

This link includes:

- Memo on Format for Higher Education Hearing, December 4, 2014
- FY 2015-16 Staff Budget Briefing, Department of Higher Education, December 4, 2014
- Higher Education Power Point Slides

MEMORANDUM

TO: Joint Budget Committee

FROM: Amanda Bickel, JBC Staff

SUBJECT: Format for Higher Education Hearing

DATE: December 4, 2014

The JBC's annual budget hearings with the higher education governing boards have historically been unwieldy. Presentations from the Department, each of the 10 state governing boards, the 2 local district junior colleges, and the area vocational schools were crammed into a single day. Each received an individual time slot, and presentations often ran longer than scheduled.

This year, the Committee requested that that the hearings be spread over three days, and this is reflected in the JBC's hearing schedule.

Monday, December 15

9:00 - 12:00 Hearing for the Department of Higher Education **Part 1 of 3** (Colorado Commission on Higher Education, Community Colleges, Local Districts, Vocational Schools)

1:30 - 4:30 Hearing for the Department of Human Services (Office of Information Technology, Office of Operations, Self Sufficiency, Adult Assistance Programs, and Division of Youth Corrections)

Tuesday, December 16

9:00 - 12:00 Hearing for the Department of Higher Education **Part 2 of 3** (Four Year Higher Education Institutions *except CU, CSU & CSM*)

1:30 - 4:00 Hearing for the Department of Human Services (Behavioral Health Services) & Health Care Policy and Financing (Behavioral Health Community Services)

Wednesday, December 17

9:00 - 12:00 Hearing for the Department of Higher Education **Part 3 of 3** (University of Colorado, Colorado State University, Colorado School of Mines & History Colorado)

1:30 - 3:30 Briefing for the Department of Natural Resources (All Divisions) (Carly Jacobs)

3:30 - 5:00 Hearing for Capital Construction

As an additional step to make the hearings more interesting, staff recommends that the Committee consider using a new **panel format** for the hearings. Specifically, staff proposes to group the presentations by the governing boards as follows:

MEMO

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December 4, 2014

Day 1/Panel 1: State-system Community College governing board, Local Districts (Aims and Colorado Mountain College), Area Vocational Schools

Day 2/Panel 2: Larger, urban 4-year institutions with a primarily bachelor's/master's mission (Metropolitan State University of Denver, Colorado Mesa University, University of Northern Colorado)

Day 2/Panel 3: Small, rural 4-year institutions with a bachelor's/master's mission (Adams State University, Fort Lewis College, Western State Colorado University)

Day 3/Panel 4: Research institutions (University of Colorado, Colorado State University, Colorado School of Mines)

Staff anticipates that each governing board will still wish to make brief opening remarks but hopes that this could be followed by having all boards on a panel address selected questions. For this to work, staff anticipates that the questions for verbal response on the panel will need to be relatively broad and open-ended. For example:

- What do you think of the H.B. 14-1319 funding model? What are its strengths and weaknesses? Is there anything you feel must be changed for this year? What would you like to see modified in future versions?
- What can or should the State do to support student persistence and completion? What steps is your institution taking to promote student persistence and completion, particularly among underserved populations?
- How has the financial health of your institution changed over time, and what have been the major drivers? Looking to the future, what do you see as the major risks to ongoing financial health and how are you addressing those?

If this Committee wishes to try this new format, it will need to keep in mind, when asking questions during the briefing:

- whether the question is likely to work well in the panel format;
- if not, whether the Committee still wishes to receive a verbal response to the question from one or more governing boards; and/or
- whether it will be sufficient to have the question answered in writing only.

Depending upon the Committee's preference and final list of questions, time slots shown below could change to be somewhat longer or shorter. However, this is staff's initial proposal for the overall hearing schedule.

December 15

9:00-10:30 Department of Higher Education

10:30-10:40 Break

10:40-12:00 Panel 1: State System Community Colleges, Local Districts, and Area Vocational Schools

- Approximately 10 minutes for each board for introductory remarks (longer as needed for the state community college system, given its multiple campuses)
- Balance for panel-format discussion

December 16

9:00-10:30 Panel 2: Metro State, Colorado Mesa, University of Northern Colorado

- Approximately 10 minutes for each board for introductory remarks
- Balance for panel-format discussion

10:30-10:40 Break

10:40-12:00 Panel 3: Adams State, Fort Lewis, Western State

- Approximately 10 minutes for each board for introductory remarks
- Balance for panel-format discussion

December 17

9:00-11:00 Panel 4: CU, CSU, Mines

- Approximately 10 minutes for each board for introductory remarks (longer as needed for CU and CSU, given their multiple campuses)
- Balance for panel-format discussion

11:00-11:15 Break

11:15-12:00 History Colorado

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2015-16 STAFF BUDGET BRIEFING
DEPARTMENT OF HIGHER EDUCATION**

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

**Prepared By:
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December 4, 2014**

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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

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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 77 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.

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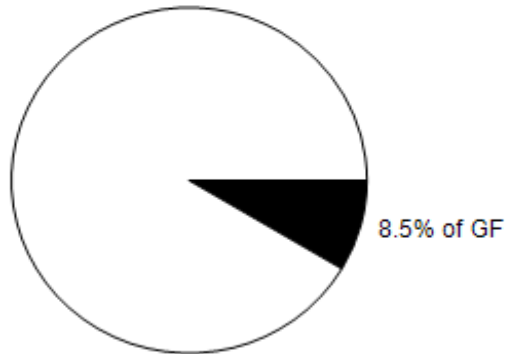
Department Budget: Recent Appropriations

Funding Source	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16 *
General Fund	\$628,569,790	\$659,108,061	\$761,983,052	\$869,042,723
Cash Funds	1,835,273,931	1,933,397,850	2,023,919,592	2,025,700,751
Reappropriated Funds	552,186,789	576,697,493	634,406,378	637,580,544
Federal Funds	<u>19,113,229</u>	<u>19,290,300</u>	<u>22,433,607</u>	<u>22,577,017</u>
Total Funds	\$3,035,143,739	\$3,188,493,704	\$3,442,742,629	\$3,554,901,035
Full Time Equiv. Staff	21,458.9	22,842.3	23,455.2	23,456.2

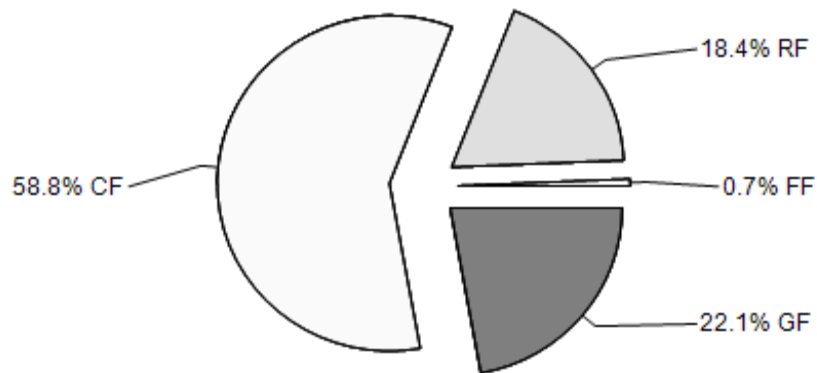
*Requested appropriation.

Department Budget: Graphic Overview

**Department's Share of Statewide
General Fund**



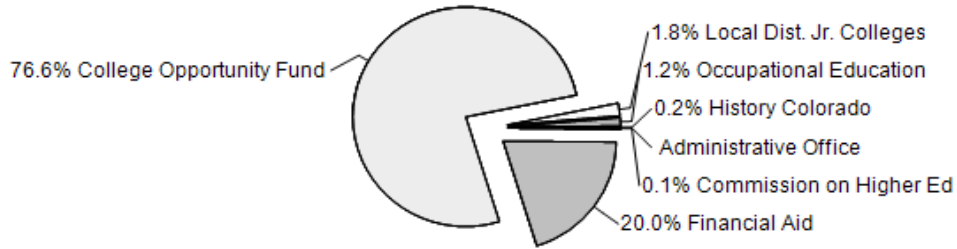
Department Funding Sources



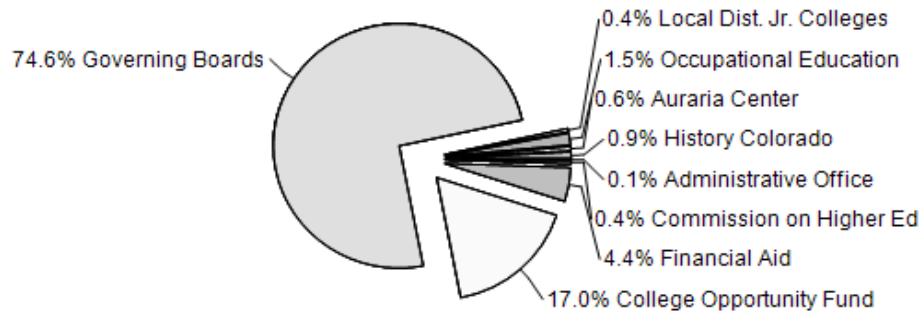
All charts are based on the FY 2014-15 appropriation.

