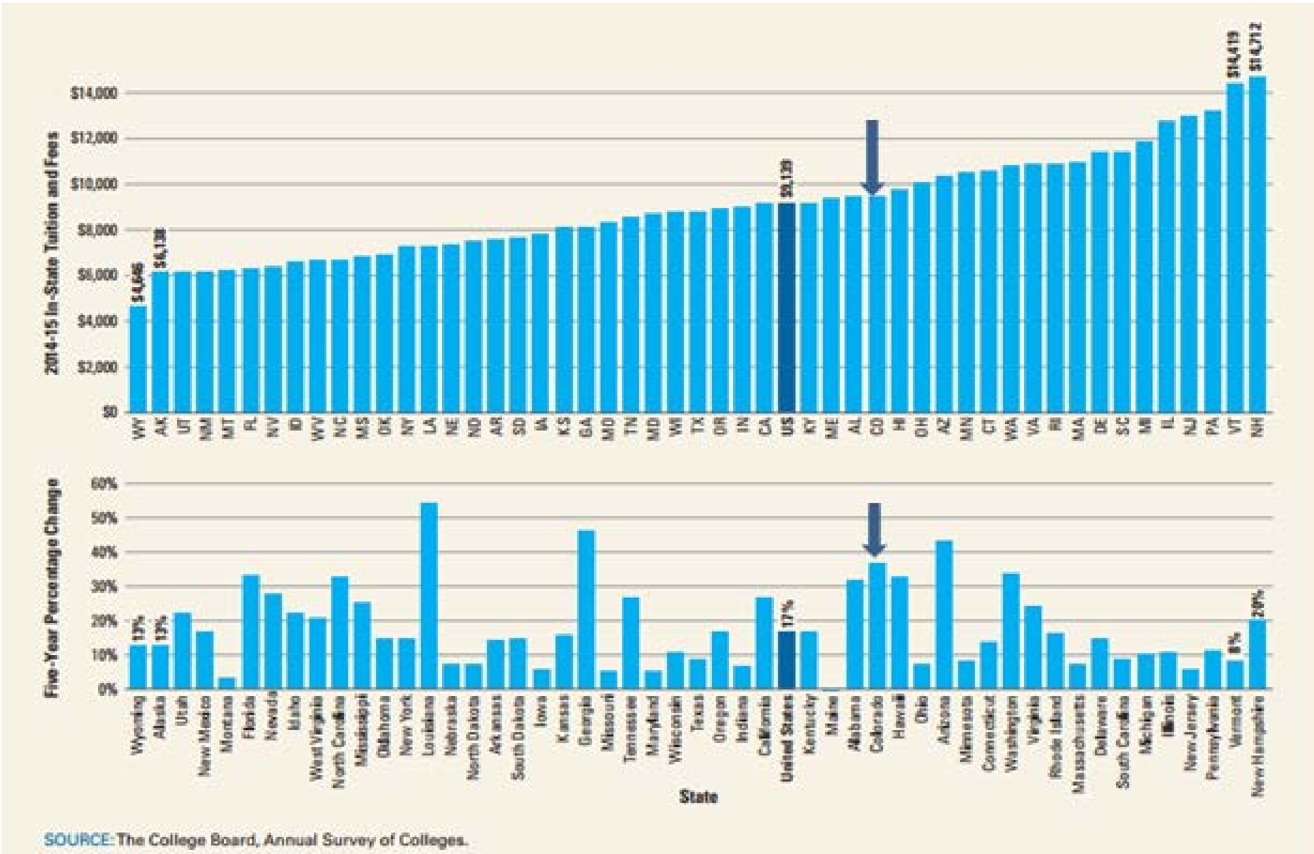


Some expensive institutions have increased financial aid, thus reducing the cost burden on lower income individuals. Federal aid has also increased. Nonetheless, public higher education has become less affordable for almost all families. The table below compares the change in tuition and fees for some institutions with the calculated cost-of-attendance for the lowest income students at these institutions during the period FY 2008-09 to FY 2012-13. (The cost of attendance reflects the cost of tuition, fees, books, room and board *after grant aid* from state and federal sources for students with family incomes lower than $30,000 per year.) As shown, **for some of the state's most prestigious institutions, the cost of attendance for the lowest income students actually increased more than the cost of tuition and fees during the period from FY 2008-09 to FY 2012-13.** This reflects the combined impact of changes in tuition, fees, and room and board costs and the changes in available grant aid.

	Published Tuition and fees			Net Cost of Attendance (including room and board) after grant aid for students with $0-$30,000 income		
	2008-09	**2012-13**	**Percent increase**	**2008-09**	**2012-13**	**Percent Increase**
Colorado School of Mines	$11,239	$15,654	**39.3%**	$16,224	$19,966	23.1%
University of Colorado Boulder	$7,932	$9,482	19.5%	$10,119	$13,636	**34.8%**
Colorado State University-Fort Collins	$5,874	$8,649	47.3%	$4,870	$9,898	**103.2%**
Metropolitan State University of Denver	$3,241	$5,341	**64.8%**	$6,551	$8,618	31.6%
State community college system	$2,728	$3,737	**37.0%**	$8,635	$8,979	4.0%

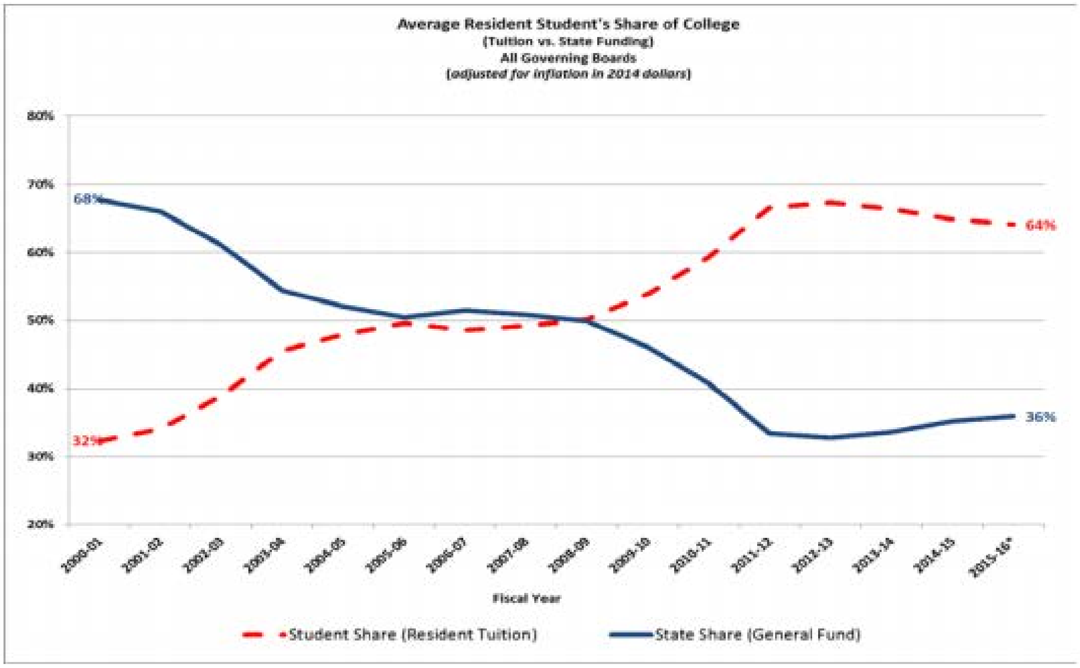
Sources: State Tuition and Fees Report and National Center for Education Statistics, IPEDS data.

Colorado tuition and fee increases have generally exceeded those of the nation as a whole.



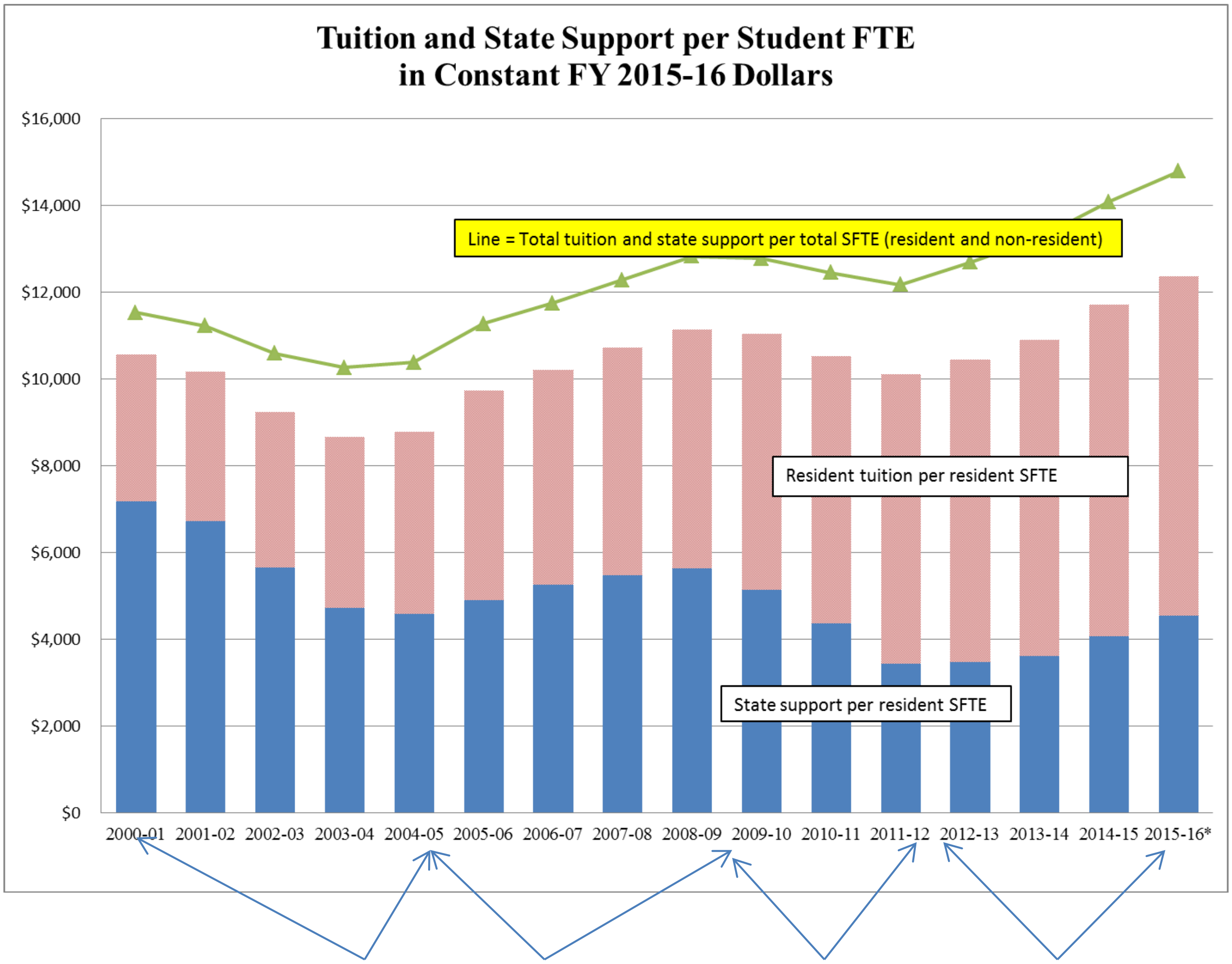
Source: The College Board, 2014 Trends in College Pricing

The Department of Higher Education correctly notes that **resident tuition increases have been driven substantially by declines in state support.** ***However, as discussed further below, per-student revenue to the institutions has increased faster than inflation. It's also worth noting that higher educational institutions have responded to state cuts by increasing tuition—as opposed to changing their business models to provide a less expensive educational product.***



Source: Department of Higher Education FY 2015-16 Budget Request.

As shown below, Colorado institutions have increased tuition revenue well above the level of inflation (defined here as Denver metro CPI) both when state funding has been decreasing <u>and</u> when it has been increasing, though it has been slower when General Fund increases. For example, as shown below from FY 2004-05 to FY 2008-09, the governing boards increased their revenue from resident tuition per resident student by an average of 6.9 percent per year after adjusting for inflation. The growth rate during this period without an inflationary adjustment (the change in price experienced by students on their bills) was 9.9%.



Average Annual Rate of Change **AFTER adjusting for inflation**	**FY 00-01 to FY 04-05**	**FY 04-05 to FY 08-09**	**FY 08-09 to FY 11-12**	**FY 11-12 to FY 15-16**
State support/Resident SFTE	-10.6%	5.3%	-15.3%	6.1%
Resident Tuition/Resident SFTE	5.5%	6.9%	6.7%	4.6%
Revenue per resident	-4.5%	6.1%	-3.2%	5.1%

*All data from budget data book (BDB) actuals except FY 2015-16, which reflects FY 2015-16 BDB actuals and Legislative Council Staff FTE enrollment projections. Amounts adjusted by projected Denver-Boulder-Greeley consumer price index, as forecast in LCS Sept. 2015 economic forecast.

Looking overall at the period from FY 2000-01 to FY 2015-16 in the data shown above, tuition and state support to the institutions per student FTE has increased by:

- **1.7 percent per year above inflation for total revenue per student; and**
- **1.1 percent per year above inflation for resident students.**

How do Tuition Rates Affect Students?

Higher Education Participation

A wide array of studies confirm what you might expect: **student participation is inversely related to higher education cost**. For example, a study of tuition increases from 1980 to 1992 found that for every $1,000 increase in tuition, participation in community colleges fell by 4.7 percent and participation in 4-year institutions fell by 1.2 percent. While low income students, in particular, may not actually pay the sticker price, they are far more likely to be aware of the sticker price than of the amount they will actually pay. As a result, a *higher sticker price discourages participation, particularly* among low income students.[2] Colorado's Master Plan includes ambitious goals for increasing completion at state higher education institutions. Allowing tuition to continue to rise at high rates runs contrary to state goals.

Growth in Student Debt

Both low and middle-income students must often take on substantial debt to complete their degrees. National student loan debt has topped $1.2 trillion, prompting widespread discussion of the potential impact of this on young adults and the economy as a whole.[3]

At Colorado public institutions, in FY 2014-15, 71 percent of students graduated with debt and the average debt was $25,509 for a bachelor's degree. For students earning an Associate's degree, 61 percent graduated with debt and the average loan debt was $13,762.[4]

Student loan debt has now surpassed all other forms of non-mortgage consumer debt.[5] While this in part reflects greater participation in higher education, it also reflects the increasing cost of higher education: per-borrower inflation-adjusted higher education debt has increased 35 percent since 2004.[6]

While analysts agree that higher education, for completers, is still a good investment, others note that growing student loan debt is delaying or impeding home purchases[7] and may affect individual's ability to save for other purposes, such as their own retirement or their children's education.

Does legislative involvement keep tuition lower?

A number of national studies have found that greater political control over higher education tuition promotes lower prices, while decentralized control (more control in the hands of

[2] Kane, 1995, cited in Heller, Donald. Student Price Response in Higher Education: An update to Leslie and Brinkman. The Journal of Higher Education, Vol. 68, No 6 (Nov – Dec., 1997), pp. 624-659

[3] See, for example, *Consumer Financial Protection Bureau, Student Loan Affordability: Analysis of Public Input on Impact and Solutions*, May 8, 2013. http://www.consumerfinance.gov/reports/student-loan-affordability/

[4] Colorado Department of Higher Education, FY 2014-15 Financial Aid Report (pre-release draft).

[5] Donghoon Lee, *Household Debt and Credit: Student Debt*, February 28, 2013, Federal Reserve Bank of New York https://www.newyorkfed.org/medialibrary/media/newsevents/mediaadvisory/2013/Lee022813.pdf

[6] Federal Reserve Bank of New York Consumer Credit Panel/Equifax, cited in Dustin Weeden, Understanding Student Debt (presentation slides), National Conference of State Legislatures, Legislative Institute on Higher Education, October 11, 2015.

[7] See for example Kelley Holand, "The High Economic and Social Cost of Student Loan Debt, CNBC, June 15, 2015. http://www.cnbc.com/2015/06/15/the-high-economic-and-social-costs-of-student-loan-debt.html

governing boards and academic interests) generally leads to higher prices.[8] One recently-published study found that in states where public colleges and universities had authority to set tuition by themselves (about 13 percent of the total), the average tuition increase ($4,193) was significantly higher from 1998 to 2007 than for institutions where legislatures and statewide agencies have primary authority for establishing tuition (about $2,349).[9]

This seems intuitive: the cost of higher education is a key issue for members of the public and thus often becomes a key issue for legislators. In meetings convened by the Department of Higher Education last year around the state, participants ranked "affordability" as their greatest concern. Higher education institutions, on the other hand, may place more weight on issues such as ability to retain high-profile faculty, institutional prestige and renown for research, and the ability to attract full-pay out-of-state students to improve their bottom-line.

Legislative Involvement in Tuition: A survey of State Higher Education Officers (SHEEO) indicates that relatively few of the 34 states that responded to the survey left primary control of tuition-setting in the hands of legislatures. However, state legislatures were often involved in the process. **State Higher Education Executive Officers report indicated that the reality or risk of further legislative involvement had an impact on tuition setting as did the level of state financial support provided.**[10]

The Colorado General Assembly has historically been closely engaged in tuition negotiations, although this may have waned somewhat in recent years. Other state legislatures have acted to freeze or even lower tuition levels and some have attempted to reassert control that they previously gave up. See the appendix for further information on the policies in other states.[11]

Relatively High "Efficiency" (low cost per student)**:** Colorado has also long had among the lowest expenditures per student in the nation (defined as student tuition plus state General Fund support divided by total students). A National Center for Higher Education Management Systems (NCHEMS) study conducted this summer that dug into this issue more deeply also found that **Colorado's overall expenditures per student at almost all higher education**

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[8] Lowry, R. C. 2001. Governmental structure, trustee selection, and public university prices and spending: Multiple means to similar ends. *American Journal of Political Science* 45 (4): 845-861 Jack Knott and A. Abigail Payne, 2003. The Impact of State Governance Structures on Management and Performance of Public Organizations: A Study of Higher Education Institutions, Institute of Government and Public Affairs, University of Illinois.

[9] Mikyong Minsum Kim and Jangwan Ko, The Impact of State Control Policies on College Tuition Increases, *Education Policy*, July 2015 vo. 29 no. 5.

[10] Andrew Carlson, Statute Tuition, Fees, and Financial Assistance Policies for Public Colleges and Universities, FY 2012-13, State Higher Education Executive Officers Association.
http://www.sheeo.org/sites/default/files/publications/Tuition%20and%20Fees%20Policy%20Report%2020131015.pdf

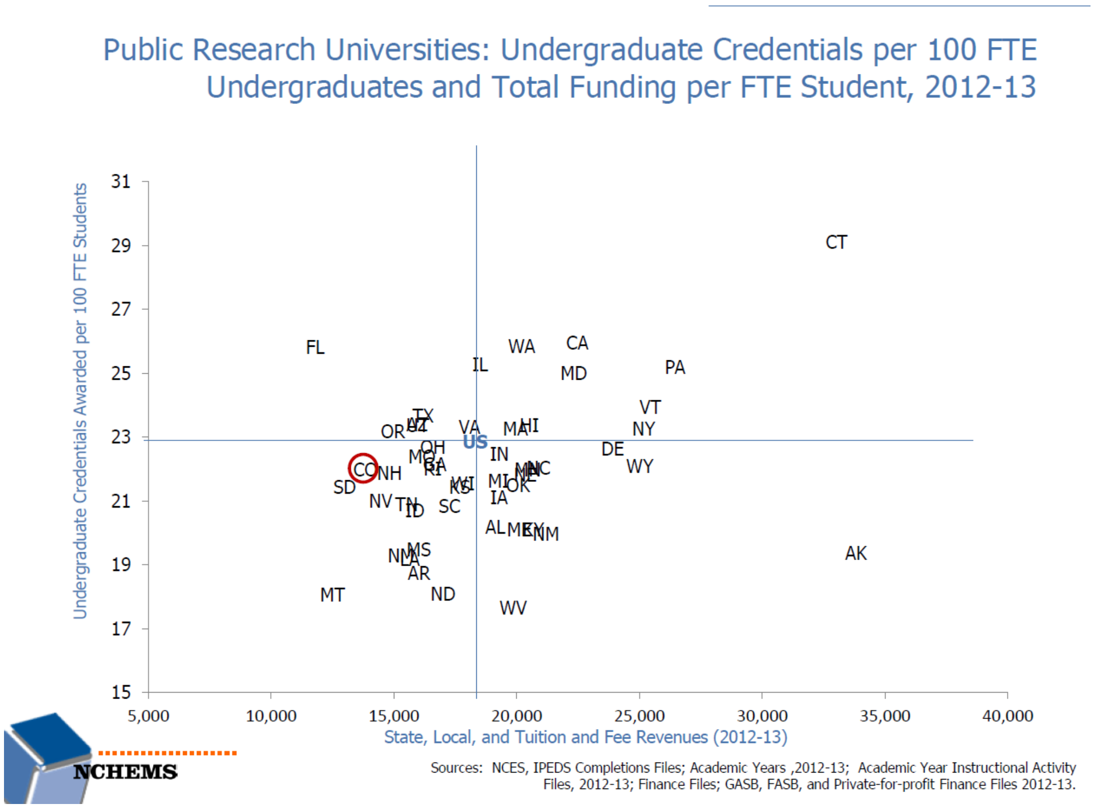
[11] Dustin Weeden, "Tuition Policy", National Conference of State Legislatures, September 8, 2015. http://www.ncsl.org/research/education/tuition-policy.aspx and Sophie Quinton, "States Move to Curb Rising Tuition", Pew Charitable Trusts, August 6, 2015. http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2015/08/06/states-move-to-curb-rising-college-tuition

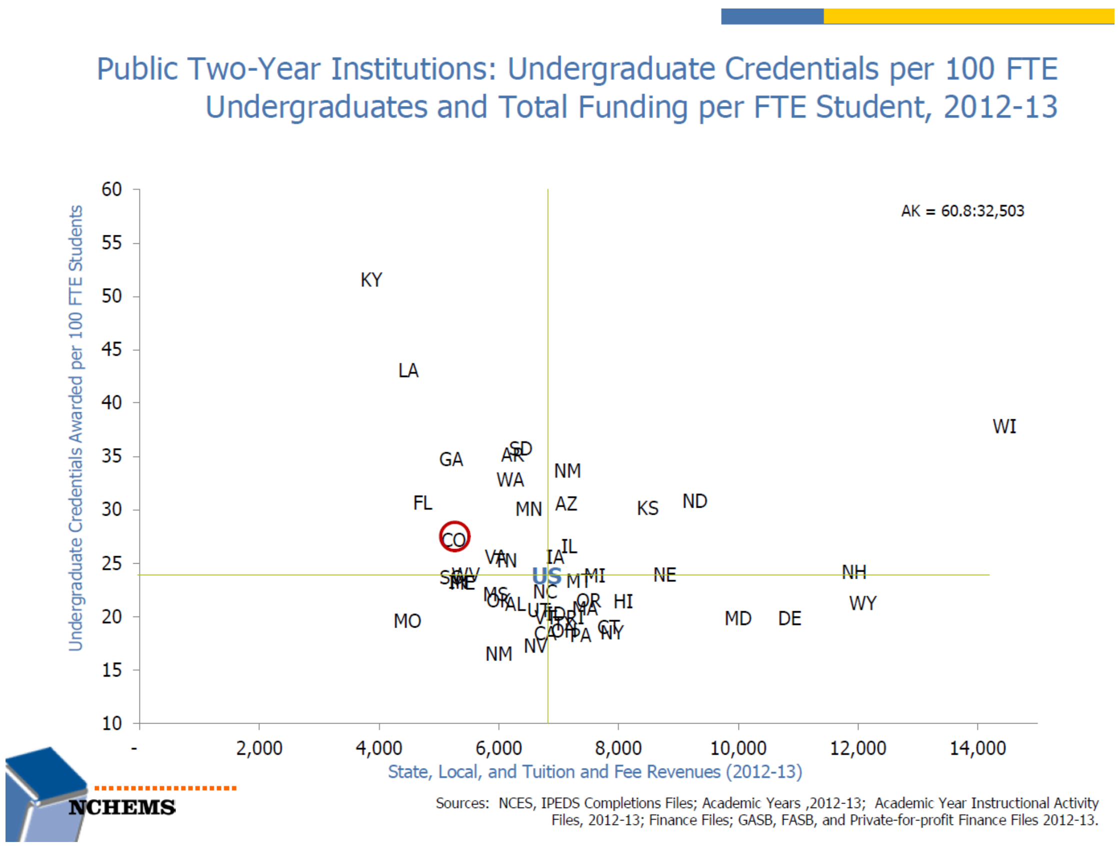
institutions were exceptionally low. As summarized in the Executive's November 2015 tuition policy report:

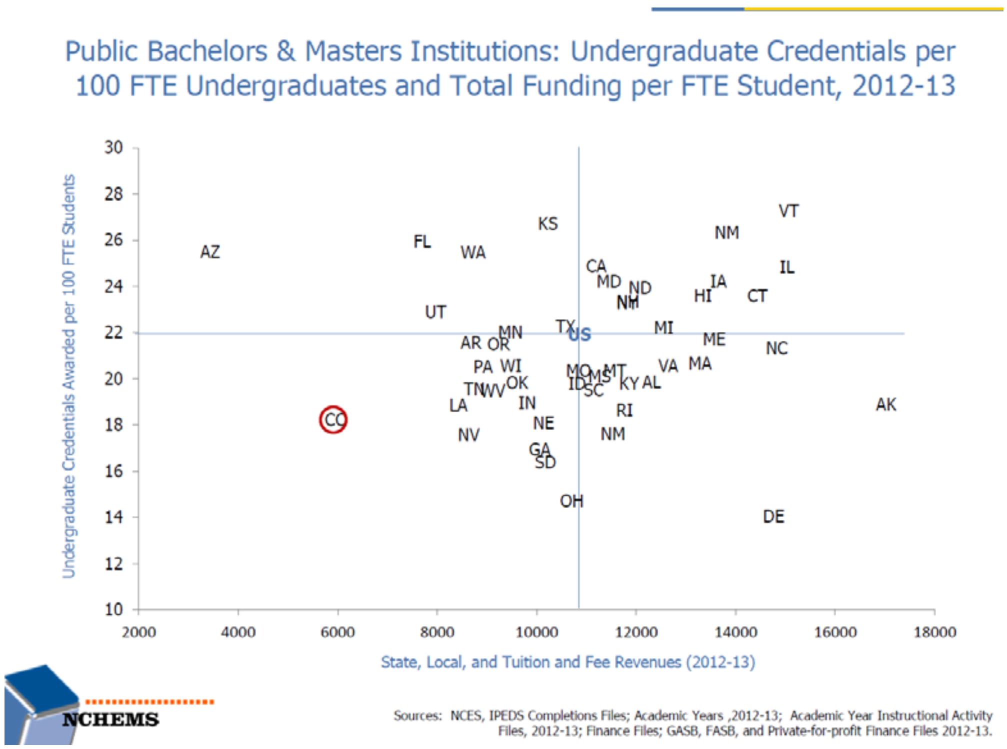
- Colorado institutions have fewer resources to expend than similar institutions elsewhere in the country.
- Colorado institutions are spending an increasing share of their resources on faculty and staff and rely more on part-time faculty as a cost-cutting measure.

Other NCHEMS research has indicated, however, that **there is a somewhat tenuous link between expenditures and "quality", if quality is defined a degree production.** The charts below, developed by NCHEMS, compare degrees "produced" at institutions in different states with total revenue per student from government sources and tuition.[12] National data from the Integrated Postsecondary Education Data System (IPEDS) analyzed by NCHEMS shows a wide dispersal in institutional operating costs per student. While there may be some correlation between quality and this range of expenses, the relationship is not clear cut. This makes sense given some other findings from the NCHEM's 2015 report for the State, "Why Higher Education Costs are What they Are". **For most categories of staff, Colorado is paying less than national averages, devoting a larger share of revenue to staff compensation, and typically providing higher faculty to student ratios than similar institutions due in part to use of less expensive part-time staff.**

[12] Dennis Jones, National Center for Higher Education Management Systems, "Aligning State Goals, Funding and Higher Education Policy" (presentation slides), NCSL Legislative Institute on Higher Education, Denver, CO October 8, 2015


Public Research Universities: Undergraduate Credentials per 100 FTE Undergraduates and Total Funding per FTE Student, 2012-13
Undergraduate Credentials Awarded per 100 FTE Students
State, Local, and Tuition and Fee Revenues (2012-13)
NCHEMS
Sources: NCES, IPEDS Completions Files; Academic Years ,2012-13; Academic Year Instructional Activity Files, 2012-13; Finance Files; GASB, FASB, and Private-for-profit Finance Files 2012-13.


Public Two-Year Institutions: Undergraduate Credentials per 100 FTE Undergraduates and Total Funding per FTE Student, 2012-13
AK = 60.8:32,503
Undergraduate Credentials Awarded per 100 FTE Students
State, Local, and Tuition and Fee Revenues (2012-13)
NCHEMS
Sources: NCES, IPEDS Completions Files; Academic Years ,2012-13; Academic Year Instructional Activity Files, 2012-13; Finance Files; GASB, FASB, and Private-for-profit Finance Files 2012-13.



These findings may be viewed as positive or negative:

- **The negative spin would be that Colorado's institutions are starved for resources.**
- **The positive perspective is that limited state General Fund support and political pressure to restrain tuition over many decades have resulted in more efficient institutions than those in most other states.**

Appendix: State Involvement in Higher Education Tuition Setting and Oversight

A survey by the State Higher Education Executive Officers (SHEEO) indicates that relatively few states place full tuition-setting authority in the hands of their legislatures, but legislatures play a significant role in many states. Further, the threat of—or actual—legislative involvement in the tuition setting process influences institutional tuition levels. For example, in response to a question about what incentives exist to minimize tuition increases, respondents indicated that legislative scrutiny is a concern and that for those with little legislative involvement there is an incentive to keep tuition low to limit increased legislative oversight. For all institutions, State General Fund appropriations played a very significant role in determining tuition rates. [13]

The tables below are excerpted from SHEEO's 2013 report.

[13] Andrew Carlson, Statute Tuition, Fees, and Financial Assistance Policies for Public Colleges and Universities, FY 2012-13, State Higher Education Executive Officers Association.
http://www.sheeo.org/sites/default/files/publications/Tuition%20and%20Fees%20Policy%20Report%2020131015.pdf

Primary Tuition-setting Authority

	Governor	Legislature	Statewide coordinating/ governing agency for multiple systems	Coordinating/ governing board(s) for individual systems	Local district governing board(s)	Individual institutions
Two-year sector	California*	California*	Kentucky	Alaska	Idaho	Delaware
		Louisiana	North Dakota	Colorado	Iowa	Ohio*
		Ohio*	Oklahoma	Connecticut	Kansas	
				Georgia	Mississippi	
				Hawaii	Nebraska	
				Illinois	New York (SUNY)	
				Indiana	Oregon	
				Montana		
				Nevada		
				New York (CUNY)		
				Tennessee		
				Texas		
				Washington		
				West Virginia		
				Wyoming		
Four-year sector		Florida	Iowa	Alaska	Texas	Delaware
		Louisiana	Kentucky	California		Ohio*
		Ohio*	North Dakota	Colorado		Wyoming
		Washington	Oklahoma	Connecticut		
			South Dakota	Georgia		
				Hawaii		
				Idaho		
				Illinois		
				Indiana		
				Kansas		
				Maine		
				Mississippi		
				Montana		
				Nebraska		
				Nevada		
				New York (CUNY)		
				New York (SUNY)		
				Oregon		
				Tennessee		
				West Virginia		
				Wisconsin		

*California and Ohio provided two responses.

Role in Tuition-Setting Process

Four-year Sector	Full legal decision-making authority	Informal or consultative role	No role	Other role
Governor	4	17	8	6
Legislature	9	16	6	3
Statewide coordinating/governing agency for multiple systems	8	9	10	2
Coordinating/governing board(s) for individual systems	21	2	5	1
Local district governing board(s)	6	3	18	1
Individual institutions	8	16	0	5
Two-year Sector	**Full legal decision-making authority**	**Informal or consultative role**	**No role**	**Other role**
Governor	1	13	10	6
Legislature	7	11	8	4
Statewide coordinating/governing agency for multiple systems	4	8	13	2
Coordinating/governing board(s) for individual systems	13	5	5	3
Local district governing board(s)	9	5	11	2
Individual institutions	5	17	2	4

Reports from the National Conference of State Legislatures indicates and other news sources indicate that there has been a considerable amount of recent activity among legislatures and other statewide policy bodies to restrict tuition increases:[14]

- Minnesota froze tuition at its two year institutions and cut tuition by 1 percent for next year, as it increased state funding.
- Ohio froze tuition for two- and four-year schools associated with state funding increases.
- Wisconsin froze in-state tuition across 26 campuses and cut their state appropriations.
- Tennessee has launched free community college tuition
- Missouri ties tuition increases to inflation, as measured by the CPI, except for institutions below the state average. If an institution exceeds its cap, it must return a portion of its General Fund appropriation.
- Washington imposed tuition <u>reductions</u> of 15 to 20 percent--and paired these with state funding increases.
- Maryland applies a goal of a three-year rolling average change in median income for tuition restrictions—and uses a state tuition stabilization fund to help meet the goal.

[14] See Dustin Weeden, "Tuition Policy", National Conference of State Legislatures, September 8, 2015. http://www.ncsl.org/research/education/tuition-policy.aspx and Sophie Quinton, "States Move to Curb Rising Tuition", Pew Charitable Trusts, August 6, 2015. http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2015/08/06/states-move-to-curb-rising-college-tuition

- In the Texas legislature, which previously gave up control in 2003, there has been an ongoing battle to reassert state legislative authority.

Issue: Tuition Policy Proposal

Under current law, effective FY 2016-17, tuition will again be appropriated at all state institutions except the Colorado School of Mines. The Department of Higher Education proposes statutory changes that would eliminate tuition appropriations and replace appropriations with a policy to be proposed by the Colorado Commission on Higher Education (CCHE) on an annual basis. For FY 2016-17, because the executive proposes cuts to higher education, the CCHE proposed tuition policy is for no restrictions on student tuition rates.

SUMMARY:

- Historically, the General Assembly used its power of appropriation to restrict tuition levels at Colorado public higher education institutions. This was suspended between FY 2010-11 and FY 2015-16 when first "soft" and then "hard" tuition caps were imposed by bill.
- Pursuant to current statute, effective FY 2016-17, tuition will again be appropriated at all state institutions with the exception of the Colorado School of Mines.
- As required by law, the Department submitted a proposal for how it would like to address tuition going forward. Under its proposal, tuition would no longer be appropriated.
- The Department has also submitted a proposed tuition policy for FY 2016-17 which, as envisioned by the Department, would be established primarily through CCHE rule.
- For FY 2016-17, CCHE proposes no restrictions on tuition levels unless the General Assembly provides a General Fund increase for higher education institutions.
- Although the Department anticipates that annual budget requests will describe CCHE's proposed tuition policy, it is not clear from the request how the General Assembly would indicate agreement, disagreement, or modifications to the proposal.
- The proposal for FY 2016-17 provides for less oversight than existed from FY 2011-12 through FY 2013-14, when undergraduate resident tuition increases were restricted to 9.0 percent unless modified by CCHE through "financial accountability plans".

RECOMMENDATION:

Staff recommends that the JBC oppose the proposed change to current law and that the General Assembly retain its ability to appropriate tuition. The proposed change is not being requested as a JBC bill, so the question for the JBC is how it wishes to respond to a bill generated from outside the Committee.

