

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Amanda Bickel, JBC Staff (303-866-4960)
DATE March 26, 2021
SUBJECT Higher Education Comeback Packet #3

→ R1 INCREASES FOR PUBLIC HIGHER EDUCATION INSTITUTIONS AND FINANCIAL AID

During Figure Setting on March 10, 2021, the JBC voted to restore General Fund support for the higher education governing boards to the FY 2019-20 level. This amount is consistent with the Executive Request. The Committee indicated that any additional funding decisions would occur after it better understood its balancing situation. Staff is therefore bringing the issue back to the Committee for its consideration. Additional options staff recommended that the Committee consider included:

- *Inflationary adjustment:* Staff recommended a 2.5 percent inflationary adjustment for the institutions, distributed based on an allocation proposal put forth by the institutions, at cost of **\$25,965,792** including an aligned increase for financial aid. [The institutions proposal, agreed to by all but one governing board, requested \$81,836,433 (9.6 percent). The request was submitted outside of the usual Executive Branch process, included the institutions' calculation of their inflationary need plus \$10 million distributed based on enrollment of first generation students, and did not include an aligned amount for financial aid. The letter from the institutions indicated that any lower amount should be distributed in the same proportions.]
- *Tuition Buy-down at Access Institutions:* A resident undergraduate tuition buy down for access institutions to eliminate 3.0 percent inflationary increases in the community college system and Metropolitan State University of Denver for FY 2021-22 and reduce funding for students enrolled in career and technical education classes at Colorado Mesa University's Colorado Western Community College campus to the same level as the community colleges in FY 2021-22. In a comeback, staff also included a 3.0 percent tuition buy-down figure for the area technical colleges (although the State does not control their tuition rates). The total cost of the resident tuition buy down at the access institutions, including an aligned financial aid increase, is **\$15,989,971**.
- *Underrepresented Minority Option:* At representative Herod's request, staff included an option for distributing funds based on the proportion of students at each institution who are underrepresented minorities. **Staff included a \$2.0 million figure to demonstrate how the funds would be distributed** but did not recommend any particular figure. **A 1.0 percent increase in funding for the governing boards and aligned financial aid (excluding "limited purpose" fee-for-service funding) costs \$10,428,358.**

On March 19, staff provided a summary of staff recommendations and options, updated with additional information, in a staff comeback. To reference the full staff write-up, which includes substantial background information on institutions' financial situation, sources of support, and federal stimulus funding, see the staff figure setting write-up dated March 9, 2021, pages 11-29, at the following link:

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https://leg.colorado.gov/sites/default/files/fy2021-22_hedfig_0.pdf

The comeback is located at the following link: <https://leg.colorado.gov/sites/default/files/hedcb-03-19-21.pdf>

Based on further work with members of the Committee, the table on the following page demonstrates a build with multiple components that the Committee may consider for funding.

The Committee should decide:

- How much in total it wishes to allocate for ongoing operating funding for the institutions of higher education, and aligned financial aid; and
- How it wishes to allocate those funds, including how much in “Step 2” -- the “performance” portion of the funding model; and how much in “Step 1” (ongoing additional funding) or (if desired) in “Step 3” (temporary additional funding)

A 1.0 percent increase on base funding excluding “limited purpose” funding costs \$10.4 million, as shown below.

1.0% INCREASE ON HIGHER EDUCATION BASE FOR INSTITUTIONS/FINANCIAL AID	
1.0% of FY 2021-22 Base <u>Excluding</u> Limited Purpose FFS	\$8,503,236
Aligned financial aid increase (FY 2020-21 Base)	<u>1,925,122</u>
Total	\$10,428,358

The attached spreadsheet details an option developed by members for the JBC’s consideration. This includes:

A 4.7% base increase allocated based on Step 2 of the Higher Education Performance Funding Model In step 1:

- \$5.0 million each for two first generation components
- 1.3 percent (\$11.1 million) for underrepresented minority students (JBC staff distribution model)
- 1.4 percent (\$11.9 million) for Pell students (distribution calculation similar to the URM model)
- 1.0 percent (\$8.5 million) for retention of underrepresented minorities (model developed by CU)
- An increase for the area technical colleges and local district colleges aligned with the retention increase (1.0 percent)
- Aligned financial aid of \$18.5 million, which may be added to Need Based Aid, though staff recommends \$1.0 million of the total to COSI.