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Distribution of General Fund by Division



Distribution of Total Funds by Division



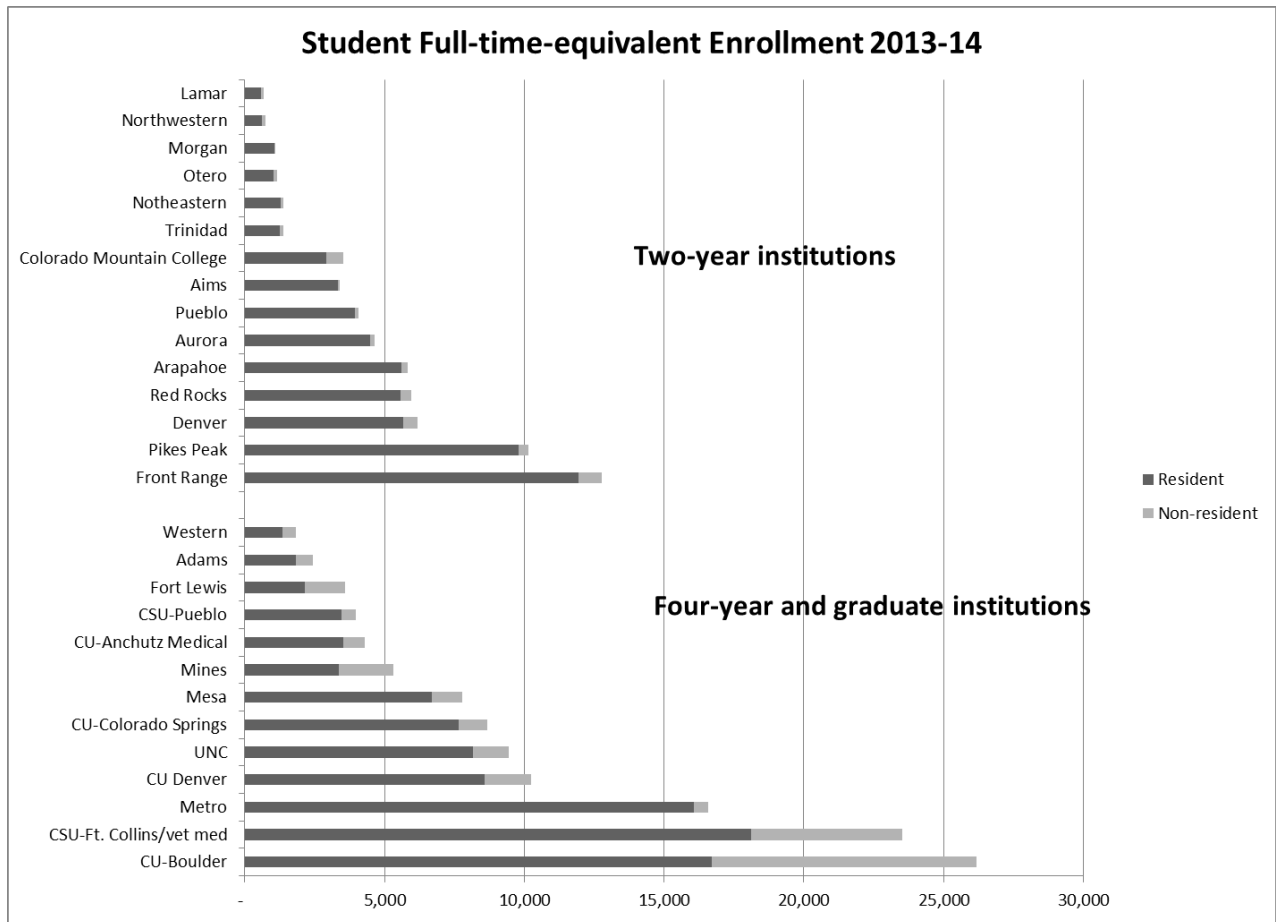
All charts are based on the FY 2014-15 appropriation.

General Factors Driving the Budget

Overview and Organization

The public higher education system served about 190,000 full-time equivalent students (FTE) in FY 2013-14, representing about 250,000 individuals. About 35 percent of student FTE attend 2-year and certificate institutions. These include state-operated community colleges, local district junior colleges that receive regional property tax revenues in addition to state funding, and area vocational schools that offer occupational certificates and serve both secondary and post-secondary students. 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. About 16 percent of all students attending Colorado public higher education institutions are not Colorado residents, although the percentage is much greater at some institutions.

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.



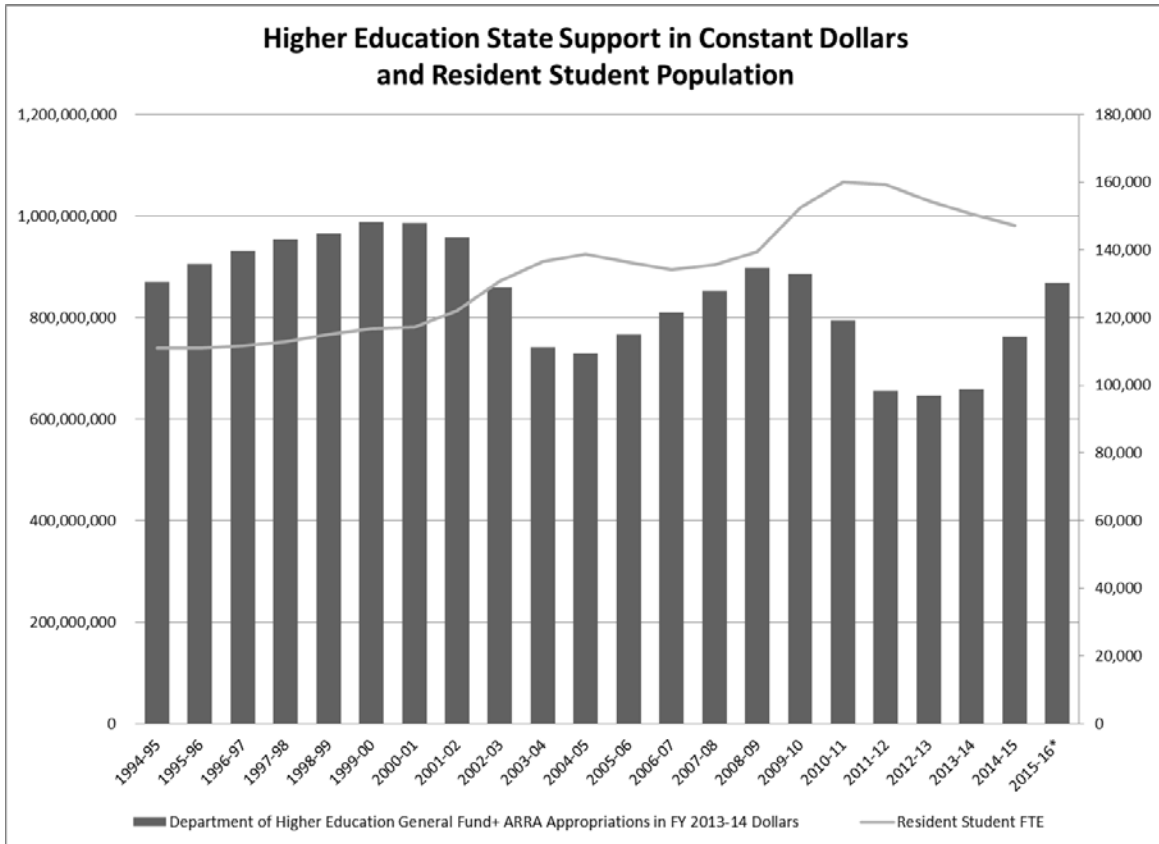
Impact of the Statewide Budget Outlook

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 in FY 2002-03 through FY 2004-05 and again in FY 2008-09 through FY 2011-12. The decreases in General Fund appropriations for higher education were disproportionately larger than decreases for other state agencies during the same time frames. As the economy has improved, funding has increased, including a substantial \$102.9 million General Fund increase for FY 2014-15 and a requested increase of \$107.1 million for FY 2015-16. As also reflected in the chart, student demand for higher education tends to be higher during recessions and lower as the economy improves.

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*FY 2015-16 reflects the request. For FY 2013-14 through FY 2015-16, reflects nominal appropriations; resident student FTE for FY 2014-15 are based on Legislative Council Staff projections.

The chart below shows the allocation of the overall increase in General Fund support from FY 2013-14 to FY 2014-15 by governing board and funding category. The Department has not yet requested the allocation for FY 2015-16.