If the JBC does not wish to retain current law, it should nonetheless consider introducing its own bill or working with sponsors for the Department's bill to ensure that the General Assembly does not eliminate its ability to express its will on annual tuition policies proposed by the Executive Branch. **If the General Assembly wishes to weigh in annually on tuition policy, it has two options: an appropriation or an annual bill.** While each has strengths and weaknesses, there are likely to be far more administrative and political complications associated with an annual bill.

Staff does not recommend that institutions be given freedom to set tuition at any level in a year in which funding is flat or declining, although staff agrees that institutions should have additional capacity to raise tuition in this situation.

Staff also recommends that the General Assembly **reassert oversight of mandatory student fees,** either through an appropriation or another mechanism, consistent with whatever approach is adopted on tuition.

DISCUSSION:

State Policy: The History

From as far back as staff has been able to track—more than five decades—until 2010-11, the General Assembly appropriated both state General Fund and cash funds from tuition and fees to provide for the operation of Colorado public higher education institutions. The extent to which line items were broken out into component parts (e.g., faculty salaries, staff salaries, operating costs) varied over the decades, but, based on a review of historic Long Bills and appropriation reports, the overall approach did not. While the General Assembly usually considered amounts for "auxiliary" enterprises (such as housing or parking) or research activities to be "non-appropriated" if shown at all, it always appropriated moneys associated with institutions' core mission of educating Colorado students.

In FY 2010-11, in anticipation of large budget cuts to higher education, the General Assembly passed S.B. 10-003. This bill suspended the General Assembly's authority to appropriate tuition for five years (FY 2011-12 through FY 2015-16). In lieu of this, it established a "soft" statutory tuition cap: institutions were allowed to increase undergraduate resident tuition up to 9.0% per year and could go above this cap if the Colorado Commission on Higher Education approved an institutional "Financial Accountability Plan" explaining the rationale and how low and moderate income students would be protected.

The "soft" caps were originally expected to last five years, but when the General Assembly began to restore General Fund for higher education in FY 2014-15, it also modified the previously-adopted tuition caps. Senate Bill 14-001 established "hard" tuition caps of 6.0% on undergraduate resident tuition for FY 2014-15 and FY 2015-16.

In these years the General Assembly also substantially increased General Fund support for higher education: by $102.9 million in FY 2014-15, including an increases of 11.2 percent for the governing boards and 37.0 percent for financial aid, and by $95.3 million in FY 2015-16, including increases of 11.1 percent for the governing boards and 14.0 percent for financial aid.

For FY 2016-17, the "time-out" is over: higher education tuition is again subject to appropriation and there is no longer a cap (6.0 percent or another number) on increases on undergraduate resident tuition, unless there is a change to current law.[15]

H.B. 14-1319 Executive Tuition Policy Report

Pursuant to H.B. 14-1319 (Section 23-18-306 (5), C.R.S.), the CCHE was required to submit to the General Assembly by November 1, 2015 tuition policies that ensure both accessible and affordable higher education for residents. Tuition policies must also reflect the level of state funding needed for institutions and the need of each institution to enhance the quality of programs and offerings to strengthen their financial position.

The Department's report notes that **"finding the right balance between the seemingly opposing ideas of affordability for families and strengthening the financial position of institutions is at the core of the Commission's tuition policy process and recommendation"**.

The Department contracted with the National Center for Higher Education management Systems to analyze higher education costs. The report on *Why Higher Education Costs are What they Are* found that, broadly speaking, **Colorado institutions are both less well funded and more efficient than institutions in states.** A second report, *Tuition Setting Practices in Colorado's Public Colleges and Universities*, found that "since such a large portion of institutional revenue comes from tuition, setting tuition rates is a high states endeavor, which is strongly impacted by changes in state funding".

The Department describes its proposed framework as addressing:

- *State investment in higher education*: emphasizes the importance of state appropriations as the incentive for keeping tuition low, given limited opportunities for increased efficiency.
- *Tuition impact on students and families:* recognizes that families are concerned with affordability (not yet defined).
- *Flexibility for institutions:* belief that governing boards require tuition authority to appropriately manage their institutions.
- *Accountability and meeting completion goals:* CCHE is focused on increasing institutional completions.

Proposed Tuition Policy Business Cycle

The Department envisions an annual process through which any statewide tuition limits would be determined in alignment with the appropriations process. The proposed business cycle thus links annual state funding with tuition policy.

> **June/July:** CCHE works with the governing boards to analyze funding needs;
> **July/August:** Higher education funding allocation model results calculated, indicating the proportional division of any General Fund support among governing boards (total General fund is not known at this point).

[15] The Colorado School of Mines is exempted from tuition appropriation until 2021. Further, fees will not be subject to appropriation under current law, although they were appropriated through FY 2010-11.

August/September: CCHE submits its operating budget request and tuition limit/flexibility options to the Governor
October/November: Governor finalizes General Fund request and tuition limit/flexibility proposal. CCHE and OSPB then submit request to the JBC.
December to spring: Based on the governor's request, governing boards determine if additional flexibility is needed and submit tuition accountability plans to CCHE. CCHE then acts on these requests
March/April: General Assembly and Governor take action on the budget

The report notes that "technical statutory clean-up" will be required. A**s staff understands the specific proposal, the Department will request permanently eliminating the General Assembly's authority to appropriate tuition. It is not yet clear what alternative is being proposed from a technical perspective.** The Department is not requesting that the JBC sponsor a related bill, so staff anticipates that this will be included in a bill sponsored by other members of the General Assembly.

FY 2016-17 CCHE Tuition Policy Recommendation
For FY 2016-17, the proposed policy is that if General Fund support is flat or declining there will be no restrictions on tuition. The current executive request includes a $20.0 million decrease in General Fund support, so this is the policy that would apply. Further, the Executive's "conditional" request (if there is sufficient General Fund) would hold funding flat even if the General Assembly provides funding up to Item #5 on the contingent request list (restore $20 million General Fund for institutions of higher education). There would only be an increase if the General Assembly went further down the contingent list to #12.

The CCHE proposal is that **if** General Fund were to instead increase over FY 2015-16 levels:
- A sliding scale of caps on undergraduate resident tuition would apply that would enable institutions to cover required/mandated costs.
- Governing boards receiving less than the average General Fund increase would be allowed to increase tuition by an additional percent.
- In addition, governing boards could request flexibility above the CCHE tuition increase limit through a "tuition accountability plan".

The Department calculates a minimum cost estimate for the governing boards based on:

- Inflation, estimated at 1.8 percent for purposes of the Department's calculations.
- Mandated costs, such as costs associated with the Public Employees' Retirement Association (PERA) Amortization Equalization Disbursement (AED), and Supplemental Amortization Equalization Disbursement (SAED). The request notes that about *1 in 4 of the state's classified employees work at public institutions of higher education*, and 56 percent of total state employees work at public institutions.

The table below shows the total "E&G" (Education and General) FY 2014-15 expenditure estimates for each governing board. These are the expenses that are typically covered through General Fund and tuition and excludes housing, food and other "auxiliary" costs. The table also shows Department's estimate of the impact of inflation and mandated costs on institutional budgets. Finally, it juxtaposes those amounts by the total tuition raised by a 1.0 percent tuition increase at each governing board.

The Department concludes that a General Fund increase of $56.6 million is required to cover institutions' mandated costs and inflation and, in the absence of such an increase, institutions would need to increase tuition by at least 6.2 percent on average, with adjustments ranging from 3.4 percent to 8.7 percent depending upon the governing board. The Department assumes institution policy decisions would drive further increases.

Governing Board	E&G Total	TOTAL Increase (Inflationary and PERA)	Total Raised by 1% Tuition Increase	% Tuition Increase Needed to Cover Just Inflation and PERA Increase
Adams	32,984,496	657,203	94,918	6.92
Mesa	78,690,151	1,532,472	454,022	3.38
Mines	154,204,614	3,278,430	519,482	6.31
CSU	567,472,566	10,913,048	1,638,346	6.66
CCC	414,527,268	9,434,279	1,957,771	4.82
Ft. Lewis	52,529,053	1,005,215	115,664	8.69
Metro	158,091,494	3,200,172	810,792	3.95
CU	1,195,606,752	23,264,593	2,975,541	7.82
UNC	143,811,505	2,793,706	491,053	5.69
Western	26,798,822	520,701	86,087	6.05
TOTAL	2,824,716,721	56,599,819	9,143,675	6.19

1 Percent increase based on Sept 2015 OSPB FY 17 inflation projection (1.8%).
2 Percent increase based on 4.8% blended contribution rate for PERA AED and 4.75% blended contribution rate for PERA SAED in FY 16-17 (24-51-411, C.R.S.)
3 Classified salaries from institutional 2014 Budget Data Book submissions, FY 14-15 estimates

On this basis, the Department identifies a set of statewide tuition caps that relate to possible General Fund increases. As shown, an **increase of $56.6 percent in General Fund appropriations would cover minimum costs, while a decline of 3.0 percent (as reflected in the Executive request) is anticipated to drive minimum tuition increases averaging 8.3 percent. The Department assumes that institutions would require increases above this level to address policy issues, and thus any recommended caps would be 3-4 percent higher.** In the case of declining or flat General Fund, no cap would be imposed.

Change in GF Approps	General Fund	Tuition	% Tuition Increase Bas
8.8%	56,599,819	$0	0
7.0%	45,260,927	$11,338,892	1.2
6.0%	38,795,081	$17,804,739	1.9
5.0%	32,329,234	$24,270,585	2.7
4.0%	25,863,387	$30,736,432	3.4
3.0%	19,397,540	$37,202,279	4.1
2.0%	12,931,694	$43,668,126	4.8
1.0%	6,465,847	$50,133,972	5.5
0.0%	-	$56,599,819	6.2
-1.0%	(6,465,847)	$63,065,666	6.9
-2.0%	(12,931,694)	$69,531,513	7.6
-3.0%	(19,397,540)	$75,997,359	8.3
-4.0%	(25,863,387)	$82,463,206	9.0
-5.0%	(32,329,234)	$88,929,053	9.7
-6.0%	(38,795,081)	$95,394,900	10.4
-7.0%	(45,260,927)	$101,860,746	11.1
-8.8%	(56,599,819)	$113,199,638	12.4

Fee Policy Proposal: As part of a higher education request for information, the JBC requested that this tuition policy report also consider a **policy for fees. The Department responded with a significant amount of data on fees but indicated that it does not recommend a change in fee policy at this time.** "Instead, the Department believes it has not done its due diligence in meeting the reporting requirements of S.R.S. Section 23-1-105.5". The Department believes that better understanding of the uses of fees may dispel the need for a change in policy.

Until FY 2011-12, the General Assembly oversaw institutional fees through the appropriations process. House Bill 11-1301 eliminated appropriation authority for all fees on an ongoing basis (not solely through FY 2015-16). Further, cash-funded higher education capital construction projects that do not have a state match component are not subject to appropriation pursuant to Section 24-75-303, C.R.S (modified through S.B. 09-290 and H.B. 11-1301).

CCHE is still authorized, through Section 23-1-1-108 (12) to establish fee policies based on institutional role and mission and, pursuant to Section 23-1-105.5, C.R.S., "to adopt policies concerning the collection and use of student fees by governing boards of the state institutions of higher education." However, since the passage of H.B. 11-1301, it has chosen to use this authority primarily to improve fee transparency and disclosure.

- CCHE requires that each governing board adopt an annual student fee plan and consult with student representative regarding fee policy. Institutional fee plans are required to include certain components, but institutions are given broad latitude in the content of the plans. Thus, for example, while institutions are required to establish a process for internal or external review of fee rates and policies, the processes may vary by institution and type of fee.

- Fees must be "conspicuously" disclosed on billing statements and in tuition calculators on institution websites. Tuition and fee rates must be annually submitted to CCHE, and these are further submitted to the General Assembly by January 15 of each year.

In response to the JBC's request for information, the Department provided fairly extensive data on the various types of mandatory fees in place at each state higher education institution. ("Mandatory" fees are fees which all students must pay. In addition, institutions often charge course-specific fees which may be significant but which are not defined as "mandatory" fees since they apply to only some students.)

The data submitted indicate that fees fall into a number of categories and vary significantly by higher education institution. The largest share of fees are often related to student government/student activities fees, intercollegiate athletics, and auxiliary facility fees (often designed to cover payments on bonds for student centers and student recreation centers.) In addition, there may be administrative fees, technology fees, and health fees. *The feature many fees have in common is that they support student amenities or services for which students have advocated. However, they also cover costs that could easily be viewed as an integral element of an academic program, e.g., academic facility fees.*

JBC Staff Observations Related to Tuition Policy

- The General Assembly has policy interests in higher education that will not always align with institutional interests. This includes ensuring affordability of public higher education. As discussed in the previous issue, State-level oversight corresponds with lower tuition rates, according to national studies.

- **Staff continues to believe state appropriations are an effective tool through which the General Assembly may annually examine both institutional funding needs and state General Fund support which offsets these needs.** While state support for higher education has declined, this funding is still significant, and the General Assembly still has a compelling interest in tuition levels.

- It is not clear from the executive proposal how the Executive Branch anticipates that the General Assembly will express its agreement—or disagreement—with any tuition policy proposal included in the budget request. Indeed, it is not clear what role the General Assembly is expected to have in the process other than <u>receiving</u> a proposal from CCHE. Historically there has been extensive disagreement between the executive and the General Assembly on tuition limits, which have played out in action on Long Bill footnotes that reflect tuition assumptions or (for FY 2014-15) in debates on bills. **The current executive proposal does not address mechanisms for General Assembly input and could potentially eliminate any real ability for the General Assembly to weigh in.**

- Whatever approach is used, **the JBC should work toward ensuring that tuition limits and state General Fund appropriations are addressed in a unified process and that responsibility for setting tuition limits AND appropriations are tackled by a single legislative entity. At present, the JBC seems best positioned to play this role.**

- As a "coordinating body", CCHE seems to be in a relatively weak position relative to the governing boards. Under the previous "financial accountability plan" option in effect from FY 2011-12 through FY 2013-14, CCHE approved every plan and associated tuition increases. **Staff is uncomfortable with authorizing CCHE to allow for higher tuition levels than authorized by the General Assembly.** Staff recognizes some timing problems associated with last-minute budget balancing. Nonetheless, **tuition limits should be established by the General Assembly *prior to the end of the legislative session*.**

- **With respect to the FY 2016-17 proposals, staff does not believe that flat or declining funding should result in full flexibility for institutions to increase funding to whatever level they wish.**

- **Staff would like to see the General Assembly reassert some control over fees and, specifically, believes that any new restrictions should be imposed on the combination of tuition and fees, rather than fees alone.**

  Fees are a significant share of the overall cost of higher education. The tables below show the share of charges for freshmen and sophomores in liberal arts disciplines attributed to mandatory fees in FY 2015-16.

Tuition and Mandatory Fees: Freshman and Sophomores, Liberal Arts, FY 2015-16

Institution	Tuition	Fees	Total	Fees as Percentage of Total Charges
CU-Boulder	$9,312	$1,778	$11,090	16.0%
University of Colorado - Colo Springs	7,980	1,448	9,428	15.4%
University of Colorado - Denver	9,090	1,279	10,369	12.3%
CSU	8,300	2,257	10,557	21.4%
Colorado School of Mines	15,225	2,128	17,353	12.3%
University of Northern Colorado	6,372	1,794	8,166	22.0%
Colorado State University - Pueblo	6,159	2,123	8,282	25.6%
Fort Lewis College	5,856	1,745	7,601	23.0%
Metropolitan State University	5,222	1,198	6,420	18.7%
Adams State University	5,448	3,126	8,574	36.5%
Colorado Mesa University	7,185	823	8,008	10.3%
Western State Colorado University	5,844	2,607	8,451	30.8%

Tuition and Mandatory Fees: Freshman and Sophomores, Liberal Arts, FY 2015-16				
Community Colleges Average	3,747	409	4,156	9.8%

Source: Draft 2015-16 Tuition and Fees Report

Given that the General Assembly may be considering legislative changes related to tuition, staff believes this is a good time to revisit legislative oversight of fees.

- **Staff recommends providing legislative direction in the form of a rate restriction, rather than a revenue restriction, whether the mechanism used is a Long Bill footnote or a bill.** Previous review by JBC staff has indicated that such policies are clearer and easier to enforce. They are also typically the thing that students and families care most about. If the JBC wishes to use an appropriated tuition approach for FY 2016-17, JBC staff can estimate the revenue impact of an across-the-board resident tuition rate increase on each governing board. In an appropriation structure, the most important feature of the appropriation would be the Long Bill footnote reflecting the General Assembly's assumptions for rates.

Looking toward the future:

- **Staff believes that it would be preferable for CCHE to examine individual governing board needs on a governing board-by-governing board basis.** As noted by the Department's own contractor, the National Center for Education Management Systems, in a report for the Department, "application of the same percentage to all institutions is insensitive to institutional differences".[16] Indeed, as discussed below, some research indicates that caps often drive tuition higher as institutions tend to set tuition levels at the cap. **While the Department may not be equipped for this at the present, staff believes that the CCHE process in the future should involve a review of <u>both</u> "mandated costs" and institution/governing-board-specific proposals to arrive at annual budget request figures for each institution.** *With the information now available, staff could calculate the revenue adjustment required to cover mandated costs and General Fund reductions specific to each governing board and the approximate rate adjustment that corresponds to such a revenue adjustment.* This would be a different policy from the Department's proposal; staff merely notes it as an option if the JBC wished to take a more individualized approach in tuition rate discussions.

- **Staff also wishes to explore using three-year rolling averages of total costs** (i.e. combining two years of prior year data with one year of forecast data) to inform tuition limits. Both institutions and the General Assembly wish to avoid sudden year-over-year increases and thus institutions in recent years have increased tuition even in years of significant state funding increases. In light of this, staff supports incorporating prior-year increases into the annual review of tuition limits; however, identifying the best mechanism for this will require further work.

[16] NCHEMS, "Tuition Setting Practices in Colorado's Public Colleges and Universities, June 30, 2015.

Legal Considerations and Mechanical Issues
The Executive proposal is "thin" on the question of the General Assembly's role in approving or modifying the annual CCHE tuition proposal. While it proposes to eliminate all appropriation authority for tuition and to rely primarily on CCHE rule-making authority to establish tuition limits, there is an implied expectation that the General Assembly will respond to the CCHE proposal. **If CCHE/the Governor and the General Assembly believe that there should be an ongoing role for the General Assembly in this process, the question becomes one of mechanics, i.e., how will the General Assembly express its opinion?**

Option 1: Use Appropriations per Current Law
Pursuant to current law, the General Assembly outlines the assumptions behind appropriations in a Long Bill footnote. This is a mechanism by which the General Assembly can indicate whether it agrees with CCHE proposed rate restrictions or wishes to modify the executive proposal.

Technical arguments against
- Department staff have expressed concern that the appropriations process is cumbersome, particularly as final enrollment typically differs greatly from initial Long Bill estimates. They worry about the need to request late June supplementals to "true up" the appropriation.
- JBC staff notes that pursuant to statute, footnotes may be used to reflect the General Assembly's assumptions, but may not be used to "closely administer" the appropriation. Thus, a footnote reflecting the General Assembly's assumptions on rate increases are arguably a weak/indirect mechanism for controlling tuition.

Pros
- While there are some technical challenges with appropriating tuition, the General Assembly successfully navigated these problems in the past. Specifically, prior to FY 2011-12: (1) the most important feature of the appropriation was the footnote specifying rate limits; (2) appropriations were always "trued-up" through a Long Bill add-on supplemental, since actual enrolment often diverges substantially from initial Long Bill enrollment forecasts; (3) CCHE was provided an **extra** appropriation (e.g., $20 million) which it could allocate to governing boards to address end-of-year discrepancies between the supplemental forecast and final end of year enrollment.
- If the General Assembly does not wish to continue providing CCHE "extra" spending authority, there might be other mechanisms that could provide institutions with additional flexibility in spending authority. For example, perhaps governing boards could be given authority to exceed their spending authority if CCHE and/or the JBC inform the controller that this is required based on increased enrollment.
- This mechanism clearly links state appropriations and limits on tuition in a single bill that passes through the JBC.

There have been suggestions that the JBC should be able to continue to include a footnote identifying the General Assembly's expectations relative to tuition while eliminating any tuition appropriations. However, **Legislative Legal Services Staff do not feel that a Long Bill footnote reflecting tuition assumptions can be applied in the absence of an appropriation for tuition.**

Option 2: Run an Annual Bill Outlining Tuition Limits
This approach was used in S.B. 14-001, which provided for both "hard" tuition caps for undergraduate resident students and provided significant additional appropriations.

Technical arguments against
- Any approach involving two separate annual bills for higher education potentially creates administrative complications. Would a substantive bill come out of the education committee or the JBC? If one bill established tuition limits and one provided the General Fund how would these two things remain tied together? If one of the largest, most flexible pieces of the General Fund picture—higher education—were funded through the substantive bill and moved outside the JBC, wouldn't this make the JBC's annual budget-balancing job that much more difficult?
- If the JBC were to run an annual companion bill, would such a bill require all six members to agree? **Would the JBC consider changing its own rules so that such a bill could be passed out of the JBC with a majority vote?** If not, what would be the fallback if the Long Bill was adopted but the Committee was unable to agree on the substantive bill?

Pros
- A bill is a more direct mechanism for imposing tuition restrictions with more clear force-of-law.

If the General Assembly decides to eliminate appropriations for higher education and to instead rely on annual substantive legislation, staff would encourage the General Assembly to specify in statute the fallback if no annual bill is adopted. **Staff would suggest that this fallback should NOT be no restrictions but should instead limit increases to the increase in the Denver Metro CPI for the prior calendar year, so that there is some annual pressure to adopt substantive legislation.**

Option 3: Run an Annual Companion Joint Resolution
A joint resolution could be used to express the General Assembly's agreement with a tuition policy proposed by CCHE. However, **Legislative Legal Services indicates that this would not be an appropriate tool to insist on something different. For this, a bill is required.**

Other Options
Eliminate General Assembly involvement: The governing boards don't like having CCHE or the General Assembly too involved in their tuition setting process and would prefer no involvement. They feel flexibility is justified by overall declines in state funding. The General Assembly could obviously choose to cede its authority to establish tuition policy to the governing boards or to CCHE through a change in law.

Attempt to restrict tuition on a multi-year basis: Other states have implemented bills that restrict tuition increases to inflation or some other level on an ongoing basis. However, such requirements are usually paired with an ongoing source of funding to support tuition stability.

As this does not seem realistic in Colorado's fiscal environment, staff agrees that an annual process is most appropriate for Colorado.

Appendix: Colorado Revised Statutes - Statutory References Related to Tuition-setting

Role of the General Assembly

23-1-104 (1) (b) and (2): Specifies that the General Assembly will appropriate tuition again beginning with FY 2016-17 except for at the School of Mines, which is exempted from appropriation of tuition through FY 2020-21. Many other pieces of statute (in each governing board section) give the General Assembly authority to appropriate tuition and require governing boards to fix tuition in accordance with the level of cash fund appropriation set by the General Assembly, e.g.,: Sections **23-20-112 (1) and 23-30-112 (1).**

23-5-130.5: Lays out caps on undergraduate tuition rate increases for the period FY 2011-12 through FY 2015-16. Initial 9.0% caps were put in place in lieu of appropriated tuition, in light of anticipated steep cuts in higher education funding (**S.B. 10-003**). Rate caps were tightened in **S.B. 14-001** to a hard 6.0 percent cap when the General Assembly was able to provide additional higher education support. These caps were in lieu of appropriated tuition.

23-18-202 (3) (b): Specifies that 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, except during the FY 2011-12 through FY 2015-16 period.

Role of the Colorado Commission on Higher Education

23-1-105 (8): Specifies that the Colorado Commission on Higher Education (CCHE) and the executive director of the Department of Higher Education shall make funding recommendations consistent with state budget procedures.

23-1-108 (12) (b): Specifies that after July 1, 2016 CCHE shall establish tuition policies consistent with institutional role and mission.

23-18-306 (5) (added in H.B. 14-1319): Requires CCHE to submit to the JBC and the education committees "tuition policies that ensure both accessible and affordable higher education for Colorado residents..."

Informational Issue: House Bill 14-1319 Funding Model 2.0

The Colorado Commission on Higher Education has developed its second version of the new funding model for higher education required pursuant to H.B. 14-1319. The Executive has applied the model in its request for a $20.0 million funding decrease for the governing boards.

SUMMARY:

- During the 2014 legislative session, the General Assembly adopted H.B. 14-1319 (Outcomes Based Funding for Higher Education). The bill was designed to align funding and state policy goals and to make the rationale for higher education funding more transparent.

- The General Assembly used the Department's funding model, with one notable change, to set FY 2015-16 funding for the governing boards, but the JBC asked the Department to address various concerns about the initial model.

- Model version 2.0 represents a significant improvement over the original model and addresses many of the JBC's concerns. However, there are still some model components that staff finds problematic. The majority of governing boards and CCHE members supported this version of the model, but not all.

- Funding proposed under the model for FY 2016-17 would provide a General Fund decrease for each governing board of between 0.9 percent and 7.5 percent below the FY 2015-16 base, with an average decrease of 2.9 percent and an overall budget cut of $20.0 million in state support for the governing boards.

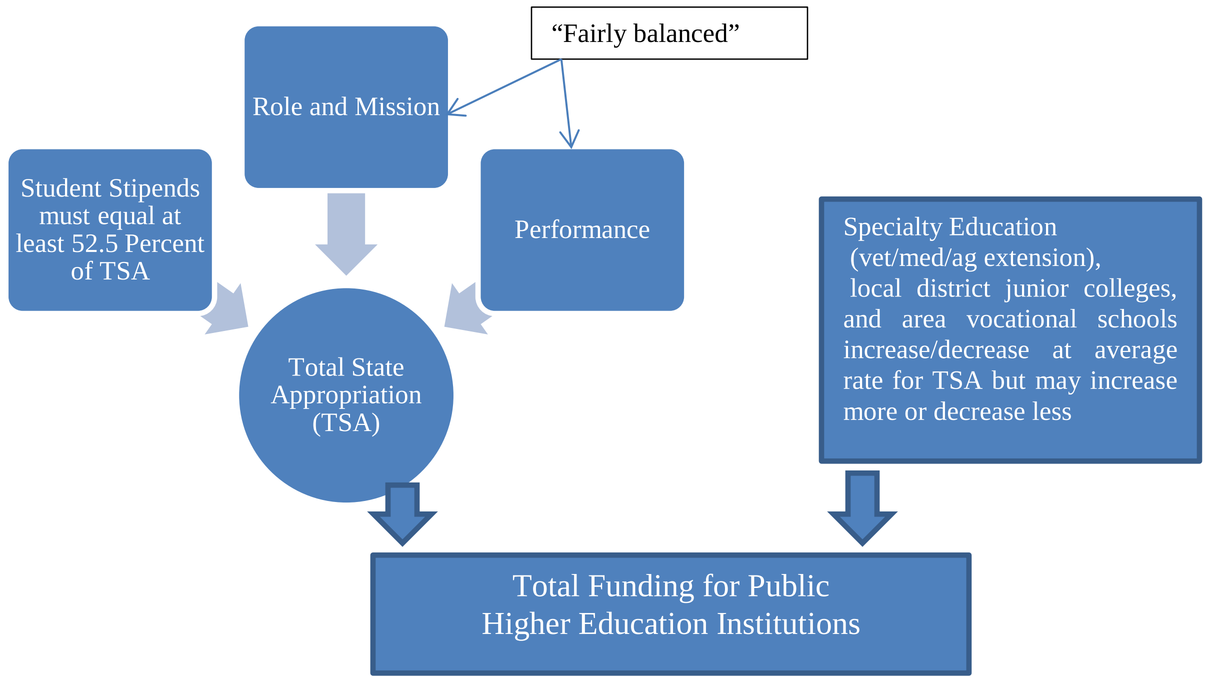
- Staff is exploring adjustments to the proposed funding model for JBC consideration.

DISCUSSION:

Background: Why H.B. 14-1319
For the decade prior to the adoption of H.B. 14-1319, funding for Colorado higher education institutions was governed by S.B. 04-189, which dictated the use of student stipends to be provided to resident undergraduates and fee-for-service contracts with each governing board to address other state needs. However, for practical purposes, funding for each governing board was determined using a "base plus" allocation model, with the incremental change shaped each year through agreements negotiated among the higher education institutions and approved through legislative action.

By 2014, from the General Assembly's perspective, it was no longer transparent why any particular governing board received a particular amount of funding, and the funding authorized seemed to have little relationship to the fee-for-service contracts authorized in statute (although those were annually adjusted and executed to comply with the letter of the law). Thus, during the 2014 legislative session, the General Assembly adopted H.B. 14-1319 (Outcomes-based Funding for Higher Education) to refine the existing funding model to more explicitly address the fee-for-service components of the model and to add components based on student retention and degree attainment.

Requirements of the H.B. 14-1319 Model
House Bill 14-1319 details several major funding categories, as reflected in the chart below.



Student Stipends: These are amounts provided for undergraduate resident students. Funding for student stipends must constitute at least 52.5 percent of total state appropriations, as defined by the bill.

Role and Mission Funding: The role and mission component includes:

- **Institutional mission.** Amount to offset the costs incurred in providing undergraduate programs at each institution, including the following components: selectivity, number of campuses, rural or urban location, low student enrollment, undergraduate programs with a high cost per student, and whether the institution conducts research.
- **Support services for Pell-eligible, first-generation, and underserved undergraduate students.** Must include an amount for Pell-eligible students at least equal to ten percent of the amount of the college opportunity fund stipend. May include amounts for first-generation or underserved students.
- **Graduate programs.** Must include an amount for each graduate student enrolled in an institution, which amount shall be based on the subject and level of the graduate program.
- **Remediation.** Must include an amount for each eligible governing board to offset the costs incurred in providing effective basic skills courses and the costs incurred in providing approved supplemental academic instruction.

- **Additional factors.** Up to two allowed that are distinguishable from each other and from the factors above. Examples provided: institution affordability, cost studies, technology transfer, and provision of career and technical programs.

Performance Funding: The performance funding component includes:
- **Completion.** An amount for each certificate or degree awarded and each student transferring from a community college. Must include additional amount for each Pell-eligible undergraduate completion.
- **Retention.** An amount for each governing board based on the number of students enrolled in an institution who make academic progress by completing thirty credit hours, sixty credit hours, or ninety credit hours.
- **Additional metrics.** Up to four additional performance funding metrics that reflect and support the policy goals adopted by the commission in the master plan. Examples: workforce placement, closing the achievement gap, limiting student loan debt, and controlling institutional administrative costs.

General role and mission and performance metric requirements:
- It is the General Assembly's intent that the components of the fee-for-service contracts be "**fairly balanced" between role and mission factors and performance metrics**.
- Role and mission and performance metrics must be **tied to the policy goals** established by the General Assembly and the Commission in its Master Plan **and must be transparent and measurable.**
- **Each role and mission factor may be applied differently to institutions,** but to the extent possible, similar institutions must be treated similarly.
- **Each performance funding metric must be applied uniformly** to all governing boards.

Specialty Education, Local District Junior Colleges, Area Vocational Schools: Specialty education programs (the medical school at the University of Colorado and the veterinary school and various agricultural extension programs at Colorado State University), as well as funding for local district junior colleges and area vocational schools are required to increase or decrease at the same rate as overall funding for higher education institutions ("total state appropriation") but may increase more or decrease less.

Guard rails: Through FY 2019-20, the appropriation for a governing board may not increase or decrease by a percentage that exceeds five percentage points of the average for all the governing boards. Beginning in FY 2020-21, use of the guard rails is optional.

***Annual Process**:* The Department and CCHE must annually submit a budget request that includes a detailed description of role and mission factors and metrics, values assigned, and funding for each institution for each funding metric. The Joint Budget Committee may modify the model within the constraints outlined in H.B. 14-1319. Specifically, the JBC is required to follow the minimum statutory requirements concerning role and mission and performance funding but may apply different weights to the factors and metrics than the values determined by the commission.

For additional detail on model requirements, including statutory citations and language, please see the appendix to this issue.

The First Year – FY 2015-16 Budget Cycle
As required by H.B. 14-1319, during the summer of 2014, The Department engaged in an initial, process which included statewide meetings with stakeholder groups and extensive work by a funding allocation model expert team (FAMET) and Executive Advisory Group (EAG), each of which included representation from the governing boards, CCHE, and General Assembly.

This process culminated in a first year model supported by all of the governing boards. The JBC and General Assembly ultimately applied the model as requested with the exception that the Committee eliminated a component for "underrepresented minorities" and replaced this with additional funding for Pell-eligible students.

The JBC also expressed concerns about the first version of the model, and included a Request for Information to the Department to highlight its concerns.

1. Department of Higher Education, Colorado Commission on Higher Education, Administration – The Joint Budget Committee requests that during the annual review process of the new funding allocation model the Department consider the following policy issues, include with their annual budget request, due November 1, 2015, a report on how these issues were examined, incorporated into the current model, or otherwise decided upon, and make recommendations for changes to the model, if needed, including identifying any needed funding to implement.

    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.
    d) (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.
    e) 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.
    f) 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 2015-16 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 2015-16 model settings and recent trends in degrees awarded at boards of different sizes.

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

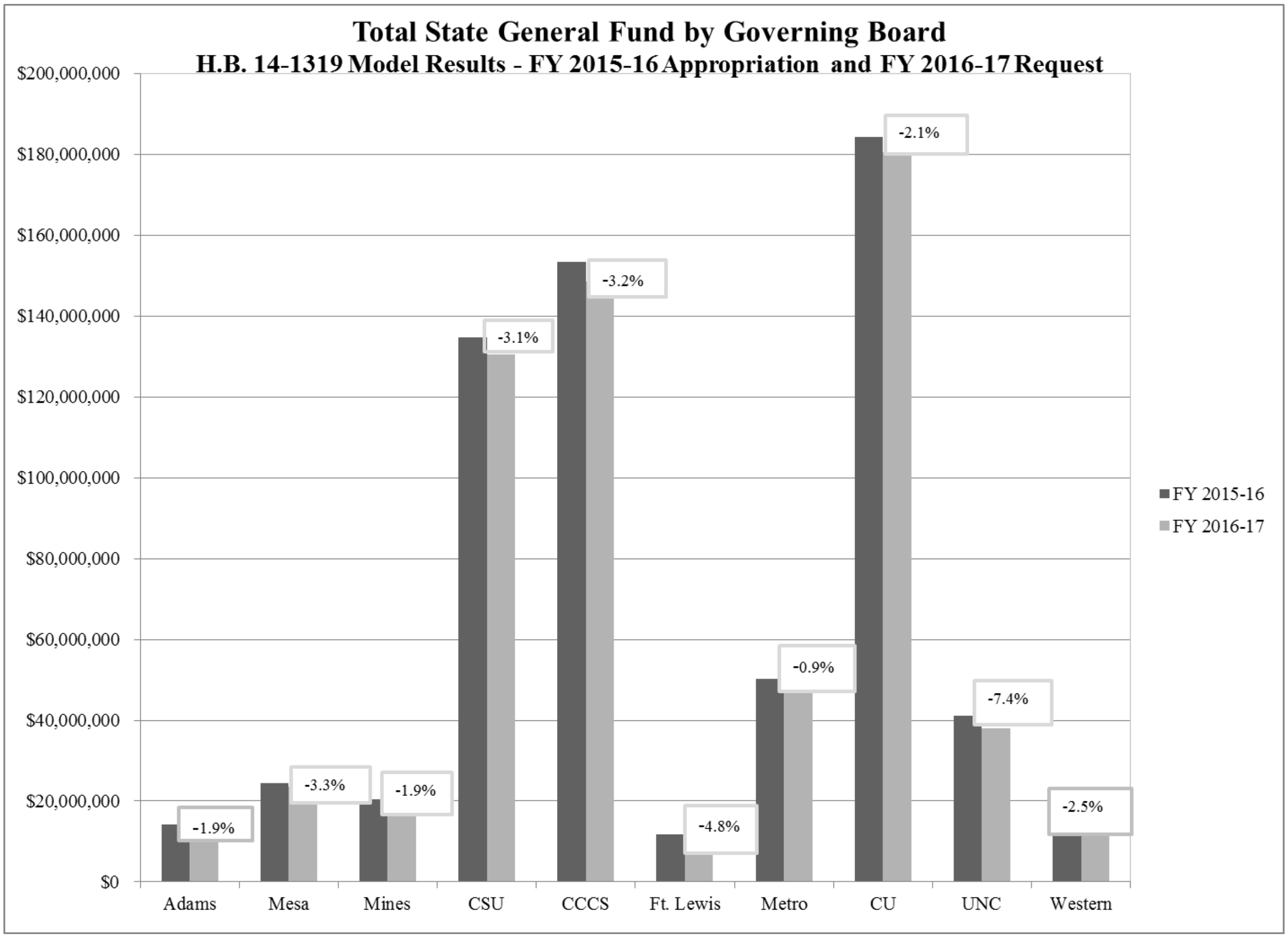
The FY 2016-17 Budget Cycle Thus Far

The Department created a new “FAMET” for the FY 2016-17 but chose to limit it to Chief Financial Officers of the higher education institutions and OSPB, so legislators and the public were not directly involved. However, the JBC met with the Department in June 2015 to discuss progress on the model. During this meeting, Committee members again conveyed concerns about the first version of the model. Staff believes this helped prompt the Department to look more seriously at substantial model changes for FY 2016-17.