→ R2 TUITION SPENDING AUTHORITY

*During Figure Setting on March 10, 2021, the JBC voted to delay its decision on tuition spending authority for the governing boards and related footnotes, pending further decisions about General Fund support for the public institutions. The following is an excerpt from page 29-30 of the figure setting document. **Once the JBC has decided upon the FY 2021-22 tuition caps it would like for each governing board, staff will bring back the specific spending authority amount to incorporate the policy adjustments.***

“REQUEST: The request is for an additional \$74,406,003 cash funds spending authority for state public institutions’ tuition revenue for FY 2021-22. The request proposes that Long Bill footnotes restrict resident undergraduate tuition increases to 3.0 percent, while allowing institutions to request permission through the Colorado Commission on Higher Education for a greater increase. The request includes no restrictions on non-resident or graduate tuition or mandatory fees. The request indicates that it “seeks to ensure affordability and value for students while providing some flexibility for institutions to continue managing through enrollment uncertainty”.

RECOMMENDATION:

Staff recommends the request that undergraduate resident tuition be restricted to a 3.0 percent increase via assumptions expressed in Long Bill footnotes. However:

- **Staff does not recommend that the Colorado Commission on Higher Education be allowed to authorize higher tuition increases.** Staff believes any additional flexibility for tuition is most appropriately addressed by the General Assembly when it is determining the level of General Fund support for the institutions.
- Staff is aware that the **University of Northern Colorado (UNC)** would like the Committee to allow for a higher tuition increase due to their particular financial situation. *It has indicated interest in tuition flexibility of up to 7.0 percent (see letter attached).* Staff recommends that any related decision be reflected in a tuition footnote for UNC, rather than allowing the Commission to authorize greater increases. Due to late notice about this request as well as questions about to what extent additional federal funding that may reduce UNC’s desire to increase tuition this year, staff will make a related recommendation through the comeback process.
- **Any institution receiving an explicit tuition “buy down” will need a footnote specifying the related assumptions** (e.g., no increase or reduced tuition (Colorado Mesa option). If the Committee proceeds with the staff recommendation, footnotes would specify the expectation that the Community College System and Metro will not increase undergraduate resident tuition in FY 2021-22 and that CMU will reduce tuition for specified technical education programs. **[The JBC model does not include this]**
- **Staff recommends assuming that Fort Lewis College will not increase nonresident tuition.** Consistent with recent Committee practice, staff has not specified this in a footnote; however, staff has calculated the tuition spending authority for Fort Lewis College to incorporate this assumption.”

*The tables below summarize the total tuition policy recommendation and revenue for FY 2021-22 with the staff recommendation **as of figure setting**, which included a tuition buy-down for some institutions. **These figures will be adjusted based on Committee policy.***

FOOTNOTE ASSUMPTIONS - INCLUDING RESIDENT GRADUATE AND NONRESIDENT INCREASES - AS OF FIGURE SETTING			
	ASSUMPTION USED IN CALCULATIONS		ASSUMPTIONS DESCRIBED IN FOOTNOTE TO LONG BILL
	RESIDENT	NONRESIDENT	
Adams State University	3.0%	3.0%	3.0% for undergraduate residents.
Colorado Mesa University	3.0% less CTE class amount	3.0%	3.0% for undergraduate residents less specified career and technical classes
Metropolitan State University of Denver	0.0%	3.0%	0.0% for undergraduate residents.
Western State Colorado University	3.0%	0.0%	3.0% for undergraduate residents.
Colorado State University System	3.0%	3.0%	3.0% for undergraduate residents.
Fort Lewis College	3.0%	0.0%	3.0% for undergraduate residents.
University of Colorado System	3.0%	3.0%	3.0% for undergraduate residents.
Colorado School of Mines	3.0%	3.0%	n/a
University of Northern Colorado	3.0%	3.0%	3.0% for undergraduate residents. [May be subject to change via a “comeback”-UNC has requested flexibility up to 7.0 percent.]
Community College System	0.0%	3.0%	0.0% for undergraduate residents.

FY 2020-21 AND FY 2021-22 RECOMMENDED TUITION CASH FUNDS APPROPRIATION - AS OF FIGURE SETTING				
	FY 2020-21 (REVISED)*	FY 2021-22	CHANGE	PERCENTAGE CHANGE
Adams State University	21,183,079	20,363,600	(819,479)	-3.9%
Colorado Mesa University	72,043,336	68,587,703	(3,455,633)	-4.8%
Metropolitan State University of Denver	111,343,670	114,116,513	2,772,843	2.5%
Western State Colorado University	16,563,599	16,967,193	403,594	2.4%
Colorado State University System	435,367,948	480,981,986	45,614,038	10.5%
Fort Lewis College	41,909,810	42,900,665	990,855	2.4%
University of Colorado System	1,070,573,330	1,144,427,281	73,853,951	6.9%
Colorado School of Mines	159,656,471	164,738,748	5,082,277	3.2%
University of Northern Colorado	77,696,289	77,180,973	(515,316)	-0.7%
Community College System	273,474,970	265,206,204	(8,268,766)	-3.0%
Total Tuition Revenue	\$2,279,812,502	\$2,395,470,866	\$115,658,364	5.1%