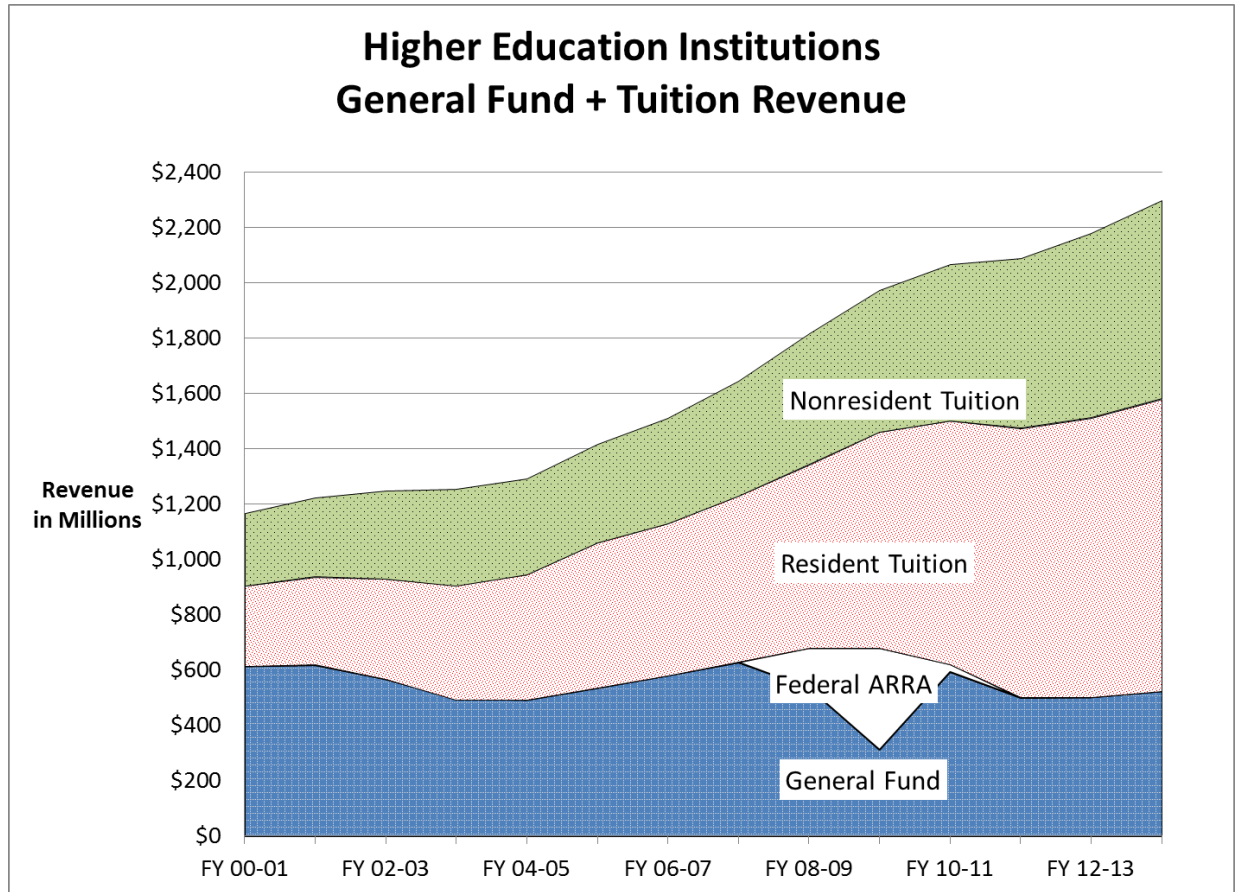
Department of Higher Education General Fund Appropriations Increases by Category and Governing Board FY 2013-14 to FY 2014-15				
Governing Boards/Institutions*	FY 2013-14	FY 2014-15	Amount Change	Percentage Change
Adams State University	\$11,561,201	\$12,837,288	\$1,276,087	11.0%
Mesa State University	19,833,811	22,027,251	2,193,440	11.1%
Metropolitan State University	39,230,013	43,681,193	4,451,180	11.3%
Western State Colorado University	9,532,909	10,585,447	1,052,538	11.0%
Colorado State University System	109,847,382	121,978,483	12,131,101	11.0%
Ft. Lewis College	9,540,320	10,594,604	1,054,284	11.1%
University of Colorado System	150,255,639	167,097,810	16,842,171	11.2%
Colorado School of Mines	16,813,547	18,669,456	1,855,909	11.0%
University of Northern Colorado	33,640,060	37,357,027	3,716,967	11.0%
Community College System	123,389,317	137,465,925	14,076,608	11.4%

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Department of Higher Education General Fund Appropriations Increases by Category and Governing Board FY 2013-14 to FY 2014-15				
Governing Boards/Institutions*	FY 2013-14	FY 2014-15	Amount Change	Percentage Change
Local District Junior Colleges	12,650,325	14,044,591	1,394,266	11.0%
Area Vocational Schools	<u>8,091,845</u>	<u>8,983,694</u>	<u>891,849</u>	11.0%
Subtotal - Governing Boards/Institutions	\$544,386,369	\$605,322,769	\$60,936,400	11.2%
Financial Aid	\$111,465,347	\$152,747,922	41,282,575	37.0%
Other	<u>\$3,256,345</u>	<u>\$3,912,361</u>	<u>\$656,016</u>	20.1%
Total - Department of Higher Education	\$659,108,061	\$761,983,052	\$102,874,991	15.6%
*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. This chart does not, however, include adjustments for changes in the number of students served or inflationary factors impacting the cost of providing services.



As available state funding has again increased, the General Assembly has sought to tie the additional funding to tuition restrictions. For FY 2014-15, the General Assembly paired increases in state funding with a 6.0 percent cap on undergraduate resident tuition increases for FY 2014-15 and FY 2015-16, through S.B. 14-001.

Tuition and Fees

As indicated by the chart above, over time, the share of higher education revenue derived from tuition and fees has increased, while the General Fund share has decreased. Overall 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.

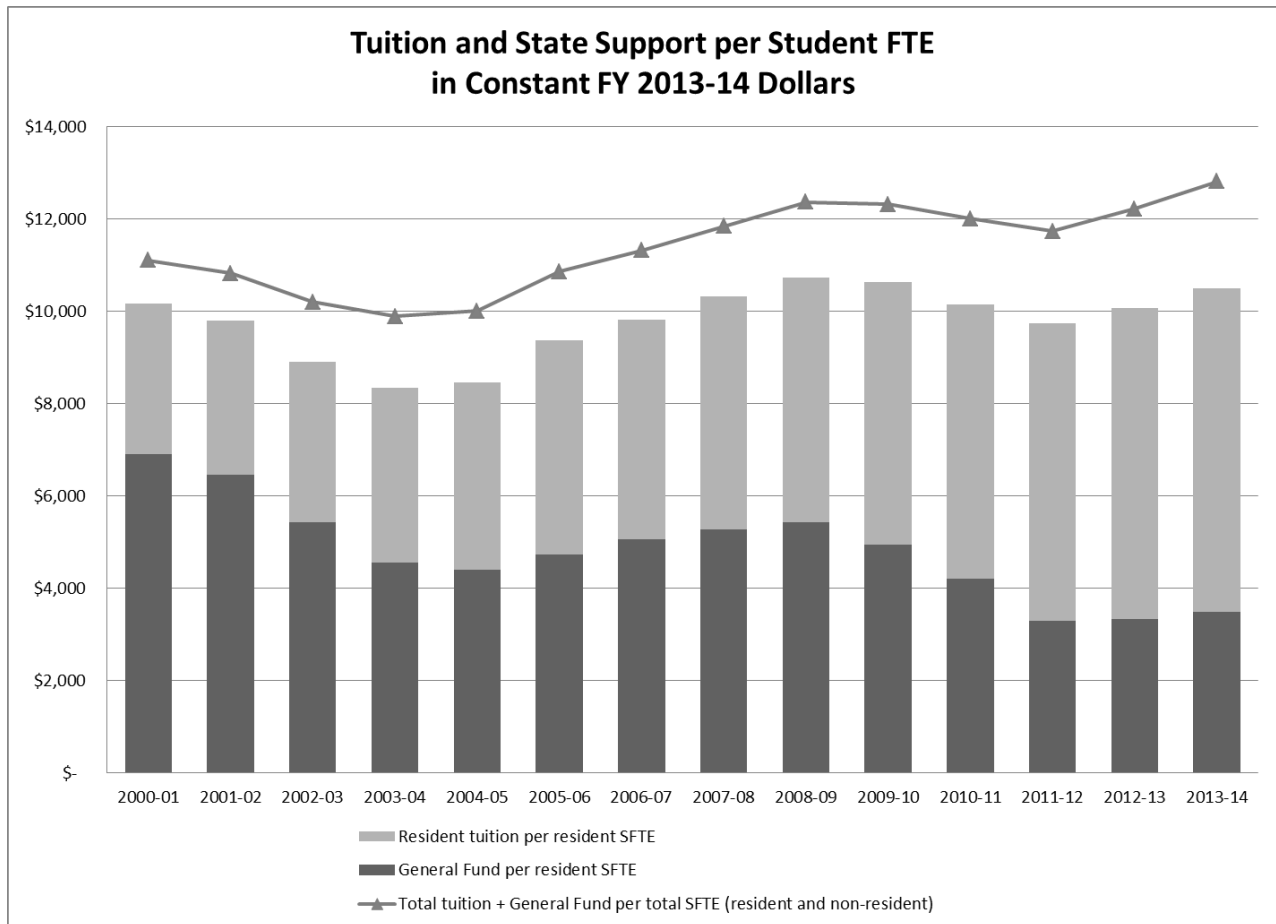
The chart below shows the change in General Fund and tuition revenue to the institutions per student since FY 2000-01 after adjusting for inflation (years prior to FY 2013-14 are reflected in FY 2013-14 dollars, based on the Denver-Boulder-Greeley consumer price index/CPI). As shown:

- Overall revenue to the institutions per student (the line on the chart) has increased more rapidly than CPI inflation: there was an increase in per-student revenue of about 15

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percent from FY 2000-01 to FY 2013-14 after adjusting for inflation. Total revenue per student is greater than resident revenue per student (the bars on the chart) due to the impact of non-resident tuition revenue. The share of non-resident students has increased over time, effectively subsidizing resident tuition at some institutions.

- Projected revenue to the institutions per *resident* student (bars on the chart) increased about 3 percent from FY 2000-01 to FY 2013-14, after adjusting for inflation, but the share covered by the student—as opposed to the General Fund—has changed substantially. In FY 2000-01, the General Fund provided about two-thirds of the revenue per resident student; in FY 2013-14, it provided about one-third.



