



JOINT BUDGET COMMITTEE STAFF FY 2021-22 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Higher Education

The Department of Higher Education is responsible for higher education and vocational training programs in the state. The Department's FY 2020-21 appropriation represents approximately 12.3 percent of statewide operating appropriations and 5.5 percent of statewide General Fund appropriations.

FY 2020-21 APPROPRIATION AND FY 2021-22 REQUEST

DEPARTMENT OF HIGHER EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2020-21 APPROPRIATION:						
HB 20-1360 (Long Bill)	3,972,963,677	610,162,421	2,903,252,129	433,698,651	25,850,476	26,733.3
Other legislation	(9,246,382)	(5,644,081)	(1,580,535)	(2,021,766)	0	0.0
TOTAL	\$3,963,717,295	\$604,518,340	\$2,901,671,594	\$431,676,885	\$25,850,476	26,733.3
FY 2021-22 REQUESTED APPROPRIATION:						
FY 2020-21 Appropriation	\$3,963,717,295	604,518,340	\$2,901,671,594	\$431,676,885	\$25,850,476	26,733.3
R1 State operating funding for public higher education	84,367,840	43,530,352	0	40,837,488	0	0.0
R2 Tuition spending authority	74,406,003	0	74,406,003	0	0	0.0
R3 Fort Lewis Native American tuition waiver	2,889,596	2,889,596	0	0	0	0.0
R4 Wind down professional student exchange program	(126,025)	0	0	(126,025)	0	0.0
R5 Restore Cybercoding Cryptology program	4,000,000	2,000,000	0	2,000,000	0	0.0
R6 Realign funding for Colorado Student Leader Institute	(218,825)	(218,825)	0	0	0	(1.0)
R7 Continue Open Educational Resources program	100,838	0	0	100,838	0	1.0
R8 RISE Fund for higher education	10,000,000	10,000,000	0	0	0	0.0
R9 Restore Educator Loan Forgiveness program	2,898,963	2,898,963	0	0	0	0.5
HC1 Financial sustainability for History Colorado	0	0	(930,632)	930,632	0	0.0
HC2 Cumbres and Toltec operating appropriation	521,500	0	0	521,500	0	0.0
NP1 DPA Center for Organizational Effectiveness	3,604	0	0	3,604	0	0.0
NP2 Extend pause annual depreciation lease payment	(4,689,432)	(4,689,432)	0	0	0	0.0
NP3 OIT budget request package	(39,151)	0	(39,151)	0	0	0.0
NP4 Increased Medicaid match for financing payments	(8,904,766)	(4,452,383)	0	(4,452,383)	0	0.0
Annualize prior year budget actions	883,603,790	450,726,406	0	432,877,384	0	0.0
Annualize prior year legislation	4,209,000	3,754,100	235,513	152,815	66,572	(1.0)
Lease purchase payment adjustments	666,466	103,023	424,449	138,994	0	0.0

DEPARTMENT OF HIGHER EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Auraria Higher Education Center	100,000	0	0	100,000	0	0.0
Centrally appropriated line items	(152,347)	108,953	(217,341)	147,301	(191,260)	0.0
WICHE dues	(1,000)	0	0	(1,000)	0	0.0
TOTAL	\$5,017,353,349	\$1,111,169,093	\$2,975,550,435	\$904,908,033	\$25,725,788	26,732.8
INCREASE/(DECREASE)	\$1,053,636,054	\$506,650,753	\$73,878,841	\$473,231,148	(\$124,688)	(0.5)
Percentage Change	26.6%	83.8%	2.5%	109.6%	(0.5%)	(0.0%)

R1 STATE OPERATING FUNDING FOR PUBLIC HIGHER EDUCATION: The request includes an increase of \$84,367,840 General Fund for public higher education (state governing boards, local district colleges, and area technical colleges). The request includes an overall increase of \$83,353,669 for student stipends, fee-for-service contracts, and grants for the public governing boards, local district colleges, and area technical colleges, allocated based on the H.B. 20-1366 funding model. It also adds \$1,014,171 to align stipend amounts for students attending private institutions with stipends for students at the public institutions, as required by statute. In combination with a component to annualize one-time FY 2020-21 funding reductions, the request restores total funding for the governing boards to the FY 2019-20 level.