*Includes recommended Long Bill Supplemental

→ R9 RESTORE EDUCATOR LOAN FORGIVENESS PROGRAM

During figure setting on March 11, 2021, the Committee indicated that it wished to delay a vote on restoring funding for the Educator Loan Forgiveness program. The staff write-up on this request is included below.

REQUEST: The Department requests \$2,898,963 General Fund and 0.5 FTE in FY 2021-22 to restore the Educator Loan Forgiveness Program established by S.B. 19-003. Funding for this program was de-funded in FY 2019-20 and ongoing in order to balance the FY 2020-21 budget. This request would

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provide sufficient funding to pre-pay the full cost of one cohort of 100 teachers receiving 5 years of \$5,000 in loan forgiveness per year.

RECOMMENDATION: Staff does not recommend this request.

ANALYSIS:

Background: S.B. 19-003 Educator Loan Forgiveness Program (Zenzinger & Coram/McLachlan & Wilson/amended by S.B. 20-158) modified and extended an older program which had not been funded in many years located at 23-3.9-101, C.R.S., et. seq. Under the new Educator Loan Forgiveness Program, eligible educators, including teachers, principals, and special service providers serving in a hard-to-staff position in a rural school district or content shortage area, is eligible to receive up to \$5,000 in loan forgiveness for each year of employment in a qualified position, for up to five years. The Colorado Commission on Higher Education (CCHE) is required to approve applications for the program. If more participants apply than can be accommodated, CCHE was required to prioritize applicants who have contracted for a qualified position in a rural school and in a content shortage area, followed by those who had contracted for a qualified position in a rural school, and finally those who had contracted for a qualified position in a content shortage area. The program repeals September 1, 2033.

In response to staff questions in February 2020, the Department reported that after passage of S.B. 19-003, it hired a program coordinator to administer the program, created an application process, guidelines, and program policy. The program closed for applications on February 21st having received hundreds of applications. However, due to unexpected budget shortfalls associated with the COVID-19 pandemic, loan forgiveness funding was eliminated in FY 2019-20, and funding for the associated staff position was eliminated in FY 2020-21.

Department Rationale: “One of the most commonly cited reasons for not pursuing a career in teaching continues to be cost: the price of an education degree compared with the return on investment from that degree is a deterrent for students who may otherwise enter the field. In rural districts the problem of teacher pay is especially acute, as over 95 percent of those districts’ salaries are below the cost of living. At the same time, national research evidence suggests the effectiveness of loan forgiveness in recruiting and retaining educators. By investing in loan assistance for educators, the state has the opportunity to support this critical, high demand career pathway, especially in critical geographic and subject matter areas in the state. The Department anticipates this support will aid in the recruitment and retention of educators in critical positions and provide significant financial support to individuals, allowing 100 educators to make substantial progress on the repayment of their student loans.”

Staff Considerations:

- The Department has indicated that were over 1,300 eligible qualified applicants vying for 100 slots when the program launched and before funding was pulled back. As discussed during the staff budget briefing, staff is concerned about funding a program that provides a large benefit (\$25,000) to 100 individuals--a small fraction of those who apply and an even tinier fraction of those who could qualify. In 2019, the Department used publicly available data from CDE to estimate that there were approximately 60,000 educators who could potentially qualify for the program. The number who could be funded would thus represent 0.17 percent of those eligible. *Staff does not believe it is appropriate to distribute substantial public funds to a few individuals via lottery while the vast majority with equal qualifications and needs receive nothing.*

- In response to Committee hearing questions and subsequent follow-ups, the Department provided the following response:

“The Department does not believe the need for lottery-based selection can be completely eliminated without the program receiving a material increase in funding. Based on publicly available data, there were approximately 55,600 teachers employed by districts and BOCES in FY 2019-20. Of those, approximately 7,200 teach in districts (or BOCES) with less than 300 teachers employed district-wide; this is a rough proxy for a “rural district”. Of those, approximately 4,200 teach in districts with less than 100 teachers employed district-wide; this is a rough proxy for “small rural district”. Neither of these definitions are exact matches to the qualifications for rural and small rural districts as currently defined by SB 19-003, but it demonstrates the scale of potentially eligible educators and the substantial level of resources that would be necessary to meet the potential demand and eliminate the need for lottery-based selection.