The model submitted on November 1, 2015 includes significant changes to the Year 1 model. It was ultimately supported by eight of the ten governing boards (Metropolitan State University and Colorado Mesa University both expressed objections) and by CCHE, although some CCHE members also expressed concerns.

The values included in the funding model request for FY 2016-17 are based on a $20.0 million (3.0 percent) reduction in funding for the governing boards. However, because the specifics of the Governor’s funding request were not known prior to November 1, discussions around the funding model generally assumed a flat funding scenario for FY 2016-17, and the CCHE vote likewise did not assume any particular funding level.

The chart below reflects the funding results by governing boards of applying the requested cut.



Major Changes to the Model
The table below compares the new and old model. The most significant changes:

- The role and mission calculation is changed from weighted credit hours+tuition stability to a new "base" calculation, which includes differences for the type of institution.
- The previous "volume adjusted award" amount is capped at $10.0 million and renamed
- Stipends in FY 2016-17 will rely on FY 2014-15 actual data

FY 2015-16		FY 2016-17		
Stipend	**% total funding excluding specialty ed.**	**Stipend**		**% total funding excluding specialty ed.**
$75 per eligible resident undergraduate FTE	55.5%	$73 per eligible resident undergraduate FTE		54.8%
Role and Mission		**Role and Mission**		
Weighted credit hours	19.3%	Mission Differentiation/base funding		25.1%
Credit hours provided by each institution		Prior year role & mission funding x		
(no distinction for student residency), weighted by type of class.		Factor based on institutional type and size		
For example, a graduate science course might be worth 8 times		Base = .45 to .75 x prior year role & mission funding		
an undergraduate history class.		*Research*	%	
		25,000+	0.450	
Tuition stability factor/Ensure all receive 10.0% increase		15,000 to 25,000	0.500	
Essentially a "plug" to ensure total institutional funding levels	4.4%	Under 15,000	0.675	
did not change too much or included certain minimum amounts				
		Comp 4-year		
		15,000+	0.450	
		10,000 to 15,000	0.500	
		5,000 to 10,000	0.600	
		2,500 to 5,000	0.675	
		Under 2,500	0.750	
		2-year		
		7,500 +	0.450	
		1,500 to 7,500	0.600	
		< 1,500	0.650	
Pell		Pell		
13.0 percent of stipend for Pell-eligibles	3.3%	10.0 percent of stipend for Pell-eligibles		2.1%
Performance/Outcomes Funding		**Performance/Outcomes Funding**		
Completions - 85 percent of performance funding		Completions - 85 percent of performance funding		
Number of degrees/transfers:		Number of degrees/transfers:		
.25 for a certificate or transfer to 1.25 for a graduate degree		.25 for a certificate or transfer to 1.25 for a graduate degree		
weighted extra 0.5 for STEM disciplines and 0.6 for Pell	10.5%	weighted extra 0.5 for STEM disciplines and 0.6 for Pell		16.1%
	(combined)			(combined)
Retentions - 15 percent of performance funding		Retentions - 15 percent of performance funding		
Number of students completing 30/60/90 credits (4 yr)		Number of students completing 30/60/90 credits (4 yr)		
or 15/30/45 at two-year institution		or 15/30/45 at two-year institution		
Volume-adjusted Award	7.0%	Institutional Productivity (renamed; capped at $10.0 million)		1.9%
Credentials per 100 SFTE		Credentials per 100 SFTE		
Data sources: All model funding components are based on actual prior year data (FY 2013-14 for FY 2015-16 model) EXCEPT number of FTE eligible for COF stipend was based on FY 2014-15 Long Bill estimate.		**Data sources:** All model funding components are based on actual prior year data including for **number of FTE eligible for COF stipend** (FY 2014-15 for FY 2016-17 model).		

How did the Department address the JBC's Concerns?
Items Resulting in Changes to the FY 2016-17 Model
<u>Examine the "Tuition Stability Factor"</u>
The Department eliminated the "tuition stability factor" and replaced it with a mission differentiation/base funding mechanism. [Some concerns with this new factor are considered further below.]

<u>Examine the performance funding component</u>
The JBC was particularly concerned about why increasing the proportion of funding directed to performance in the FY 2015-16 model reduces funding to the state's more selective institutions. This helped focus the Department's attention on a key problem with the FY 2015-16 model: results that could be counter-intuitive. **In general, the Department has taken steps to simplify the model, which helps to make results more intuitive.**

The Department addressed the particular problem raised by the JBC by capping the "volume adjusted" performance award.

<u>Model Tools</u>
The JBC asked the Department to explore several issues with the model tools. The model was originally constructed using Tableau. While this has strengths for displaying results, it was difficult to understand why model 1.0 produced certain results. Specific concerns included:

- ability to download model settings and funding results into an Excel spreadsheet format for any given "run" of the model
- ability for all concerned parties to examine data used by the model
- allow for consideration of how model results would change with different underlying data
- designing a mechanism 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

With funding from the JBC, the Department brought the Tableau model in-house. The Department has also developed a set of spreadsheets that enable both institutions and JBC staff to work with the model in different ways. While the current Tableau version of the model does not have all the capabilities requested by the JBC, the combination of spreadsheet and Tableau tools do enable the user understand and work with the model in a more thoughtful way.

Items Not Incorporated in the FY 2016-17 Model
<u>Examine the feasibility, cost, and benefit to weighting resident and non-resident students</u>
The Department noted that the EAG and CCHE had previously decided against this and did not provide significant new information

<u>Examine the feasibility, cost, and benefit to incorporating total institutional revenue within the model</u>
The Department noted that through the development of its new Mission Differentiation Factor, the Department explored several options for incorporating total revenue. However, the Funding

Model Review Team expressed concern with this kind of approach and felt greater study would be required.

New/Outstanding Issues

Overall, staff believes version 2.0 of the model represents a major improvement over the 1.0 version. By simplifying the model the Department has made it more intuitive. However, from staff's perspective, some of the changes raise new questions or problems.

<u>Mission Differentiation Factor</u>

Role and mission funding was a huge challenge in the first version of the model and continued to be a challenge in the second version. Nobody with whom staff has spoken is entirely satisfied with the Mission Differentiation factor—but the alternatives that have been put forth also have flaws.

Strengths:

- Adds stability and simplicity to the model. The previous model version had too many things being counted, many of which were similar and counted in multiple categories.
- Allows the General Assembly to target funding to particular <u>categories</u> of institutions: e.g., small comprehensive schools like Adams and Western or large comprehensive schools like Colorado Mesa and Metro, by changing the portion of their base funding paid for by the model.

Weaknesses:

- May not comply with statute
- Returns to a base funding model where the reason for the base is not explained
- Potentially too stable/stagnant over the long term.

Compliance with Statute: Statute requires role and mission funding to provide governing boards <u>amounts</u> for at least four factors: institutional mission (which includes multiple sub-components), services for Pell-eligible student, amount per graduate student, and amount per student requiring remediation /supplemental academic instruction. While the current model seems to address the first two of these items, it is not clear how it incorporates the last two items (graduate and remediation issues). The Department has suggested that these amounts are "baked in" to its new mission differentiation factor, since these kinds of items were presumably part of base funding (including last year's weighted credit-hour approach). However, **if the Committee wishes to adopt the Department's model as proposed, staff suggests it should pursue a statutory change to eliminate this problem. Alternatively, it could look at other model approaches (discussed below).**

Emphasis on the historic base: With H.B. 14-1319, the General Assembly was arguably attempting to get away from previous funding models in which the reasons for amounts provided to governing boards could not be explained other than by pointing at historic funding decisions. As detailed further below, some differences between institutional funding simply cannot be explained except through history. Further, changing historic funding too quickly could destabilize institutions. Finally, the FAMET has been concerned that the previous version of the funding model included too many things that were "counted" each year and wished to reduce volatility in the model. While staff agrees with these general conclusions, staff is now concerned about the opposite problem: that the new model component has become simply another "black box" and potentially *too* static.

Productivity/former Volume Adjusted Award Metric

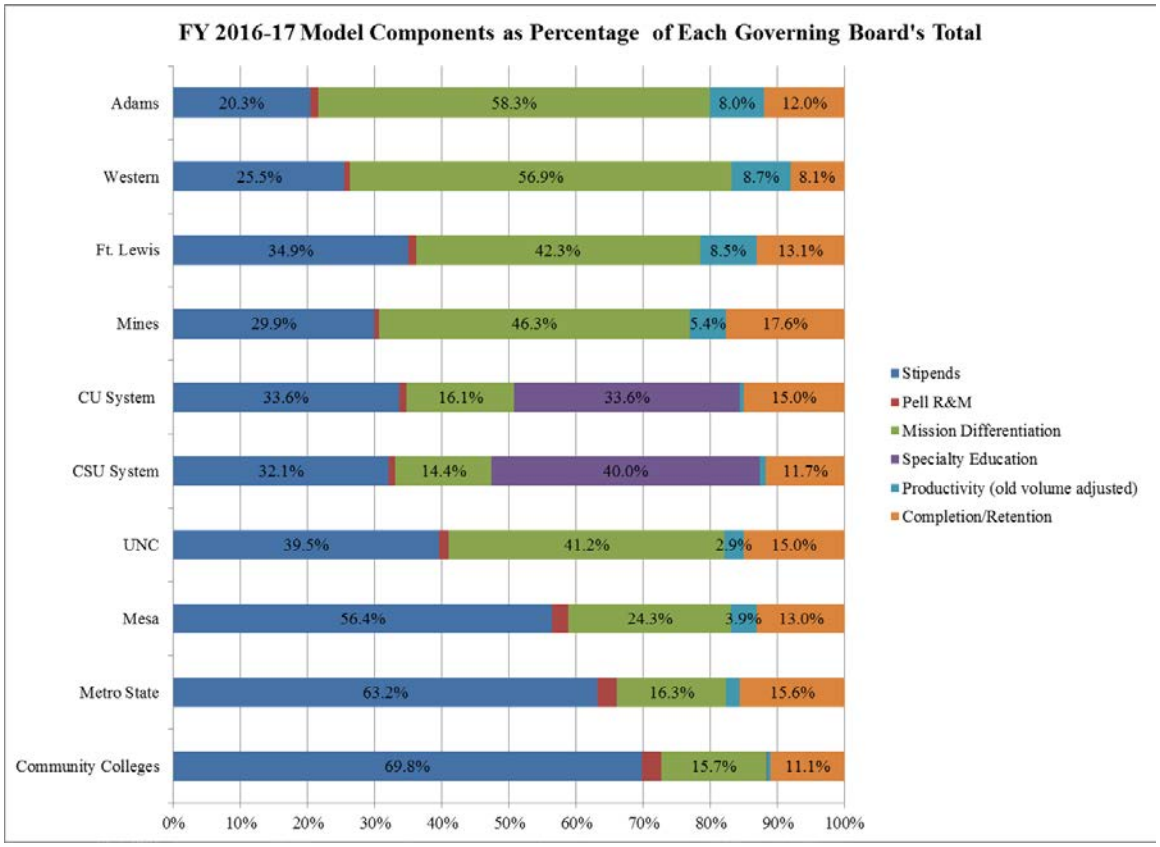
The Department reduced and capped the "productivity" measure at $10.0 million. While this is a significant improvement, from staff's perspective, the remaining $10.0 million still seems a sill component of the model. The table below shows the results of this funding measure. The measure provides all governing boards, no matter their size, with something very close to $1.0 million each. This amount is significant to a small board and rather insignificant to a large one. From staff's perspective, an amount that is virtually a fixed amount per board is more appropriately placed in the "role and mission" category than in the "performance funding" category.

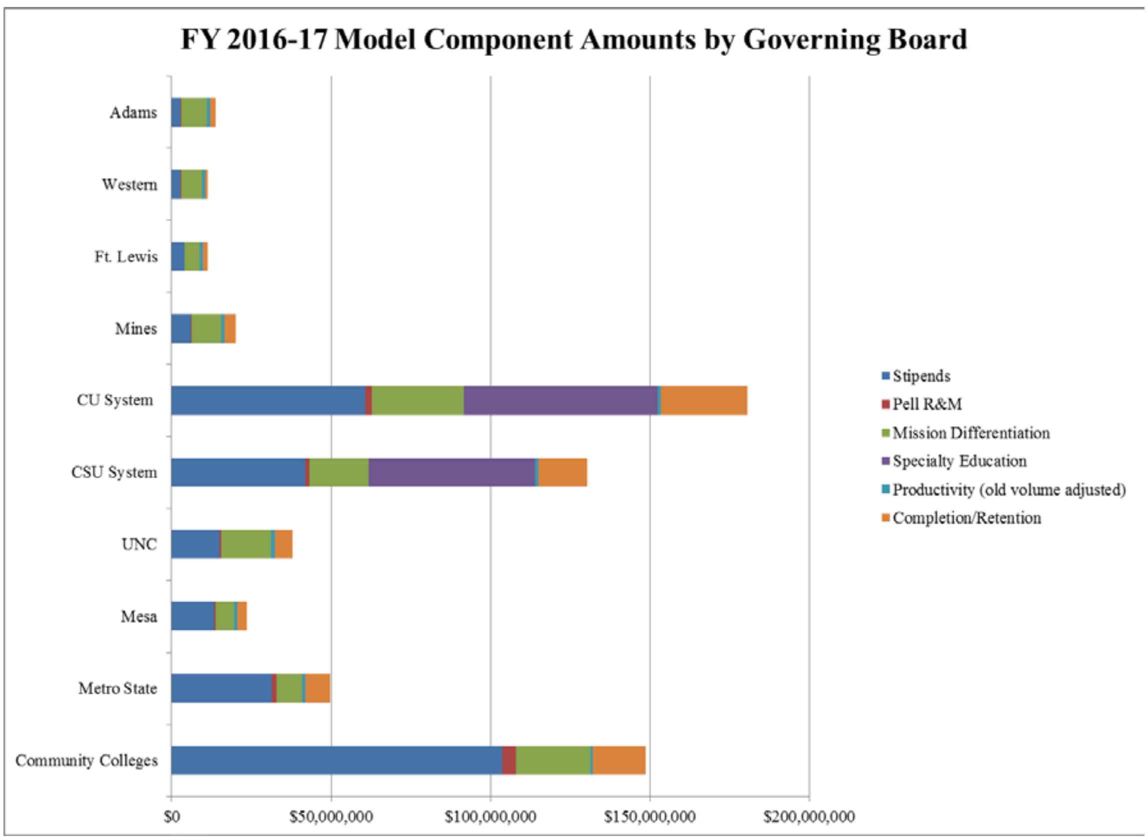
Residents/Non-residents

As described above, this is the one area the Department essentially chose not to address. However, JBC members have repeatedly asked for a version of the model that weights model funding to resident students. In response to staff questions, the Department is working on a model version that will incorporate this. In the meantime, staff has provided some alternative model versions as an attachment to this packet.

S.B. 11-052 Performance Funding

Senate Bill 11-052 required CCHE to develop a set of performance metrics, consistent with CCHE's Higher Education Master Plan that would be used to distribute performance funding in FY 2016-17 or when funding for the governing boards reached $706 million, whichever was later. The Department and CCHE negotiated performance contracts during 2013 which were extremely specific to each governing board, making them, in JBC staff's opinion, extremely cumbersome for allocation of funding. House Bill 14-1319 left in place the funding mechanism in S.B. 11-052, for when the Department reached the necessary triggers. At the Department's request, a JBC 2015 clean-up bill delayed this funding component for an additional year, until FY 2017-18. However, the Department has apparently not had time to work further on this issue and, staff understands, will be requesting a delay for another year in a separate (non-JBC) bill.


FY 2016-17 Model Components as Percentage of Each Governing Board's Total
Adams
20.3%
58.3%
8.0%
12.0%
Western
25.5%
56.9%
8.7%
8.1%
Ft. Lewis
34.9%
42.3%
8.5%
13.1%
Mines
29.9%
46.3%
5.4%
17.6%
CU System
33.6%
16.1%
33.6%
15.0%
CSU System
32.1%
14.4%
40.0%
11.7%
UNC
39.5%
41.2%
2.9%
15.0%
Mesa
56.4%
24.3%
3.9%
13.0%
Metro State
63.2%
16.3%
15.6%
Community Colleges
69.8%
15.7%
11.1%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Stipends
Pell R&M
Mission Differentiation
Specialty Education
Productivity (old volume adjusted)
Completion/Retention


FY 2016-17 Model Component Amounts by Governing Board
Adams
Western
Ft. Lewis
Mines
CU System
CSU System
UNC
Mesa
Metro State
Community Colleges
$0
$50,000,000
$100,000,000
$150,000,000
$200,000,000
Stipends
Pell R&M
Mission Differentiation
Specialty Education
Productivity (old volume adjusted)
Completion/Retention

Staff Alternatives

Staff has been exploring model options with the Department. Some of the alternatives staff believes the Committee could consider are outlined below. **The Department has been working to provide model tools that staff could use to better test these.**

- **Once again assign a portion of Role and Mission Funding to weighted credit hours—**the component used for most of role and mission funding last year. This has several potential benefits: (1) it reduces the share of the total funding that becomes a "black-box" based on historic funding; (2) it addresses statutory concerns that revised model does not provide "amounts" for specific things, such as graduate courses or remedial education; (3) it addresses concerns of the faster-growing boards (Metro and CMU) that too much of the model will now be locked in to the historic base and will not benefit them, based on their increased size, as quickly as they might like. [Negatives, as described above, are that model again becomes more complicated and more volatile.] **Staff anticipates that the Department's "mission differentiation"/base funding tool would still be required for a portion of the model to address historic funding decisions and unique institutional factors that cannot be otherwise addressed.** *Staff has spent many hours attempting to provide a rationale for why some institutions receive more or less funding. Ultimately, certain funding levels, particularly related to funding for the University of Northern Colorado, the Colorado School of Mines, and Fort Lewis College, cannot be explained except based on historic decisions. The Department's tool represents a relatively straightforward way to deal with this.*

- **Adjust the weighted credit hours described above so that they do not include non-residents.** Based on initial tests, staff believes this change would have a relatively modest impact on allocations. However, the Committee has expressed interest in this area, and staff continues to believe that the State's funding model should focus on resident students and not provide an additional incentive to recruit non-residents, given that institutions already have strong incentives to recruit non-residents. **Also adjust the tool so that outcomes measures can be weighted to favor residents if desired.**

- **Eliminate the "institutional productivity factor".** While reducing this factor to $10.0 million is an improvement, it represents virtually a flat amount per governing board. This makes little sense to staff. Small institutions have been eager to retain it, because they worry that they will be negatively affected if only the performance section of the model grows over time. Staff would rather not have the entire model distorted to address this anxiety. However, if this component is eliminated, the associated $10.0 million would need to be shifted to "role and mission" funding to avoid an undue impact

- **Change some of the model's settings (does not require a structural change).** The Department's request reflects reducing the amount per **COF stipend** from $75 to $73 as part of the overall proposed $20.0 million in reductions. Given declines in total enrollment, staff is not certain that this reduction is called for. Staff also thinks the Committee should consider a higher figure for **Pell student**s. Last year, when the Committee eliminated funding for “underrepresented minorities” it increased the additional funding provided for Pell-eligible students. While a higher add-on for Pell students on the **outcomes** side of the model is retained, staff is not certain of the rationale for reducing the Pell role and mission amount, particularly given overall enrollment declines.

Whatever the final decisions about the model for this year, staff hopes that after this year the model will “settle down”. While staff remains very supportive of major changes for the current year, the model is less likely to meaningfully transmit policy goals or have any impact on institutional behavior if it changes *significantly* from year-to-year.

Issue: "Some College" is the New High School

As our population grows more educated, we expect the majority of adults to achieve "some college", just as we once expected them to achieve a high school diploma. Ideally, all students should achieve a certificate or associate's degree before leaving school. Many students already earn college credit while in high school. If the State wishes to further blur the lines between high school and college, it will need to explore how state, local, and federal funds can be blended for this purpose.

SUMMARY:

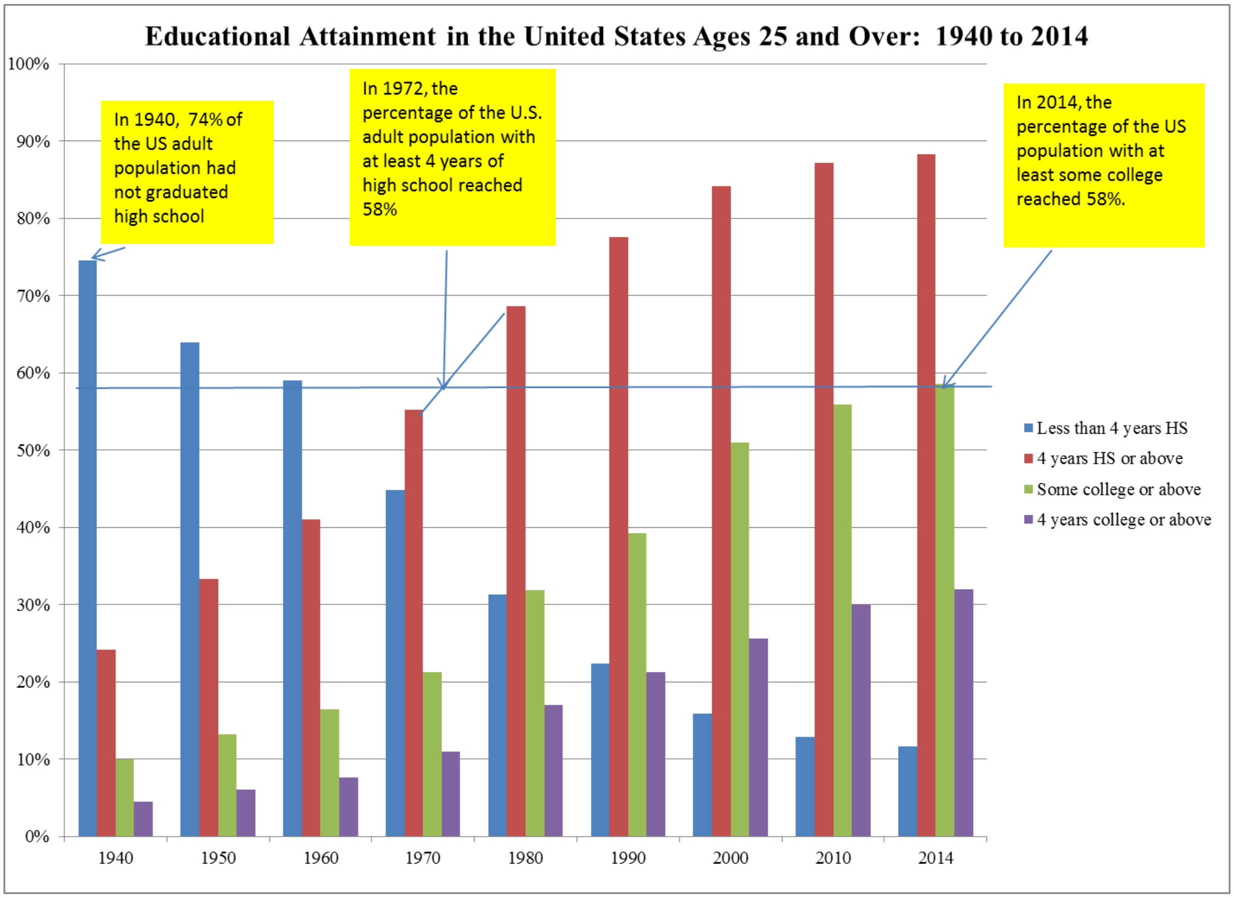
- As our population grows more educated, we expect the majority of adults to achieve "some college", just as we once expected them to achieve a high school diploma.
- Many students already earn college credit while in high school.
- The question: Can we further blur the lines between high school and college to produce a more educated population at a price that works for the State and students?

RECOMMENDATION:

No student should graduate the State's system of public education without either an associate's degree or a career and technical education (CTE) certificate. Achieving this goal is a long-term project. An important step is determining how multiple funding sources that do not currently work together could be made to do so. Staff therefore recommends a joint request for information submitted to the Departments of Higher Education and Education asking them to **explore the legal and administrative obstacles to tapping into local, state and federal sources to provide extended high school/ early college programs.**

DISCUSSION:

U.S. Educational Attainment
Nationally, our expectation for what constitutes a "well educated" population has changed dramatically. The chart below shows the long-term trends for educational attainment in the United States.



Source: U.S. Census Bureau, Current Population Survey data

As outlined in the chart above:

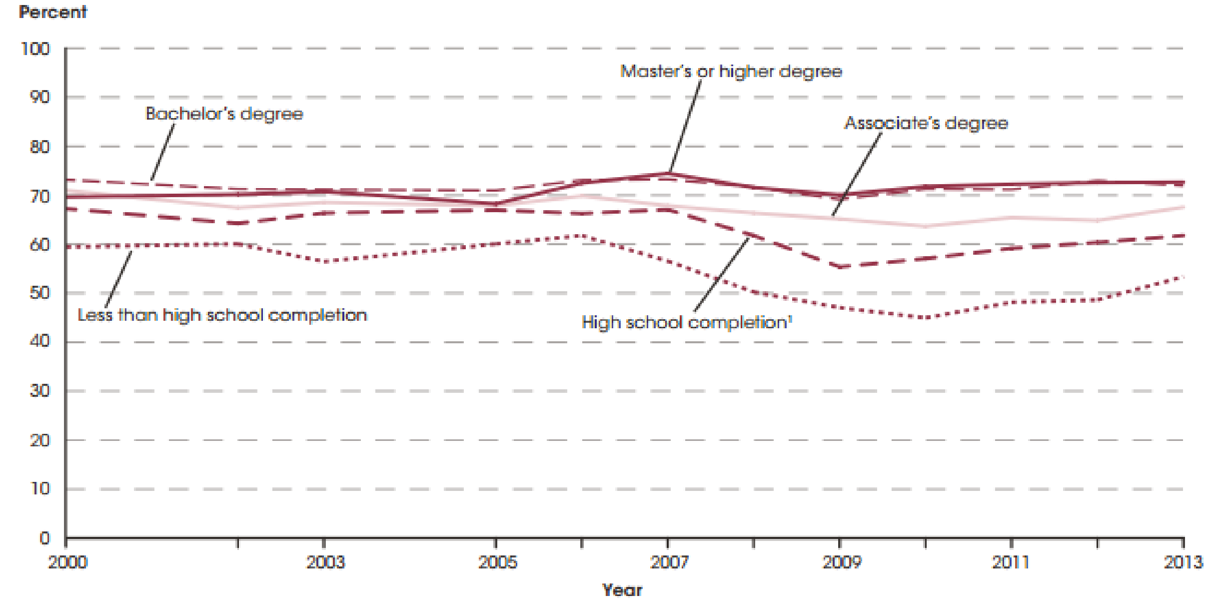
- In 1940, 74 percent of the U.S. adult population had not graduated high school.
- In 1972, the percentage of the U.S. adult population with at least four years of high school was 58 percent.
- In 2014, the percentage of the U.S. population with at least some college reached 58 percent.

This chart highlights the shift in our national educational profile and our expectations. In the early years of the nation a major goal was literacy. By the middle of the 20th century, states were focused on high school graduation. However, in the modern era, Colorado—like other states—is focused on ensuring that the majority of its adult population has a postsecondary credential. **Put another way, "some college" is the new high school.**

A wide range of studies emphasize the earnings premium associated with higher degrees. This benefit is reflected in both higher median incomes and in lower unemployment rates/higher workforce participation. The charts below focus on the earnings of younger adults (the earnings gap increases for older workers). Both are copied from an annual U.S. Department of Education report: *The Condition of Education 2015.*[17]

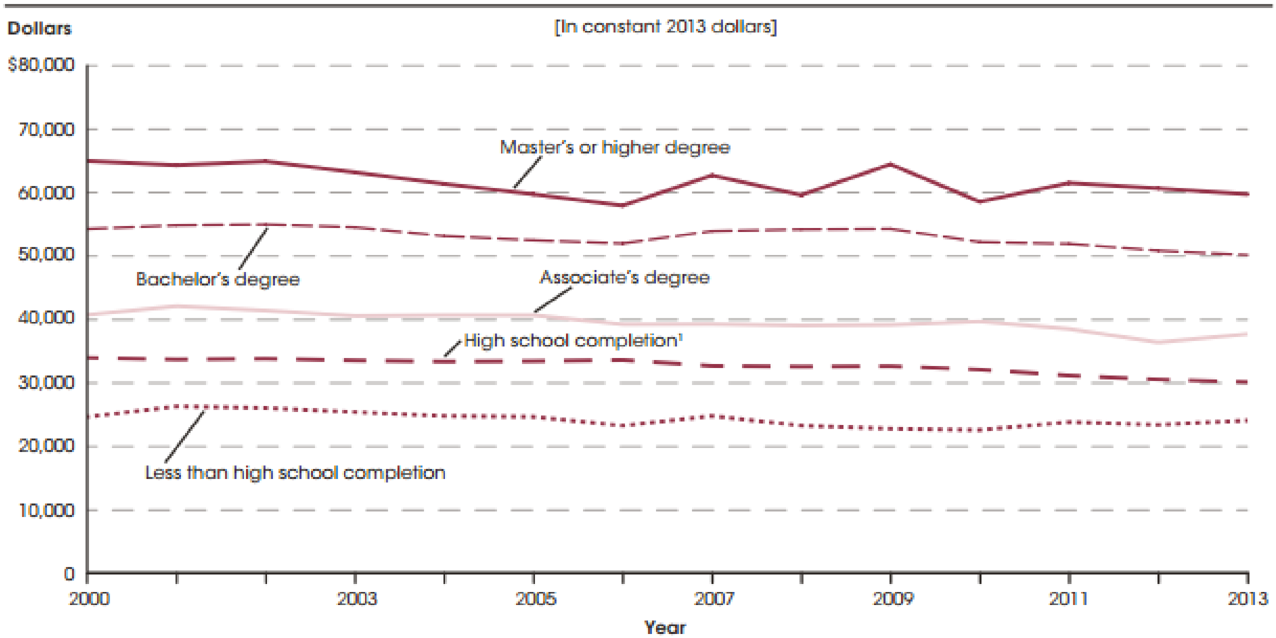
[17] National Center for Education Statistics, The Condition of Education 2015, U.S. Department of Education May 2015. pp 42-44.. http://nces.ed.gov/pubs2015/2015144.pdf

Figure 1. Percentage of the labor force ages 25-34 who worked full time, year round, by educational attainment: Selected years, 2000-2013



[1] Includes equivalency credentials, such as the General Educational Development (GED) credential.
NOTE: *Full-time year-round workers* are those who worked 35 or more hours per week for 50 or more weeks per year.
SOURCE: U.S. Department of Commerce, Census Bureau, Current Population Survey (CPS), "Annual Social and Economic Supplement," selected years 2001–2014; and previously unpublished tabulations. See *Digest of Education Statistics 2014*, table 502.30.

Figure 3. Median annual earnings of full-time year-round workers ages 25-34, by educational attainment: 2000-2013



[1] Includes equivalency credentials, such as the General Educational Development (GED) credential.
NOTE: Earnings are presented in constant dollars, based on the Consumer Price Index (CPI), to eliminate inflationary factors and to allow for direct comparison across years. *Full-time year-round workers* are those who worked 35 or more hours per week for 50 or more weeks per year.
SOURCE: U.S. Department of Commerce, Census Bureau, Current Population Survey (CPS), "Annual Social and Economic Supplement," 2001–2014; and previously unpublished tabulations. See *Digest of Education Statistics 2014*, table 502.30.

Colorado Educational Attainment and Goals

In 1876 Article IX, Section 2 was added to the Colorado Constitution:

> The general assembly shall, as soon as practicable, provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state, wherein all residents of the state, between the ages of six and twenty-one years, may be educated gratuitously.

According to 1870 U.S. Census, 20.0 percent of the U.S. population over age 14 at that time was illiterate. Colorado, like other states, nonetheless established a bold goal of providing education to all its citizens. It took about a century until the majority of the state's adult population had a high school diploma—the maximum currently provided under Article IX, Section 2.

Coloradans are now generally better educated than the U.S. population as a whole. As shown in the table below, **in Colorado about 69 percent of the 2014 adult population age 25 and over had at least "some college". The majority of our adult population now has more education than our free public school system provides.**

Colorado Educational Attainment Ages 25 and Up			
Less than HS Graduate	338,882	9.5%	
HS graduate	783,816	21.9%	
Some college/associate's degree	1,087,553	30.3%	68.6% adult Coloradans have some college or higher
Bachelor's or higher	1,374,212	38.3%	
	3,584,463		

Source: American Community Survey 2014, U.S. Census Bureau.

The category "some college or associate's degree" hides some important distinctions: *the majority of those with "some college" do not have an associate's degree or even a credential from their postsecondary experience.* The Colorado Master Plan for Higher Education, **Colorado's goal is that, by 2025, 66 percent of Colorado citizens ages 25-34 will have a postsecondary credential (certificate or degree).[18]**

The chart below, provided by the Department, reflects the most recent educational attainment for citizens age 25-34.