As requested, the state-operated boards would receive total appropriations that range from 0.8 percent below their FY 2019-20 level to 0.8 percent above their FY 2019-20 level, based on the results of the performance section of the H.B. 20-1366 model. The request is paired with the R2 request for tuition spending authority.

The request includes a proposed statutory change to suspend the requirement that financial aid increase at the same rate as funding for the governing boards for FY 2021-22. Without such a change, an additional appropriation for financial aid would be required or a portion of the requested funding for public institutions would need to be allocated to financial aid. Although funding for the governing boards was reduced in FY 2020-21, most funding for financial aid was not.

R2 TUITION SPENDING AUTHORITY: The request holds resident undergraduate tuition to an increase of 3.0 percent for FY 2021-22 but proposes that the Colorado Commission on Higher Education be allowed to authorize additional increases. The request includes \$74.4 million in cash funds spending authority for state public institutions' tuition revenue for resident and nonresident students. The request proposes that Long Bill footnotes restrict undergraduate resident tuition increases, with no restrictions on non-resident or graduate tuition or mandatory fees.

R3 FORT LEWIS NATIVE AMERICAN TUITION WAIVER: The request includes an increase of \$2,889,596 General Fund (13.3 percent) for the Fort Lewis College Native American tuition waiver. This will bring total waiver payments to \$24,680,191 General Fund. Waiver payments are 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. The vast majority of funds support Native American students who are not Colorado residents.

R4 WIND DOWN PROFESSIONAL STUDENT EXCHANGE PROGRAM: The request proposes to phase-out funding for the Western Interstate Commission on Higher Education (WICHE) professional student exchange program. The program allows residents of WICHE member states pursuing a professional degree in certain health fields who do not have the opportunity to study in their own state to enroll in an in-region institution in another state and receive tuition support from their home state. Colorado currently supports only optometry students, as medical and veterinary programs are available in Colorado. Students receive annual support of \$18,830 in return for a commitment to return

to Colorado for four years, or the grant converts to a loan. As a budget balancing measure, the General Assembly reduced the program by \$74,025 in FY 2020-21, eliminating funding for new students to enter (4 slots would have been available) and anticipated a further reduction in FY 2021-22. The Department's request reduces the program by \$126,025 (6 slots) in FY 2021-22, \$171,775 (9 slots) in FY 2022-23, and \$78,800 in FY 2023-24 (4 slots), when the program would end after the last cohort graduates.

R5 RESTORE CYBERCODING CRYPTOLOGY PROGRAM: The request is to fully restore funding for the Cybercoding Cryptology Program to the level in FY 2019-20, eliminating a cut of \$2,000,000 General Fund, which is then reappropriated to the governing boards, that was taken in FY 2020-21 as a budget balancing measure.

R6 REALIGN FUNDING FOR COLORADO STUDENT LEADERS INSTITUTE: The request proposes to eliminate funding for the Colorado Student Leaders Institute (COSLI), providing savings of \$218,825 General Fund and 1.0 FTE. COSLI is a four-week residential summer program on the University of Colorado Denver campus for up to 100 Colorado students in tenth and 11th grade. Students must be nominated by their district or charter school and selected by the COSLI Board. Students who complete the program receive three hours of college credit. Actual participation in the program has typically ranged from 60-75 students per year, with about 50% who are first-generation college students and 40-50 percent who are both first generation and eligible for free or reduced lunch. The Department indicates that other programs, such as the Colorado Opportunity Scholarship Initiative program, are more effectively targeted at low-income, underrepresented minority, and first-generation students. In order to eliminate funding, a bill is required to clarify that program funding is subject to available appropriation. The Department requests the Committee sponsor the bill.

R7 CONTINUE OPEN EDUCATIONAL RESOURCES: The request includes \$100,838 reappropriated funds and 1.0 FTE in FY 2021-22 and ongoing for the continuation of the Open Educational Resources (OER) program. This request would allow the Department to maintain a state-level Director of Open Educational Resources and OER Council to support the further development of free digital textbooks and course materials at Colorado's public institutions of higher education. The proposed fund source is reappropriated funds from indirect cost collections, which the Department proposes to reallocate from the Professional Student Exchange Program. (Staff note: both the R4 savings and R7 request may be viewed as General Fund, as the indirect cost collections offset General Fund that is otherwise required.) The OER program is set to repeal on November 1, 2021. The Department requests that the JBC sponsor legislation to reauthorize the program for an additional five years.