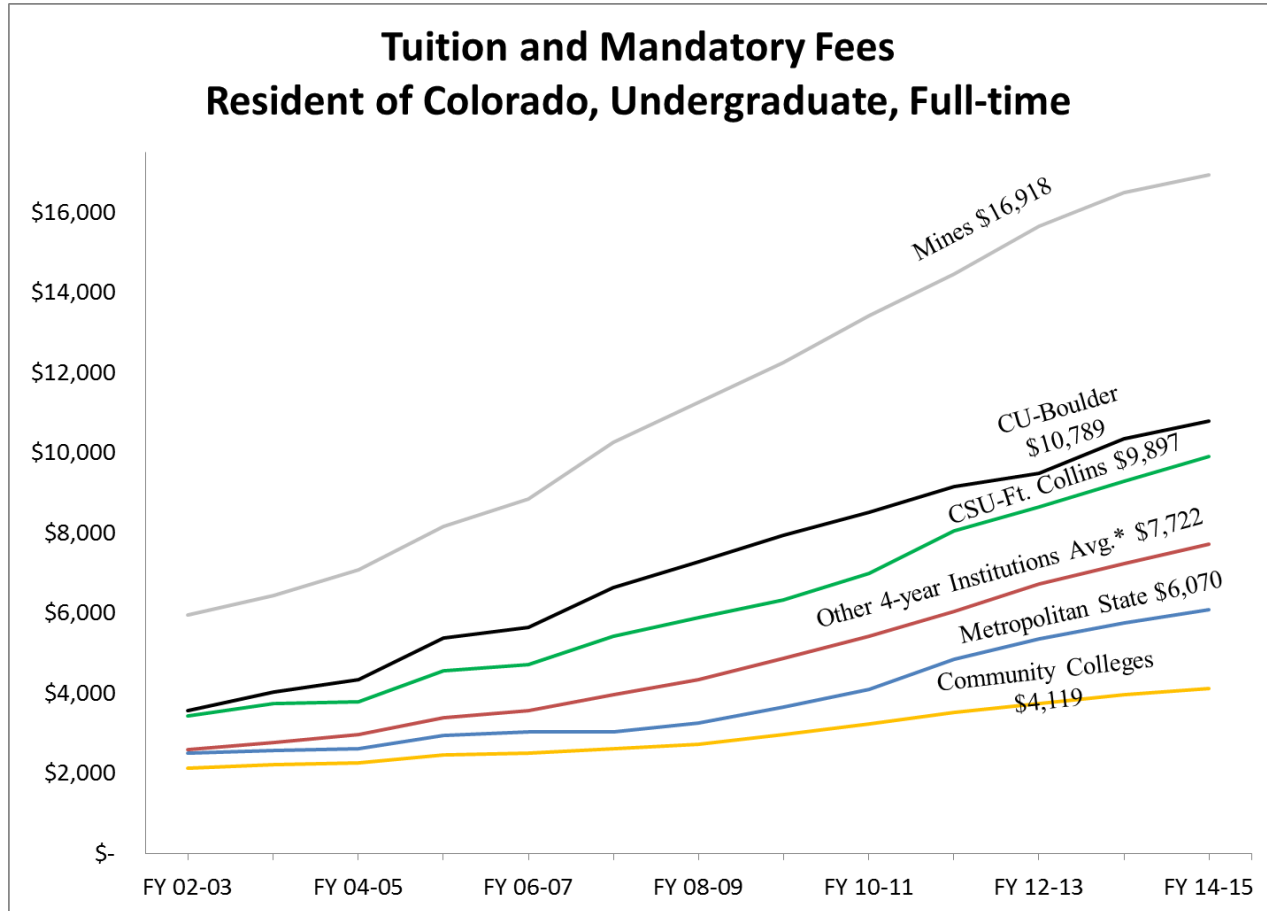
Senate Bill 10-003 temporarily delegated tuition authority to higher education governing boards from FY 2011-12 through FY 2015-16 (five years). From FY 2011-12 through FY 2013-14, governing boards could increase resident undergraduate tuition rates up to 9.0 percent per year, and could submit a plan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

Based on the provisions of S.B. 14-001, for FY 2014-15 and FY 2015-16, institutions are restricted to a 6.0 percent “hard cap” on resident undergraduate tuition rate increases. Beginning

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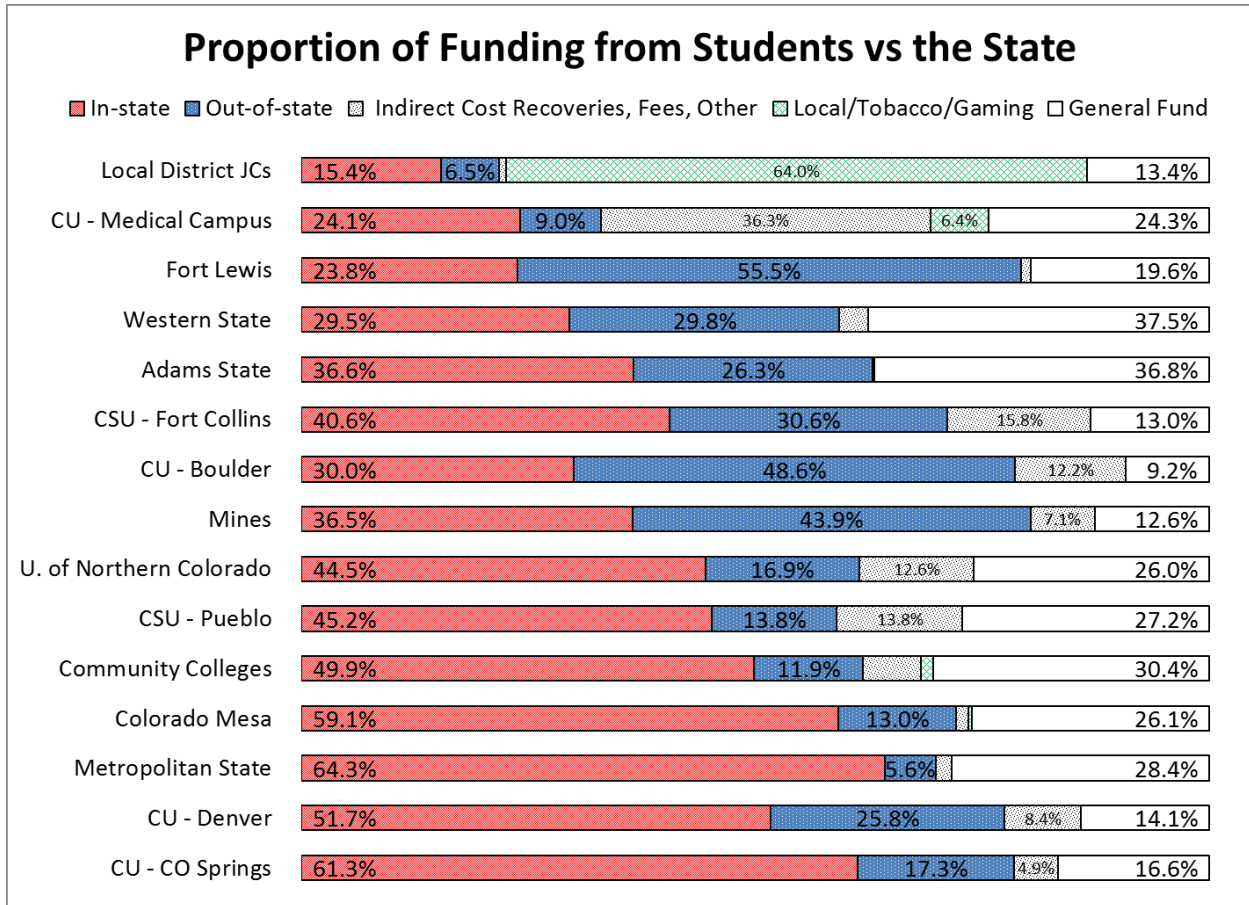
in FY 2016-17, the responsibility to set tuition spending authority reverts to the General Assembly [Section 23-5-129 (10), C.R.S.], and the tuition increases used to derive the total spending authority for each governing board will be detailed in a footnote to the Long Bill [Section 23-18-202 (3) (b), C.R.S.].

