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FISCAL NOTE

Drafting Number:	LLS 18-0760	Date:	February 14, 2018
Prime Sponsors:	Sen. Gardner Rep. Duran	Bill Status:	Senate Education
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Bill Topic: HIGHER ED CERTIFICATE PERFORMANCE FUNDING

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill increases the amount of performance funding allocated to an institution of higher education for each certificate awarded by the school. The bill does not impact the total state funding for higher education, but changes how the funds are distributed among institutions. Impacts are ongoing.

Appropriation Summary: For FY 2018-19, the bill changes the allocation of state funding among institutions of higher education. See the State Appropriations section.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

Under current law, performance funding for state institutions of higher education is based on completion of degrees or certificates and student retention. For the completion of degrees or certificates, the amount awarded is weighted by the type of degree, as follows: certificates are weighted at 0.25, associates degrees at 0.5, bachelor's degrees at 1.0, and graduate degrees at 1.25. The bill increases the amount of performance funding allocated for each certificate awarded to be not less than one half that of a bachelor's degree.

Background

Higher education funding. House Bill 14-1319 created a model for allocating state funds among governing boards of state institutions of higher education. The model includes the following three components:

1. College Opportunity Fund student stipends, which must make up at least 52.5 percent of the total state appropriation;
2. role and mission funding, which is based on each institution's mission, graduate students, remediation services, and support services for Pell-eligible, first-generation, and underserved students; and
3. performance funding, which is based on student retention and the completion of degrees or certificates.

Appropriations for each governing board may not increase or decrease by more than five percentage points of the overall percentage change in funding for all governing boards. For FY 2017-18, \$543.3 million was allocated through the formula; of which, \$291.4 million was for student stipends, \$142.1 million was for role and mission funding, and \$109.9 million was for performance funding. In addition to funding through the model, local district colleges, area technical schools, and institutions offering specialty education programs receive additional funding.

Tuition. The General Assembly may establish tuition spending authority for all institutions except for the Colorado School of Mines. Tuition increases are established through footnotes in the Long Bill. In FY 2017-18, the maximum increase in resident undergraduate tuition ranged from 5.0 to 7.7 percent.

Certificates. The state institutions of higher education, excluding local district colleges and area technical colleges, that offer certificates and the number of certificates completed in FY 2016-17 is as follows:

- Community College System (14,891);
- Colorado Mesa University (450);
- Metropolitan State University (74); and
- Colorado State University (136, graduate only).

State Expenditures

Beginning in FY 2018-19, the bill impacts the allocation of state General Fund money through the higher education distribution formula to institutions of higher education. The total appropriation does not change as a result of the bill.

The fiscal note discusses two scenarios, the impact of the bill on FY 2017-18 funding levels (Table 2) and the impact on the Governor's proposed FY 2018-19 budget request (Table 3), and does not make an assumption as to the scenario that will occur. In both scenarios, weighting certificates at 0.5 of the amount awarded for a bachelor's degree increases state funding for the community colleges and Colorado Mesa University and decreases funding for schools that do not offer, or offer very few, certificates, with the University of Colorado System and the Colorado State University System experiencing the largest decreases.

Changes to current funding levels. Table 2 shows the changes to each governing board's funding for FY 2018-19, assuming the total state appropriation for FY 2017-18 is held constant. It should be noted that some of the impacts will be smaller than currently shown, as adjustments to the overall model will be made to ensure that each institution stays within statutory guidelines. Funding for specialty education programs received by Colorado State University and the University of Colorado, and for local district colleges and area technical colleges do not change as a result of the bill.

Table 2
Distribution of State Funding For Higher Education -
Under SB 18-133 and FY 2017-18 Funding Levels

Governing Board	FY 2017-18 Appropriation*	Change Under SB18-133	Percent Change
Adams State University	\$14,259,963	(\$126,318)	(0.89)%
Colorado Mesa University	\$25,951,161	\$101,548	0.39%
Colorado School of Mines	\$21,484,706	(\$265,296)	(1.23)%
Colorado State Univ. System	\$83,260,917	(\$1,077,561)	(1.29)%
Community College System	\$153,547,255	\$4,511,380	2.94%
Fort Lewis College	\$11,784,939	(\$115,489)	(0.98)%
Metro State University	\$51,626,603	(\$587,574)	(1.14)%
Univ. of Colorado System	\$130,068,157	(\$1,934,258)	(1.49)%
Univ. of Northern Colorado	\$39,522,408	(\$430,788)	(1.09)%
Western State Colo. Univ.	\$11,821,897	(\$75,644)	(0.64)%
Total	\$543,328,006	\$0	

* Excludes specialty education, local district college, and area technical college funding

Governor's budget request. Table 3 shows the changes to each governing board's funding for FY 2018-19 under the bill, assuming the Governor's budget request is adopted. The request increases overall funding for institutions by 8.6 percent. As discussed above, some of the impacts under the bill will be smaller than currently shown due to adjustments to the overall model that may be made to ensure that the each institution stays within statutory guidelines.

Table 3
Distribution of State Funding For Higher Education -
Under SB 18-133 and Governor's FY 2018-19 Budget Request

Governing Board	FY 2018-19 Request	Change Under SB18-133	Percent Change
Adams State University	\$14,775,168	(\$139,308)	(0.94)%
Colorado Mesa University	\$28,427,747	\$18,900	0.07%
Colorado School of Mines	\$22,374,275	(\$286,469)	(1.28)%
Colorado State Univ. System	\$90,223,799	(\$1,265,893)	(1.40)%
Community College System	\$167,424,936	\$5,479,403	3.27%
Fort Lewis College	\$12,210,225	(\$124,058)	(1.02)%
Metro State University	\$56,499,439	(\$748,747)	(1.33)%
Univ. of Colorado System	\$143,471,965	(\$2,343,879)	(1.63)%
Univ. of Northern Colorado	\$41,733,556	(\$494,312)	(1.18)%
Western State Colo. Univ.	\$12,780,771	(\$95,635)	(0.75)%
Total	\$589,921,881	\$0	

*Numbers may not sum due to rounding.

Tuition. Adjustments to the distribution of state General Fund funding may result in institutions adjusting tuition or other revenue sources. Any changes to tuition rates will be adjusted through the figure setting and Long Bill processes.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

State Appropriations

The bill does not change the overall appropriation to institutions of higher education in FY 2018-19; however, the allocation of the funding among institutions will change. The impact on each institution depends on the amount appropriated in the Long Bill for FY 2018-19 and cannot be estimated at this time.

State and Local Government Contacts

Higher Education