There is a provision in SB 19-003 that seeks to address the issue of scale and demand by specifying that first priority should be granted to educators teaching in small rural districts who are also teaching in content shortage areas. However, due to the nature of educator shortages, nearly every content area is experiencing shortages in rural and small rural districts. To eliminate the need for a lottery-based selection at the current funding level, the eligibility criteria would have to become so narrow that only a small fraction of educators in rural and small rural districts would qualify.

If some lottery-based component is acceptable, the Department proposes that SB 19-003 be amended in the following ways to reduce the size of the potentially eligible population. These changes would greatly reduce the number of individuals who would be eligible to apply for the benefit but would not eliminate the need for potential lottery selection, depending on the number of qualified applications received.

- Only educators in small rural, or small rural and rural districts, (as defined by CDE) be eligible to apply
- Definition of “educator” be limited to only teachers; as another option to limit the pool of applicants, applicants could be limited to only Special Service Providers
- This will also require conforming amendments to the definition of “qualified position”
- Limit the size of the benefit to each participant to \$10,000 over the course of 3 years (or a similar smaller amount for only one year or two years) rather than \$25,000 over the course of five years as currently required by statute. This would increase the number of participants in the program, assuming no change in funding.

The Department could also attempt to work with CDE to identify the content areas with the largest shortages to further limit eligibility.

There was some discussion during the Department’s hearing of out-sourcing selection to districts. This would require significant changes to the program’s authorizing legislation and program administration...A change of this magnitude would likely impact the fiscal and workload impact assessed by the Department.”

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- Staff is not convinced that the alternatives presented by the Department are particularly attractive. Given the scale of demand, a loan forgiveness program may be best left to the federal government which both issues the loans and has more capacity to fully fund everyone who qualifies.
- Furthermore, any of changes suggested by the Department would require significant modifications to the existing statute. In light of this, **staff recommends rejecting this request. If legislators choose to rethink the program and pursue related statutory changes, staff anticipates that the costs associated with the re-envisioned program will be appropriated as part of that bill.**
- Staff has recommended restoring funding to other programs intended to improve teacher recruitment and retention, including in rural areas. Even with additional funding, these programs will also be underfunded compared to the demand, and there may be some use of lotteries. However, these programs offer smaller one-year benefits, are easier to administer, and the gap between demand and funding is far smaller.

i ADAMS STATE UNIVERSITY PLACHY HALL

Staff was informed on March 24, 2021, that the Adams State University (ASU) Plachy Hall capital renewal project was coming in far over budget and that the school would likely be unable to proceed with the project in the absence of an additional appropriation. *The additional costs are in the \$1.5 to \$2.0 million range.*

Based on further discussion with ASU, the Office of the State Architect, and Colorado Commission on Higher Education (CCHE) and Capital Development Committee (CDC) staff, JBC staff anticipates that ASU will bring a formal proposal to modify funding for this project through OSPB, CCHE, and the CDC within the next two weeks. **If the CCHE and CDC approve the revised proposal, JBC staff expects that the JBC could address this issue as a “beyond the scope” modification to the Long Bill and the capital transfer bill during the conference committee process.**

1.0% of FY 2021-22 Base <u>Excluding</u> Limited Purpose FFS	8,503,236
Aligned financial aid increase (FY 2020-21 Base)	1,925,122
Total	10,428,358