The chart below shows rates through FY 2014-15. 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

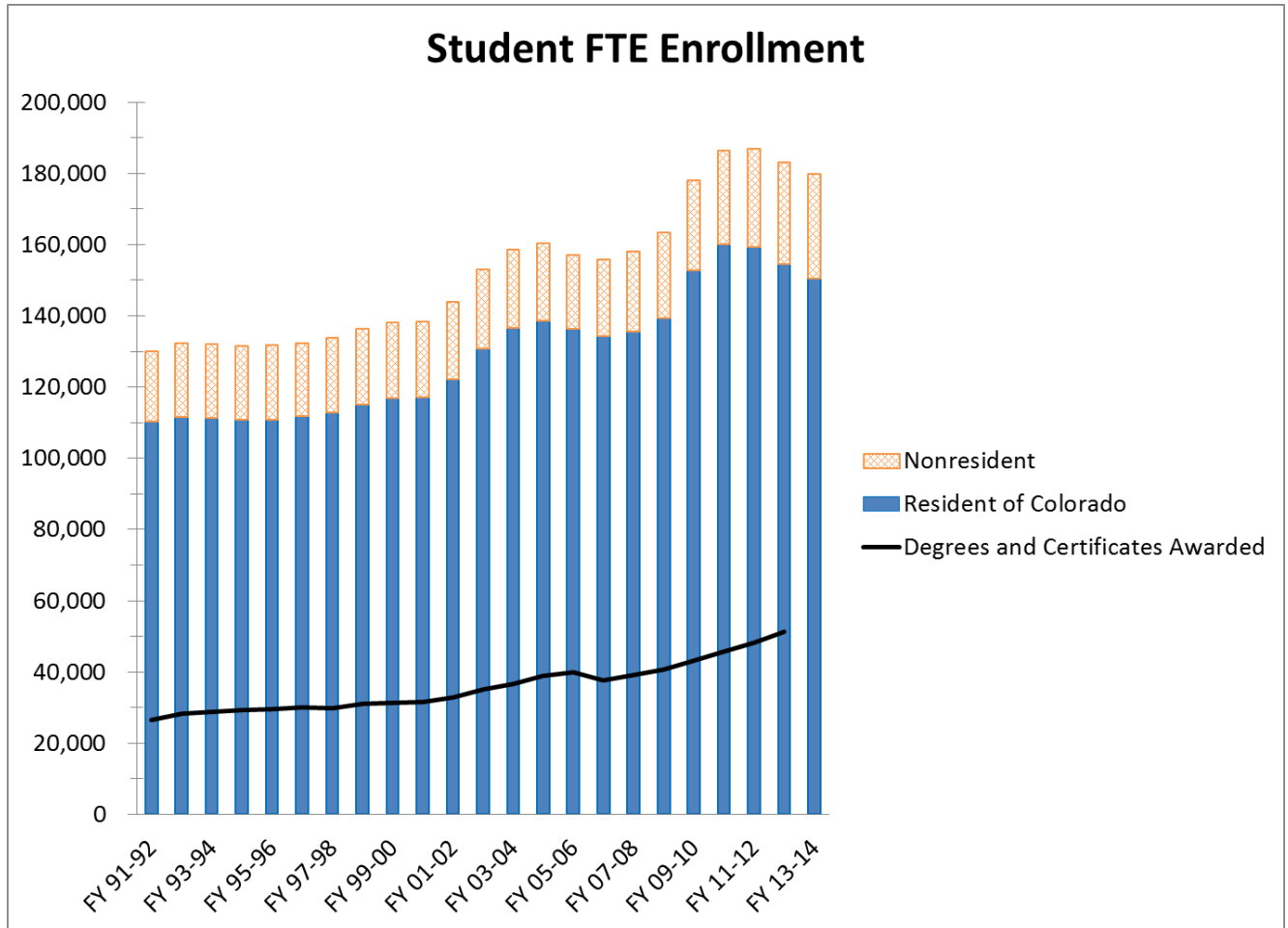
All institutions have experienced a decrease in state support and have addressed this, at least in part, through higher tuition rates. However, the institutions have different abilities to bring in out-of-state student tuition revenue or to raise tuition above that of other institutions based upon their 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 2013-14. 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 1991-92 (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 2012-13). 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, correlating (inversely) 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. Although enrollment is projected to continue to fall in FY 2014-15, overall enrollment levels are unlikely to decline to pre-recession levels.



Personnel

Higher education governing boards are allowed by statute to determine the number of employees they need, but the appropriations reflect estimates provided by the governing boards of the number of employees at their institutions, which for FY 2013-14 are estimated at 22,022.7 FTE. This doesn't include 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

Colorado uses a method for distributing higher education funding that differs from other states. Instead of appropriating General Fund directly to the institutions for their day-to-day operations, the General Assembly appropriates money into a fund that provides stipends to eligible undergraduate students. The balance of the appropriation is used for fee-for-service contracts between the Commission and the governing boards to address services and costs that are not accounted for in the student stipends (*e.g.*, specialty and high-cost programs). The sum of stipends and fee-for-service contracts is the state General Fund support provided to each institution for their operations.

This funding model, first authorized during the 2004 legislative session (S.B. 04-189), was not fully implemented as intended, in part due budget reductions required during the 2000s. For many years, annual budget requests focused on the total funding sought per institution, rather than on changes in students' needs for stipends or institutions' needs for substantive fee-for-service contract adjustments. When the estimated number of students (and thus stipend payments) changed mid-year, the General Assembly adjusted each governing board's fee-for-service contract to compensate and keep total funding for each governing board stable.

During the 2014 legislative session, the General Assembly adopted H.B. 14-1319 to refine the existing funding model. Under the new model, student stipends will continue to represent a significant portion of total funding, but fee-for-service contract components will be modified to more explicitly address: funding for specialty education programs (such as medicine), 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 is developing the funding model and will present it to the General Assembly during the 2015 legislative session.

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 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 2014-15, \$152.7 million (20.0 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 there are also a number of smaller, special purpose financial aid programs. The General Assembly appropriates financial aid funds to the CCHE, which allocates them to institutions, including to

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some private institutions, based on formulas that consider financial need at the schools, total student enrollment, student retention, and program eligibility criteria.

State appropriations represent only a fraction of the total financial aid available. 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 \$5,645 per eligible student in FY 2013-14 and up to \$5,730 in FY 2014-15. In FY 2013-14, 35% of Colorado resident student FTE received a Pell grant. 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.

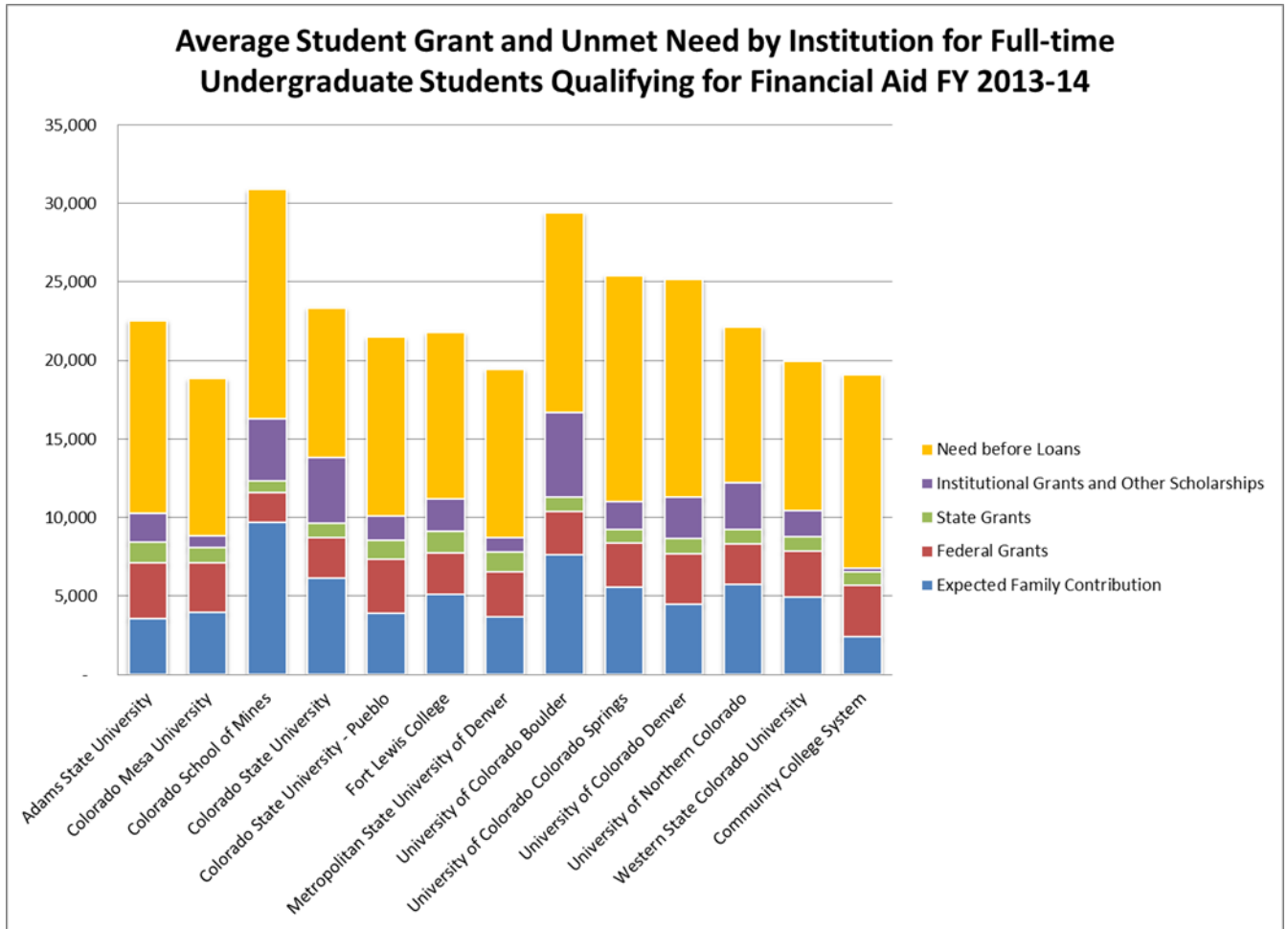
Students may also receive grants from the higher education institutions they attend. Some institutions make significant funds available from their operating budgets and donated funds, while others offer far less, based on moneys available and the number of students who qualify for institutional aid. The majority of institutional aid is directed to merit-based aid, and a significant portion is directed to non-resident students. In FY 2012-13, 37 percent of all institutional aid was merit-based aid for non-resident students, 34 percent was merit-based aid for resident student, 26 percent was need-based aid for resident students, and 3 percent was need-based aid for non-resident students.