[18] Colorado Competes: A Completion Agenda for Higher Education, Colorado Department of Higher Education, October 2012.
http://highered.colorado.gov/Publications/General/StrategicPlanning/MasterPlan2012/Master_Plan_Final.pdf

Colorado Educational Attainment Ages 25-34		
25-34 age group	**761,141**	**% of group**
Less than HS diploma	77,782	10.2%
HS diploma or GED	152,696	20.1%
Some college, no degree	106,560	14.0%
Certificate *(estimate)*	76,114	10.0%
Associate's degree	64,773	8.5%
Bachelor's degree	211,158	27.7%
Graduate degree	75,102	9.9%
Some college + higher	*533,707*	*70.1%*
Certificate + higher	*427,147*	*56.1%*
Associate + higher	*351,033*	*46.1%*

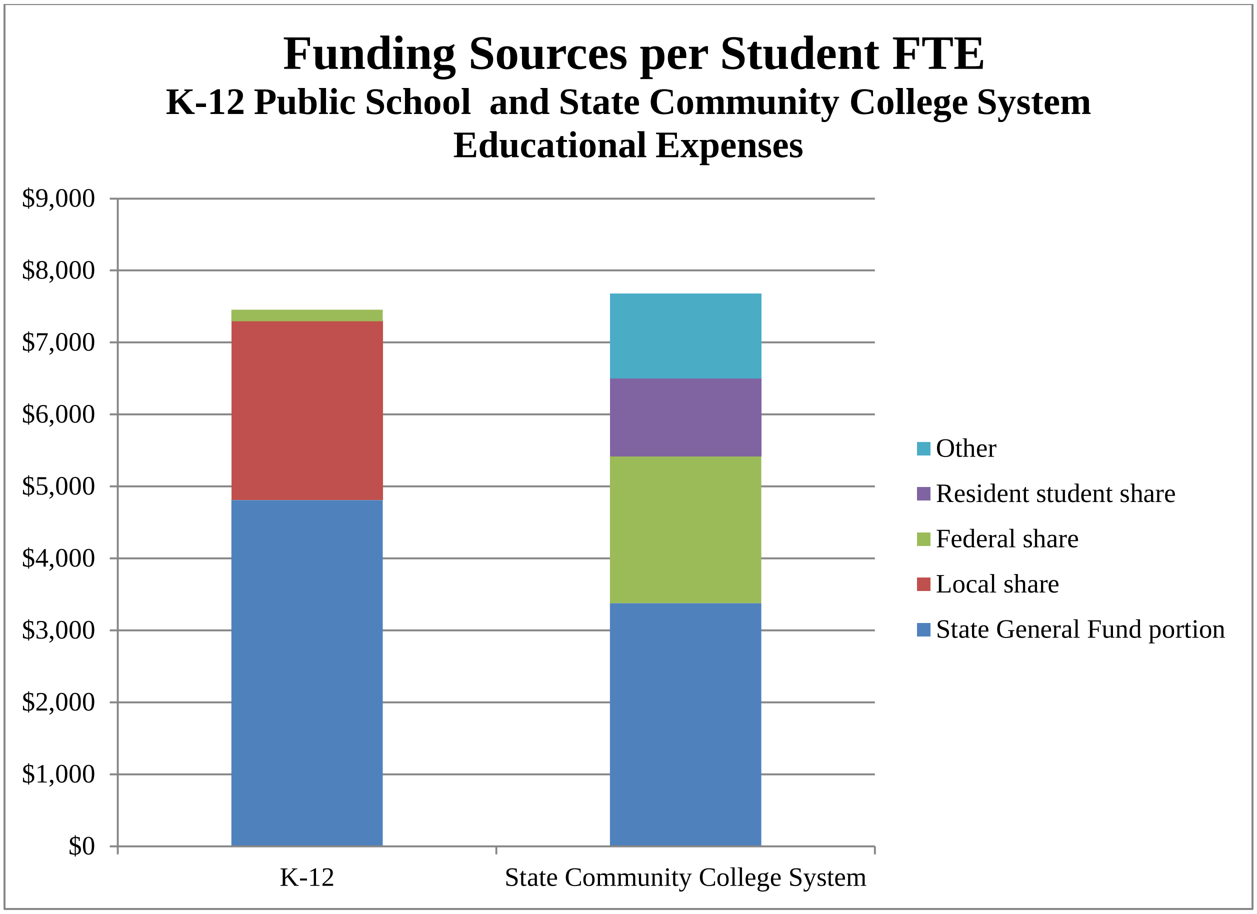
Source: American Community Survey 2011-2013, U.S. Census Bureau.

Given the share of the state population under discussion, staff suggests that the Master Plan for Higher Education should be more properly described as the Master Plan for Education, i.e., **the distinctions between K-12 "basic" education system and our "higher" education system become less appropriate when we seek to have most of our population educated to the postsecondary level.**

Who pays for education? K-12 versus Higher Education

The charts and tables below compare amounts and sources of average per-pupil funding for K-12 and higher education. The first chart and table compare the average per pupil operating funding for the Colorado K-12 system in FY 2015-16 (estimate) and the per student FTE operating funding for the state community college system in FY 2014-15 (actual).

For this exercise, staff combined higher education data from two sources: the budget data books, which include information on institutional education and general revenue and expenses and the Department's financial aid report, which includes data on the financial aid provided for resident students at state institutions. The financial aid data is used to provide an *approximation* of the original source of funds that are identified as "student tuition" in the budget data books.



Total cost per student-state average	**$7,454**	**$7,683**	**$229**
State General Fund portion	4,808	3,379	(1,429)
Local share	2,486	0	(2,486)
Federal share	160	2,039	1,879
Resident student share	0	1,084	1,084
Other	0	1,181	1,181
Student FTE	*855,433*	*53,018*	

Notes for figure and table: K-12 estimates reflect state average calculations for FY 2015-16 for General Fund and local share. The federal funds amount represents an estimate, based on federal Title I funds allocated to districts in FY 2014-15 divided by the FY 2014-15 student FTE count. The community college calculation combines FY 2014-15 actual data for educational expenditures from the budget data book submission with data from the Department's draft FY 2014-15 Financial Aid Report. The total cost reflects institutional revenue (net of institutional aid) per total student FTE. The state General Fund portion includes both support for the institution and state financial aid provided to resident students attending at least half time. The federal share reflects federal Pell grants for such students. The resident student share represents the net amount of resident tuition which is not covered by the state, federal, or institutional financial aid amounts shown. The "other" category includes net non-resident tuition and sources such as indirect cost recoveries.

Based on the calculations used for the figure and table:

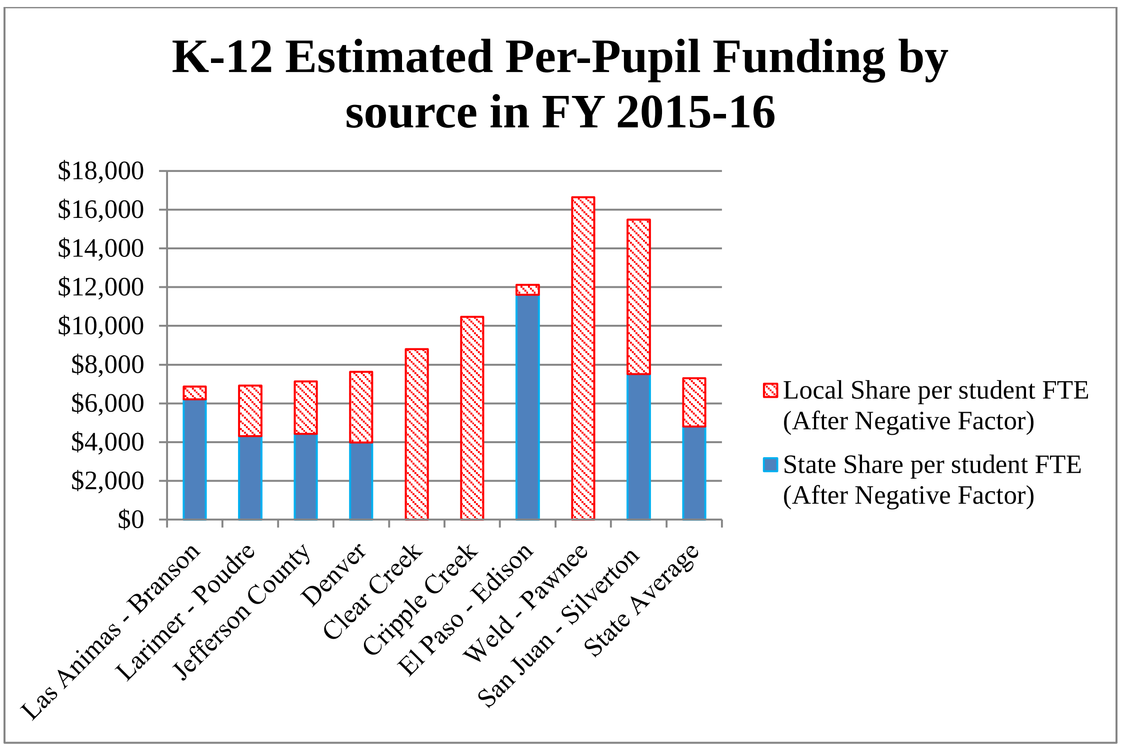
- The cost per student FTE in the public K-12 system is, on average, very similar to the educational cost per student FTE in the state community college system.

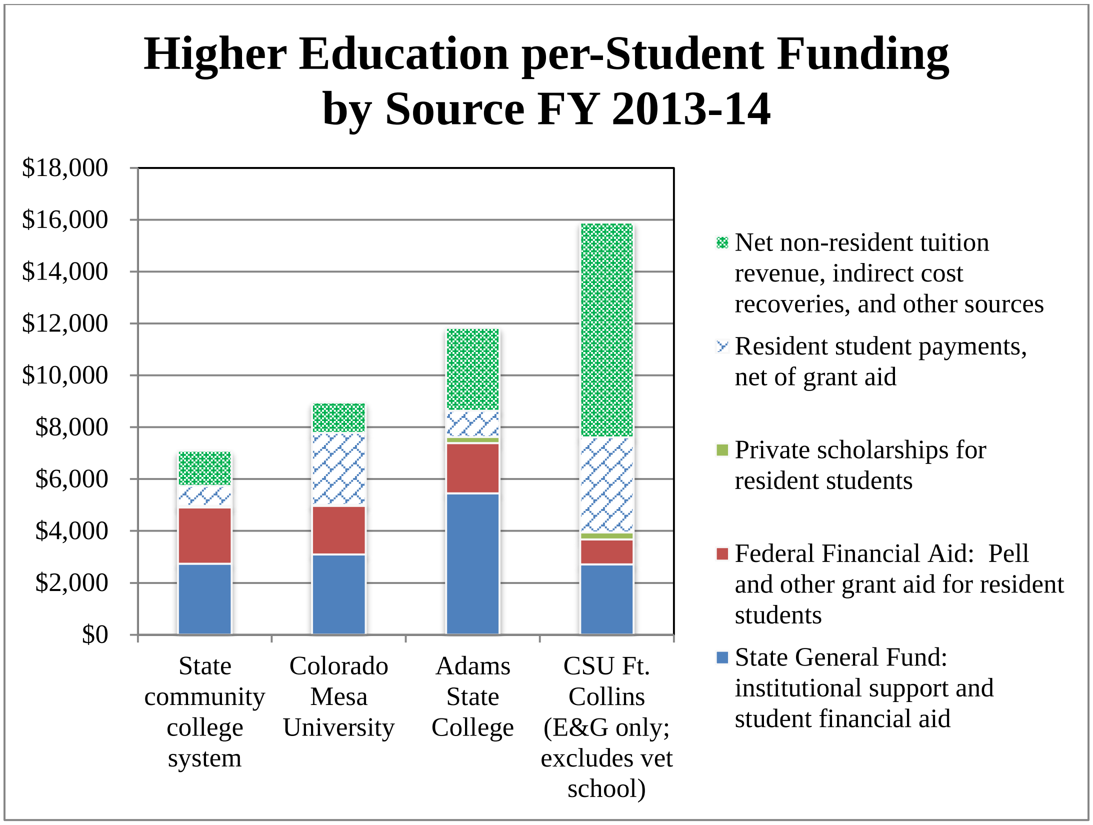
- The state contribution per student FTE is $1,429 less for students in the community college system ($3,379 for the community college versus $4,808 for the K-12 system).

- In the regions served by the state community college system, there is no local contribution.

- Federal Pell grant funding provides a key source of support for low-income students attending the community college system and thus, in effect, for the community college system itself.

While the table above represents a comparison between the average per-pupil K-12 support and community college system funding, it's important to note the wide variations within K-12 system funding, based on school district, within the community college system (which allocates the funds it receives among 13 different colleges based on each college's unique situation), and between the community college system and other parts of the state higher education system. The two charts below highlight some of these significant differences.





Efforts to Link/Blur Secondary and Post-secondary Education

Colorado has made impressive efforts to improve links and in some cases blur the lines between high school and college. As noted in the State's recent concurrent enrollment report: "Creating more and better pathways from high school to higher education is essential for Colorado to reach its state goals of increasing college completion rates and decreasing high school dropout rates." [19]

Improved Data: Better data has helped the State understand both the challenges in creating a more integrated K-12/postsecondary system and the challenges it faces. The charts below shows the share of Colorado high school graduates who enroll in college in the year after graduation both in-state and out-of-state. As shown, there is a significant enrollment drop-off between high school and college, which has become somewhat larger as the economy has improved. This is at the heart of the problem the State is attempting to address.

It is only relatively recently that the State has been able to link data to better understand what happens to high school students after graduation. While some of these links have raised privacy concerns, **if "school" is thought of as continuing into what we now consider post-secondary, it becomes important to know how students progress from one system to the next**.

[19] Colorado Department of Higher Education and Colorado Department of Education, *Annual Report on Concurrent Enrollment*, 2013-2014 school year, May 2015 (revised September 10, 2015), p. 5.

High School Graduation Year	Total High School Graduates	Total College Enrollment	% High School Graduates Enrolling in College
2013	54,498	30,115	55.3%
2012	52,012	29,625	57.0%
2011	52,246	29,974	57.4%
2010	51,702	29,937	57.9%
2009	50,184	29,525	58.8%

High School Graduation Year	% HS Graduates Enrolling at In-State College	% HS Graduates Enrolling at Out-of-State College	% HS Graduates Not Enrolled
2013	42.9%	12.4%	44.7%
2012	44.4%	12.5%	43.0%
2011	45.2%	12.2%	42.6%
2010	45.9%	12.0%	42.1%
2009	47.4%	11.4%	41.2%

Source (both tables): Colorado Department of Higher Education, 2*015 Legislative Report on the Postsecondary Progress and Success of High School Graduates*, March 13, 2015.

The same data links allow legislators to see the significant disparities among students in making the jump from high school to college by sex (fewer males), race (significantly lower figures for black and Latino student), and income, and to what extent students who enroll in postsecondary from Colorado high schools complete credentials. For students graduating high school in 2010, 27.8 percent had completed a credential within four years.[20]

Dual/Concurrent Enrollment and ASCENT: The state's concurrent enrollment program is established in statute at Section 22-35-101, et. seq. It provides for the simultaneous enrollment of a student in a local education provider (i.e., high school) and in one or more postsecondary courses which may include both career and technical education courses. There are also other dual enrollment programs that allow students to earn college credit while in high school but that do not operate under the concurrent enrollment legislation. As outlined in the Department of Education/Department of Higher Education *Annual Report on Concurrent Enrollment, 2013-14 School Year*:

- Over 31,000 students participated in dual enrollment programs statewide in FY 2013-14. This represents **25 percent of all 11th and 12th graders in public high schools**. Of this

[20] Colorado Department of Higher Education, 2*015 Legislative Report on the Postsecondary Progress and Success of High School Graduates*, March 13, 2015. http://highered.colorado.gov/Publications/Reports/Legislative/PostSecondary/2015_Postsecondary_Progress_rel20150313.pd

group, nearly 20,500 were enrolled through the state's concurrent enrollment program. This represents a 15 percent increase over the prior year.

- Statewide, 94 percent of districts and 80 percent of high schools offer concurrent enrollment programs. The composition of the program now closely resembles the overall composition of Colorado public high schools.

- The average number of credit hours attempted per student was 8, and 89 percent of students passed their all their concurrent enrollment classes.

- "Students who participate in dual enrollment programs in high school have higher first-year credit hour accumulation, grade point averages, and retention rates in college… 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."[21]

The concurrent enrollment program takes various forms. In some cases students go from their local high school to physically attend classes at a local community college. However, one of the most common models involves an arrangement between a high school and a college in which a high school teacher with appropriate credentials teaches the college course at the high school following the college's curriculum. In these situations, there is financial arrangement between the high school and college that is often a virtually "net $0" between the two. Thus, the standard agreement in urban areas between community colleges and high schools provides that the local education provider pays the college 100 percent of the college's tuition, and the college returns 105 percent of this amount in payment for the services provided by the high school's teacher.

Colleges and students participating in the concurrent enrollment program <u>also</u> receive College Opportunity Fund stipend payments for participating students. Historically, most higher education institutions considered this somewhat irrelevant as they did not feel their overall funding was driven by the stipends. Staff expects this to change based on implementation of the new H.B. 14-1319 funding model.

- The ASCENT program is a special version of state dual enrollment programs with which the JBC is quite familiar due its budget impacts. Unlike most concurrent enrollment programs which are managed within existing K-12 and higher education budgets, The program provides state support to enable students to participate in concurrent enrollment in the year following student's twelfth grade year. Twenty-eight districts participated in the program in FY 2013-14, with a total enrollment of 415 students. **The FY 2015-16 Long Bill authorizes $3,652,000 to fund 550 FTE in the ASCENT program at a cost of $6,640.**

[21] Ibid., p.7

P-Tech Schools: Last year, H.B. 15-1270 (Duran and Foote/Todd and Woods) authorized the creation of Pathways in Technology Early College High Schools (P-Tech schools). This is a public school that includes grades 9-14 and is designed to prepare students for careers in industry by enabling students to graduate with both a high school diploma and associates degree. Local education providers (secondary), community colleges, and industry employers must collaborate on the program. For grades 13 and 14, P-TECH students would be funded on a model like that of the ASCENT program. Because of this, t**he bill's fiscal note reflected a General Fund impact of $4.1 million by FY 2021.**

Other Efforts to Smooth the K-12/Postsecondary Connection: There have been extensive legislative and administrative efforts over the years intended to tackle student progress from high school to college and, beyond that, student progress from community colleges to four year schools. Some initiatives have been more successful than others. Two examples are below.

- **S.B. 08-212/P20/CAP4K:** This legislation directed the State Board of Education and the Colorado Commission on Higher Education to collaborate in creating an interlinked system of public education standards, expectations, and assessments. An important component of this was to adopt high school standards and a new K-12 testing regimen. Ultimately, better standards-based K-12 education should help address the need for remediation at the college level—a major obstacle in the high school to college continuum. With regard to higher education, the bill required the creation of new diplomas with a "workforce readiness endorsement" which would guarantee admission to public higher education institutions except those classified as selective or highly selective. While two school districts began pilot programs, these were dropped due to resource constraints, and **no endorsed diplomas have been issued to-date.** A 2014 work group examined possible changes to the program, but significant updates would likely be required to make the program effective.

- **gtPathways:** This program ensures that wide arrays of basic courses (1,300 at present) are guaranteed to be transferrable among state higher education institutions. An important benefit of concurrent enrollment programs should be that the credits students earn may be transferred to the public institution of their choice. The Department of Higher Education has also launched programs to ensure that all credits associated with certain associate's degrees may be transferred toward certain majors ("Degrees with Designation") and to increase transferability of Advanced Placement and other credits to postsecondary institutions. **Staff sees all of these transfer-related efforts as important to moving high school and college closer together and improving efficiency-to-degree for all Colorado students.**

Next Steps

Ultimately, **staff would like to see a state educational model in which no student graduates school without an associate's degree or a career and technical education certificate**. Getting there from here is a long-term project. From a JBC staff perspective, some of the most significant obstacles to moving high school and college closer together appear to be financial.

"Early College High Schools" have been remarkably effective for some students in enabling them to attain both an associate's degree and a high school diploma in four years. The

Concurrent Enrollment report indicates that 905 concurrent enrollment students earned a certificate or associate's degree through the concurrent enrollment program in FY 2013-14. While staff believes this approach can be effective for some students, depending on student interests and student skill levels, achieving a quality CTE or associate's credential may take more than four years of high school.

The initiatives the State has thus-far launched to provide additional years of school for some students are extremely expensive from a state perspective.

- The K-12 system is highly reliant on local funding, in addition to state support. In the current legal structure, local school districts do not contribute local funds after high school graduation. Thus, i**f a student graduates *early* and moves on to college, those local dollars are lost.**

- The higher education system, particularly at community colleges, is highly reliant on federal support in the form of Pell grants. However, under current federal law, **Pell grants may not be accessed until a student graduates high school.** A recent federal initiative will enable states to experiment with providing Pell access prior to graduation, but this is not the general policy.

Because of the above issues, **the State's efforts to-date with respect to P-Tech and ASCENT have required replacing both potential local and potential federal support with state funds to add additional years of public schooling**. **If the State is ever going to be able to "scale up" programs to provide additional years of schooling, it will need to do this in a way that effectively accesses other sources of funds and not merely state dollars.**

Staff therefore recommends that Committee explore this issue further. Specifically, staff recommends:

- **A joint request for information submitted to the Departments of Higher Education and Education asking them to explore the legal and administrative obstacles to tapping into local, state and federal sources to provide extended high school/ early college programs.** For example, could there be an option for "graduating" high school for one purpose but not another so that students could continue to access local district funding but also tap into Pell dollars? Could the new federal Pell "experiment" (that allows access to Pell dollars before a student graduates high school) be used to test a model that supports students through the end of high school and into college (similar to ASCENT) without requiring additional state dollars?

- **Continue to expand concurrent enrollment AND work also to ensure that the credits earned are assisting students in achieving a credential or degree.** The State is providing resources through <u>both</u> the K-12 and higher education systems for students in concurrent enrollment. It should make sure that these investments pay off in the form of degrees. One of the areas in which the State is still working to develop data is in determining to what extent concurrent enrollment credits are presently being used toward degrees. Associated with this, support efforts to maximize credit transfers and ensure that transferred credits are effectively used toward degree requirements.

Issue: Federal Mineral Lease Higher Education Certificate of Participation Payments

During the 2008 session, the General Assembly authorized Certificates of Participation (COPs) to support higher education capital construction projects. Federal mineral lease (FML) revenues were supposed to fully support annual payments currently totaling $17.8 million, but the General Fund has backfilled a shortfall every year for the last five. Additional General Fund will be required for the COP payments in FY 2015-16 and FY 2016-17 due to a decline in FML revenue.

SUMMARY:

- Federal Mineral Lease (FML) moneys are distributed through a complex statutory formula. Since FY 2008-09, this formula has included allocations for two funds that support higher education capital construction: the Higher Education Federal Mineral Lease Revenue Fund (FML Revenues Fund) and the Higher Education Maintenance and Reserve Fund (FML Reserve Fund).

- Associated with the new higher education FML funds, the General Assembly authorized Certificates of Participation (COPs) to finance higher education projects. The COP payments are currently $17.8 million per year. Although the General Assembly anticipated that the COP payments would be covered by the FML Revenues Fund, there has not been sufficient revenue to fully cover the payments. The General Fund has backfilled a shortfall every year for the last five.

- FY 2015-16 Long Bill appropriations for the higher education COP payments, as well as for the State Public School Fund which supports K-12 funding, were built on an over-estimate of FY 2014-15 FML revenues. As a result, supplemental action or statutory change will be required in FY 2015-16 to address a $1.9 million FML shortfall for the higher education COP payments and a $20 million shortfall for the State Public School Fund.

RECOMMENDATION:

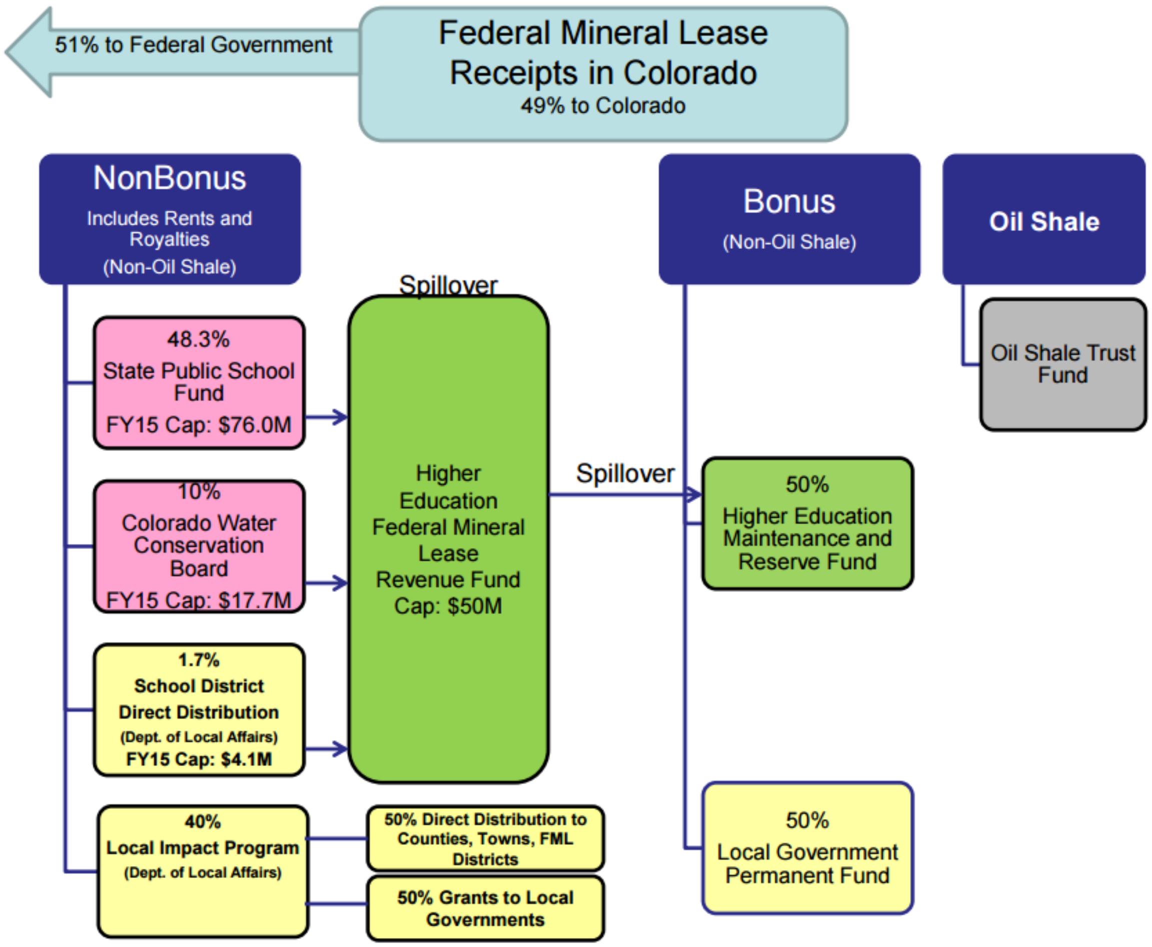
- The Committee should sponsor legislation to address the FY 2015-16 revenue shortfall for the higher education COP payments by either: (1) collapsing the two higher education FML funds into a single fund (specifying that no new COPs may be authorized based on this change); or (2) making up the FY 2015-16 shortfall by a transfer from the higher education FML Reserve Fund to the FML Revenue Fund but then phasing out both funds, directing the associated revenue into the Public School Fund (where it would assist with shortfalls in that fund), and, beginning in FY 2016-17, using General Fund to support the previously-authorized higher education COP payments.

- The line item for the Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102, C.R.S. line item (which covers the COP payments) should be moved from the Treasury to the Department of Higher Education.

DISCUSSION:

Federal Mineral Lease Revenue Allocations

States receive 49 percent of payments received by the federal government for mineral leases on federal lands (federal mineral lease or FML revenue). In Colorado, this revenue stream is distributed as reflected in the flowchart below.



The table below reflects the recent-year results of this formula distribution.

Federal Mineral Lease Distribution, $ In Millions								
	FY09 (actual)	FY10 (actual)	FY11 (actual)	FY12 (actual)	FY13 (actual)	FY14 (actual)	FY15 (prelim.)	FY16 (OSPB forecast)
Total FML Revenue	**$227.3**	**$122.5**	**$149.5**	**$164.9**	**$120.8**	**$173.6**	**$145.1**	**$127.2**
Bonus Payments	**$61.9**	**$5.2**	**$2.3**	**$2.5**	**$5.1**	**$2.0**	**$1.1**	**$3.9**

Federal Mineral Lease Distribution, $ In Millions								
	FY09 (actual)	FY10 (actual)	FY11 (actual)	FY12 (actual)	FY13 (actual)	FY14 (actual)	FY15 (prelim.)	FY16 (OSPB forecast)
Local Government Permanent Fund	$30.9	$2.6	$1.1	$1.2	$2.5	$0.98	$0.55	$1.95
Higher Ed Reserve Fund	$30.9	$2.6	$1.1	$1.2	$2.5	$0.98	$0.55	$1.95
Other (non-bonus) FML Revenue	**$196.4**	**$117.2**	**$147.2**	**$162.5**	**$115.7**	**$171.6**	**$144.0**	**$123.3**
State Public School Fund	$65.0	$56.6	$65.0	$67.6	$55.9	$73.1	$69.6	$59.5
Colorado Water Conservation Board	$14.0	$11.7	$14.7	$15.7	$11.6	$17.0	$14.4	$12.3
DOLA Grants	$33.1	$23.4	$29.4	$32.5	$23.1	$34.3	$28.8	$24.7
DOLA Direct Distribution	$33.1	$23.4	$29.4	$32.5	$23.1	$34.3	$28.8	$24.7
School Districts	$2.8	$2.0	$2.5	$2.8	$2.0	$2.9	$2.4	$2.1
Spillover to HiEd Revenue Fund	$17.4	$0.0	$6.1	$11.4	$0.0	$9.9	$0.0	$0.0
Spillover to Higher Ed Reserve Fund	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Higher Ed Maintenance Reserve Fund	$30.9	$2.6	$1.1	$1.2	$2.5	$1.0	$0.6	$2.0

Use of FML Revenues for Higher Education Capital Construction
The current allocation of FML revenue was modified in 2008 (S.B. 08-218) in anticipation of significant increases in such revenue associated with natural gas leases on the Roan Plateau. One change was to allocate a portion of the overall revenue to support capital construction Certificate of Participation projects for institutions of Higher Education. The new higher education funds are created in Section 23-19.9-102, C.R.S., and further guidelines on accessing the funds were established in Section 23-1-106.3, C.R.S, pursuant to S.B. 08-233 and subsequent bills. Their revenue and functions are described as follows in statute:

Higher Education Federal Mineral Lease Revenues Fund (FML Revenues Fund)*:* Receives non-bonus FML amounts that "spill over" from allocations to other funds up to a cap of $50.0 million. Moneys may be annually appropriated to directly pay for or pay the costs of financing capital construction projects at state-supported institutions of higher education and area vocational schools that are included on a prioritized list of such projects specified by joint resolution. In making such appropriations, the General Assembly shall give priority to projects that are located in communities that are substantially impacted by energy production or conversion.

Through S.B.08-233 and H.J.R 08-1042, the General Assembly authorized COP payments to fund 17 projects for higher education academic buildings. Funding was ultimately sufficient to fund the first 12 projects, with some additional controlled maintenance projects authorized through H.B. 12-1357 using unspent COP proceeds. Pursuant to Section 23-1-106.3 (1) (b) (IV), C.R.S. the anticipated annual state-funded payments for the principal and interest components under all lease purchase agreements on the projects is not to exceed an average of $16,200,000 per year for the first ten years of payment and is not to exceed $16,800,000 for the second ten years of payment. Payments will end in FY 2027-28.

The annual payments for these COPs are appropriated in the Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102, C.R.S., line item. This line item was previously in the capital construction section of the Long Bill and was moved to the Treasury section in FY 2015-16.

Although these projects were expected to be paid for with FML revenue, as shown below, since FY 2011-12, the General Assembly has frequently had to partially or entirely replace appropriations from the FML Revenues Fund with General Fund due to insufficient FML revenues.

Appropriations - Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102, C.R.S.

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 16-17 Request
Capital Construction Fund/ General Fund	$4,066,510	$420,184	$18,587,975	$18,587,556	$5,781,075	$17,775,175
Hi Ed FML Revenues Fund	8,379,790	18,165,191	0	0	11,991,975	0
Total	$12,446,300	$18,585,375	$18,587,975	$18,587,556	$17,773,050	$17,775,175

In addition to the appropriations shown, during the height of the recession (between FY 2008-09 and FY 2010-11) a total of $7,750,000 was transferred from the Revenues Fund to the General Fund.

Higher Education Maintenance and Reserve Fund (FML Reserve Fund): This fund is comprised of 50.0 percent of FML "bonus" revenues (initial payments that allow an entity to lease mineral rights on federal lands). Statute identifies three uses for the Fund.

> (1) The principal in this Fund is to remain in the Fund. The General Assembly may annually appropriate *interest and income* from this source for controlled maintenance projects for higher education institutions;
>
> (2) If the amount of moneys in the FML revenues fund is insufficient to cover the FML COP payments due, the General Assembly may transfer principal or interest from this fund to the FML Revenues Fund to cover the shortfall;
>
> (3) If the General Fund reserve falls below the required reserve, moneys in this Fund may be used to offset reductions in General Fund operating appropriations for institutions of higher education, based on supplemental action by the General Assembly or the Controller's overexpenditure authority.

As far as staff has been able to determine, this Fund has never been used for any of the functions outlined above. However, between FY 2008-09 and FY 2010-11, a total of $34.7 million was transferred from this fund to the General Fund.

***Historic versus Current Allocation of FML Revenues**:* The previous formula involved cascade that, between 2003 and 2007, allocated $540.2 million (amounts ranging from $63 to $144 per year) in the following percentages:

Distributions Resulting From Old Formula: FY 03 to FY 07	**FY 03 to FY 07**
State Public School Fund	48.9%
Local Government Mineral Impact Grants (from Dept. Local Affairs)	25.5%
CO Water Conservation Board Construction Fund	10.0%
Local Government Direct Distributions:	15.5%
Total	100.0%

For comparison, the following table shows the outcome of the new formula overall between FY 2009-10 and FY 2013-14, when there were no large bonus payments. During this period, a total of $731.3 million in FML revenue was received and allocated (amounts ranging from $122 to $174 million per year).

Distributions Resulting from New Formula: FY 10 to FY 14	**FY 10 to FY 14**
State Public School Fund	43.5%
Local Government Mineral Impact Grants	19.5%
Local Government Direct Distributions	22.4%
Colorado Water Conservation Board Construction Fund	9.7%
Higher Education Funds (FML Revenue & Reserve Funds)	4.9%
Total	100.0%

FY 2014-15 FML Receipts and Shortfalls for FY 2015-16

For FY 2015-16, staff used the March 2015 Legislative Council Staff forecast plus the FML Revenues Fund balance (from FY 2013-14) as the basis for a $12.0 million FML Revenues Fund appropriation for the Lease Purchase of Academic Facilities line item. General Fund of $5.8 million was appropriated to make up the difference.

Actual FY 2014-15 FML Revenues came in lower than anticipated. As a result, the FML Revenues Fund received no FML moneys in FY 2014-15 and at the beginning of FY 2015-16 there was only $10.1 million in the Fund although there was $12.0 million appropriated from this source.

- The State Treasurer has informed staff that **backfill (currently estimated at $1,883,500) will be required** for the State to make the required April 2016 COP payment for the higher education projects.

- There is currently a **balance of $7.27 million in the Reserve Fund.** Thus, this could be used to backfill the $1.9 million shortfall for FY 2015-16. However, a bill will be required to make the transfer.

- There is a **similar problem in funding for the Department of Education**. Because FY 2014-15 FML revenue came in lower than the March Legislative Council Staff projection, there was a shortfall of $836,508 in the Public School Fund for FY 2014-15 and there is a projected shortfall of $20 million in the Fund for FY 2015-16.

Staff Observations

- **Since FY 2011-12, there has not been a year in which there have been sufficient revenues to the FML Revenues Fund to fully cover the COP payments authorized by the General Assembly.** Because of this, the General Assembly has had to backfill shortfalls in FML revenue for higher education COP payments with the General Fund.

- **The rationale for adding an additional type of expenditure to the FML revenue stream—the expectation of significant new revenue from Roan Plateau leases—did not materialize.** To the extent it did, much of the related "bonus" revenue is being repaid due to the recent Roan Plateau settlement between federal authorities and the leaseholders.