R8 RISE FUND FOR HIGHER EDUCATION: The Department requests a one-time appropriation of \$10,000,000 General Fund in FY 2021-22 to expand on the Response Innovation, and Student Equity (RISE) Education Fund created by the Governor in the summer of 2020. The funds would be dedicated to providing grants, in partnership with the Department of Higher Education, to Colorado's public institutions of higher education to support institution-led initiatives to reduce costs, improve operational efficiency, and adapt and lead in the post-pandemic "new normal". The program would be administered by the same staff that administer the \$32.7 million federally-funded RISE Education Fund in the Governor's Office. The Department requests that the JBC sponsor legislation establishing the program.

R9 RESTORE EDUCATOR LOAN FORGIVENESS PROGRAM: 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. The law authorized the Department to make payments on qualified loans on behalf of a limited number of qualifying teachers, principals, and special service providers, with educators serving rural and hard-to-fill positions prioritized. The program was de-funded in FY 2019-20 and ongoing in order to balance the FY 2020-21 budget. The request would provide sufficient funding to prepay the full cost of one cohort of 100 teachers receiving 5 years of \$5,000 in loan

forgiveness per year. Under Executive Order D 2020 050, the program was discontinued in 2020 and no awards were made, despite the receipt of over 1,300 applications, and the program did not accept applications for FY 2020-21.

HC1 FINANCIAL SUSTAINABILITY FOR HISTORY COLORADO: The Department requests that the JBC sponsor legislation that would redirect \$930,532 in FY 2021-22 and \$1.9 million in FY 2022-23 through FY 2038-39 to support History Colorado Certificate of Participation payments. Under current law, these amounts are to be used to support Capitol Complex Master Plan implementation. Although the request is identified as from reappropriated funds, the source of the money is General Fund amounts that are transferred to the Capitol Complex Master Plan Implementation Fund under current law.

HC2 CUMBRES AND TOLTEC OPERATING APPROPRIATION: The Department requests that the JBC sponsor legislation that would redirect \$521,500 in FY 2021-22 only to support Cumbres and Toltec Railroad operations. Under current law, this amount is to be used to support Capitol Complex Master Plan implementation. Although the request is identified as from reappropriated funds, the source of the money is General Fund amounts that are transferred to the Capitol Complex Master Plan Implementation Fund under current law. Staff assumes that, if the JBC approves this request, a single bill would be used to modify transfers to the Capitol Complex Master Plan Implementation Fund, and this would encompass both HC1 and HC2.

NP1 DPA CENTER FOR ORGANIZATIONAL EFFECTIVENESS: The request includes the Department's share of a request from the Department of Personnel (DPA) to restructure financing for DPA's Center for Organizational Effectiveness.

NP2 EXTEND PAUSE ANNUAL DEPRECIATION LEASE PAYMENT: The request includes the Department's share of a statewide request for new legislation to extend a suspension of the annual depreciation lease equivalent payment. This mechanism for supporting capital construction expenditures was suspended in FY 2020-21 pursuant to H.B. 20-1398.

NP3 OIT BUDGET REQUEST PACKAGE: The request includes the Department's share of the Governor's Office of Information Technology's budget package adjustments.