Financial aid pays for expenses related to room, board, transportation, student fees, and learning materials, in addition to tuition. Depending on the institution, these other costs of attendance may dwarf the price of tuition. The total cost of attendance for a resident student in FY 2013-14, including room and board and fees, ranged from just over \$17,000 at some rural community colleges to over \$30,000 at the Colorado School of Mines.

In order to fill the gap between cost of attendance and available grant funds, students typically rely on loans. In addition to grant funds, the federal government provides low-interest guaranteed loans and tax credits and deductions for tuition. Seventy percent of students completing a bachelor's degree from a public institution graduated with debt in FY 2013-14, and the average debt at graduation was \$26,057. Sixty-five percent of students completing an associate's degree from a public institution graduated with debt in FY 2013-14, and the average debt at graduation was \$14,344.

The following chart compares grants awarded in FY 2013-14 to full-time students with need versus the average cost of attendance at each governing board. Unmet need is typically addressed through student loans. For FY 2014-15, the General Assembly provided a substantial increase in state funding for financial aid: \$41.3 million General Fund (37.0 percent). This increase will have a significant impact for some students, although the overall demand for aid will still far outstrip available funding.

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Summary: FY 2014-15 Appropriation & FY 2015-16 Request

Department of Higher Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2014-15 Appropriation						
HB 14-1336 (Long Bill)	\$3,282,561,278	\$659,765,586	\$2,023,919,592	\$576,442,493	\$22,433,607	23,452.2
SB 14-001 (College Affordability)	157,876,365	100,162,480	0	57,713,885	0	0.0
Other legislation	<u>2,304,986</u>	<u>2,054,986</u>	<u>0</u>	<u>250,000</u>	<u>0</u>	<u>3.0</u>
TOTAL	\$3,442,742,629	\$761,983,052	\$2,023,919,592	\$634,406,378	\$22,433,607	23,455.2
FY 2015-16 Requested Appropriation						
FY 2014-15 Appropriation	\$3,442,742,629	761,983,052	\$2,023,919,592	\$634,406,378	\$22,433,607	23,455.2
R1 Operating Increase for Public Colleges and Universities	75,588,527	75,588,527	0	0	0	0.0
R2 Colorado Opportunity Scholarship Initiative	30,000,000	30,000,000	0	0	0	0.0
R3 DHE Data and Research Personnel Shore Up	190,268	0	0	190,268	0	0.0
R4 Geologic Hazard Mitigation FTE, CGS at Mines	105,494	105,494	0	0	0	1.0
R5 Fort Lewis Native American Tuition Waiver	1,169,115	1,169,115	0	0	0	0.0
NP1 Colorado First/Existing Industry Job Training	1,774,978	0	0	1,774,978	0	0.0
Annualize prior year actions	1,998,187	83,890	1,361,798	558,882	(6,323)	0.0
Centrally appropriated line items	752,837	112,645	419,361	71,098	149,733	0.0
Auraria Higher Education Center adjustment	<u>579,000</u>	<u>0</u>	<u>0</u>	<u>579,000</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$3,554,901,035	\$869,042,723	\$2,025,700,751	\$637,580,544	\$22,577,017	23,456.2
Increase/(Decrease)	\$112,158,406	\$107,059,671	\$1,781,159	\$3,174,166	\$143,410	1.0
Percentage Change	3.3%	14.1%	0.1%	0.5%	0.6%	0.0%

R1 Operational funding increase for public colleges and universities: The request includes an increase of \$60,588,527 General Fund (10.0 percent) for public institutions of higher education for continuation of the 6.0 percent or lower tuition cap; and (2) a five-year implementation guard-rail/performance transition sum estimated at \$15,000,000 General Fund related to implementation of H.B. 14-1319. As the H.B. 14-1319 performance funding model is still being developed, these proportions are estimates and allocation of the request among the governing boards is not specified in the November 1 request.

R2 Colorado Opportunity Scholarship Initiative: The request is for \$30,000,000 General Fund Exempt for transfer to the Colorado Opportunity Scholarship Initiative in FY 2015-16. Funding for this initiative is intended to incentivize contributions from the non-profit and private community and build up the Scholarship corpus to provide tuition assistance to students.

R3 DHE Data and Research Personnel Shore Up: The request is for \$190,268 (0.0 FTE) to ensure sustainable funding for portions of four data and research positions' salary and benefits. These positions have been funded with grants that are not continuing. The source of the reappropriated funds is department indirect cost recoveries.

R4 Geologic Hazard Mitigation FTE, CGS at Mines: The Colorado Geological Survey at the Colorado School of Mines requests \$105,494 General Fund and 1.0 FTE to improve assistance to local governments and agencies on geologic hazard maps, provide post-disaster response and recovery technical assistance and provide of hazard planning technical assistance. The CGS is responsible for creating and disseminating geologic hazard information about Colorado to citizens, schools, the private sector, and government.

R5 Fort Lewis College Native American Tuition Waiver: The request includes an increase of \$1,169,115 General Fund for the Fort Lewis College Native American tuition waiver, bringing the total to \$16,011,096 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.

NP1 Colorado First/Existing Industry Job Training: The request includes an increase of \$1,774,978 reappropriated funds for the Colorado First/Existing Industry Job Training program, based on a request for a program increase in the Governor's Office of Economic Development and International Trade. The reappropriated funds are amounts transferred from the Governor's Office.

Annualize prior year actions: The request annualizes the impact of prior year legislation, including S.B. 13-033 (In state classification at institutions of higher education) and H.B. 14-1319 (Outcomes-based funding for Higher Education). It also annualizes FY 2013-14 request HC1 (Cumbres and Toltec railroad operations).

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; salary survey; merit pay; workers compensation; administrative law judges; legal services, payment to risk management and property funds; purchase of services from computer center; 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.

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Auraria Higher Education Center adjustment: The request includes an adjustment to the reappropriated funds amount for the Auraria Higher Education Center. Auraria campus operations are supported by funds transferred from the three institutions on the campus: the Community College of Denver, Metropolitan State University of Denver, and the University of Colorado at Denver.

Issue: Overview of Higher Education Request

The Department of Higher Education has requested a \$75.6 million General Fund increase for the governing boards of public institution and a \$30.0 million General Fund transfer to the Colorado Opportunity Scholarship Initiative Fund. Staff recommends that a portion of the amounts in these requests be set aside for a grant program to assist institutions in achieving the goals outlined in the state Higher Education Master Plan and to increase funding for need based financial aid and work-study.

SUMMARY:

- The Executive request includes a \$75.6 million General Fund increase for the governing boards of public institutions. This includes \$60.6 million for a 10.0 percent overall increase to enable institutions to limit to tuition increases to 6.0 percent or less pursuant to S.B. 14-001; and \$15.0 million for transitional funding to ease the move to a new funding model authorized pursuant to H.B. 14-1319.
- The request also includes a \$30.0 million General Fund increase to transfer to the Colorado Opportunity Scholarship Initiative (COSI) Fund, created in H.B. 14-1384 and proposal for a statutory waiver to requirements that financial aid funding increase at the same rate as funding for the governing boards.
- It currently appears that only about \$5.0 million of the \$15.0 million in transitional funding will be required to bring all institutions to a total increase of at least 10.0 percent.

RECOMMENDATION:

Staff supports the Department's proposal to increase funding for all institutions by at least 10.0 percent, with greater increases determined through the new H.B. 14-1319 model. However, staff recommends that amounts not required for this purpose, as well as a portion of the funding currently requested for transfer to COSI, be used for the following purposes:

- A grant program for institutions designed to assist them in achieving the goals outlined in the State's Master Plan and improving their results from the state's new funding model in the future (approximately \$10.0 million). This would require new legislation.
- Sufficient funding for at least a 6.0 percent increase for need-based and work-study financial aid programs consistent with the FY 2015-16 6.0 percent tuition increase permitted through S.B. 14-001 (\$7.8 million).

DISCUSSION:

On November 3, the executive submitted a budget request which staff understands represented a unified request from the Governor's Office and the Colorado Commission on Higher Education

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(which has authority to submit an independent request if it so chooses). The major components of the Department's FY 2015-16 request are:

- \$75,588,527 for allocation to the governing boards of public institutions, including \$60,588,527 General Fund to provide a 10.0 percent overall General Fund increase for the governing boards, local district junior colleges, and area vocational schools and \$15,000,000 General Fund to provide transitional funding to ease the move to the new funding model authorized by H.B. 14-1319.
- \$30,000,000 General Fund to be transferred to the Colorado Opportunity Initiative Scholarship Fund.
- A requested waiver on the financial aid requirement at Section 23-3.3-103, C.R.S. This statute requires that annual appropriations for student financial assistance increase by at least the same percentage as the aggregate percentage increase of all General Fund appropriations to institutions of Higher Education.