- **There is a fundamental mismatch between the requirements of the expenditure type (an annual, ongoing COP payment) and the volatility of the FML funding stream.**

- As originally conceived, the Reserve Fund was to operate like a combination of the Controlled Maintenance Trust Fund, spinning off interest to support higher education controlled maintenance projects, and a stabilization fund to backfill years in which there are FML shortfalls. However, **the Reserve Fund has not thus far been used for this or any purpose other than for transfers to the General Fund.** *For it to be used to address the FY 2015-16 funding shortfall for the FML COP payments, a bill will be required.*

- While directing FML funding to higher education might have made sense if FML revenue had gone up and stayed up, this did not happen. There is no reason to imagine that it will in the future. **Given the limited revenues available, the higher education FML funds add a layer of complexity to the overall use of FML moneys without a clear benefit.**

- **In the past, the Public School Fund received a larger share of overall FML revenues. There is no reason this could not work again.** *Staff is not recommending that the State suspend payments for the higher education COPs,* given impacts on the State's credit rating and related concerns. However, if the General Assembly intends to make the higher education COP payments into the future, staff sees little benefit to maintaining the current complex funding scheme. These payments can be made with General Fund on an ongoing basis.

- There are currently two components of the FML funding structure in which FML revenues provide a direct offset to General Fund otherwise required: One of these is the Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102, C.R.S., which pays for the higher education COPs. The other is the Public School Fund, which offsets General Fund otherwise required for K-12 education funding. Thus, **if the General Assembly chooses to**

again direct a larger share of FML revenues into the Public School Fund instead of the two higher education FML funds, the net General Fund impact will be $0.

Issue: General Fund Exempt for Higher Education

Statute requires most moneys in the General Fund Exempt Account (GFE) created through 2005 Referendum C to be split equally for three purposes: funding for health care; funding for K-12 education; and funding for higher education. Because the share of the General Fund designated as GFE has grown, and because an increasing share of the state budget is allocated to K-12 and health care funding, it will be increasingly difficult to provide higher education an equal share of GFE in the coming years.

SUMMARY:

- Referendum C, adopted by the voters in 2005, authorized the state to retain additional revenue above the limits originally imposed in Article X, Section 20 (Taxpayers Bill of Rights/TABOR). Moneys received in excess of the General Fund revenue limits originally imposed by TABOR are deposited in the General Fund Exempt (GFE) account. Pursuant to Referendum C, GFE is to be used for higher education, among other purposes.

- When the General Assembly adopted the referred measure that became Referendum C in 2005, it also adopted H.B. 05-1350, to provide additional definitions and computational details to the broad language included in the referred measure. The bill, codified at 24-77-104.5, C.R.S., requires most GFE to be "split equally" for three purposes: funding for health care; funding for preschool through twelfth grade education; and funding for the benefit of students attending community colleges and other institutions of higher education.

- Since the end of the recession, the share of General Fund designated as GFE has grown. Because of this trend, and because an increasing share of the state budget is allocated to K-12 and health care funding, within the next few years the General Assembly may not be able to comply with Section 24-77-104.5 (1) (b), C.R.S., as it pertains to higher education.

RECOMMENDATION:

The Joint Budget Committee should introduce a bill to modify section 24-77-104.5 (1) (b), C.R.S., concerning the allocation of funds in the General Fund Exempt account. Staff recommends striking the specific provision concerning the allocation between types of expenditures (1/3 each health care, higher education, and K-12 education) and **replacing it with a general requirement, consistent with the original referred measure, that the funds be used for health care, K-12 education, and higher education.**

DISCUSSION:

Referendum C and Section 24-77-103.6, C.R.S.: Referendum C, adopted by the voters in 2005, authorized the state to retain additional revenue above the limits originally imposed in Article X, Section 20 (Taxpayers Bill of Rights/TABOR). Section 24-77-103.6, C.R.S., added by

Referendum C, creates the General Fund Exempt (GFE) account to hold all moneys received in excess of the General Fund revenue limits originally imposed by TABOR and specifies that the moneys in the account shall be appropriated or transferred by the general assembly "**to fund health care; to fund education, including capital construction projects related thereto; to fund retirement plans for firefighters and police officers, so long as the General Assembly determines that such funding is necessary; and to pay for strategic transportation projects in the department of transportation**…" The term "education" in the referred measure is further defined to include **public elementary and high school education and higher education**.

H.B. 05-1350 and Section 24-77-104.5, C.R.S.: When the General Assembly adopted the referred measure that became Referendum C in 2005, **it also adopted H.B. 05-1350,** to provide additional definitions and computational details to the broad language included in the referred measure. Section 24-77-104.5, added by this bill, specifies that the first $125,000,000 shall be used consistent with the referred measure and states that any moneys remaining in the GFE account above this level "**shall be split equally**" for three purposes:

- funding for health care;
- funding for preschool through twelfth grade education; and
- "funding for the benefit of students attending community colleges and other institutions of higher education".

For each of these purposes, the statute then defines the specific types of expenditures that qualify, e.g., the college opportunity fund program in higher education.

General Fund Exempt Appropriations: The JBC staff director's recommendation for GFE appropriations for FY 2015-16 is shown below. These amounts were included in the Long Bill and adopted by the General Assembly.

- The first $125.0 million us allocated pursuant to Section 24-77-104.5 (1) (a), C.R.S. This amount is allocated consistent with the broad requirements of Referendum C. It includes funding for health care, K-12 education, firefighter and police officer benefits, and transportation projects; and
- The remaining $2.4 billion balance is allocated pursuant to Section 24-77-104.5 (1) (b), C.R.S. This amount is divided equally between K-12 education, higher education, and health care.

Department	GFE Appropriation
Health Care Policy and Finance	$848,124,468
Education - Preschool Through 12th Grade	848,124,468
Higher Education	788,000,000
Local Affairs - Retirement for Firefighters and Police Officers	4,251,065
Transportation Projects	500,000
Total Adjustments	$2,489,000,001

Growth of the GFE and Implications for Higher Education: Since the end of the recession, the portion of total revenue classified as General Fund Exempt has grown. Legislative Council Staff anticipates continued growth in the absence of recession.

Statewide General Fund Exempt Appropriations as a Percentage of GF+GFE Operating Appropriations				
Fiscal Year	**GF**	**GFE**	**GF + GFE Total**	**GFE as % Total**
Appropriations				
FY 2004-05	$6,026,669,077	$0	$6,026,669,077	0.0%
FY 2005-06	5,242,175,653	1,111,134,410	6,353,310,063	17.5%
FY 2006-07	5,524,562,525	1,294,072,313	6,818,634,838	19.0%
FY 2007-08	6,115,508,373	1,150,440,321	7,265,948,694	15.8%
FY 2008-09	7,520,332,529	990,000	7,521,322,529	0.0%
FY 2009-10	6,658,357,846	900,000	6,659,257,846	0.0%
FY 2010-11	6,078,275,207	770,965,986	6,849,241,193	11.3%
FY 2011-12	5,585,471,306	1,473,821,565	7,059,292,871	20.9%
FY 2012-13	5,735,789,930	1,860,257,722	7,596,047,652	24.5%
FY 2013-14	6,307,281,234	2,041,055,836	8,348,337,070	24.4%
FY 2014-15	6,635,282,562	2,384,447,200	9,019,729,762	26.4%
FY 2015-16	7,107,757,462	2,489,355,187	9,597,112,649	25.9%

Because of this trend, and because an increasing share of the state budget is allocated to K-12 and health care funding, **within the next few years the General Assembly may not be able to comply with Section 24-77-104.5 (1) (b) as it pertains to higher education.** For example, if the General Assembly determined it needed to reduce higher education funding in FY 2017-18 to $10.0 million below the FY 2015-16 appropriation, it would not be able to do so under current law.

The table below shows General Fund and General Fund Exempt appropriations for higher education under Referendum C and shows the future GF/GFE breakdown *assuming, for purposes of this exercise:*

- Appropriations for higher education are held flat in FY 2016-17 and FY 2017-18 at the FY 2015-16 level;
- The Legislative Council Staff September 2015 economic forecast for General Fund Exempt in FY 2016-17 and FY 2017-18; and
- No change to current law regarding allocating one-third of specific Referendum C revenue to higher education.

Higher Education General Fund Exempt Appropriations as a Percentage of Higher Education GF+GFE Operating Appropriations				
Fiscal Year	**GF**	**GFE**	**Total GF + GFE**	**GFE as % Total**
FY 2004-05	$587,972,772	$0	$587,972,772	0.0%
FY 2005-06	282,774,138	353,711,470	636,485,608	55.6%
FY 2006-07	289,839,617	404,303,371	694,142,988	58.2%
FY 2007-08	399,574,593	348,142,707	747,717,300	46.6%

Higher Education General Fund Exempt Appropriations as a Percentage of Higher Education GF+GFE Operating Appropriations				
Fiscal Year	**GF**	**GFE**	**Total GF + GFE**	**GFE as % Total**
FY 2008-09	661,973,800	0	661,973,800	0.0%
FY 2009-10	428,761,033	0	428,761,033	0.0%
FY 2010-11	489,917,482	215,190,663	705,108,145	30.5%
FY 2011-12	174,486,245	449,476,455	623,962,700	72.0%
FY 2012-13	50,278,283	578,291,507	628,569,790	92.0%
FY 2013-14	76,974,728	582,133,333	659,108,061	88.3%
FY 2014-15	9,049,192	753,033,333	762,082,525	98.8%
FY 2015-16	69,415,995	788,000,000	857,415,995	91.9%
FY 2016-17 *	45,349,328	812,066,667	857,415,995	94.7%
FY 2017-18 *	9,515,995	847,900,000	857,415,995	98.9%

*Assumes: flat total funding for higher education and growth in GFE requirement consistent with LCS September 2015 forecast, allocated to higher education consistent with Section 24-77-104.5, C.R.S.

Why address this now? As shown, if the assumptions shown above hold (or if the General Assembly increases funding for higher education), a statutory change would not be immediately required. However, **staff believes there are a number of reasons to address this issue sooner rather than later:**

- The current Executive Request is for a decrease to higher education funding and relatively little funding for higher education capital construction. If the cut is implemented it will increase the risk of violating the statute in FY 2016-17 or FY 2017-18.

- The JBC typically makes significant retroactive adjustments related to Referendum C once actual annual revenue is known (e.g., adjusting FY 2013-14 appropriations after the close of FY 2013-14, based on the State Auditor's Schedule of Computations Required Under Article X, Section 20 of the State Constitution). These adjustments increase or decrease General Fund Exempt appropriations consistent with revenue received and provide matching adjustments to General Fund appropriations so that the sum of GF and GFE does not change.

- The retroactive adjustment could be a problem in the future, as became apparent last year. One of the Committee's last actions before closing the FY 2015-16 budget was to make adjustments to the General Fund/General Fund Exempt fund splits for FY 2013-14, FY 2014-15, and FY 2015-16. *Just before the Long Bill closed, staff determined there was insufficient General Fund in the FY 2013-14 higher education operating budget appropriation to make the necessary adjustments.* As a result, an adjustment was made to the capital construction transfer for FY 2013-14 to specify that $84.6 million of the total transfer was GFE for higher education capital construction. *What would the General Assembly have done if there had not been sufficient capital appropriations for the adjustment?* This could occur in a flat or declining budget year.

- The portion of revenue classified as GFE is unpredictable, and retroactive adjustments are often large. During the 2015 session, the General Assembly authorized supplemental adjustments that increased the FY 2013-14 total GFE appropriation and decreased the GF appropriation by $253.9 million. Higher education's share of the adjustment was $84.6 million.

- If a bill is not passed that addresses the problem *before* it occurs, the General Assembly would need to include amounts in the Long Bill that comply with the existing statutory requirements and would then need to run a bill that *reduces amounts in the Long Bill* consistent with a proposed statutory change.

Staff Recommendation: Staff recommends that the JBC introduce legislation to repeal or modify Section 24-77-104.5 (1) (b), C.R.S. Staff recognizes this could be controversial. Higher education institutions would like to receive funding consistent with the one-third share of additional revenue discussed at the time Referendum C was adopted. However, the "one-third" component was **not** included in the referred measure itself. Given current revenue and expenditure trends, the one-third requirement is simply too rigid.

Staff recommends striking the specific provision concerning the allocation between types of expenditures (1/3 each health care, higher education, and K-12 education) and **replacing it with a general requirement**, consistent with the original referred measure, that the funds be used for health care, K-12 education, and higher education. Alternatively, the General Assembly could consider:

- A requirement that all funds above the $125.0 million be used for these three general purposes with at least 10.0 percent (or some other figure) provided for each one.
- A requirement that two-thirds be used for education, including both K-12 and higher education, and one-third for health care.
- A change so that the language expresses the non-binding "intent" to divide moneys equally to the extent feasible.

Informational Issue: Update on Financial Health of Colorado Public Higher Education Institutions

The overall financial performance for state institutions over the last four years reflects a mixed bag: the state's two smallest governing boards and the University of Northern Colorado are in marginal condition. Colorado State University-Pueblo, which is a part of the overall CSU system, also faces financial challenges. Enrollment and related tuition revenue are the most important factors in financial performance for most institutions. Capital debt and depreciation also affect the picture at some institutions.

SUMMARY:

- As state institutions become more dependent upon tuition revenue, their survival becomes more dependent upon their performance as businesses. It's important to be mindful of institutional financial health as the General Assembly considers tuition limits and General Fund support.

- Financial performance over the last few years at state institutions reflects a mixed bag, with some institutions showing increases and others decreases, driven in part by different enrollment trends.

- Similar to recent years, the state's two smallest governing boards—Adams State University and Western State Colorado University—are still in marginal financial condition, although Western's condition is better than two years ago. Financial performance at the University of Northern Colorado has declined and remains a concern.

- A new accounting pronouncement—GASB 68—requires institutions to account for their pension liabilities in their financial statements effective FY 2014-15. This has a significant negative impact on institutional financial ratios. Staff has removed the GASB 68 adjustments when calculating the FY 2014-15 CFI so that FY 2014-15 figures can be compared to prior years. Staff anticipates that the measure, or at least the score reflecting "moderate financial health," may change in future years.

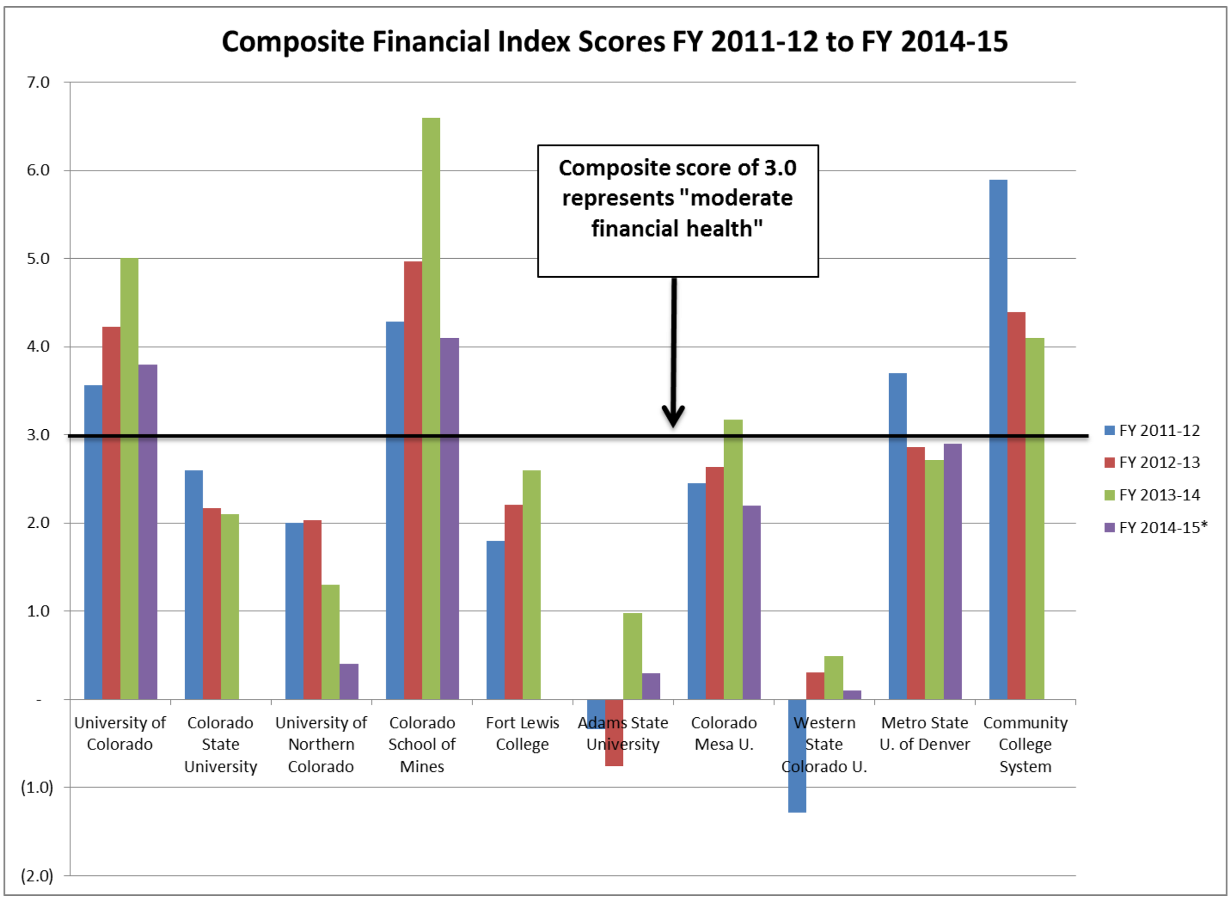
DISCUSSION:

Two years ago, staff began to track the financial health of public higher education institutions, using a ratio analysis approach common in the higher education sector. Staff feels it is important for the General Assembly to be aware of these ratios for two reasons:

- State institutions have become increasingly dependent upon tuition revenue. As a result, their very survival depends heavily on their business performance. As the state looks at state funding adjustments, including both General Fund adjustments and potential tuition caps, it must be mindful of which institutions are in more fragile financial health and must take care not to adjust state funding so dramatically that it places at-risk institutions in serious financial straits.

- For institutions that issue bonds under the higher education revenue bond intercept program, the state provides an additional guarantee to creditors that amounts will be repaid: loan rates are based on the state's credit rating rather than the institution's. The JBC must approve requests to issue bonds under the intercept program, so it's helpful for the JBC to have measures for assessing the risk to the state of authorizing such bonds. To assist the JBC and CDC in reviewing requests for cash-funded higher education projects, the State Treasurer is in the process of developing a new format for presenting information about institutional financial health. Staff understands he is likely to include the CFI, in addition to other metrics.

The chart below summarizes the composite financial index for each of the state governing boards in FY 2011-12, FY 2012-13, FY 2013-14, and, to the extent data is available, FY 2014-15. The FY 2014-15 data shown represents unaudited figures provided by the institutions and modified to eliminate adjustments for GASB 68 (see below). For some institution, FY 2014-15 data was not yet available. For others, only institutional data and not foundation data was available, which typically results in slightly lower CFI scores than would otherwise be shown.



*FY 2014-15 amounts, where shown, represent unaudited figures that have been adjusted to remove the impact of GASB-68 accounting changes. FY 2014-15 figures do not include foundation data for Metropolitan State University of Denver or Adams State University.

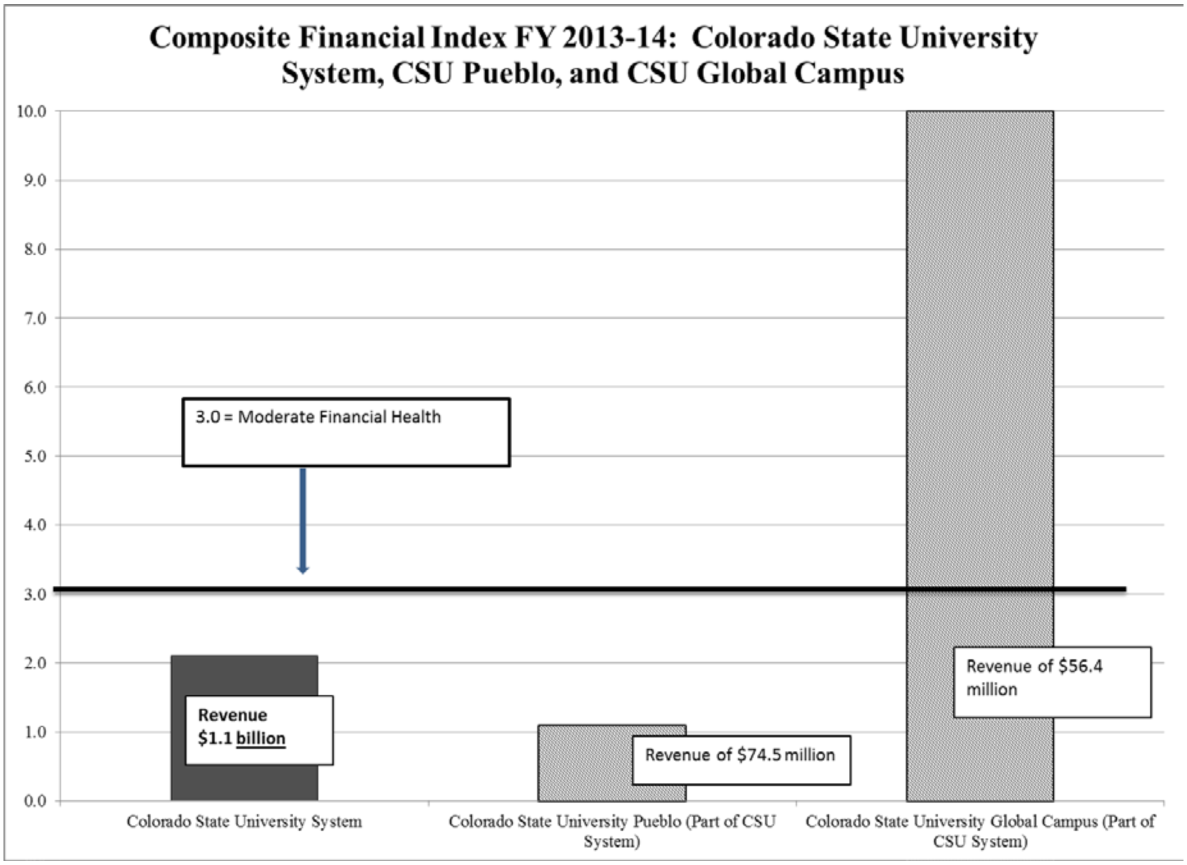
- **Adams State University in Alamosa and Western State Colorado University in Gunnison, the state's two smallest independent governing boards, continue to represent, overall, the state's weakest performers.** These institutions enrolled, respectively, 2,325 and 1,991 students in FY 2014-15.

  - Adams State looked stronger in FY 2013-14 due largely to an influx of state capital construction funding which helped its balance sheet. However, operational losses related to low enrollment are an ongoing challenge.

  - Western State has been successfully recruiting additional students, which is helping its balance sheet. This summer, its outlook was upgraded by the ratings agency Moody's from "negative" to "stable". (It has a Baa1 rating from Moody's, the lowest credit rating of any Colorado state public institution of higher education.) However, its capital debt and related depreciation is so substantial that it is unlikely to be able to reflect a net increase in its assets except in years when it receives significant state capital construction support.

- **The University of Northern Colorado's CFI has now dropped to an estimated 0.5 for FY 2014-15,** driven heavily by enrollment declines. This is of concern, particularly given that UNC's funding allocation could decline over the long-term, based on the metrics that are rewarded in the state's new outcomes-based funding methodology.

- **The Colorado State University system performance is brought down by the performance of CSU-Pueblo**, as well as its quite leveraged position. Downward pressure from CSU-Pueblo is counteracted by the stronger financial performance of the much larger Fort Collins campus (not shown) and CSU Global, which does not receive State support. The chart below compares the FY 2013-14 financial performance for the system as whole with the CFI for the CSU Pueblo and CSU Global campuses. Note that for financial purposes, the system is designated a single enterprise, and the system has assisted CSU-Pueblo in addressing its financial challenges, including declining enrollment. From staff's perspective, the backstop provided by the CSU system represents a significant benefit to CSU-Pueblo and the State. Smaller, financially weaker rural campuses in the community college system similarly benefit from system support.



The methodology for the CFI is described below.

Methodology for the Composite Financial Index

The method used follows the approach outlined in *Strategic Financial Analysis for Higher Education (Sixth Edition)* by Praeger, Sealy and Co., KPMG, and BearingPoint, 2005.[22] The ratios and composite financial index outlined in this report are used by many higher education institutions, as well as accrediting bodies, to assess institutions' fiscal health.

Staff used institutions' annual audited financial statements to populate a spreadsheet with key variables and then distributed the spreadsheet to the institutions to ensure staff had captured the key data accurately. Corrections were incorporated before final ratios and composite index figures were calculated.

In this approach, four key ratios are used to measure the public institution's financial resources, debt, and financial performance. These are outlined in the table below. The ratios incorporate the performance of institutions' foundations, as well as the institutions themselves.

Ratio Name	What it Measures	Calculation	As described in *Strategic Financial Analysis for Higher Education, Sixth Edition*
Primary Reserve Ratio	Resource Sufficiency	expendable assets/ annual expenses	"Expendable net assets represent those assets that the institution can access relatively quickly and spend to satisfy its debt obligations. This ratio provides a snapshot of financial strength and flexibility by indicating *how long the institution could function using is expendable reserves* without relying on additional net assets generated by operations." (p. 56)
Viability Ratio	Debt Management	expendable assets/ debt	"The Viability Ratio measures one of the most basic determinants of clear financial health: the *availability of expendable net assets to cover debt* should the institution need to settle its obligations as of the balance sheet date." (p. 63)
Return on Net Assets Ratio	Asset Performance	change in net assets/ total net assets	"This ratio determines *whether the institution is financially better off than in previous years* by measuring total economic return. This ratio furnishes a broad measure of the change in an institution's total wealth over a single year and is based on the level and change in total net assets, regardless of asset classification." (p. 73)
Net Operating Revenues Ratio	Operating Results	Net income or loss/ total annual revenues	"This ratio is a primary indicator, explaining how the surplus from operating activities affects the behavior of the other three core ratios. *A large surplus or deficit directly impacts the amount of funds an institution adds to or subtracts from net assets…*" (p. 84)

Staff then calculated a Composite Financial Index (CFI) for each institution following the methodology outlined in *Strategic Financial Analysis for Higher Education.* To arrive at the CFI, each of the four ratios is converted to a strength factor along a common scale. Then, each

[22] http://www.prager.com/Public/raihe6.pdf A 7th edition (2010) is also available, but the key ratios and CFI have not changed.

of the strength factors is weighted to provide a total index score. Note that the CFI weighs resource sufficiency and debt management more heavily than operating results.

	Conversion to common scale "strength factors" (divide raw ratio by value below)	Weight factors for CFI (weights allocated to each scaled value to produce the composite CFI)
Resource Sufficiency: Primary Reserve Ratio	0.133	35.0%
Debt Management: Viability Ratio	0.417	35.0%
Asset Performance: Return on Net Assets Ratio	0.020	20.0%
Operating Results: Net Operating Revenues Ratio	0.013	10.0%

Strength factors and the CFI are numbers are on a 10 point scale, described as follows:

1.0 = very little financial health
3.0 = the "threshold value", a relatively stronger position
10.0 = the top score within range for an institution

Governmental Accounting Standards Board (GASB) Statement 68

Effective FY 2014-15, governmental institutions are required to make significant changes in their financial reports to reflect their pension obligations. As noted by GASB, the purpose of the change is to provide decision-useful information, accountability, and transparency. Its immediate impact is to significantly reduce the apparent financial performance of public institutions as reflected in standard accounting ratios.

The table below reflects how this change is expected to affect financial ratios for the Colorado School of Mines, one of the boards that provided calculations with and without the GASB changes--and one that is consistently one of the strongest financial performers among the governing boards.

If figures including the pension liabilities were included, it is not clear what would constitute a CFI of "moderate financial health", since the GASB change affects financial reporting but does substantively change institutional financial health. Staff expects that the CFI calculation will change in the future to address this updated accounting standard. For now, staff has reported ratios excluding the GASB 68 adjustment for FY 2014-15

Colorado School of Mines	**FY 2014-15 Pre GASB 68**	**FY 2014-15 Post GASB 68**
	(thousand $s)	(thousand $s)
Resource Sufficiency: Primary Reserve Ratio (expendable assets/expenses)	**99%**	**8%**
Numerator: All unrestricted net assets+all expendable restricted net assets, excluding those to be invested in plant+unrestricted and temp restricted assets for foundation	$267,186	$23,474
Denominator: all expenses including operating and non-operating plus component unit (C.U.) total expense. Exclude investment losses and funds to be invested in plant	269,616	278,778
Debt Management: Viability Ratio (expendable assets/debt)	**133%**	**12%**
Numerator: Expendable net assets (same as Primary Reserve Ratio)	267,186	23,474
Denominator: All amounts borrowed from 3rd parties - notes, bonds, capital leases. Includes both current and long-term	200,395	200,395
Asset Performance: Return on Net Assets Ratio (change in net assets/total net assets)	**3.2%**	**2.8%**
Numerator: Change in GASB total net assets plus change in component unit total net assets regardless of whether restricted/not or expendable or not	18,891	9,729
Denominator: Beginning of the year total net assets	583,003	348,453
Operating Results: Net Operating Revenues Ratio (Net Income or loss/total revenues)	**0.6%**	**-2.9%**
Numerator: operating + non-operating net income/loss + component unit change in unrestricted assets	1,472	(7,690)
Denominator: operating +net non-operating revenue plus component unrestricted revenue	263,361	263,361

Informational Issue: History Colorado Update

The State Historical Society, known as History Colorado, administers the History Colorado Center in Denver, numerous museums and historic sites, and the statewide preservation grant program. Its primary source of support is limited gaming revenue deposited to the State Historic Fund. The organization was the subject of two critical state audits in 2014, and it became apparent during FY 2014-15 that expenses for museum operations far outstripped available revenue. During the 2015 session, the General Assembly adopted measures to help address the organization's financial and governance issues. Under a new board and new management team, History Colorado has made painful cuts to bring its budget back into balance and is making rapid progress in repositioning itself for the future.

SUMMARY:

- The State Historical Society, now known as History Colorado, is simultaneously a non-profit 501 (c) (3) organization and an institution of higher education with a budget of over $30 million per year. It operates the History Colorado Center in Denver, numerous museums and historic sites around the state, and administers a statewide preservation grants program, among other activities. Its primary source of funding is limited gaming revenue directed to the State Historical Fund by the State Constitution.
- The organization was the focus of critical state audits in 2014 that identified serious financial management problems and raised concerns about the organization's governance structure.
- During FY 2014-15 it became increasingly clear that organization's museum and preservation operations faced a structural imbalance related to the construction of the new History Colorado Center in Denver and the associated annual $3.0 million in Certificate of Participation payments. New revenue was insufficient to cover this additional expense.
- The General Assembly responded during the 2015 legislative session by adopting S.B. 15-225 (History Colorado Governance) and S.B. 15-236 (Reorganize State Historical Society Funds), by reducing Long Bill appropriations, adding a Long Bill footnote, and submitting a request for information.
- Over the last few months, the organization has undergone enormous changes. Its 28-member board was replaced on July 1, 2015 by a new 9-member Governor-appointed board; its President, Chief Operating Officer, and Chief Financial Officer took early retirement and have been replaced on an interim basis by a board member (who is donating his time) and the vice president for preservation operations. Through voluntary early retirements and furloughs and involuntary layoffs the organization has reduced personnel by 22.0 FTE (17 percent), and the board expects museum operations to be back in financial balance by the end of FY 2016-17. The board and new management are also moving aggressively to change the organization's culture, rework its approach to exhibits, and propel it toward a more successful future.

DISCUSSION:

Background: History Colorado. The State Historical Society, now known as History Colorado, is simultaneously a non-profit charitable "501(c)(3)" organization and an institution of higher education authorized pursuant to Section 24-80-201, C.R.S. Founded in 1879, the agency operates the History Colorado Center in Denver and many other history museums, archeological and historic sites throughout the State. It is charged with preserving the state's history and documenting it for the benefit of its citizens and it provides a wide variety of services related to this mission.

History Colorado's operating appropriation for FY 2015-16 is $30.7 million. Of this, about 80 percent is derived from limited gaming revenue deposited to the State Historical Fund. The 1990 Constitutional amendment that legalized limited stakes gaming in three cities specified that 28 percent of state gaming revenue after administrative expenses would be used for statewide historic preservation efforts. The General Assembly has authorized History Colorado to administer these funds, subject to annual appropriation.

Gaming moneys allocated to History Colorado are used for three purposes pursuant to statute:

- 20.0 percent is required by the State Constitution to go to the gaming cities of Central, Black Hawk, and Cripple Creek.
- The "majority share" (50.1 percent) of the funds remaining after the gaming city allocation is to be used for a statewide preservation grants program, including administration of that grant program, consistent with Constitutional requirements.
- The "minority share" (49.9 percent) of the funds remaining after the gaming city allocation is to be used, pursuant to statute, to support the operations of the organization, including both the History Colorado Center and the organization's other museums and historic sites throughout the State. This includes amounts for capital construction projects and certificates of participation in addition to personnel and operating costs.

The table below shows actual FY 2014-15 gaming receipts deposited to the State Historic Fund which will be used to support History Colorado activities in FY 2015-16.

State Historic Fund Limited Gaming Receipts (FY 15 used in FY 16))	**FY 2014-15**
Majority Share - Statewide Preservation Grant Program (50.1% of 80%)	$9,801,964
Minority Share - Museum Operations and Capital (49.9% of 80%)	9,762,834
Gaming City Direct Distribution (20.0%)	4,891,200
Total to History Colorado	$24,455,998

History Colorado operations are also supported by earned revenue from entrance fees, memberships, gift shop sales, and programs, donations, and some federal grant funding.

Recent History – Audits, JBC Analysis, and Legislative Response. History Colorado has been through a challenging period. Recent developments began with two audits, proceeded to a wholesale change in governance, a new interim management team, and, most recently, a 17 percent reduction in the organization's staff. Though this process was painful, the organization now appears poised to move forward on a more sound financial footing.

2014 Audit Findings. The *FY 2012-13 Statewide Financial Audit*, released in January 2014, raised significant concerns about History Colorado and identified material weaknesses (the highest level of problem) in its financial management.[23] The auditors subsequently initiated a *History Colorado Performance Audit*, released in June 2014.[24] This second audit further confirmed financial management problems. In response, the agency hired new accounting and budgeting staff who began a painstaking forensic accounting process to assist the organization in better understanding its financial situation.

The June 2014 audit also highlighted History Colorado's unusual governance structure. As a 501(c)(3), History Colorado was governed, until recently, by a large board of directors, with members nominated and elected by the organization's membership. As a "Type 1" agency, it was not under the administrative oversight of the Department of Higher Education, although the Governor and General Assembly had budget oversight through the annual appropriations process.

2015 Legislative Session. History Colorado governance and financial issues became a focus of the General Assembly's attention during the 2015 legislative session.