NP4 INCREASED MEDICAID MATCH FOR FINANCING PAYMENTS: The request includes the Department's share of a request in the Department of Health Care Policy and Financing that will require new legislation related to H.B. 20-1385 (Use of Increased Medicaid Match). H.B. 20-1385 enables the state to capture additional federal Medicaid match provided through the Families First Coronavirus Response to offset General Fund expenditures; however, the request indicates a need for technical statutory adjustment that would allow additional savings to the General Fund into FY 2021-22 and FY 2022-23. Staff notes that due to a technical error in the base request, which did not annualize the prior year bill on this topic, *savings in FY 2021-22 will actually be \$2.0 million less than the amount shown.*

ANNUALIZE PRIOR YEAR BUDGET ACTIONS The request includes a net increase of \$883.6 million total funds, including \$450.7 million General Fund, for prior year budget actions, summarized in the following table. As shown, almost all of the increase is to reverse a one-time reduction in FY 2020-21 to funding for the public governing boards. A Long Bill footnote explained the General Assembly's intent that, of the 58.0 percent reduction to the public institutions of higher education in FY 2020-21, all but 5.0 percentage points was expected to be one-time only. This portion of the request annualizes the FY 2020-21 cut consistent with the footnote, restoring all but 5.0 percentage points of the funding. The balance is restored in request R1, so that the total request restores total funding to the public institutions to the FY 2019-20 level.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
TA7 Annualize ongoing reduction to public institutions	\$883,548,906	\$450,671,522	\$0	\$432,877,384	\$0	0.0
FY20-21 GF HLD reduction	54,884	54,884	0	0	0	0.0
TOTAL	\$883,603,790	\$450,726,406	\$0	\$432,877,384	\$0	0.0

ANNUALIZE PRIOR YEAR LEGISLATION The request includes a net increase of \$4.2 million total funds to reflect the FY 2021-22 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB 20-1398 Depreciation Lease Equivalent Adjustment (restore)	\$3,461,717	\$3,461,717	\$0	\$0	\$0	0.0
HB 20-1398 Depreciation Lease Equivalent Adjustment (annualize)	1,227,716	1,227,716	0	0	0	0.0
HB 20-1379 PERA Direct Distribution	478,087	25,566	233,519	152,559	66,443	0.0
SB18-200 PERA unfunded liability	2,656	277	1,994	256	129	0.0
HB 18-1331 Open Educational Resources	(961,176)	(961,176)	0	0	0	(1.0)
TOTAL	\$4,209,000	\$3,754,100	\$235,513	\$152,815	\$66,572	(1.0)

Staff anticipates that funds associated with several additional bills not included in the request will need to be annualized in FY 2021-22 based on current law. This includes most Marijuana Tax Cash Fund awards to the University of Colorado for programs related to opioid addiction prevention and treatment and funding in H.B. 20-1385 (Use of Increased Medicaid Match).

LEASE PURCHASE PAYMENT ADJUSTMENTS: The request includes annual technical adjustments to three lease purchase obligations: the University of Colorado Health Sciences Center at Fitzsimons lease purchase authorized by H.B. 03-1256; the Higher Education Federal Mineral Lease Revenues lease purchase that supported the construction of various higher education capital construction projects in 2008; and the lease purchase for the new History Colorado Center authorized in 2008.

AURARIA HIGHER EDUCATION CENTER: The request increases spending authority for the Auraria Higher Education Center by \$100,000 for funds received from the institutions operating on the Auraria campus (University of Colorado – Denver, Metropolitan State University of Denver, and the Community College of Denver).

CENTRALLY APPROPRIATED LINE ITEMS: The request includes adjustments to centrally appropriated line items, as detailed in the table below.

WICHE DUES: The request includes a reduction for fees paid to the Western Interstate Commission on Higher Education, which provides research services and runs inter-state student exchange programs used by the department and public institutions of higher education.

BUDGET REQUESTS IMPACTING FY 2020-21 COVID-19 STIMULUS PACKAGE

The Governor's 2020 budget request includes items that will be formally submitted for consideration during the supplemental budget cycle that starts in January. The following summarizes the Governor's proposed FY 2020-21 COVID-19 Stimulus Package that impact the Department of Higher Education.