Request R-1 – Operating Increase for Public Colleges and Universities

At the time the request was submitted, the new H.B. 14-1319 funding model had not been completed. As a result, the Department submitted a total funding request for the institutions, without submitting detail as to how the funds would be allocated to each institution. The amounts included in the request were justified as follows:

- **The 10.0 percent increase is to enable institutions to operate at the capped 6.0 percent tuition increase required by S.B. 14-001 in FY 2015-16.** Senate Bill 14-001 provided an 11.0 percent General Fund increase for the public institutions in FY 2014-15 and imposed a hard cap on tuition increases for resident students of 6.0 percent in FY 2014-15 and FY 2015-16. To ensure that the institutions are able to limit tuition increases as required by the law, the Department estimates that the maximum required is \$60.6 million and this was therefore the amount included in the request.
- **An additional \$15.0 million is proposed as Guard-rail/Performance Transition Funding for H.B. 14-1319 that may be requested for up to five years.** The request notes that there are scenarios where a lower or flat level of General Fund operating support for the system in FY 2015-16 will result in some governing boards seeing increases through the funding model while others see cuts. While H.B. 14-1319 includes “guard rails” that limit the level of an institution’s funding increase or decrease in comparison to the average funding change, it does not include a phase in period for the new funding model. The timing of the model creation makes it impossible for governing boards to make adjustments to practices that may result in better performance in the first year. As a result, *the funding model could potentially create a downward spiral for some institutions, in which institutions that perform poorly under the new model lose funding in the first year and this, in turn, further drives down performance and state funding for future years.* The request notes that other states that have implemented performance funding have phased in the funding method over multiple years,

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with a smaller share of their budget tied to performance and non-recurring “hold harmless” funds offered during the phase-in period.

Anticipated Uses of R-1 Funds, based on H.B. 14-1319 Model To-date

As of November 1, the proposed allocation of funds among the governing boards was pending the completion of the new H.B. 14-1319 funding model. As discussed further in the following issue, a consensus proposal is now moving forward for the allocation of funds under H.B. 14-1319, which staff anticipates will be finalized in the Department’s January 2015 revised budget submission. The next issue describes the model and the agreement in more detail, but the overall proposal is expected to include the following components:

- Allocate the funding for a 10.0 percent budget increase, including the existing guard rails in H.B. 14-1319, so that no institution receives an increase of less than 5.0 percent and no institution receives an increase of more than 15.0 percent.
- Use a portion of the \$15.0 million in one-time funding to ensure that no institution receives less than a 10.0 percent increase over the FY 2014-15 base. With this adjustment, all institutions will receive increases of between 10.0 percent and 15.0 percent.

The exact amount of funding that will be required from the \$15.0 million in transitional funds to ensure all institutions receive a 10.0 percent increase is not entirely clear, because of likely changes in the estimate of students who will qualify for a student College Opportunity Fund stipend. However, based on discussions to-date, staff believes the January proposal will include approximately the following components:

Base Funding Increase of 10.0%	\$60.50
Adjustments to increase any governing board below 10.0% to 10.0%	\$4.80
Total	\$65.30
Approx. balance remaining from \$15.0 million transitional funding – use not yet determined	\$10.30

Colorado Opportunity Initiative Scholarship Fund

The request proposes that \$30,000,000 General Fund be transferred to the Colorado Opportunity Initiative Scholarship (COSI) Fund created in H.B. 14-1384.

Expenditures *from* the COSI Fund are not subject to annual appropriation. The request projects, however, that if the General Assembly provides the requested additional funds transfer, the program:

- would grant \$6.0 million to student success programs in FY 2015-16;
- would spend \$400,000 and 2.0 FTE for administration; and
- starting in 2016, would “grow the amount of tuition assistance available to entering students from private and public sources by \$12.0 million”.

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As explored in more detail in a subsequent issue, 10 percent of COSI funds may be used for grants to public and private entities for efforts to support the achievement of low-income high-performing students in secondary school and higher education, while the vast majority is proposed to be used for student scholarships, providing a match for private philanthropy. However, *whether additional scholarships are available depends heavily on whether the program successfully stimulates additional private philanthropy, and it is not yet clear whether it will do so. Staff's understanding is that the project has scaled-back its projections for private donations in the near-term from the amounts originally projected.* Thus, it seems unlikely that scholarships through COSI will substitute for increased state financial aid in FY 2015-16.

The executive has requested a *transfer* to COSI (requiring a bill), rather than a direct appropriation, apparently to avoid the need for the 6.5 percent reserve requirement on General Fund appropriations. Based on an email from OSPB staff: “Since the COSI Fund is largely intended to build up over time, it is a reserve in and of itself and therefore best belongs outside of the Section 24-75-201.1, CRS 6.5% General Fund reserve requirement”. Note that *if* the General Assembly chooses to appropriate \$30.0 million for COSI, instead of transferring funds for this purpose, an additional \$1.95 million would be required to comply with statutory reserve requirements.

Waiver on the financial aid requirement at Section 23-3.3-103, C.R.S.

The Department has requested a statutory waiver of Section 23-3.3-103, C.R.S., which reads as follows:

“The annual appropriations for student financial assistance under this article shall increase by at least the same percentage as the aggregate percentage increase of all general fund appropriations to institutions of higher education”.

The General Assembly has, in some years, adopted legislation to suspend this requirement, so this would not be unprecedented. The rationale cited in the request:

- The waiver is requested to target limited resources to public institutions of higher education this year in keeping with the requirements of S.B. 14-001 and H.B. 14-1319.
- The request includes \$30.0 million for transfer to the Colorado Opportunity Scholarship Initiative.
- For FY 2014-15, the Department requested, and the General Assembly authorized, an increase of \$39.1 million (40.3 percent) for financial aid programs, excluding amounts for COSI.

Staff notes that an appropriation to the Colorado Opportunity Scholarship Initiative (as opposed to a transfer) might in fact meet the letter of existing statute. The Department may have assumed that the proportional increase required by Section 23-3.3-103 does not apply to COSI. In fact, *COSI is codified at 23-3.3-1001, C.R.S., et. seq., and thus is part of article 3.3 of title 23.* Thus,

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a waiver may not in fact even be required if the General Assembly appropriates, rather than transfers, amounts to COSI.

Regardless of the above, **staff would encourage the Committee to consider providing an appropriation for need based grants and work study that would at least align with the 6.0 percent tuition increase the institutions are allowed to implement for FY 2015-16, in addition to any funds transferred or appropriated for COSI.** As shown below, this would require \$7.8 million. Ideally, staff would like to see a full 10 percent increase on the base, consistent with current statute, which would require \$13.8 million, as shown below.

FY 2014-15 appropriations for financial aid pursuant to Title 23, Article 3.3	
Need Based Grants	\$109,346,789
Work Study	21,432,328
Merit Based Grants	5,000,000
Veterans/Law Enforcement POW Tuition Assistance	672,000
National Guard Tuition Assistance	800,000
FY 2014-15 COSI appropriation (not transfers)*	1,000,000
Total - amounts historically included	138,251,117
If 10.0% increase on entire base	13,825,112
If 6.0% increase on need-based grants and work-study	7,846,747
*In addition to the amount shown, H.B. 14-1384 transferred \$33,588,500 cash funds to the COSI Fund in FY 2014-15	

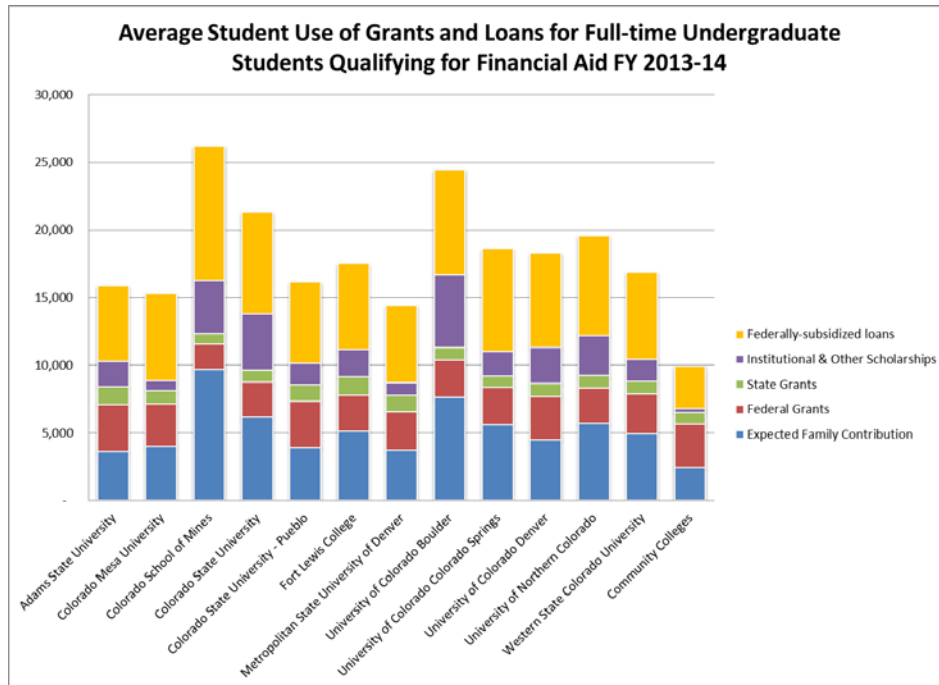
Staff believes the \$7.8 million (or a higher figure) could reasonably be drawn from portion of the funds requested for transfer to COSI.