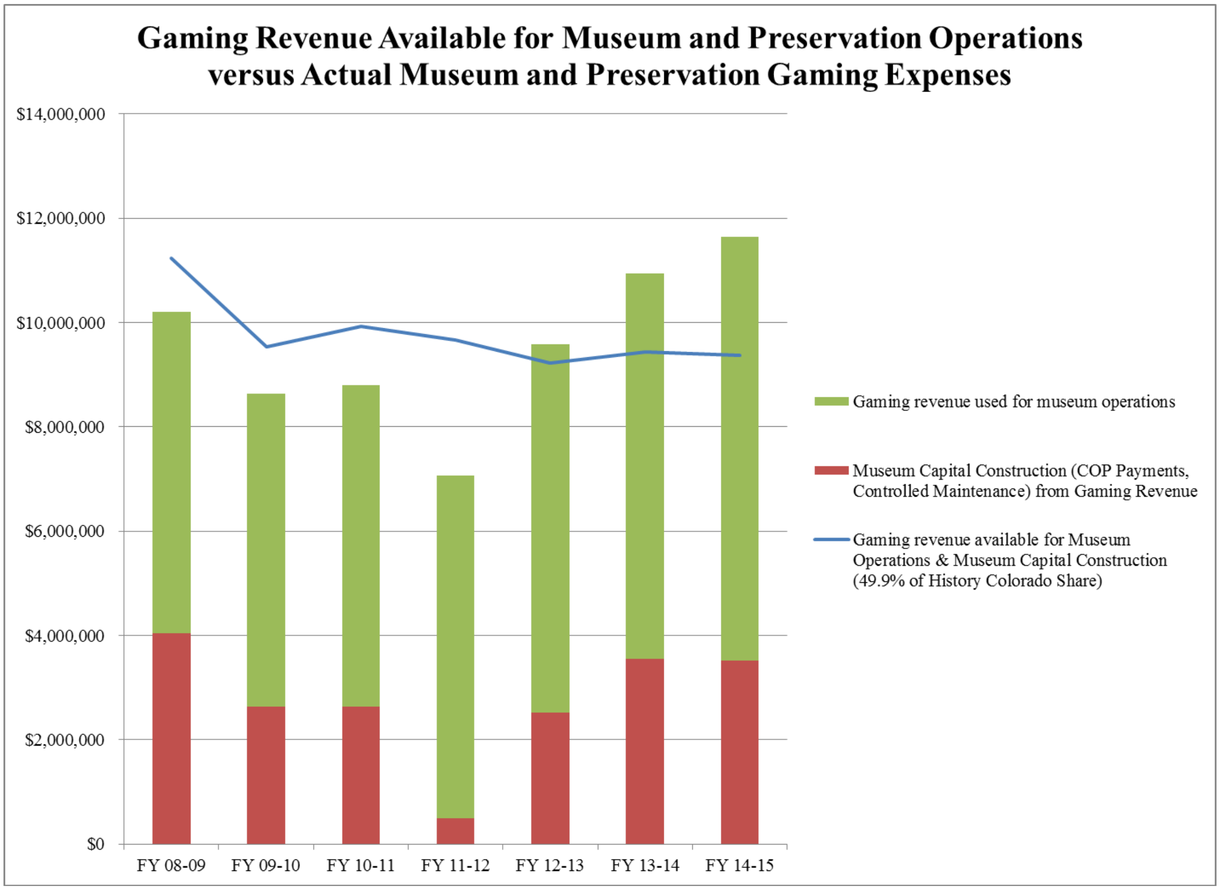
Long Bill and JBC Bill. During FY 2015-16 figure setting, JBC staff drew attention to the imbalance between the organization's revenue and expenditures for museum operations and preservation activities. JBC Staff reported projected losses of $2.3 million in FY 2014-15, representing almost 24 percent of annual gaming revenue for museum and preservation operations. It seemed likely that the museum operation would be insolvent in FY 2016-17 unless some action was taken. As staff noted:

- Gaming revenue, which comprises the vast majority of History Colorado revenue, had been relatively flat;
- Overall expenses increased by over $3.0 million per year associated with COP payments for the new History Colorado Center. In addition staffing costs had increased associated with common policy; and
- Earned revenue had not increased rapidly enough to make up the difference.

Staff recommended, and the JBC approved, reductions of 12.5 percent in gaming revenue in most operations line items and noted that this represented a symbolic first step to draw attention to the organization's problems.

[23] http://www.leg.state.co.us/OSA/coauditor1.nsf/All/10DCD66C80F6C67B87257C7500708DE6/$FILE/1301F_State%20of%20Colorado%20Statewide%20Single%20Audit%20Fiscal%20Year%20Ended%20June%2030%202013.pdf

[24] http://www.leg.state.co.us/OSA/coauditor1.nsf/UID/2A213DCB5D60982587257D070074DB0B/$file/1405P+-+History+Colorado,+Performance+Audit,+June+2014.pdf?OpenElement



The JBC also:

- **Added footnote 20** to the Long Bill which provided additional authorization for an FY 2015-16 supplemental request and specified the General Assembly's intent that "History Colorado work as quickly as possible to align expenditures with revenues so that the institution remains solvent and viable into the future".
- **Added Higher Education Request for Information #4**, requesting the organization to submit a report by November 1, 2015, on its financial status and asking it to provide "a detailed explanation of the steps the organization is taking to address its financial challenges and the projected impacts of these changes from both a financial and organizational perspective".
- **Restructured the History Colorado Long Bill** to more accurately reflect the organization's operating structure; and
- **Sponsored S.B. 15-236 (Reorganize State Historical Society Funds)** to modify the structure of History Colorado's funds and thus assist management in tracking the organization's financial status.

Legislative Audit Committee Bill. During the 2015 session, the Legislative Audit Committee was worked with the History Colorado board and the Governor on creating a new governance structure for the organization. The Legislative audit Committee sponsored **S.B. 15-225**, which changed the organization's governance structure, so that it would now be overseen by a board of nine people appointed/approved by the Governor and confirmed by the Senate. Although the change was originally expected to take effect in January 2016, the bill was modified during the process to take effect July 1, 2015, with new members allowed to serve prior to Senate confirmation.

History Colorado Response – New Directions. According to the agency's response to the JBC's request for information:

> "**The series of messages coming through the 2014 performance audit and, more recently, through the work done by the JBC have been heard "loud and clear,"** and the organization has taken a number of fairly wide-reaching actions that it believes not only serve to address the specific fiscal weaknesses raised by the audit, but also to go much further to help address the more fundamental concerns about the organization's budgetary issues raised by the JBC in March 2015. The agency fervently hopes and believes that these actions will help position it on a new and more favorable course financially."

Contemporaneous with 2015 legislative deliberations, various other task forces and groups were working within the executive branch to untangle History Colorado's financial and administrative challenges.

Fiscal Working Group. In February 2015, History Colorado in consultation with the Department of Higher Education, OSPB, and the State Controller's Office, established a fiscal working group to examine the agency's fund balances and assess the statutory needs of the agency. The work culminated in a presentation by the Department of Higher Education and the State Controller to the History Colorado Board of Directors in April 2015. This presentation highlighted issues related to each History Colorado funds and the need for improvements in various fiscal areas, including the transparency of payments between History Colorado and the separate Colorado Historical Foundation.

Solutions Task Force. About the same time, the History Colorado Board created its own ad hoc committee, consisting of nine board members, the President and CEO, the Chief Operating Officer, and the Chief Financial Officer to more closely assess the organizations financial situation and bring agency expenditures into alignment with revenues. The Task Force requested that the leadership analyze and **make recommendations on operational and personnel cuts, program efficiencies and revenue enhancements to reduce the organization's structural deficit by at least $3.0 million over the next two years (FY 2015-16 and FY 2016-17).** This target was based on the anticipated FY 2014-15 shortfall of $2.2 million and an additional $0.8 million cushion against future events.

Budget and Staffing Cuts. Before its dissolution at the end of June 2015, the old History Colorado Board approved the $3.0 million target for cuts and set the stage for cuts effective July 1. Cuts were implemented under the new History Colorado Board. These included:

- Operating budget (excluding personnel) cuts of 11 percent effective July 1, 2015.
- Voluntary early retirement program offered in July and August 2015, offering eligible employees a separation payment equal to one week of pay for each year of credited services. **Eleven employees accepted early retirement, including the President & CEO, Chief Operating Officer, and Chief Financial Officer.**
- Voluntary furlough program (unpaid leave) offered in July and August 2015. **42 staff volunteered for 4,012 furlough hours (equivalent of 2.0 FTE) in FY 2015-16.**

The above actions provided **savings of $1.7 million for FY 2015-16, annualizing to $2.0 million in FY 2016-17.**

As the voluntary and operations cuts were insufficient to meet financial targets, the new Board requested an evaluation in August 2015 of involuntary layoff options. The analysis addressed the need to retain the organization's most capable staff, the organization's ability to continue to carry out essential activities and priorities, and the need to ensure the organization was well positioned to rebound from the reductions.

- In September 2015, the History Colorado Board approved **involuntary layoff of approximately 15 FTE** (combinations of complete and partial layoffs). These reductions provided additional savings of $0.5 million in FY 2015-16 and $0.7 million in FY 2016-17.

The Board also adopted an organization-wide policy to prohibit new hires without express approval of the Executive Director or Board.

Other Significant Steps to Improve Financial and Organizational Management.

<u>New Board</u>. The nine board members appointed by the Governor have deep backgrounds in organizational management and other skills key to a History Colorado turnaround. They are: Ann Alexander Pritzlaff (chair), Marco Antonio Abarca, Cathey McClain Finlon, Kenneth W. Lund, Robert E. Musgraves, Rick Pederson, Christopher W. Tetzeli, Tamra J. Ward, and Charles H. Woolley II. All have extensive experience serving on high profile boards (e.g., the Denver Metro Chamber of Commerce, Children's Hospital) and impressive professional backgrounds. Most are current or former presidents, owners, and/or managing directors of major corporations in fields as diverse as public affairs, advertising, private equity, brand management, accounting, food processing, and titanium metal supply. Many also have specific experience in the field of historic preservation and museum administration (e.g., former historic preservation officer for Arizona, past president of the Denver Art Museum, CEO of a real estate development firm specializing in historic preservation).

<u>New Management</u>

- On an interim basis, the former President and CEO (Ed Nichols) was replaced with a two-person team consisting of a member of the new History Colorado Board (Bob Musgraves; volunteering his time) and Steve Turner, Vice President of Preservation Programs.
- The Board is beginning a search process for a new President.
- CFO and COO positions have been eliminated, thus flatting the organization's structure.

The dynamic head of the Pueblo museum (Dawn DiPrince) will oversee all community museums.

New management tools. Senior staff will be provided with regular budget-to-actual information and held accountable for achieving budgetary goals.

Breaking down organizational silos. Interim leaders have placed special emphasis on breaking down the serious organization silos that had developed and building better collaboration throughout the organization. Managers are being urged to emphasize employee empowerment and pushing decision making to lower levels in responsible ways whenever possible.

Growing revenue through new programming. Having implemented extensive cuts, the Board is now focusing on ways to meaningfully increase membership and earned revenue. According to JBC staff conversations with History Colorado leadership:

- The organization is ending its recent practice of bringing in expensive traveling exhibits and will instead be focusing on making better use of its extensive existing collections.
- There will be a tilt back toward developing History Colorado Center exhibits that are of interest to adults. (Many of the new museum's exhibits are designed around hands-on activities for school children.)

In its RFI response, the organization cites plans for:

- New and interesting exhibit programming
- Expanded educational offerings for both children and adults
- Renewed fundraising for exhibits
- Increased private and local government investment in the community museums
- Enhanced partnerships and collaboration with other institutions, particularly higher education institutions
- Reassessing physical facilities and associated revenue generating opportunities
- Exploring the relationship with the Colorado Historical Foundation to determine if it can be strengthened or if a new dedicated foundation must be formed.

Budget Forecast

The agency provided extensive data on projected spending by fund source in a format that is an enormous improvement over the materials provided in the past. The table below summarizes the information provided for FY 2014-15, FY 2015-16 and FY 2016-17 for museum and preservation operations, since this has been the portion of the overall institutional structure. As shown, while the organization anticipates continued losses in FY 2015-16, the scale of losses has declined and it expects to break even by FY 2016-17.

Museum Operations Budget: Combined Gaming ("minority share"), Earned, and Federal Grant Revenue			
	FY 2014-15	**FY 2015-16**	**FY 2016-17**
Revenue			
Gaming revenue ("minority share")	$9,371,341	$9,762,834	$9,762,834
Earned revenue from operations + prior year adjustment	3,790,200	3,522,293	3,522,293
"Majority share" indirect cost transfer	382,778	382,778	382,778
Combined interest earnings	76,548	22,328	13,987
Federal grants	803,146	1,213,289	1,237,555
Total Revenue	**$14,424,013**	**$14,903,522**	**$14,919,447**
Expenses			
Combined operational budget + internal grants	12,060,550	10,337,913	9,597,975
History Colorado Center COP payment	3,021,718	3,021,835	3,021,815
Regional museum controlled maintenance (capital budget)	499,988	600,000	600,000
Higher Education indirect costs	195,404	164,549	195,000
Unemployment and contingency	-	400,000	250,000
Federal grant expense	803,146	1,213,289	1,237,555
Total Expense	**$16,580,806**	**$15,737,586**	**$14,902,345**
Revenue to Expense Surplus/(Shortfall)	**($2,156,793)**	**($834,064)**	**$17,102**
Beginning Cash Balance (combined funds)	$4,744,779	$2,587,986	$1,753,922
Ending Cash Balance (combined funds)	**2,587,986**	**1,753,922**	**1,771,024**

Appendix A: Number Pages

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
DEPARTMENT OF HIGHER EDUCATION					
Joseph Garcia, Executive Director/Lt. Governor					

(1) DEPARTMENT ADMINISTRATIVE OFFICE

Primary Functions: Centrally appropriated items for the Department of Administration, the Commission, the Division of Private Occupational Schools, and History Colorado. Cash funds reflect the share of costs born by various cash programs within the Department. Reappropriated funds are from indirect cost recoveries.

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Health, Life, and Dental	1,247,031	1,477,269	1,902,038	1,823,868	
General Fund	0	0	0	5,210	
Cash Funds	893,372	885,006	1,144,173	1,136,133	
Reappropriated Funds	190,396	256,321	349,353	245,528	
Federal Funds	163,263	335,942	408,512	436,997	
Short-term Disability	18,973	23,373	25,965	22,274	
General Fund	0	0	0	353	
Cash Funds	12,997	14,332	16,856	13,602	
Reappropriated Funds	3,357	3,691	4,319	3,568	
Federal Funds	2,619	5,350	4,790	4,751	
S.B. 04-257 Amortization Equalization Disbursement	363,955	432,278	534,843	604,024	
General Fund	0	0	0	9,563	
Cash Funds	247,115	264,719	347,174	368,879	
Reappropriated Funds	66,142	68,381	88,956	96,749	
Federal Funds	50,698	99,178	98,713	128,833	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization Disbursement	328,570	405,261	516,610	597,732	
General Fund	0	0	0	9,463	
Cash Funds	223,090	248,174	335,338	365,037	
Reappropriated Funds	59,711	64,107	85,924	95,741	
Federal Funds	45,769	92,980	95,348	127,491	
Salary Survey	215,193	226,207	133,092	0	
General Fund	0	0	0	0	
Cash Funds	145,257	118,595	86,399	0	
Reappropriated Funds	39,592	45,302	22,138	0	
Federal Funds	30,344	62,310	24,555	0	
Merit Pay	174,977	149,056	123,247	0	
General Fund	0	0	0	0	
Cash Funds	119,653	101,034	79,317	0	
Reappropriated Funds	31,161	17,765	20,270	0	
Federal Funds	24,163	30,257	23,660	0	
Workers' Compensation	179,422	108,627	87,984	90,471	
Cash Funds	170,416	99,322	78,459	73,796	
Reappropriated Funds	9,006	9,305	9,525	16,675	
Legal Services	40,804	61,619	42,565	43,075	
General Fund	0	18,216	0	0	
Cash Funds	11,260	11,287	11,747	11,887	
Reappropriated Funds	29,544	32,116	30,818	31,188	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Administrative Law Judge Services	1,454	2,654	0	7,148	*
Cash Funds	1,454	2,654	0	7,148	
CORE Operations	36,461	166,006	95,720	161,859	
General Fund	0	99,353	0	0	
Cash Funds	19,614	49,806	78,265	88,209	
Reappropriated Funds	16,847	16,847	17,455	73,650	
Federal Funds	0	0	0	0	
Information Technology Security	1,559	0	0	0	
Cash Funds	1,503	0	0	0	
Reappropriated Funds	56	0	0	0	
Payment to Risk Management and Property Funds	139,297	131,534	94,719	122,001	
Cash Funds	138,040	128,964	90,678	113,577	
Reappropriated Funds	1,257	2,570	4,041	8,424	
Payments to OIT	0	358,208	408,002	403,610	*
General Fund	0	120	0	4,141	
Cash Funds	0	347,961	396,578	346,782	
Reappropriated Funds	0	10,127	11,424	52,687	
Leased Space	524,862	534,607	546,166	556,818	
Cash Funds	104,972	107,102	109,232	111,362	
Reappropriated Funds	419,890	427,505	436,934	445,456	
Purchase of Services from Computer Center	156,837	0	0	0	
Cash Funds	151,485	0	0	0	
Reappropriated Funds	5,352	0	0	0	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (1) Department Administrative Office	3,429,395	4,076,699	4,510,951	4,432,880	(1.7%)
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	0	117,689	0	28,730	0.0%
Cash Funds	2,240,228	2,378,956	2,774,216	2,636,412	(5.0%)
Reappropriated Funds	872,311	954,037	1,081,157	1,069,666	(1.1%)
Federal Funds	316,856	626,017	655,578	698,072	6.5%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

(2) COLORADO COMMISSION ON HIGHER EDUCATION

Primary Functions: Services as the central policy and coordinating board for higher education. This section also includes funding for various special purpose programs. Cash fund sources include fees from proprietary schools deposited in the Private Occupational Schools Fund, tobacco settlement moneys that support the lease purchase of academic facilities at Fitzsimons, limited gaming funds that support higher education research grants, and severance tax funds that support the Colorado Geological Survey at the Colorado School of Mines, among other sources. Reappropriated funds are primarily from indirect cost recoveries.

(A) Administration

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Administration	7,141,652	3,107,380	3,174,169	3,185,214	
FTE	27.3	26.4	30.0	30.0	
General Fund	45,207	786,770	326,450	326,450	
Cash Funds	165,433	179,481	252,364	258,089	
Reappropriated Funds	2,068,570	2,141,129	2,595,355	2,600,675	
Federal Funds	4,862,442	0	0	0	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
SUBTOTAL - (A) Administration	7,141,652	3,107,380	3,174,169	3,185,214	0.3%
FTE	27.3	26.4	30.0	30.0	0.0%
General Fund	45,207	786,770	326,450	326,450	0.0%
Cash Funds	165,433	179,481	252,364	258,089	2.3%
Reappropriated Funds	2,068,570	2,141,129	2,595,355	2,600,675	0.2%
Federal Funds	4,862,442	0	0	0	0.0%

(B) Division of Private Occupational Schools

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Division of Private Occupational Schools	460,029	664,386	662,745	656,642	
FTE	7.3	7.0	7.8	7.8	
Cash Funds	460,029	664,386	662,745	656,642	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
SUBTOTAL - (B) Division of Private Occupational Schools	460,029	664,386	662,745	656,642	(0.9%)
FTE	7.3	7.0	7.8	7.8	0.0%
Cash Funds	460,029	664,386	662,745	656,642	(0.9%)
(C) Special Purpose					
Western Interstate Commission for Higher Education (WICHE)	131,000	137,000	137,000	145,000 *	
Reappropriated Funds	131,000	137,000	137,000	145,000	
WICHE - Optometry	393,976	399,000	399,000	399,000	
General Fund	0	0	0	0	
Reappropriated Funds	393,976	399,000	399,000	399,000	
Distribution to Higher Education Competitive Research Authority	2,534,000	1,414,342	2,800,000	2,800,000	
Cash Funds	2,534,000	1,414,342	2,800,000	2,800,000	
Veterinary School Program Needs	162,400	285,000	285,000	285,000	
Cash Funds	0	131,100	131,100	131,100	
Reappropriated Funds	162,400	153,900	153,900	153,900	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Colorado Geological Survey at the Colorado School of Mines	1,863,401	2,137,695	2,229,824	2,243,363	
FTE	10.0	5.7	15.5	15.5	
General Fund	300,000	306,000	411,494	413,829	
Cash Funds	1,459,401	1,541,150	1,477,785	1,486,289	
Reappropriated Funds	0	0	50,000	50,592	
Federal Funds	104,000	290,545	290,545	292,653	
GEAR-UP	0	6,620,644	5,000,000	5,000,000	
FTE	0.0	40.0	39.1	39.1	
Federal Funds	0	6,620,644	5,000,000	5,000,000	
Prosecution Fellowship Program	0	0	356,496	356,496	
General Fund	0	0	356,496	356,496	
University of Colorado, Lease Purchase of Academic Facilities at Fitzsimons	0	0	14,289,937	14,255,211	
General Fund	0	0	7,204,931	7,170,205	
Cash Funds	0	0	7,085,006	7,085,006	
SUBTOTAL - (C) Special Purpose	5,084,777	10,993,681	25,497,257	25,484,070	(0.1%)
FTE	10.0	45.7	54.6	54.6	0.0%
General Fund	300,000	306,000	7,972,921	7,940,530	(0.4%)
Cash Funds	3,993,401	3,086,592	11,493,891	11,502,395	0.1%
Reappropriated Funds	687,376	689,900	739,900	748,492	1.2%
Federal Funds	104,000	6,911,189	5,290,545	5,292,653	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (2) Colorado Commission on Higher Education	12,686,458	14,765,447	29,334,171	29,325,926	(0.0%)
FTE	44.6	79.1	92.4	92.4	0.0%
General Fund	345,207	1,092,770	8,299,371	8,266,980	(0.4%)
Cash Funds	4,618,863	3,930,459	12,409,000	12,417,126	0.1%
Reappropriated Funds	2,755,946	2,831,029	3,335,255	3,349,167	0.4%
Federal Funds	4,966,442	6,911,189	5,290,545	5,292,653	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
(3) COLORADO COMMISSION ON HIGHER EDUCATION FINANCIAL AID					
Primary Function: Provides assistance to students in meeting the costs of higher education.					
(A) Need Based Grants					
Need Based Grants	79,271,758	110,399,584	124,570,732	124,570,732	
General Fund	79,271,758	4,874,528	9,774,030	9,774,030	
General Fund Exempt	0	105,179,880	114,796,702	114,796,702	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	345,176	0	0	
SUBTOTAL - (A) Need Based Grants	79,271,758	110,399,584	124,570,732	124,570,732	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	79,271,758	4,874,528	9,774,030	9,774,030	0.0%
General Fund Exempt	0	105,179,880	114,796,702	114,796,702	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	345,176	0	0	0.0%
(B) Work Study					
Work Study	16,012,141	20,442,881	21,432,328	21,432,328	
General Fund	16,012,141	0	5,000,000	5,000,000	
General Fund Exempt	0	20,442,881	16,432,328	16,432,328	
SUBTOTAL - (B) Work Study	16,012,141	20,442,881	21,432,328	21,432,328	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	16,012,141	0	5,000,000	5,000,000	0.0%
General Fund Exempt	0	20,442,881	16,432,328	16,432,328	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
(C) Merit Based Grants					
Merit Based Grants	0	5,010,052	5,000,000	5,000,000	
General Fund	0	0	5,000,000	5,000,000	
General Fund Exempt	0	5,010,052	0	0	
SUBTOTAL - (C) Merit Based Grants	0	5,010,052	5,000,000	5,000,000	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	0	0	5,000,000	5,000,000	0.0%
General Fund Exempt	0	5,010,052	0	0	0.0%
(D) Special Purpose					
Veterans'/Law Enforcement/POW Tuition Assistance	591,309	575,034	672,000	672,000	
General Fund	591,309	575,034	672,000	672,000	
National Guard Tuition Assistance Fund	800,000	800,000	800,000	800,000	
General Fund	800,000	800,000	800,000	800,000	
Native American Students/Fort Lewis College	14,466,230	14,841,981	16,157,618	17,269,714 *	
General Fund	14,466,230	0	1,315,637	2,427,733	
General Fund Exempt	0	14,841,981	14,841,981	14,841,981	
Reappropriated Funds	0	0	0	0	
Colorado Opportunity Scholarship Initiative Fund	0	1,000,000	5,000,000	5,000,000	
General Fund	0	1,000,000	5,000,000	5,000,000	
Tuition Assistance for Career and Technical Education Certificate Programs	0	0	450,000	450,000	
General Fund	0	0	450,000	450,000	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
GEAR - UP	792,862	0	0	0	
General Fund	0	0	0	0	
Federal Funds	792,862	0	0	0	
SUBTOTAL - (D) Special Purpose	16,650,401	17,217,015	23,079,618	24,191,714	4.8%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	15,857,539	2,375,034	8,237,637	9,349,733	13.5%
General Fund Exempt	0	14,841,981	14,841,981	14,841,981	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	792,862	0	0	0	0.0%
TOTAL - (3) Colorado Commission on Higher Education Financial Aid	111,934,300	153,069,532	174,082,678	175,194,774	0.6%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	111,141,438	7,249,562	28,011,667	29,123,763	4.0%
General Fund Exempt	0	145,474,794	146,071,011	146,071,011	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	345,176	0	0	0.0%
Federal Funds	792,862	0	0	0	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

(4) COLLEGE OPPORTUNITY FUND PROGRAM

Primary Function: Provides General Fund for student stipend payments and for fee-for-service contracts between the Colorado Commission on Higher Education and state higher education institutions.

(A) Stipends

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Stipends for eligible full-time equivalent students attending state institutions	255,770,284	289,362,876	294,582,047	281,646,532 *	
General Fund	255,770,284	0	0	0	
General Fund Exempt	0	289,362,876	294,582,047	281,646,532	
Stipends for eligible full-time equivalent students attending participating private institutions	1,295,102	1,506,375	1,506,375	1,466,205 *	
General Fund	1,295,102	0	0	0	
General Fund Exempt	0	1,506,375	1,506,375	1,466,205	
SUBTOTAL - (A) Stipends	257,065,386	290,869,251	296,088,422	283,112,737	(4.4%)
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	257,065,386	0	0	0	0.0%
General Fund Exempt	0	290,869,251	296,088,422	283,112,737	(4.4%)

(B) Fee-for-service Contracts with State Institutions

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Fee-for-service Contracts with State Institutions Pursuant to Section 23-18-303, C.R.S.	0	0	235,868,831	232,798,462 *	
General Fund	0	0	15,172,132	5,172,132	
General Fund Exempt	0	0	220,696,699	227,626,330	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Fee-for-service Contracts with State Institutions for Specialty Education Programs	0	0	116,133,797	112,957,776	*
General Fund	0	0	11,732,099	1,732,099	
General Fund Exempt	0	0	104,401,698	111,225,677	
Limited Purpose Fee-for-Service Contracts with State Institutions	0	0	86,960	86,960	
General Fund	0	0	86,960	86,960	
Fee-for-service Contracts with State Institutions	267,873,915	292,931,609	0	0	
General Fund	267,873,915	250,000	0	0	
General Fund Exempt	0	292,681,609	0	0	
SUBTOTAL - (B) Fee-for-service Contracts with State Institutions	267,873,915	292,931,609	352,089,588	345,843,198	(1.8%)
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	267,873,915	250,000	26,991,191	6,991,191	(74.1%)
General Fund Exempt	0	292,681,609	325,098,397	338,852,007	4.2%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (4) College Opportunity Fund Program	524,939,301	583,800,860	648,178,010	628,955,935	(3.0%)
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	524,939,301	250,000	26,991,191	6,991,191	(74.1%)
General Fund Exempt	0	583,550,860	621,186,819	621,964,744	0.1%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

(5) GOVERNING BOARDS

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

(A) Trustees of Adams State University

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Trustees of Adams State College	31,601,536	32,527,072	39,296,127	39,022,783 *	
FTE	317.0	319.6	330.0	330.0	
Cash Funds	20,040,335	19,689,783	25,175,110	25,175,110	
Reappropriated Funds	11,561,201	12,837,289	14,121,017	13,847,673	
SUBTOTAL - (A) Trustees of Adams State University	31,601,536	32,527,072	39,296,127	39,022,783	(0.7%)
FTE	317.0	319.6	330.0	330.0	0.0%
Cash Funds	20,040,335	19,689,783	25,175,110	25,175,110	0.0%
Reappropriated Funds	11,561,201	12,837,289	14,121,017	13,847,673	(1.9%)

(B) Trustees of Colorado Mesa University

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Trustees of Colorado Mesa University	75,299,707	78,955,368	83,808,850	82,997,052 *	
FTE	626.8	640.2	695.3	695.3	
Cash Funds	55,465,896	56,928,117	59,343,494	59,343,494	
Reappropriated Funds	19,833,811	22,027,251	24,465,356	23,653,558	
SUBTOTAL - (B) Trustees of Colorado Mesa University	75,299,707	78,955,368	83,808,850	82,997,052	(1.0%)
FTE	626.8	640.2	695.3	695.3	0.0%
Cash Funds	55,465,896	56,928,117	59,343,494	59,343,494	0.0%
Reappropriated Funds	19,833,811	22,027,251	24,465,356	23,653,558	(3.3%)

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request		Request vs. Appropriation
(C) Trustees of Metropolitan State College of Denver						
Trustees of Metropolitan State College of Denver	136,971,040	145,809,389	165,285,709	164,820,877	*	
FTE	1,275.5	1,313.2	1,362.6	1,362.6		
Cash Funds	97,741,027	102,128,196	115,132,310	115,132,310		
Reappropriated Funds	39,230,013	43,681,193	50,153,399	49,688,567		
SUBTOTAL - (C) Trustees of Metropolitan State College of Denver	136,971,040	145,809,389	165,285,709	164,820,877		(0.3%)
FTE	1,275.5	1,313.2	1,362.6	1,362.6		0.0%
Cash Funds	97,741,027	102,128,196	115,132,310	115,132,310		0.0%
Reappropriated Funds	39,230,013	43,681,193	50,153,399	49,688,567		(0.9%)
(D) Trustees of Western State College						
Trustees of Western State College	24,597,255	26,565,226	31,774,283	31,478,562	*	
FTE	234.7	244.6	241.4	241.4		
Cash Funds	15,064,346	15,979,779	20,130,291	20,130,291		
Reappropriated Funds	9,532,909	10,585,447	11,643,992	11,348,271		
SUBTOTAL - (D) Trustees of Western State College	24,597,255	26,565,226	31,774,283	31,478,562		(0.9%)
FTE	234.7	244.6	241.4	241.4		(0.0%)
Cash Funds	15,064,346	15,979,779	20,130,291	20,130,291		0.0%
Reappropriated Funds	9,532,909	10,585,447	11,643,992	11,348,271		(2.5%)

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
(E) Board of Governors of the Colorado State University System					
Board of Governors of the Colorado State University System	442,861,398	484,788,862	530,091,180	525,851,506 *	
FTE	4,729.4	4,856.1	4,587.2	4,587.2	
Cash Funds	343,014,016	362,810,378	395,430,996	395,430,996	
Reappropriated Funds	99,847,382	121,978,484	134,660,184	130,420,510	
SUBTOTAL - (E) Board of Governors of the Colorado State University System	442,861,398	484,788,862	530,091,180	525,851,506	(0.8%)
FTE	4,729.4	4,856.1	4,587.2	4,587.2	0.0%
Cash Funds	343,014,016	362,810,378	395,430,996	395,430,996	0.0%
Reappropriated Funds	99,847,382	121,978,484	134,660,184	130,420,510	(3.1%)
(F) Trustees of Fort Lewis College					
Trustees of Fort Lewis College	49,367,991	50,600,826	53,409,825	52,842,974 *	
FTE	372.7	409.7	415.0	415.0	
Cash Funds	39,827,671	40,006,222	41,587,403	41,587,403	
Reappropriated Funds	9,540,320	10,594,604	11,822,422	11,255,571	
SUBTOTAL - (F) Trustees of Fort Lewis College	49,367,991	50,600,826	53,409,825	52,842,974	(1.1%)
FTE	372.7	409.7	415.0	415.0	0.0%
Cash Funds	39,827,671	40,006,222	41,587,403	41,587,403	0.0%
Reappropriated Funds	9,540,320	10,594,604	11,822,422	11,255,571	(4.8%)

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
(G) Regents of the University of Colorado					
Regents of the University of Colorado	982,379,472	1,055,261,427	1,148,537,561	1,144,453,292 *	
FTE	7,713.4	7,821.7	7,825.2	7,825.2	
Cash Funds	832,123,833	888,163,616	963,921,894	963,921,894	
Reappropriated Funds	150,255,639	167,097,811	184,615,667	180,531,398	
SUBTOTAL - (G) Regents of the University of Colorado	982,379,472	1,055,261,427	1,148,537,561	1,144,453,292	(0.4%)
FTE	7,713.4	7,821.7	7,825.2	7,825.2	(0.0%)
Cash Funds	832,123,833	888,163,616	963,921,894	963,921,894	0.0%
Reappropriated Funds	150,255,639	167,097,811	184,615,667	180,531,398	(2.2%)
(H) Trustees of the Colorado School of Mines					
Trustees of the Colorado School of Mines	128,547,431	138,966,344	143,037,105	142,645,718 *	
FTE	832.7	835.2	878.5	878.5	
Cash Funds	111,733,884	120,296,888	122,489,777	122,489,777	
Reappropriated Funds	16,813,547	18,669,456	20,547,328	20,155,941	
SUBTOTAL - (H) Trustees of the Colorado School of Mines	128,547,431	138,966,344	143,037,105	142,645,718	(0.3%)
FTE	832.7	835.2	878.5	878.5	0.0%
Cash Funds	111,733,884	120,296,888	122,489,777	122,489,777	0.0%
Reappropriated Funds	16,813,547	18,669,456	20,547,328	20,155,941	(1.9%)

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
(I) University of Northern Colorado					
University of Northern Colorado	118,413,262	121,696,776	128,793,507	125,746,162 *	
FTE	1,125.7	1,110.1	1,141.9	1,141.9	
Cash Funds	84,773,202	84,340,249	87,700,778	87,700,778	
Reappropriated Funds	33,640,060	37,356,527	41,092,729	38,045,384	
SUBTOTAL - (I) University of Northern Colorado	118,413,262	121,696,776	128,793,507	125,746,162	(2.4%)
FTE	1,125.7	1,110.1	1,141.9	1,141.9	0.0%
Cash Funds	84,773,202	84,340,249	87,700,778	87,700,778	0.0%
Reappropriated Funds	33,640,060	37,356,527	41,092,729	38,045,384	(7.4%)
(J) State Board for Community Colleges and Occupational Education State System Community Colleges					
State Board for Community Colleges and Occupational Education State System Community Colleges	395,285,155	414,739,364	430,442,087	425,435,403 *	
FTE	5,906.4	5,916.8	5,935.4	5,935.4	
Cash Funds	271,895,839	277,273,440	276,892,546	276,892,546	
Reappropriated Funds	123,389,316	137,465,924	153,549,541	148,542,857	
SUBTOTAL - (J) State Board for Community Colleges and Occupational Education State System Community Colleges	395,285,155	414,739,364	430,442,087	425,435,403	(1.2%)
FTE	5,906.4	5,916.8	5,935.4	5,935.4	(0.0%)
Cash Funds	271,895,839	277,273,440	276,892,546	276,892,546	0.0%
Reappropriated Funds	123,389,316	137,465,924	153,549,541	148,542,857	(3.3%)

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (5) Governing Boards	2,385,324,247	2,549,910,654	2,754,476,234	2,735,294,329	(0.7%)
FTE	23,134.3	23,467.2	23,412.5	23,412.5	0.0%
Cash Funds	1,871,680,049	1,967,616,668	2,107,804,599	2,107,804,599	0.0%
Reappropriated Funds	513,644,198	582,293,986	646,671,635	627,489,730	(3.0%)

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request		Request vs. Appropriation

(6) LOCAL DISTRICT JUNIOR COLLEGE GRANTS PURSUANT TO SECTION 23-71-301, C.R.S.

Primary Functions: Subsidizes the operations of the state's two local district junior colleges: Aims Community College and Colorado Mountain College. Institutions that are set up as local district junior colleges have special property tax districts that also support their operations and governing boards that are independent from the rest of the community college system. Students from the special property tax districts pay discounted tuition rates.