FY 2020-21 COVID-19 STIMULUS PROPOSAL -- TO BE ACTED ON IN JANUARY 2021 ¹						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2020-21 APPROPRIATION						
HB 20-1360 (Long Bill)	\$3,972,963,677	\$610,162,421	\$2,903,252,129	\$433,698,651	\$25,850,476	26,733.3
Other legislation	(9,246,382)	(5,644,081)	(1,580,535)	(2,021,766)	0	0.0
TOTAL	\$3,963,717,295	\$604,518,340	\$2,901,671,594	\$431,676,885	\$25,850,476	26,733.3
FY 2020-21 PROPOSED COVID-19 STIMULUS						
FY 2020-21 Appropriation	\$3,963,717,295	\$604,518,340	\$2,901,671,594	\$431,676,885	\$25,850,476	26,733.3
S1 Colorado's Plan for Workforce and Economic Recovery - Colorado Opportunity Scholarship Initiative	15,000,000	15,000,000	0	0	0	0.0
TOTAL	\$3,978,717,295	\$619,518,340	\$2,901,671,594	\$431,676,885	\$25,850,476	26,733.3
INCREASE/(DECREASE)	\$15,000,000	\$15,000,000	\$0	\$0	\$0	0.0
Percentage Change	0.4%	2.5%	0.0%	0.00%	0.00%	0.0

¹ The General Fund amounts listed for the COVID-19 Stimulus Package above are reflected as General Fund appropriations, even if the proposal involves the *transfer* of General Fund to another fund. Details about the proposed funding mechanism are described below. The proposed Stimulus Package also includes budget requests for FY 2021-22, which do not appear in this table. Current request items are included in the Summary: FY 2020-21 Appropriation & FY 2021-22 Request table above.

S1 COLORADO'S PLAN FOR WORKFORCE AND ECONOMIC RECOVERY - COLORADO OPPORTUNITY SCHOLARSHIP INITIATIVE: The request includes an increase of \$150.0 million General Fund for the Colorado Opportunity Scholarship Initiative (COSI) Program for its Displaced Worker Program. In 2020, COSI expanded its scholarship and wraparound support program to address the COVID crisis by creating this program focused on workers displaced by the pandemic who have some college but no degree. Currently, COSI's Displaced Worker program is used to incentivize colleges to redirect existing COSI scholarship funds or create new scholarships for displaced workers, but extra funding for scholarships has not been provided. The new funds would be used to: (1) provide approximately \$3,000 per academic year for 3,150 displaced workers from highly impacted industries who are seeking primarily certificates and associates degrees (\$9.45 million)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

2020 SESSION BUDGET BALANCING ACTIONS: In response to the budget challenges in the 2020 Session, the Joint Budget Committee and the General Assembly took actions that reduced the FY 2019-20 General Fund appropriations to the Department of Higher Education by \$1.8 million^{0F}. Fiscal year 2020-21 appropriations to the Department were further reduced by \$507.0 million (45.6 percent). The General Assembly also reduced cash funds appropriations by \$1.3 million and suspended a \$2.1 million cash funds transfer to the Department, thereby increasing cash funds

available for balancing purposes. These adjustments contributed to the net decrease in the Department's General Fund and total funds budget for FY 2020-21.

INFORMATIONAL ISSUE: PUBLIC HIGHER EDUCATION FINANCE -- BUDGET BALANCING IN THE TIME OF COVID-19: Fiscal impacts of the COVID-19 pandemic on public institutions of higher education have thus far been less severe than was feared. However, institutions have taken a wide range of cost-cutting measures and drawn from reserves to balance their budgets while also providing educational services in a complex pandemic-affected environment.

HIGHER EDUCATION FUNDING MODEL FOR FY 2021-22: A new model for allocating funds among the higher education governing boards will be in effect beginning in FY 2021-22. This issue discusses how the Department proposes to use this model and other options that the JBC and General Assembly could consider.

REPLACING THE COLLEGE OPPORTUNITY FUND STIPEND: This issue explores the rationale and potential risks of replacing the current system of funding higher education institutions through a combination of student stipends and fee-for-service contracts with a system that relies entirely on fee-for-service contracts.

HIGHER EDUCATION CAPITAL CONSTRUCTION: CAPITAL construction for higher education presents particular challenges in an environment in which little funding is available for capital construction at either the state or institutional level. This issue reviews state-issued certificates of participation that were used in 2020 and in some prior years to fund higher education capital projects and discusses institutional expenditures for building and maintaining higher education facilities.

HISTORY COLORADO: The General Assembly took a number of actions to assist History Colorado during the 2020 legislative session. However, the agency continues to face serious financial challenges due to loss of revenue related to the pandemic.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2020.