Distribution Calculator	JBC Action - All General Fund <u>Excluding</u> Limited Purpose Fee-for-service	Step 2 (only) - Base Increase (performance model)	Step 1 First Generation Based on Headcount (statutory model)	Step 1 First Generation Based on FTE (included in institutions' model; results are close to headcount)	Underrepresented Minority JBC Staff Distribution Model	Pell JBC Staff Distribution Model Calibrated Based on Existing Share of GF	CU URM Retention Component	Include Increase for ATCs & LDC based on CU URM Retention Component	Grand Total Changes	Percentage Change from Base Excluding Limited Purpose FFS
Percentage increase on base desired		4.7%	0.6%	0.6%	1.3%	1.4%	1.0%	1.0%		
Amount for that percentage		39,965,209	5,000,000	5,000,000	11,054,207	11,904,530	8,503,236			
Adams State University	\$17,280,257	728,969	18,959	29,613	387,031	434,127	249,658		1,848,357	10.7%
Colorado Mesa University	32,184,959	1,485,826	248,528	296,027	438,427	627,483	415,508		3,511,799	10.9%
Metropolitan State University	63,669,142	3,129,398	839,115	897,629	1,352,285	1,498,650	752,127		8,469,204	13.3%
Western State Colorado University	15,035,379	748,760	5,702	10,944	208,515	187,831	266,353		1,428,105	9.5%
Colorado State University System	170,828,219	7,842,656	272,236	341,055	1,297,910	1,608,975	1,288,917		12,651,749	7.4%
Fort Lewis College	14,136,437	601,865	15,009	20,113	190,221	248,989	209,020		1,285,217	9.1%
University of Colorado System	241,373,927	11,117,184	479,296	568,527	2,167,927	2,807,667	2,117,240		19,257,841	8.0%
Colorado School of Mines	25,371,265	1,250,566	16,184	22,526	202,554	324,415	347,213		2,163,458	8.5%
University of Northern Colorado	47,004,464	2,186,875	192,970	256,556	706,045	840,663	553,421		4,736,530	10.1%
Community College System	189,865,735	9,295,139	2,912,002	2,557,008	3,450,106	3,325,730	2,303,778		23,843,763	12.6%
		-							-	
Colorado Mountain College	9,010,042	423,472	-	-	144,394	-		90,100	657,966	7.3%
Aims Community College	10,653,783	500,728	-	-	221,962	-		106,538	829,228	7.8%
Area Technical Colleges	13,910,021	653,771	-	-	286,831	-		139,100	1,079,702	7.8%
Total - Institutions	\$850,323,630	39,965,209	5,000,001	4,999,998	11,054,208	11,904,530	8,503,235	335,738	81,762,919	9.6%
<i>FY 2019-20 Base for Gov Boards (for aligned FA calc)*</i>	<i>856,230,905</i>									
Percentage Increase over FY 2019-20 Institutional Base		4.67%	0.58%	0.58%	1.29%	1.39%	0.99%	0.04%		
Aligned Financial Aid	193,849,624	9,048,074	1,131,994	1,131,993	2,502,659	2,695,171	1,925,122	76,011	18,511,024	9.5%
TOTAL Cost		\$49,013,283	\$6,131,995	\$6,131,991	\$13,556,867	\$14,599,701	\$10,428,357	\$411,749	\$100,273,943	

* Comparison: action to-date for FY 22 including Ltd Purpose FFS of \$5,443,028 855,766,658

Distribution Percentages	Base Excluding Limited Purpose Fee-for-service	Step 2 (only) - Base Increase (performance model)	Step 1 (only) - First Generation Headcount (optional model described in statute)	Step 1 (only) - First Generation FTE Model (part of institutional agreement)	Underrepresented Minority Option (JBC staff option)	Pell Distribution Weighted by Share of General Fund	CU URM Retention	Proportionate Increase to Improvements in CU URM retention metric for ATC, LDC
	Percentage Distribution	Percentage Distribution	Percentage Distribution	Percentage Distribution	Percentage Distribution	Percentage Distribution	Percentage Distribution	Percentage Distribution
Adams State University	2.0%	1.8%	0.4%	0.6%	3.5%	3.6%	2.9%	
Colorado Mesa University	3.8%	3.7%	5.0%	5.9%	4.0%	5.3%	4.9%	
Metropolitan State University	7.5%	7.8%	16.8%	18.0%	12.2%	12.6%	8.8%	
Western State Colorado University	1.8%	1.9%	0.1%	0.2%	1.9%	1.6%	3.1%	
Colorado State University System	20.1%	19.6%	5.4%	6.8%	11.7%	13.5%	15.2%	
Fort Lewis College	1.7%	1.5%	0.3%	0.4%	1.7%	2.1%	2.5%	
University of Colorado System	28.4%	27.8%	9.6%	11.4%	19.6%	23.6%	24.9%	
Colorado School of Mines	3.0%	3.1%	0.3%	0.5%	1.8%	2.7%	4.1%	
University of Northern Colorado	5.5%	5.5%	3.9%	5.1%	6.4%	7.1%	6.5%	
Community College System	22.3%	23.3%	58.2%	51.1%	31.2%	27.9%	27.1%	
Colorado Mountain College	1.1%	1.1%			1.3%			
Aims Community College	1.3%	1.3%			2.0%			
Area Technical Colleges	1.6%	1.6%			2.6%			
Total - Institutions	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Share of base funding		
Step 1 total	41,797,710	4.9% Of this, 1.0% for retention
Step 2 total	39,965,209	4.7%
Total increase	81,762,919	