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request		Request vs. Appropriation
Colorado Mountain College	0	0	7,452,827	7,231,728	*	
General Fund	0	0	1,102,019	1,102,019		
General Fund Exempt	0	0	6,041,020	5,819,921		
Cash Funds	0	0	309,788	309,788		
Aims Community College	0	0	8,797,792	8,536,792	*	
General Fund	0	0	1,836,871	1,836,871		
General Fund Exempt	0	0	6,609,305	6,348,305		
Cash Funds	0	0	351,616	351,616		
Local District Junior College Grants	13,300,325	14,705,995	0	0		
General Fund	12,650,325	0	0	0		
General Fund Exempt	0	14,044,591	0	0		
Cash Funds	650,000	661,404	0	0		
TOTAL - (6) Local District Junior College Grants Pursuant to Section 23-71-301, C.R.S.	13,300,325	14,705,995	16,250,619	15,768,520		(3.0%)
FTE	0.0	0.0	0.0	0.0		0.0%
General Fund	12,650,325	0	2,938,890	2,938,890		0.0%
General Fund Exempt	0	14,044,591	12,650,325	12,168,226		(3.8%)
Cash Funds	650,000	661,404	661,404	661,404		0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

(7) DIVISION OF OCCUPATIONAL EDUCATION

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

(A) Administrative Costs

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Administrative Costs	900,000	712,839	900,000	900,000	
FTE	9.0	9.0	9.0	9.0	
Reappropriated Funds	900,000	712,839	900,000	900,000	
SUBTOTAL - (A) Administrative Costs	900,000	712,839	900,000	900,000	0.0%
FTE	9.0	9.0	9.0	9.0	0.0%
Reappropriated Funds	900,000	712,839	900,000	900,000	0.0%

(B) Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S.

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Distributions of State Assistance for Career and Technical Education	24,528,304	25,101,461	25,436,648	25,436,648	
Reappropriated Funds	24,528,304	25,101,461	25,436,648	25,436,648	
SUBTOTAL - (B) Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S.	24,528,304	25,101,461	25,436,648	25,436,648	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Reappropriated Funds	24,528,304	25,101,461	25,436,648	25,436,648	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
(C) Area Vocational School Support					
Area Vocational School Support	8,091,845	8,983,694	9,971,721	9,675,895 *	
General Fund	8,091,845	0	1,879,876	1,879,876	
General Fund Exempt	0	8,983,694	8,091,845	7,796,019	
SUBTOTAL - (C) Area Vocational School Support	8,091,845	8,983,694	9,971,721	9,675,895	(3.0%)
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	8,091,845	0	1,879,876	1,879,876	0.0%
General Fund Exempt	0	8,983,694	8,091,845	7,796,019	(3.7%)
(D) Sponsored Programs					
Administration	1,804,779	2,100,956	2,220,227	2,220,227	
FTE	17.3	17.3	23.0	23.0	
Federal Funds	1,804,779	2,100,956	2,220,227	2,220,227	
Programs	12,414,710	13,143,191	13,353,751 0.0	13,353,751	
Federal Funds	12,414,710	13,143,191	13,353,751	13,353,751	
SUBTOTAL - (D) Sponsored Programs	14,219,489	15,244,147	15,573,978	15,573,978	0.0%
FTE	17.3	17.3	23.0	23.0	0.0%
Federal Funds	14,219,489	15,244,147	15,573,978	15,573,978	0.0%
(E) Colorado First Customized Job Training					
Colorado First Customized Job Training	4,225,022	2,781,733	4,500,000	4,500,000	
Reappropriated Funds	4,225,022	2,781,733	4,500,000	4,500,000	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
SUBTOTAL - (E) Colorado First Customized Job Training	4,225,022	2,781,733	4,500,000	4,500,000	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Reappropriated Funds	4,225,022	2,781,733	4,500,000	4,500,000	0.0%
TOTAL - (7) Division of Occupational Education	51,964,660	52,823,874	56,382,347	56,086,521	(0.5%)
FTE	26.3	26.3	32.0	32.0	0.0%
General Fund	8,091,845	0	1,879,876	1,879,876	0.0%
General Fund Exempt	0	8,983,694	8,091,845	7,796,019	(3.7%)
Reappropriated Funds	29,653,326	28,596,033	30,836,648	30,836,648	0.0%
Federal Funds	14,219,489	15,244,147	15,573,978	15,573,978	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request		Request vs. Appropriation

(8) AURARIA HIGHER EDUCATION CENTER

Primary Functions: Established by statute in 1974, the Auraria Higher Education Center (AHEC) is governed by a Board of Directors who oversee the centralized operations of the campus located in Denver. AHEC houses and provides common services to the Community College of Denver, Metropolitan State College of Denver, and the University of Colorado at Denver and Health Sciences Center.

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request		Request vs. Appropriation
Administration	17,679,311	18,376,048	19,879,000	20,276,580	*	
FTE	181.9	181.3	188.0	188.0		
Reappropriated Funds	17,679,311	18,376,048	19,879,000	20,276,580		
TOTAL - (8) Auraria Higher Education Center	17,679,311	18,376,048	19,879,000	20,276,580		2.0%
FTE	181.9	181.3	188.0	188.0		0.0%
Reappropriated Funds	17,679,311	18,376,048	19,879,000	20,276,580		2.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation

(9) HISTORY COLORADO

Primary Functions: Collect, preserve, exhibit, and interpret artifacts and properties of historical significance to the State. Distribute gaming revenues earmarked for historic preservation. The cash funds come from gaming revenues deposited in the State Historic Fund, museum revenues, gifts, and grants.

(A) Central Administration

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Central Administration	0	0	1,234,667	1,234,647	
FTE	0.0	0.0	12.0	12.0	
Cash Funds	0	0	1,118,325	1,118,305	
Federal Funds	0	0	116,342	116,342	
Facilities Management	0	0	1,833,925	1,833,925	
FTE	0.0	0.0	7.5	7.5	
Cash Funds	0	0	1,833,925	1,833,925	
Lease Purchase of Colorado History Museum	0	0	3,121,835	3,121,835	
Cash Funds	0	0	3,121,835	3,121,835	
SUBTOTAL - (A) Central Administration	0	0	6,190,427	6,190,407	
FTE	0.0	0.0	19.5	19.5	0.0%
Cash Funds	0	0	6,074,085	6,074,065	0.0%
Federal Funds	0	0	116,342	116,342	0.0%

(B) History Colorado Museums

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
History Colorado Center	0	0	4,711,859	4,716,645	
FTE	0.0	0.0	56.4	56.4	
Cash Funds	0	0	4,637,882	4,642,668	
Federal Funds	0	0	73,977	73,977	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Community Museums	0	0	1,205,725	1,205,725	
FTE	0.0	0.0	14.5	14.5	
Cash Funds	0	0	1,205,725	1,205,725	
SUBTOTAL - (B) History Colorado Museums	0	0	5,917,584	5,922,370	0.1%
FTE	0.0	0.0	70.9	70.9	0.0%
Cash Funds	0	0	5,843,607	5,848,393	0.1%
Federal Funds	0	0	73,977	73,977	0.0%
(C) Office of Archeology and Historic Preservation					
Program Costs	0	0	1,628,251	1,629,929	
FTE	0.0	0.0	23.0	23.0	
Cash Funds	0	0	844,120	844,120	
Federal Funds	0	0	784,131	785,809	
SUBTOTAL - (C) Office of Archeology and Historic Preservation	0	0	1,628,251	1,629,929	0.1%
FTE	0.0	0.0	23.0	23.0	0.0%
Cash Funds	0	0	844,120	844,120	0.0%
Federal Funds	0	0	784,131	785,809	0.2%
(D) State Historical Fund Program					
Administration	0	0	1,703,303	1,703,303	
FTE	0.0	0.0	18.0	18.0	
Cash Funds	0	0	1,703,303	1,703,303	
Grants	0	0	7,500,000	7,500,000	
Cash Funds	0	0	7,500,000	7,500,000	

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Gaming Cities Distribution	4,726,639	4,695,061	4,900,000	4,900,000	
Cash Funds	4,726,639	4,695,061	4,900,000	4,900,000	
SUBTOTAL - (D) State Historical Fund Program	4,726,639	4,695,061	14,103,303	14,103,303	0.0%
FTE	0.0	0.0	18.0	18.0	0.0%
Cash Funds	4,726,639	4,695,061	14,103,303	14,103,303	0.0%
(E) Cumbres and Toltec Railroad Commission					
Cumbres and Toltec Railroad Commission	1,295,447	548,434	1,623,500	1,623,500 *	
General Fund	445,447	513,434	1,295,000	1,295,000	
Cash Funds	850,000	35,000	328,500	328,500	
SUBTOTAL - (E) Cumbres and Toltec Railroad Commission	1,295,447	548,434	1,623,500	1,623,500	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
General Fund	445,447	513,434	1,295,000	1,295,000	0.0%
Cash Funds	850,000	35,000	328,500	328,500	0.0%
Sponsored Programs					
Sponsored Programs	73,580	213,055	0	0	
FTE	0.9	3.5	0.0	0.0	
Cash Funds	0	0	0	0	
Federal Funds	73,580	213,055	0	0	
SUBTOTAL - Sponsored Programs	73,580	213,055	0	0	0.0%
FTE	0.9	3.5	0.0	0.0	0.0%
Cash Funds	0	0	0	0	0.0%
Federal Funds	73,580	213,055	0	0	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
Auxiliary Programs					
Auxiliary Programs	1,757,535	1,926,563	0	0	
FTE	12.4	14.5	0.0	0.0	
Cash Funds	1,757,535	1,926,563	0	0	
SUBTOTAL - Auxiliary Programs	1,757,535	1,926,563	0	0	0.0%
FTE	12.4	14.5	0.0	0.0	0.0%
Cash Funds	1,757,535	1,926,563	0	0	0.0%
Gaming Revenue					
Statewide Preservation Grant Program	7,483,277	8,542,068	0	0	
FTE	15.1	18.0	0.0	0.0	
Cash Funds	7,483,277	8,542,068	0	0	
Federal Funds	0	0	0	0	
Society Museum and Preservation Operations	8,185,210	12,090,144	0	0	
FTE	83.8	95.4	0.0	0.0	
Cash Funds	7,505,167	11,286,998	0	0	
Federal Funds	680,043	803,146	0	0	
SUBTOTAL - Gaming Revenue	15,668,487	20,632,212	0	0	0.0%
FTE	98.9	113.4	0.0	0.0	0.0%
Cash Funds	14,988,444	19,829,066	0	0	0.0%
Federal Funds	680,043	803,146	0	0	0.0%

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2016-17 Request	Request vs. Appropriation
TOTAL - (9) History Colorado	23,521,688	28,015,325	29,463,065	29,469,509	0.0%
FTE	112.2	131.4	131.4	131.4	0.0%
General Fund	445,447	513,434	1,295,000	1,295,000	0.0%
Cash Funds	22,322,618	26,485,690	27,193,615	27,198,381	0.0%
Federal Funds	753,623	1,016,201	974,450	976,128	0.2%
TOTAL - Department of Higher Education	3,144,779,685	3,419,544,434	3,732,557,075	3,694,804,974	(1.0%)
FTE	23,499.3	23,885.3	23,856.3	23,856.3	0.0%
General Fund	657,613,563	9,223,455	69,415,995	50,524,430	(27.2%)
General Fund Exempt	0	752,053,939	788,000,000	788,000,000	0.0%
Cash Funds	1,901,511,758	2,001,073,177	2,150,842,834	2,150,717,922	0.0%
Reappropriated Funds	564,605,092	633,396,309	701,803,695	683,021,791	(2.7%)
Federal Funds	21,049,272	23,797,554	22,494,551	22,540,831	0.2%

Appendix B: Recent Legislation Affecting Department Budget

2014 Session Bills

S.B. 14-001 (College Affordability Act): Caps the annual increase in the rate of undergraduate resident student tuition at state supported higher education institutions at 6.0 percent in FY 2014-15 and FY 2015-16, provides appropriations to increase funding for all state-supported institutions by 11.0 in FY 2014-15, and increases appropriations for financial aid. In total, the bill appropriates $100,162,480 General Fund to the Department of Higher Education for FY 2014-15. This includes the following:

- $40,000,000 General Fund for student financial aid, including: $30,000,000 for need-based grants; $5,000,000 for work study; and $5,000,000 for merit-based grants.
- $60,000,000 General Fund for the College Opportunity Fund (COF) program and allocations to higher education governing boards, including: $57,713,885 for COF student stipends and fee-for-service contracts with the governing boards of state institutions; $1,394,266 for local district junior colleges; and $891,849 for area vocational schools. The COF student stipend and fee-for-service contract funds ($57,713,885) are reappropriated to the governing boards of state higher education institutions so as to provide an 11.0 percent increase to each governing board over the FY 2013-14 appropriation.
- $162,480 General Fund for COF student stipends for students attending private institutions.

Additional amounts are allocated to the governing boards as reappropriated funds as follows:

	Stipends	Fee-for-service	Total Reappropriated
Adams State University	$361,769	$912,458	$1,274,227
Colorado Mesa University	1,753,128	432,872	2,186,000
Metropolitan State University	3,793,568	530,202	4,323,770
Western State Colorado University	332,714	717,964	1,050,678
Colorado State University System	5,281,816	6,825,105	12,106,921
Fort Lewis College	545,498	505,996	1,051,494
University of Colorado System	7,336,152	9,224,399	16,560,551
Colorado School of Mines	754,991	1,098,128	1,853,119
University of Northern Colorado	2,061,305	1,646,362	3,707,667
Community College System	13,128,904	470,554	13,599,458
Total	$35,349,845	$22,364,040	$57,713,885

The bill specifies that stipend amounts are based on the assumption that 130,925 student FTE attending state institutions will receive COF stipends in FY 2014-15 and that the per-student stipend amount is increased from $1,980 per 30 credit hours (amount in H.B. 14-1336) to $2,250 per 30 credit hours. It also expresses legislative intent that need-based aid and work-study funds should be used to supplement, rather than supplant institutional need-based aid for resident students.

S.B. 14-174 (Prosecution Fellowship Program): Creates the Prosecution Fellowship Program in the Department of Higher Education. The program provides money to the Colorado District Attorneys' Council to fund fellowships for recent Colorado law school graduates, allowing them to pursue careers as prosecutors in rural areas. The appropriation is $356,496 General Fund for FY 2015-16, which is expected to support salary and benefits for up to six fellows.

S.B. 14-211 (Alzheimer's Disease Center): Establishes the Alzheimer's Disease Treatment and Research Center within the University of Colorado School of Medicine to create programs for the care and treatment of persons suffering from Alzheimer's disease. The university must use existing staff and facilities to establish the center. Provides an FY 2014-15 appropriation of $250,000 General Fund for College Opportunity Fund fee-for-service contracts, reappropriated to the University of Colorado. This is anticipated to be used for developing and expanding programs for care and treatment of Alzheimer's patients and related financial assistance, educational, and research programs.

H.B. 14-1319 (Outcomes-based Funding for Higher Education): Creates a new mechanism for allocating state funds to institutions of higher education. Beginning with FY 2015-16, governing boards of institutions of higher education may negotiate a fee-for-service contract (FFS contract) with the Department of Higher Education.

- Each FFS contract must include a combination of institutional role and mission funding and institutional performance funding as outlined in the bill. Specific components and measures are to be determined by the Colorado Commission on Higher Education (CCHE).
- Beginning in FY 2015-16, the total annual appropriation for College Opportunity Fund stipends must be at least 52.5 percent of the total state appropriation for the applicable fiscal year (defined as the sum of the FFS contracts described above and student stipend revenue).
- Funding for area vocational schools, local district junior colleges, and specialty education programs increases or decreases by an amount proportional to the total state appropriation (as defined), with some exceptions.
- From FY 2015-16 through FY 2019-20, each governing board's total appropriation may only be five percentage points greater or less than the percentage change in the total state appropriation for all governing boards.

No later than January 1, 2015, the CCHE must determine the components of the FFS contracts, the factors and weights for calculating role and mission funding, and the performance metrics and weights for calculating performance funding. The CCHE is required to hire a facilitator and convene a series of meetings with interested parties to develop the FFS contract components. The CCHE is also required to work with interested parties to develop a tuition policy. On July 1, 2016, and each July 1 through 2020, the CCHE must submit a status report on implementation of the new allocation method to the Joint Budget Committee and the education committees of the General Assembly.

The bill includes appropriations to the Department of Higher Education for developing and administering the new system of $45,207 General Fund in FY 2013-14 and $804,986 General Fund and 3.0 FTE in FY 2014-15. These amounts are expected to annualize to $306,169 General Fund and 3.0 FTE in FY 2015-16. The bill also includes an FY 2014-15 appropriation of $18,216 reappropriated to the Department of Law for related legal services and a reduction to the General Fund appropriation to the Controlled Maintenance Trust Fund of $772,133.

H.B. 14-1336 (Long Bill): General appropriations act for FY 2014-15.

H.B. 14-1384 (Higher Education Tuition Assistance): Creates the Colorado Opportunity Scholarship Initiative in the Department of Higher Education (DHE) to establish a corpus of funding that allows the DHE to award tuition assistance and facilitate third-party support services for resident students in higher education. Not more than 10 percent of available moneys may be awarded for student support services, with the balance used to build a financial corpus to provide financial assistance to Colorado students at eligible Colorado higher education institutions. At least 70 percent of moneys allocated for student support services must be allocated to non-profit organizations. Creates an advisory board responsible for program development and oversight with three representatives from the State Work Force Development Council and three representing higher education. Recommendations concerning the program are to be submitted to the Education Committees of the General Assembly by June 30, 2015.

Transfers $33,588,500 from the Financial Need Scholarship Fund to the newly-created Colorado Opportunity Scholarship Initiative Fund. Also appropriates $1,000,000 General Fund in FY 2014-15 to the Colorado Opportunity Scholarship Initiative Fund. Amounts in the Colorado Opportunity Scholarship Initiative Fund are continuously appropriated to the Department of Higher Education, which may spend no more than 3.0 percent on the costs of administering the program. Note: the $33.6 million transferred to the Opportunity Scholarship Initiative Fund derives from the sale of the revenue stream from federally-guaranteed student loans, pursuant to H.B. 10-1428.

2015 Session Bills

S.B. 15-148 (Supplemental Bill): Supplemental appropriation to the Department of Higher Education for FY 2014-15.

S.B. 15-186 (Yoga Teacher Training Private Occupational School): The bill exempts yoga teacher training courses, programs, and schools from the provisions of the Private Occupational Education Act of 1981. Reduces fee revenue and appropriations for the Division of Private Occupational Schools by $13,349 cash funds in FY 2015-16 and $16,549 cash funds in FY 2016-17.

S.B. 15-225 (State Historical Society Governance): Changes the way the board of directors for the Colorado State Historical Society is selected. Previously, the board was elected by members of the Historical Society. Effective July 1, 2015, the Governor appoints five members to the board with the consent of the Senate. Four additional members are then selected by the board, and submitted to the Governor for approval and appointment, again with the consent of the Senate. Members appointed to the board have the authority to act on behalf of the board prior to confirmation by the Senate.

S.B. 15-234 (Long Bill): General appropriations act for FY 2015-16. Also includes supplemental adjustments to FY 2014-15 appropriations to the Department of Higher Education.

S.B. 15-236 (Reorganize State Historical Society Funds): Changes the structure of various History Colorado Funds. Creates two subaccounts in the State Historical Fund (SHF): the Preservation Grant Program Account, which receives 50.1 percent of limited gaming revenue to the SHF, and the Museum and Preservation Operations Account, which receives 49.9 percent of limited gaming revenue to the SHF. Divides existing SHF fund balances into these two subaccounts. Amounts in the subaccounts are subject to annual appropriation, except amounts for preservation grants, which are continuously appropriated. Also creates the Enterprise Services Cash Fund for other noncustodial revenue collected by History Colorado, such as admissions and membership fees. This fund is subject to annual appropriation and is not subject to statutory limits on uncommitted reserves.

S.B. 15-237 (Calculation of Limitations in Higher Ed Funding): Makes technical clarifications to definitions used in higher education funding formulas pursuant to House Bill 14-1319 (Outcomes-based Funding for Higher Education). Also delays the implementation of higher education performance funding authorized in Senate Bill 11-052 to no earlier than FY 2017-18.

S.B. 15-238 (General Fund Exempt Institutions of Higher Ed Uses): The General Fund Exempt Account consists of the revenues the state retains and spends under the authority of Referendum C of 2005. Based on existing statute, one-third of the Referendum C revenue that exceeds $55.0 million must be appropriated for the benefit of students attending institutions of higher education. This bill adds additional appropriation categories to the list of higher education appropriations that may be supported with General Fund Exempt.

S.J.M. 15-001 (Fort Lewis College Native American Tuition Waiver Federal Funds): Memorializes the U.S. Congress, requesting that it support federal legislation to provide federal tuition support for Native American students attending Fort Lewis College who are not Colorado residents.

H.B. 15-1224 (State Moneys Received by Local District Junior Colleges): Requires that the state's two local district junior colleges, Colorado Mountain College and Aims Community College, receive separate appropriations in the Long Bill, rather than having their state support combined in a single line item.

H.B. 15-1254 (Higher Education Funding Appropriations Clean Up): Clarifies a definition used in the description of higher education funding allocation formulas, modifying statutory language added in H.B. 14-1319 (Outcomes-based Funding for Higher Education).

H.B. 15-1270 (Pathways in Technology Early College High Schools): Authorizes the creation of Pathways in Technology Early College High Schools (P-Tech school). A P-Tech school is a public school that includes grades 9 through 14 and is designed to prepare students for careers in industry by enabling students to graduate with both a high school diploma and an associate degree. A P-Tech school is operated as a collaborative effort by a local education provider such as a school district, a community college, and one or more industry employers. A P-tech school, in contrast to other early colleges, focuses specifically on science, technology, engineering, and mathematics, and includes two additional years of high school (grades 13 and 14). A P-Tech school is funded through the annual School Finance Act, and a district with a P-Tech school may include the P-Tech school's students in grades 9-12 in the school district's pupil enrollment. Students in grades 13 and 14 are funded at the fixed per pupil amount established annually for students participating in the ASCENT program (Accelerating Students through Concurrent Enrollment). A student enrolled in grades 13 and 14 may also receive a stipend from the College Opportunity Fund for the postsecondary courses the student takes. For FY 2015-16, increases state appropriations to the Colorado Department of Education by $7,232 General Fund and 0.1 FTE and increases appropriations to the Department of Higher Education by the same amount. The bill is expected to drive costs of $4.1 million General Fund by FY 2021-22, due to impacts on school finance once the bill is fully implemented.

H.B. 15-1274 (Creation of Career Pathways for Students): Requires the Colorado Workforce Development Council in the Department of Labor and Employment, in collaboration and consultation with partners including the Department of Higher Education and the community college system, the Department of Education, the Governor's Office of Economic Development and International Trade, and partner industries and local educational institutions, design integrated career pathways within identified growth industries. A career pathway is a series of connected education and training strategies and support services that enable students to secure industry-relevant skills and certification, where applicable, to obtain employment within an occupational area, and to advance to higher levels of future education and employment. At least one career pathway is to be ready for implementation by or before the 2016-17 academic year, and at least two additional career pathways must be ready for implementation at the beginning of each subsequent academic year. Following design and implementation of a new career pathway, the Departments of Higher Education and Labor and Employment must collaborate to promote information concerning the program and provide online student support services. For FY 2015-16 provides appropriations of $485,043 General Fund and 2.5 FTE to the Department of Labor and Employment for the Workforce Development Council. Provides appropriations to the Department of Higher Education of: (1) $86,960 General Fund, which is reappropriated to the community college system; and (2) $200,000 reappropriated funds, from the amount initially appropriated to the Department of Labor and Employment, for an on-line resource publicizing the new career pathways. The bill's General Fund impact is expected to annualize to $585,217 and 2.5 FTE in FY 2016-17.

H.B. 15-1275 (Career and Tech Ed in Concurrent Enrollment): Clarifies that career and technical course work related to apprenticeship programs and internship programs may be used for concurrent enrollment, and directs the Concurrent Enrollment Advisory Board to collaborate with other entities to promote cooperative agreements that include apprenticeship programs and internship programs in concurrent enrollment programs. Subject to available appropriations, directs the Colorado Commission on Higher Education (CCHE) to create a tuition assistance program for students enrolled in career and technical education certificate programs that do not meet minimum credit hour requirements for the federal Pell grant. Appropriates $450,000 General Fund to the Department of Higher Education for this new tuition assistance program for FY 2015-16. This amount is expected to be ongoing.

Appendix C: Update on Long Bill Footnotes & Requests for Information

Long Bill Footnotes

18 Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Work Study – The Colorado Commission on Higher Education may roll forward up to two percent of the Work Study appropriation to the next fiscal year.

Comment: Expresses legislative intent with regard to rolling forward work study funds. The footnote provides flexibility for the Department to roll forward work study funds because employment by some students in the summer of the academic year may occur in the next state fiscal year.

19 Department of Higher Education, Governing Boards, Trustees of Adams State University; Trustees of Colorado Mesa University; Trustees of Metropolitan State University of Denver; Trustees of Western State Colorado University; Board of Governors of the Colorado State University System; Trustees of Fort Lewis College; Regents of the University of Colorado; Trustees of the Colorado School of Mines; University of Northern Colorado; State Board for Community Colleges and Occupational Education State System Community Colleges -- The cash funds appropriations from tuition and academic and academic facility fees are for informational purposes only. Within the parameters of Section 23-5-130.5, C.R.S., higher education governing boards may set the tuition rates for the institutions they govern. Amounts shown are based on the Legislative Council Staff February 2015 higher education enrollment and tuition forecast. Consistent with the provisions of S.B. 14-001 that limit undergraduate resident tuition rate increases to no more than 6.0 percent, resident tuition rates are assumed to increase by no more than 6.0 percent. The assumed rate of increase varies by institution and ranges from 4.5 percent to 6.0 percent for resident students and 0.8 percent to 6.0 percent for nonresident students, based on information available at the time of the forecast.

Comment: Expresses legislative intent, consistent with current statute, and explains forecast assumptions.

20 Department of Higher Education, History Colorado – Appropriations for History Colorado incorporate reductions to align appropriations with available limited gaming revenue, based on current gaming revenue projections. In the event History Colorado is able to compensate for declines in gaming revenue with increased earned revenue or additional gaming receipts, this will represent information not available at the time the appropriation was made and will thus be consistent with supplemental request criteria. It is the intent of the General Assembly that History Colorado work as quickly as possible to align expenditures with revenues so that the institution remains solvent and viable into the future.

Comment: Expresses legislative intent that would enable History Colorado to submit a supplemental request if appropriate. A staff issue in this packet addresses History Colorado's efforts to address its financial problems.

21 Department of Higher Education, History Colorado, Administration, History Colorado Museums, Office of Archeology and Historic Preservation – History Colorado may transfer up to 10.0 percent of the total amount appropriated in these sections between the sections and among the line items within the sections.

Comment: Adds flexibility in the History Colorado budget to assist in a smooth transition to a new budget structure in FY 2015-16.

22 Department of Higher Education, History Colorado, State Historical Fund Program, Administration and Statewide Preservation Grants – History Colorado may transfer up to 10.0 percent of the total amount appropriated in the Administration line item to or from the Statewide Preservation Grants line item.

Comment: Adds flexibility in the History Colorado budget to assist in a smooth transition to a new budget structure in FY 2015-16.

23 Department of Higher Education, History Colorado, State Historical Fund Program, Statewide Preservation Grants – This amount represents an estimate of the new grant funds available to be awarded during the fiscal year. Funding for new grants may be reduced based on transfers authorized by the General Assembly for state capitol renovations. Further, actual expenditures in this line item may be higher or lower than the amount shown, based on expenditure of grant fund amounts that first became available in prior years and are being expended over multiple years.

Comment: Explains the assumptions used to calculate a Long Bill amount that is shown for informational purposes only.

Expression of Legislative Intent in S.B. 14-001(College Affordability Act)

> "It is the intent of the general assembly in making this appropriation that additional moneys appropriated from the general fund in paragraphs (a) and (b) of subsection (1) of this section *[providing an additional $35.0 million General Fund for need based grants and $5.0 million General Fund for work study]* be used to supplement, rather than supplant, institutional need-based financial aid for resident students."

Comment: Expresses legislative intent with regard to the use of new financial aid amounts. Initial data indicates that not all institutions complied with this intent. While overall institutional aid generally did not decline, total funding and amount per student directed to need-based aid for resident students did decline in some cases. The table below shows the **change in institutional aid for resident students who attended at least half-time at a public institution.**

	FY 2013-14		FY 2014-15		Year-over-year Change			Context
Institution	Sum of Inst Need Based Awards	Average of Inst Need Based Awards	Sum of Inst Need Based Awards	Average of Inst Need Based Awards	Change to Sum of Inst. Need-based Awards	Percent change to Sum of Need Based Awards	Change to Average Need-based Award	Need-based aid as Percentage all Institutional Resident Aid (FY 2014-15)
4								
Adams State University	711,197	319	907,533	425	196,336	27.6%	106	0.34
Colorado Mesa University	177,493	18	218,622	24	41,129	23.2%	6	0.04
Colorado Mountain College	-	-	-	-	-		-	
Colorado School of Mines	472,964	159	313,961	103	(159,003)	-33.6%	(56)	0.04
Colorado State University	20,653,023	1,193	20,396,429	1,192	(256,594)	-1.2%	(1)	0.45
Colorado State University - Pueblo	1,249,521	331	618,523	180	(630,998)	-50.5%	(151)	0.64
Fort Lewis College	224,298	117	84,776	49	(139,522)	-62.2%	(68)	0.09
Metropolitan State University of Denver	500,000	19	-	-	(500,000)	-100.0%	(19)	-
University of Colorado Boulder	25,509,966	1,656	26,233,929	1,691	723,963	2.8%	35	0.40
University of Colorado Colorado Springs	3,954,703	477	5,098,322	597	1,143,619	28.9%	120	0.58
University of Colorado Denver	8,537,346	617	8,767,384	617	230,038	2.7%	(0)	0.47
University of Northern Colorado	5,932,338	632	5,631,473	648	(300,865)	-5.1%	16	0.66
Western State Colorado University	24,985	19	17,624	13	(7,361)	-29.5%	(6)	0.01
2					-		-	
Aims Community College	369,361	81	119,500	29	(249,861)	-67.6%	(52)	0.11
Arapahoe Community College	-	-	-	-	-		-	-
Colorado Northwestern Community Colle	42,710	80	41,400	75	(1,310)	-3.1%	(5)	0.15
Community College of Aurora	2,678	0	8,939	1	6,261	233.8%	1	0.05
Community College of Denver	443,197	43	562,538	59	119,341	26.9%	15	0.82
Front Range Community College	1,051,848	62	2,900	0	(1,048,948)	-99.7%	(62)	0.01
Lamar Community College	-	-	-	-	-		-	-
Morgan Community College	51,331	38	101,641	74	50,310	98.0%	37	0.43
Northeastern Junior College	375	0	750	1	375	100.0%	0	0.00
Otero Junior College	36,915	26	-	-	(36,915)	-100.0%	(26)	-
Pikes Peak Community College	252,948	17	115,278	8	(137,670)	-54.4%	(9)	0.57
Pueblo Community College	223,126	34	81,684	14	(141,442)	-63.4%	(21)	0.64
Red Rocks Community College	53,755	7	47,959	7	(5,796)	-10.8%	(0)	0.18
Trinidad State Junior College	-	-	2,998	2	2,998		2	0.00
Grand Total *	**98,980,081**	**436**	**97,870,945**	**451**	**(1,109,136)**	**-1.1%**	**15**	**0.37**

Requests for Information

1. Department of Higher Education, Colorado Commission on Higher Education, Administration – The Joint Budget Committee requests that during the annual review process of the new funding allocation model the Department consider the following policy issues, include with their annual budget request, due November 1, 2015, a report on how these issues were examined, incorporated into the current model, or otherwise decided upon, and make recommendations for changes to the model, if needed, including identifying any needed funding to implement.

   h) Examine the role of the "Tuition Stability Factor" within the model and how it should be utilized in the future.

   i) Examine the feasibility, cost, and benefit to weighting resident and non-resident students within the model.

j) 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.
k) (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.
l) 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.
m) 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 2015-16 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 2015-16 model settings and recent trends in degrees awarded at boards of different sizes.
n) Examine the feasibility, cost, and benefit to incorporating total institutional revenue within the model.

<u>Comment</u>: The Department submitted the requested report. This is addressed in depth in the staff issue on the proposed funding model for FY 2016-17.

2. Department of Higher Education, Colorado Commission on Higher Education, Administration – Pursuant to H.B. 14-1319, the Department is required to submit to the General Assembly, by November 1, 2015, policies to ensure accessible and affordable higher education for Colorado residents. These policies are requested to also address mandatory fees imposed on most or all students given that such fees significantly affect the accessibility and affordability of higher education.

<u>Comment</u>: The Department submitted the requested report. The response is addressed in the staff issue on proposed tuition policy for FY 2016-17.

3. Department of Higher Education, Colorado Commission on Higher Education, Administration; and Governing Boards, Trustees of Adams State University; Trustees of Colorado Mesa University; Trustees of Metropolitan State University of Denver; Trustees of Western State Colorado University; Board of Governors of the Colorado State University System; Trustees of Fort Lewis College; Regents of the University of Colorado; Trustees of the Colorado School of Mines; University of Northern Colorado; State Board for Community Colleges and Occupational Education State System

Community Colleges – The Department and governing boards are requested to submit to the Joint Budget Committee, by July 1, 2015, a copy of the enrollment and tuition forecast for each of the governing board's institutions for FY 2014-15 and FY 2015-16. These are requested to be submitted in spreadsheet format, if feasible. As part of this submission, the governing boards are requested to provide a detailed explanation of how they use enrollment projections to build tuition forecasts. By September 1, 2015, the Department and governing boards are also requested to provide a comparison between each institution's FY 2014-15 enrollment and tuition forecasts and their final FY 2014-15 actual enrollment and tuition revenue. By November 15, 2015, the Department and governing boards are requested to submit to the Joint Budget Committee actual fall 2015 enrollment data and any revisions to their FY 2015-16 tuition forecasts based on fall enrollment.

Comment: The Department submitted the reports as requested. This request was designed to help improve tuition revenue estimates included in the Long Bill. It was prompted in part by Legislative Council Staff (LCS) and JBC staff's interest in better understanding discrepancies between the LCS forecasts and institutional forecasts and the recognition that, under current law, the General Assembly will again appropriate tuition revenue in FY 2016-17. Legislative Council and JBC staff also met with several governing boards as well as the Department during the interim to discuss this issue. As a result of these discussions, LCS and JBC staff are recommending some steps to ensure that LCS and JBC staff receive more timely data on higher education enrollments and that they receive information on the enrollment assumptions the institutions are using for their tuition revenue forecasts. These proposed changes would be incorporated into a request for information for FY 2016-17 and future years.

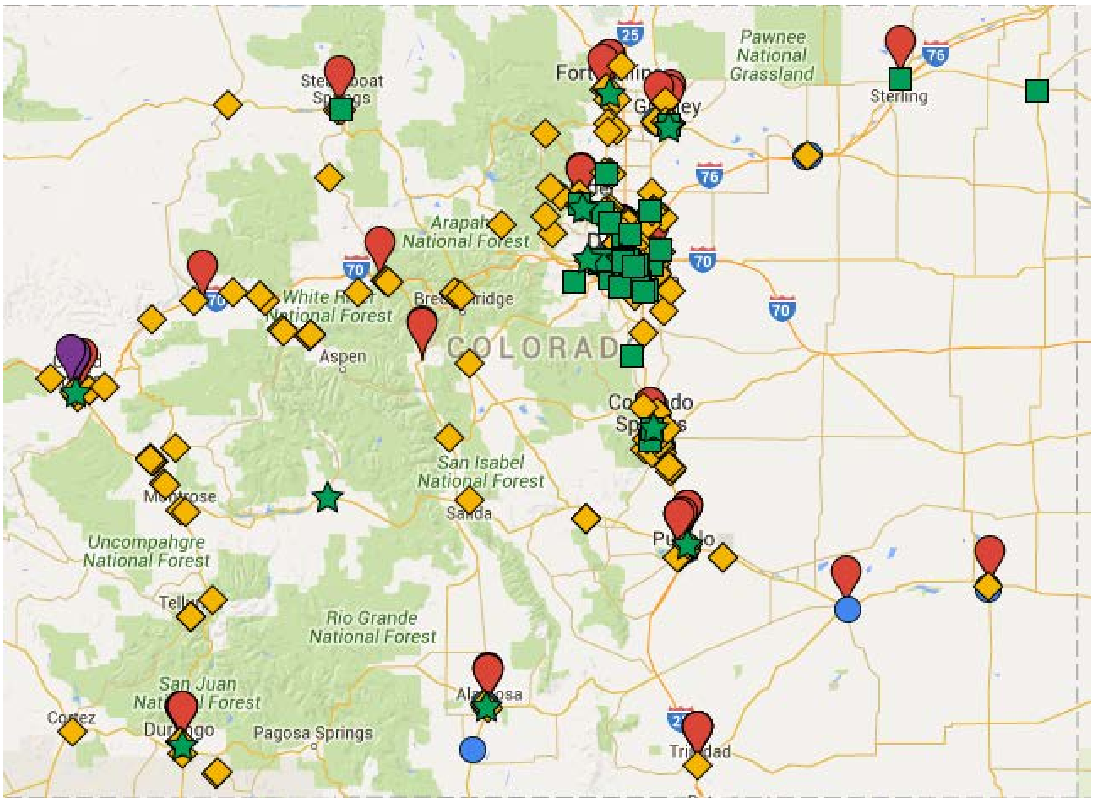
4. Department of Higher Education, History Colorado – History Colorado is requested to submit a report by November 1, 2015, on its financial status. This report is requested to include a comprehensive financial analysis reflecting History Colorado's current and projected fund balances, revenues, and expenditures. The analysis should address both operating and capital costs and the trends for the various types of revenue that support History Colorado. Finally, the report should include a detailed explanation of the steps the organization is taking to address its financial challenges and the projected impacts of these changes from both a financial and organizational perspective.

Comment: The Department submitted the requested report. The response is addressed in a staff issue on History Colorado.

5. Department of Higher Education, Colorado Commission on Higher Education, Administration; and Colorado Commission on Higher Education Financial Aid, Special Purpose, Colorado Opportunity Scholarship Initiative – The Department is requested to provide a report by November 1, 2015 addressing which Colorado public high schools do and do not have access to pre-collegiate programs, concurrent enrollment programs, and other programs designed to encourage students who might not otherwise attend college to pursue postsecondary studies.

Comment: The Department submitted the requested report. The response included Excel spreadsheets showing "student success" programs the Colorado Opportunity Scholarship Initiative (COSI) has identified located 1-5 miles from Colorado high schools. COSI is in the process of building an on-line database that should make identifying these programs easier. The map below, on the Department's website shows progress to-date. Staff understands that the website, with search features, should be accessible by the end of the calendar year.

https://www.google.com/maps/d/viewer?mid=zEnZypGQipXg.kq-9KP66jW_A



The Department also provided a copy of its annual concurrent enrollment report and data on the number of students participating in concurrent enrollment by high school in the FY 2013-14 school year. The report itself may be accessed at the following link:
https://www.cde.state.co.us/postsecondary/201314_cereport

Information from this report is included in a staff briefing issue on the links between high school and college.

6. Department of Higher Education, Colorado Commission on Higher Education, Administration – The Department is requested to submit a report by November 1, 2015 comparing the cost to the State and participants of providing health and dental benefits through the community college plan versus the state benefits plan. It is also requested to submit, as part of the annual request for common policy benefits adjustments, templates that reflect the benefit selection for each member of the Department staff in a manner that

will enable health benefits for these staff to be calculated consistent with common policy. The templates are expected to contain July 2015 data on health benefits actually selected by Department staff, with family size options that match the state plan options including member plus children only and member plus spouse only.

Comment: The Department submitted the requested information. Staff requested this to ensure that the State does not pay more for the health benefit for Department of Higher Education administrative employees than it does for other state staff. (This request does not relate to employees of the state higher education institutions, who are covered under different health plans that are managed by the governing boards.)

The Department of Higher Education covers its staff under the health benefit contract for the community college system and chooses to direct a portion of its administration line item to health benefits, rather than using solely amounts included in the health benefits line item for this purpose. This has made it difficult to apply JBC common policy in the Department's centrally appropriated line items for health, life, and dental benefits. The data and templates submitted this year (and in future years, staff hopes) will address this problem.

The Department submitted data comparing the cost of the community college plans to the state plans. Although not directly comparable for all family sizes, the community college plans now appear to be more expensive than the state plans for all but one plan (Kaiser). The chart below shows employee-only costs, with the top section reflecting state plans and the bottom the community college plans.

MEDICAL	Employee		
State Plans	Cost State Covers	Employee Cost	Total Premium
UHC Copay Plan	465.61	135.14	600.75
UHC High Deductible	465.61	18.20	483.81
Kaiser Copay Plan	465.61	89.20	554.81
Kaiser High Deductible	465.61	56.20	521.81
CCCS Plans			
Anthem BCBS			
Blue Priority HMO	520.00	131.00	651.00
Preferred Provider PPO	571.00	131.00	702.00
Point of Service	571.00	159.00	730.00
HMO Colorado	571.00	172.00	743.00
Kaiser	493.00	0.00	493.00

The Department also provided a brief narrative explaining its approach to the benefit plans for FY 2015-16. The current structure in part reflects the Departments response to significant premium increases for the Anthem products.

- One consideration for the Department was that there are many employees within the GEARUP program that work in schools and colleges where they do not have access to the lower cost Kaiser plan or the lower cost Anthem plan offered by the community college system. The Department therefore took steps to keep the cost to these employees for the three plans they are able to access as low as possible by picking up more of the premium.

It also took steps to encourage those staff who are able to access the Kaiser plan to do so, by paying the full cost for the Kaiser plan, since this is still a less costly option for the Department.

- Finally, the Department "reviewed the cost-share with employees to ensure that the DHE contribution does not exceed the 8u0 percent of the premium which is in line with the state contribution of 80 percent that was approved by the JBC."

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

<u>Comment:</u> The Department submitted its most recent report on December 4, 2014 (another report will be received soon). The report is available on the Department's website at:

> http://highered.colorado.gov/Publications/Reports/FinancialAid/FY2014/201314_FAReport_rel120414.pdf. Some key findings of the last report included:

- A total of $2.2 billion in financial aid (including need-based grants, merit-based grants, and federal loans) was distributed to Colorado students at public and private institutions in FY 2013-14. Of this amount, 50 percent was federal loans, while the balance was grant aid from federal, institutional, state, and private sources. Grants may be based on financial need or other factors (merit-based).

- In FY 2013-14, federal grant aid accounted for 31 percent of all grant aid in Colorado. State aid comprised nearly 10 percent of all grant aid, and institutional aid accounted for 47 percent of all grant aid.

- In FY 2013-14, 105,447 students received federal Pell grants in Colorado. This includes students attending private institutions. Eligibility for Pell grants is need-based. The average Pell grant was $3,319; the maximum grant was $5,645 in FY 2013-14.

- A total of 68,382 students received state-funded aid in FY 2013-14, including 59,696 who received need-based aid, 7,361 who received work-study funds, and 1,325 who received categorical aid. Total state aid distributed was $112,350,187. The average need-based grant was $1,324. The average work study award was $2,332, and the average categorical award was $12,167.

- From 2009 to 2012, the number of students requiring need-based aid increased; however, it declined in FY 2012-13 and FY 2013-14. From FY 2008-09 to FY 2013-14 there was a net increase of 50.8 percent in the number of students receiving a Pell grant award and a net increase of 18.41 percent in funding per Pell recipient (Pell funding per student peaked in 2011). Over the same period, the number of students receiving state need-based aid increased by a net 15.3 percent, while the average award per student declined by 2.2 percent. Per-student funding declined because total dollars did not increase at the same rate as the number of eligible students.

- The chart below shows total grant aid received by for resident undergraduates attending public institutions in 2014 who were enrolled at least half time.

Institution/Type	Federal Awards	State Awards	Institutional Awards	Other Scholarships	Total
4-Year Public	152,859,953	52,007,649	122,168,858	23,813,793	350,850,253
Adams State University	4,722,800	1,649,042	2,096,957	577,926	9,046,725
Colorado Mesa University	14,649,057	4,160,121	3,786,156	220,128	22,815,462
Colorado School of Mines	2,919,765	1,175,152	4,973,329	2,012,849	11,081,095
Colorado State University	22,014,447	7,293,334	30,796,305	6,122,136	66,226,222
Colorado State University - Pueblo	8,970,151	2,992,356	3,362,775	819,773	16,145,055
Fort Lewis College	3,353,317	1,798,935	2,373,404	484,552	8,010,208
Metropolitan State University of Denver	33,700,787	13,365,159	8,375,826	1,592,067	57,033,839
University of Colorado Boulder	19,027,270	6,396,367	34,460,024	4,474,439	64,358,100
University of Colorado Colorado Springs	12,178,556	3,241,392	6,140,778	1,932,291	23,493,017
University of Colorado Denver	15,451,053	4,769,675	10,382,862	2,634,082	33,237,672
University of Northern Colorado	13,403,787	4,406,071	13,937,208	2,676,444	34,423,510
Western State Colorado University	2,468,963	760,045	1,483,234	267,106	4,979,348
2-Year Public	134,160,690	32,169,723	6,269,909	3,739,113	176,339,435
Aims Community College	8,893,161	1,880,554	900,556	114,453	11,788,724
Arapahoe Community College	8,704,399	2,059,521	294,942	245,717	11,304,579
Colorado Mountain College	3,795,792	865,612	440,900	136,463	5,238,767
Colorado Northwestern Community College	883,388	270,683	236,452	2,886	1,393,409
Community College of Aurora	10,018,579	2,285,087	115,616	249,008	12,668,290
Community College of Denver	16,608,227	4,161,502	525,640	379,107	21,674,476
Front Range Community College	24,792,343	5,878,543	1,205,248	624,866	32,501,000
Lamar Community College	1,066,945	361,635	293,929	112,311	1,834,820
Morgan Community College	2,133,910	570,897	112,498	130,085	2,947,390
Northeastern Junior College	2,393,581	682,949	506,274	408,247	3,991,051
Otero Junior College	2,683,945	761,094	362,724	193,831	4,001,594
Pikes Peak Community College	24,456,248	5,259,072	338,680	483,460	30,537,460
Pueblo Community College	13,700,388	3,499,216	228,925	5,250	17,433,779
Red Rocks Community College	10,439,497	2,577,183	153,443	477,692	13,647,815
Trinidad State Junior College	3,590,287	1,056,175	554,082	175,737	5,376,281

- The average student loan debt for students graduating with a baccalaureate in FY 2014-14 was $26,057, while the average for student's graduating with an associate's degree was $14,344. The chart below shows the percent of graduates with debt and the average amount of debt at state institutions.

INSTITUTION NAME	% of Students with	Average Loan Debt of Loan
Adams State University	82.6%	25,205
Colorado Mesa University	77.9%	24,961
Colorado Mountain College	86.7%	16,170
Colorado School of Mines	68.5%	31,783
Colorado State University	67.3%	25,661
Colorado State University - Pueblo	81.2%	23,552
Fort Lewis College	68.6%	21,767
Metropolitan State University of Denver	80.7%	26,653
University of Colorado Boulder	58.2%	25,362
University of Colorado Colorado Springs	73.3%	25,501
University of Colorado Denver	75.3%	29,410
University of Northern Colorado	74.9%	25,563
Western State Colorado University	74.5%	23,387

Appendix D: Department's 4-Page Annual Report

Pursuant to Section 2-7-205 (1) (a) (II), C.R.S., the Office of State Planning and Budgeting shall prepare the section of the annual performance report for the Department of Higher Education by reviewing the institutions of higher educations' progress towards the goals set forth in the performance contracts (required pursuant to S.B. 11-052) and the outcomes of the recommended performance funding plan. Due to changes in the higher education funding model and delays in applying the performance metrics authorized by S.B. 11-052, the Department has interpreted this provision as requiring it to examine progress toward the Higher Education Master Plan goals as measured through the metrics adopted in H.B. 14-1319 (Outcomes-based Funding for Higher Education). For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2014-15 report dated October 30, 2015 may be found at the following link:

https://drive.google.com/file/d/0B_om-XLNWzsXWHBOOUNNanNBaEE/view

Pursuant to Section 2-7-204 (3) (a) (II) (A), C.R.S., the Department of Higher Education shall satisfy the requirement to develop a performance plan through the master plan for postsecondary education maintained by the Colorado Commission on Higher Education (CCHE) and any contracts that the CCHE negotiates and enters into with the governing boards of the state institutions of higher education pursuant to S.B. 11-052. Copies of such documents shall be submitted to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year. Please follow the following link to a copy of the Department's Master Plan, "Colorado Competes".

http://highered.colorado.gov/Publications/General/StrategicPlanning/MasterPlan2012/Master_Plan_Final.pdf

The following links to the performance contracts negotiated pursuant to S.B. 11-052.

http://highered.colorado.gov/Academics/PerformanceContracts/

The Department has not submitted any reports related to how institutions are performing on these performance contracts. However, staff anticipates that the Department will be releasing a report on the performance contracts and progress toward Master Plan goals by the end of the 2015 calendar year.

MEMORANDUM

TO: Joint Budget Committee

FROM: Amanda Bickel, JBC Staff

SUBJECT: CSU Intercept Program Request

DATE: December 10, 2015

INTERCEPT BONDS AUTHORIZATION – COLORADO STATE UNIVERSITY

	Request	Recommendation
Total – Cash Funds Intercept Bonding Authorization	**$5,996,100**	**$5,996,100**

Request: Colorado State University (CSU) has requested, and the Capital Development Committee has approved, authority to proceed with the University's Prospect Road Underpass Project using previously issued bond revenue. Prospect runs along the south edge of the Main Campus. As described to the CDC, in recent years, additional student housing has been constructed on the south side of the road and student traffic has increased. The underpass will create a gateway to the main campus and better connect the main and south campuses. The project also satisfies and intergovernmental agreement between the City of Fort Collins and the university to mitigate anticipated increase in traffic following the construction of the new stadium.

The source of the cash funds is uncommitted proceeds from the intercept revenue bonds issued in summer 2015. The bonds were sold at 4.1 percent on a 32 year term and will be repaid from parking and transportation auxiliary revenues.

Staff Recommendation: S***taff recommends that the Committee approve the request. While staff continues to have some concerns about CSU's overall level of debt, this project represents a minor adjustment in the context of CSU's budget.*** Pursuant to Section 23-1-106 (10) (b), C.R.S., any higher education cash funded project costing $2.0 million or more which is subject to the Higher Education Revenue Bond Intercept Program must be reviewed and approved by the Colorado Commission on Higher Education (CCHE) and the Capital Development Committee (CDC). The CDC is then required to make a recommendation regarding the project to the JBC, which is required to refer its recommendations, with written comments to the CCHE. The CDC has already approved the requested projects. A letter from the JBC to the CCHE, if approved, would enable CSU to proceed with the project.

Staff Analysis: The CDC has approved these cash funded projects, and CSU's bond rating and available revenues are sufficient to comply with the statutory limits and guidelines for use of the intercept program. This also represents a relatively minor adjustment in use of previously-issued bond funds. On this basis, staff recommends the requests.

Statutory Guidance:

Pursuant to Section 23-11-106 (10) (b), C.R.S. (most recently modified in S.B. 13-099), to qualify for the Revenue Bond Intercept Program, an institution must have:

(1) A credit rating in one of the three highest categories from a nationally recognized statistical rating organization
(2) A debt service coverage ratio of at least 1.5x (net revenue available for debt service/annual debt service subject to this article)
(3) Pledged revenues for the issue of not less than the net revenues of auxiliaries; 10% of tuition if an enterprise; indirect cost recovery revenues; facility construction fees designated for bond repayment; and student fees and revenues pledged to bondholders.

If it meets these requirements and participates in the Program, and if the institution indicates that it will fail to meet the required payment, the State Treasurer makes the payment, and the amount owed is then withheld from the institution's fee-for-service contract, from any other state support for the institution, and from any unpledged tuition moneys collected by the institution.

When analyzing requests under the intercept program, staff considers:

- The Treasurer's analysis of the proposed issue and compliance with Section 23-5-139, C.R.S. (Revenue Bond Intercept Program)
- The institution's Composite Financial Index
- The projected impact of the new bond and the associated payment on the CFI analysis.
- A comparison between the institution's most recent General Fund appropriation (FY 2015-16) and the existing and proposed annual payment obligations under the revenue bond intercept program.

Treasurer's Statutory Analysis and New Treasurer and CDC Procedures:

The Treasurer has recently instituted new procedures through which it **provides a report to the CDC on the project's statutory compliance and other financial indicators before it is reviewed by the CDC. Staff considers this a significant improvement to the process as it ensures both the CDC and JBC have additional contextual information for making their decisions. This is attached at the back of this packet.** While staff understands there may be some further changes to the layout, staff is very pleased that both the CDC and JBC have this additional information.

The Treasurer's report includes information on the ratings of the institution:

Current ratings:
Non-intercept: Moody's: Aa3; S&P: A+
Intercept (state-backed): Moody: Aa2; S&P: AA-

The Treasurer's commentary on CSU reads as follows:

> While Colorado State University has relied extensively on the issuance of Certificates of Participation (COPs) to fund various University System projects, net revenues remain at a level sufficient to meet existing COP payments. In addition, net revenues available for COP payments would enable the University to issue an additional $395 million of COPs, assuming a 5% all-in cost of borrowing, and still maintain the minimum coverage threshold of 1.50x. This figure is in excess of the amount they are looking to borrow ($250 million) in their contemplated upcoming borrowing. It is important to note that while the University will achieve sufficient coverage after the issuance of additional COPS, rating agencies are beginning to identify the limits of future COP issuance and rightly point out that future COP issuance capacity will be limited, putting the University in a precarious position should future, essential funding needs arise.

Excerpts from Moody's and Standard and Poor's evaluations reflect a fairly upbeat evaluation from Moody's and a more negative outlook from S&P, which notes that the outlook on all rating is negative.

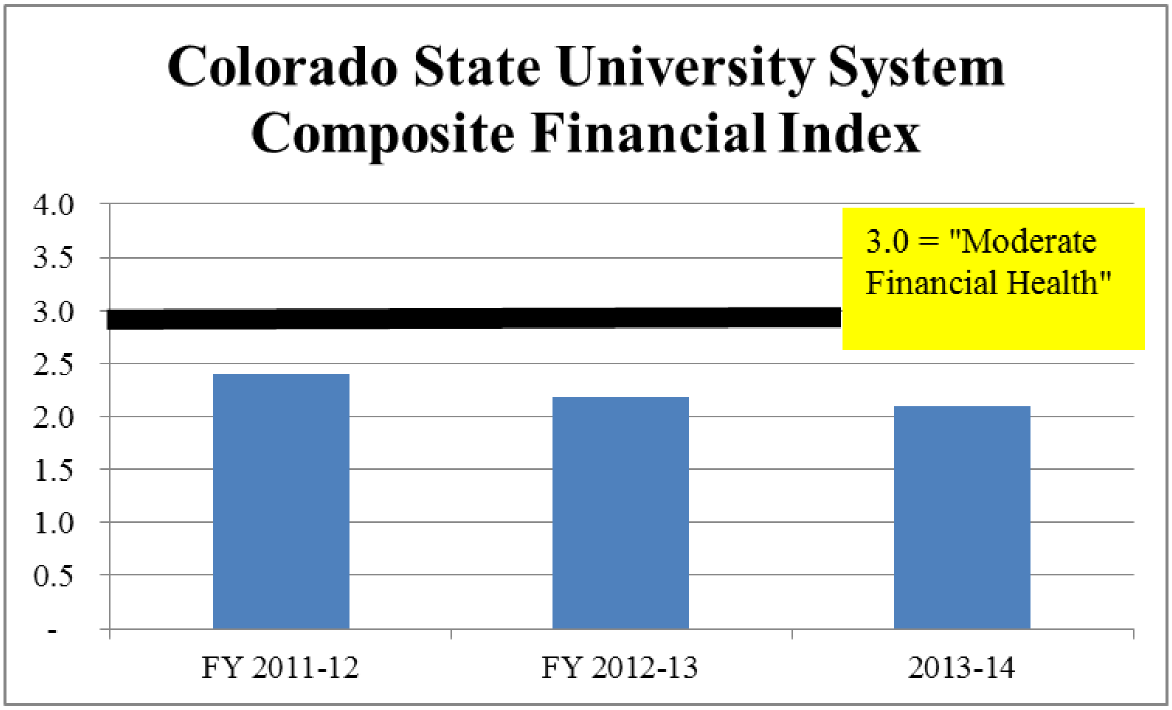
The overall coverage ratio for CSU's debt (both intercept and non-intercept) is projected to be 1.78 in 2016 and 1.57 by 2017. For intercept debt only (the measure required by statute), the coverage ratio is projected to be 2.32 in 2016 and 2.07 in 2017, which is higher than the statutory minimum of 1.50.

Composite Financial Index (CFI):

CSU's debt of $1,114,610,000 as of 2015 is just above to its annual FY 2013-14 revenue (including foundation and excluding capital grants) of $1,103,487,000. Its estimated 2016 debt service payment of $63,829,643 ($49,094,293 for the intercept program) represents about 5.8 percent of FY 2013-14 revenue. Overall debt includes $799,000,000 issued under the intercept program and $315,610,000 issued as stand-alone non-intercept debt.

Although revenue to the system has continued to increase, in part based on an increasing proportion of out-of-state students, total student enrollment has been relatively flat since FY 2010-11 if both CSU Ft. Collins and CSU Pueblo are included.

The Treasurer's analysis does not currently include a review of the institution's Composite Financial Index (CFI), although staff understands this may be included in the future. CSU's financial health as reflected by the CFI has declined in recent years as it has become increasingly leveraged and has had somewhat negative net operating results based on modest enrollment declines in FY 2013-14. A CFI for FY 2014-15 is not yet available for CSU.



Annual General Fund Appropriation versus Intercept Obligations:

The table shows the 2016 projected payment under the intercept program and compares it to the FY 2015-16 appropriation for CSU as approved in both houses. As shown, **with this addition, total annual intercept payment obligations are anticipated to be 36.5 percent of the 2015-16 General Fund appropriation for CSU.** The *General Fund appropriation still appears adequate to cover any potential bond-payment shortfall in a worst-case scenario in which the intercept would be applied*.

Estimated intercept bond payment for 2016*	$49,094,293
Additional projected payment for this bond**	n/a
Total projected payment	49,094,293
General Fund appropriation FY 2015-16	134,660,184
Projected payment as percentage GF approp.	36.5%

*Based on projections for existing debt, CSU projects intercept debt service will peak in 2024 at $58,186,714.
**Already included in previously issued amounts.

Sen. Randy Baumgardner, Chair
Sen. John Kefalas
Sen. Jerry Sonnenberg

Rep. Edward Vigil, Vice-Chair
Rep. KC Becker
Rep. J. Paul Brown

Capital Development Committee

State Capitol Building, Room 029
Denver, Colorado 80203-1784
(303) 866-3521

October 19, 2015

Senator Kent Lambert
Chair, Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, Colorado 80203

Dear Senator Lambert:

On October 19, 2015, the Capital Development Committee considered one higher education cash-funded request pursuant to Section 23-1-106 (10)(b), C.R.S., which requires additional review and approval of cash projects submitted by higher education institutions as part of a Two-Year Projection of Cash Need, if such projects are subject to the Higher Education Revenue Bond Intercept Program. Table 1 summarizes the request. A description of the request is attached. *The CDC approved the request as submitted and is forwarding it to the Joint Budget Committee for consideration.*

Table 1
Capital Development Committee Recommendation
Regarding Colorado State University Cash Project Subject to Intercept Program

Project Title	Summary of Request	Amount
Prospect Road Underpass	The project constructs a bicycle/pedestrian underpass at the intersection of Center Avenue and Prospect Road to improve pedestrian safety. Based on information provided by the State Treasurer's Office, CDC staff has determined that the CSU Board of Governor's meets the statutory requirements to participate in the intercept program (see Page 2 of the attachment).	$5,996,100
	Total	**$5,996,100**

If you have any questions or concerns about the CDC's recommendations, please call Kori Donaldson, Legislative Council Staff, at 303-866-4976.

Sincerely,

Randy Baumgardner

Senator Randy Baumgardner
Chair, Capital Development Committee

c: Capital Development Committee Members
Joint Budget Committee Members
Shelly Carroll, Colorado State University
Rich Schweigert, Colorado State University System
Lynn Johnson, Colorado State University System
Jon Forbes, State Treasurer's Office
Erick Scheminske, Office of State Planning and Budgeting
Andrew Rauch, Department of Higher Education
John Ziegler, Joint Budget Committee Director
Amanda Bickel, Joint Budget Committee Staff
Alfredo Kemm, Joint Budget Committee Staff
Kori Donaldson, Capital Development Committee Staff

Fiscal Year 2015-16 Capital Construction Request

Colorado State University

Prospect Road Underpass

PROGRAM PLAN STATUS

2017-011

Approved Program Plan? Yes **Date Approved:** September 4, 2015

PRIORITY NUMBERS

Prioritized By	Priority
DeptInst	NP of 3

PRIOR APPROPRIATION AND REQUEST INFORMATION

Fund Source	Prior Approp.	FY 2015-16	FY 2016-17	Future Requests	Total Cost
CF	$0	$5,996,100	$0	$0	$5,996,100
Total	$0	**$5,996,100**	$0	$0	$5,996,100

ITEMIZED COST INFORMATION

Cost Item	Prior Approp.	FY 2015-16	FY 2016-17	Future Requests	Total Cost
Land Acquisition	$0	$0	$0	$0	$0
Professional Services	$0	$486,000	$0	$0	$486,000
Construction	$0	$4,885,000	$0	$0	$4,885,000
Equipment	$0	$80,000	$0	$0	$80,000
Miscellaneous	$0	$0	$0	$0	$0
Contingency	$0	$545,100	$0	$0	$545,100
Software Acquisition	$0	$0	$0	$0	$0
Total	$0	**$5,996,100**	$0	$0	$5,996,100

SUMMARY OF THE PROJECT

Staff note: The university is seeking project approval for borrowing under the Higher Education Revenue Bond Intercept Program. The project must also be approved through the two-year process.

Motion: Approve the request from Colorado State University to use funds borrowed under the Higher Education Revenue Bond Intercept Program on behalf of the Prospect Road Underpass project ($5,996,100 CF).

Colorado State University is requesting cash funds spending authority to construct a bicycle/pedestrian underpass at the intersection of Center Avenue and Prospect Road to improve pedestrian safety. Prospect runs along the south edge of the main campus. In recent years, additional student housing has been constructed on the south side of the road and student traffic has increased at the intersection of Center and Prospect. The university explains that the underpass will create a gateway to the main campus and better connect the main and south campuses. It will also construct sidewalks along both sides of Prospect and connect to the existing bike trail. The underpass will include stair and ramp access. Finally, the project satisfies an intergovernmental agreement between the City of Fort Collins and the university to mitigate an anticipated increase in traffic following the construction of the new stadium.

Source of cash funds. The source of cash funds is uncommitted proceeds from intercept revenue bonds issued in summer 2015. The bonds were sold at a 4.1 percent interest rate and will be repaid from parking and transportation service auxiliary revenues. The bonds were issued for a period of 32 years and the average annual repayment amount is $6.8 million. The cost of the underpass project represents 5.75 percent of the total bond issuance amount.

Fiscal Year 2015-16 Capital Construction Request

Colorado State University

Prospect Road Underpass

Intercept program requirements pursuant to Section 23-5-139 (1)(b)(I), C.R.S. Based on the information provided by the State Treasurer's Office (see attached), staff has determined that the CSU Board of Governors meets the requirements to participate in the intercept program, as follows:

1.) **Credit rating:** As of July 2015, the board received a credit rating of Aa3 from Moody's and a credit rating of A+ from Standard & Poor's. These credit ratings — from nationally recognized statistical rating organizations — are in one of the three highest categories.

2.) **Debt service coverage ratio:** The debt service coverage ratio is 1.78 percent (net revenue available for annual debt service/total amount of debt service subject to intercept program, including new debt proposed under program). The anticipated FY 2015-16 debt service payment for all debt held by the institution (including current and proposed) represents 2.8 percent of the operating budget appropriation for FY 2015-16.

The State Treasurer's Office has reviewed this project and no concerns were identified.

BOARD OF GOVERNORS OF THE

COLORADO STATE UNIVERSITY SYSTEM

ANALYSIS OF FINANCIAL HEALTH

PRESENTED TO:

THE COLORADO STATE LEGISLATURE

CAPITAL DEVELOPMENT COMMITTEE - OCTOBER 19, 2015

PREPARED BY THE COLORADO STATE TREASURER'S OFFICE

Board of Governors of the
Colorado State University System

Treasurer's Commentary

While Colorado State University has relied extensively on the issuance of certificates of participation (COPs) to fund various University System projects, net revenues remain at a level sufficient to meet existing COP payments. In addition, net revenues available for COP payments would enable the University to issue an additional $395 million of COPs, assuming a 5% all-in cost of borrowing, and still maintain the minimum coverage threshold of 1.50x. This figure is in excess of the amount they are looking to borrow ($250 million) in their contemplated upcoming borrowing. It is important to note that while the University will achieve sufficient coverage after the issuance of additional COPs, rating agencies are beginning to identify the limits of future COP issuances and rightly point out that future COP issuance capacity will be limited, putting the University in a precarious position should future, essential funding needs arise.

Credit Rating Agency Report Summaries

Moody's Report – July 29, 2015

The assignment of the Aa3 reflects the system's ability to absorb the current planned increase in leverage, in addition to the recently issued Series 2015A-D bonds, based on current cash flow. The system's demonstrated operational flexibility, achieving positive financial performance and enrollment gains while facing state funding cuts through FY 2013, highlights its long term financial strength.

Further supporting the Aa3 rating is the system's status as a large land grant institution for the State of Colorado (issuer rating Aa1 stable) inclusive of three campuses and significant federally-funded research activity, with a sizeable $1 billion scope of operations. A 13% increase in enrollment over the past five years has contributed to ongoing revenue growth and balanced operating performance at the same time as the system has achieved momentum in philanthropic support.

Offsetting these positives are risks introduced in successfully achieving highly ambitious strategic goals, as demonstrated by the inability to meet original fundraising targets for the stadium financed with the Series 2015A-B bonds. With growing leverage, significant cost overruns necessitating additional borrowing or use of reserves, or material failure to meet revenue projections, could pressure the rating.

The Aa2 enhanced rating and stable outlook are derived from the structure and mechanics of the Enhancement Program (the Colorado State Intercept Act), which is based on the State of Colorado's current rating and outlook.

S&P's Report – July 31, 2015

Standard & Poor's Ratings Services assigned its 'A+' long-term rating to the Colorado State University System Board of Governors' (CSU) series 2015E and 2015F system enterprise bonds. At the same time, Standard & Poor's affirmed its 'A+' underlying rating and long-term rating on the CSU's existing system enterprise bonds. The outlook on all ratings is negative.

"The negative outlook reflects our opinion of the university's significant increase in borrowing during the past few years, which has caused dilution in financial resources compared to debt and has elevated the university's debt burden," said Standard & Poor's credit analyst Jessica Wood. "Additionally, while no definitive debt plans are in the pipeline, CSU reports it could have additional debt plans during our two-year outlook period, which would exert greater pressure on financial resources that we already view as very weak for the rating."

Credit Ratings

State Intercept	
Moody's	Aa2
S&P	Aa-
Underlying	
Moody's	Aa3
S&P	A+

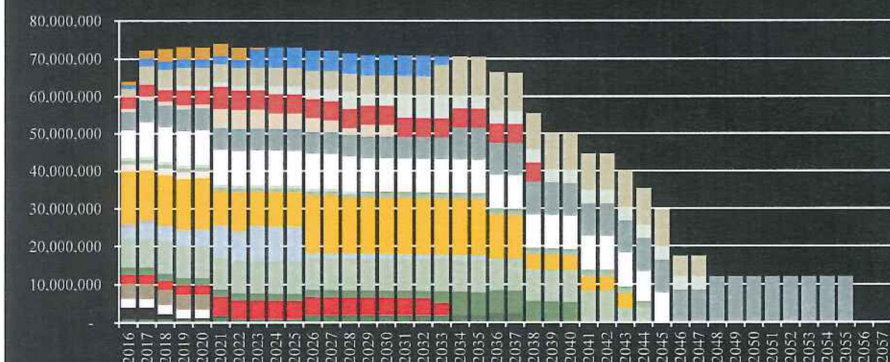
Bonds Outstanding ($ in millions)

Series	Total	Intercept	Stand-Alone
2015F	$ 17.670	$ 0.000	$ 17.670
2015E-2	42.125	42.125	0.000
2015E1	96.490	96.490	0.000
2015D	66.655	0.000	66.655
2015C	67.675	67.675	0.000
2015B	32.815	0.000	32.815
2015A	134.730	0.000	134.730
2013E	138.230	138.230	0.000
2013D	7.400	0.000	7.400
2013C	18.610	0.000	18.610
2013B	8.780	8.780	0.000
2013A	175.445	175.445	0.000
2012C	2.170	2.170	0.000
2012B	52.580	52.580	0.000
2012A	124.970	124.970	0.000
2010C	33.250	33.250	0.000
2010B	40.335	40.335	0.000
2010A	16.950	16.950	0.000
2009A	0.870	0.000	0.870
2008A	10.400	0.000	10.400
2007B	7.275	0.000	7.275
2007A	19.185	0.000	19.185
TOTAL	$1,114.610	$ 799.000	$315.610

BOARD OF GOVERNORS OF THE

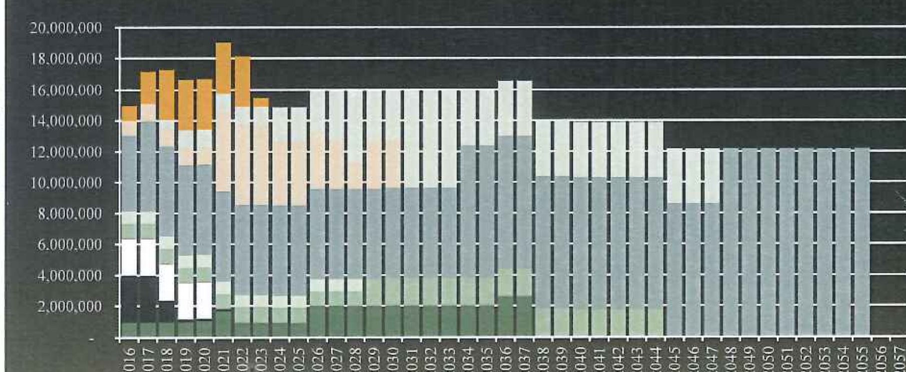
COLORADO STATE UNIVERSITY SYSTEM

AGGREGATE DEBT SERVICE (STATE INTERCEPT AND STAND-ALONE)



AGGREGATE DEBT SERVICE COVERAGE

NON-INTERCEPT DEBT SERVICE



5-YEAR ENROLLMENT STATISTICS