Staff’s recommendation is based on the following considerations:

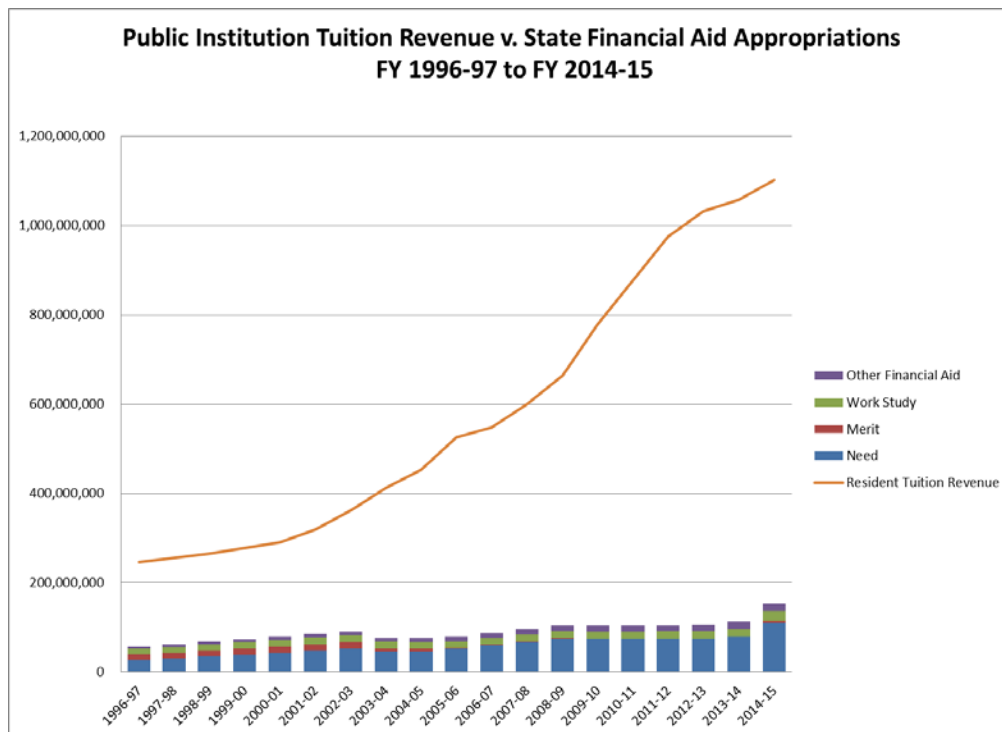
- Although amounts transferred or appropriated to COSI are expected to primarily support student scholarships at some point in the future, this funding will not be made available for students in FY 2015-16. Meanwhile, tuition and fee rates at institutions continue to increase.
- The large increase for financial aid provided in FY 2014-15 was very important; however, growth in financial aid has seriously lagged increases in tuition rates for many years. As a result, the financial barriers to low and middle income students for participating in higher education have continued to grow. **In a year of large funding increases for higher education, staff believes it would be a bad precedent to not increase support for financial aid at the same rate as institutions are being allowed to increase their tuition.**
- As reflected in the chart below, students who require financial aid must meet a large share of their overall cost of attendance via loans. Seventy percent of Colorado students graduate

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with debt, and 35 percent of Colorado resident student FTE qualify for a Pell grant (requiring a very low income).



State financial aid funding simply has not kept up with growth in tuition—no matter how significant the scale of last year’s increase. It does not seem appropriate to let it erode further.



Additional Proposal: Grants to Assist Institutions in the Completion Agenda

House Bill 14-1319 makes important changes to state higher education funding mechanisms to align these mechanisms with state policy goals as outlined in statute and the state higher education master plan. This is important, but it is not enough. In order for institutions to make changes consistent with state goals, they will need a variety of targeted programs and interventions. Therefore, staff also believes the JBC should consider sponsoring legislation to create a targeted grant program, requiring some degree of institutional match, for programs designed to address areas in which institutions struggle to achieve state goals. As outlined in the master plan, and supported in the new funding structure, these include:

- Increase the attainment of high-quality postsecondary credentials across the academic disciplines to meet workforce demands
- Improve student success through better outcomes in basic skills education, enhanced student support services, and reduced average time to credential for all students
- Enhance access to, and through, postsecondary education to ensure that the system reflects the changing demographics of the state while reducing attainment gaps among students from underserved communities.

Colorado's new funding model rewards degree completion and, particularly, successful degree completion in the following areas: completion for low-income students and under-represented minorities and completion in state priority areas such as science and technology. Spurring institutions that are less successful in these areas to make improvements requires not merely a new funding model but a multi-pronged approach that also assists them in moving in this direction. A grant program could provide an important carrot to accompany the stick of potential reductions in funding for those institutions that are unable to make strides in these areas.

Staff believes funding for such an initiative could reasonably come from the transitional funds that will not be required to give all institutions a base increase of 10.0 percent (an amount currently estimated at around \$10 million).

Informational Issue: House Bill 14-1319 and the New Funding Model

The Colorado Commission on Higher Education has developed a proposed new funding model for higher education, as required pursuant to H.B. 14-1319. It engaged a large number of stakeholders in the process and is poised to approve a consensus model that provides a General Fund increase for each governing board of between 10.0 and 15.0 percent for FY 2015-16, once transitional funding is included.

SUMMARY:

- During the 2014 legislative session, the General Assembly adopted H.B. 14-1319 (Outcomes Based Funding for Higher Education). The bill was initiated by the legislature, rather than the executive, and reflected legislative intent to align funding and state policy goals and to make the rationale for higher education funding more transparent.
- The Department and CCHE have made an impressive effort to develop a new funding model consistent with the General Assembly's direction and over a remarkably short time-span. As required by the bill, the model includes funding for student stipends, institutional role and mission, and institutional performance based on degree production.
- The Department created a multi-layered set of committees and subcommittees (including many legislators) to develop the funding model. The funding model team, comprised primarily of institutional CFOs, ultimately recommended a model and funding allocation for FY 2015-16 on November 19. This was approved by the Executive Advisory Group on the bill on Friday November 21 and was reviewed by the by the CCHE on Tuesday, November 25, with final approval anticipated on December 4.
- Once transitional funding is included, funding proposed under the model for FY 2015-16 would provide a General Fund increase for each governing board of between 10.0 and 15.0 percent over the FY 2014-15 base.
- Two technical/policy issues still need to be resolved this legislative session: (1) whether actual year or projected enrollment counts should be used to allocate student stipend funding in the model; and (2) repeal or modification of some provisions of S.B. 11-052. These provisions require use of different performance metrics for a portion of funding once governing board funding reaches \$706 million or in FY 2016-17, whichever is later.

DISCUSSION:

Background: Colorado Higher Education Funding Models

Colorado has gone through numerous higher education funding models over the decades.

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- At one time, funding was determined through more detailed line item decisions similar to the approach used for the rest of the state budget. By the early 1990s, appropriations for each governing board were consolidated in single line items, but the CCHE and the General Assembly still applied adjustments based on mandated cost model, in which various cost and revenue components were analyzed by governing board.
- By the mid-1990s, this had changed to an inflation-based model, in which governing boards received increases based on CPI plus enrollment, with additional adjustments addressed through decision items or separate legislation (including a performance-based funding component added in the early 2000s).
- In 2004, the General Assembly adopted S.B. 04-189, which moved the State to the student stipend and fee-for-service model in effect through FY 2014-15. This model provided money to “follow the student” through a stipend payment, with additional institutional costs not addressed through the stipend, ranging from graduate education to high cost programs, covered through fee-for-service contracts with state institutions as outlined in (then) Section 23-1-109.7, C.R.S. Senate Bill 04-189 was not fully implemented as intended, in large part due budget reductions required during the 2000s. At precisely the time the bill went into effect, state revenues fell and student enrollments increased, driving the General Assembly to provide a student stipend far lower than was originally envisioned. To ensure that overall changes to any single institution’s budget were not too devastating, the CCHE and the institutions focused on the total funding to each institution through the combination of fee-for-service and stipend moneys.
- For the last decade, annual budget requests have continued to focus on the total funding sought per institution, rather than on changes in students’ needs for stipends or institutions’ needs for substantive fee-for-service contract adjustments. CCHE has typically requested funding adjustments among the institutions (including both stipend and fee-for-service amounts) using formulas which differ from year-to-year based largely on negotiations among the institutions.

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.

It’s important to acknowledge that H.B. 14-1319 was initiated by the General Assembly based on its frustration with the previous funding structure, rather than by the executive. The executive branch has sometimes struggled to develop a model that ties to the letter of H.B. 14-1319 but that it feels is “workable”, particularly given the extremely tight time-frames outlined in H.B. 14-1319. **Whatever their initial reaction to the bill, the Department and**

CCHE have made an impressive effort to develop a new funding model consistent with the General Assembly’s direction and over a remarkably short time-span.

H.B. 14-1319: The Bill

The legislative declaration for H.B. 14-1319 [Section 23-18-301, C.R.S.] draws on the Higher Education Master Plan, emphasizing the need:

- to maintain higher education as an economic engine for Colorado;
- to ensure Colorado students have access to a postsecondary education that will allow them to compete for jobs in Colorado’s increasingly high-tech economy, increasing the number of Coloradans who have earned a high-quality postsecondary credential;
- to ensure that all Coloradans have access to affordable higher education, regardless of income, race, gender, age, or academic preparation, and that higher education services are available in all geographic areas of the state; and
- to increase the rate of postsecondary participation by low-income Coloradans and minorities, who are currently under-represented.

The declaration concludes that higher education funding must be **used to achieve state policy goals** and must be funded in a manner that is **transparent and understandable**. It describes legislative intent to establish “**performance metrics that are consistent and predictable but that may be amended**, as appropriate, to reflect the changing goals of the state and of institutions”. This is expected to provide multiple **benefits**: to enable state institutions to “engage in long-term financial planning”, to provide students with “more predictable tuition and fees”, and to help taxpayers “more easily understand the benefits realized from Colorado’s investment in its higher education system”.

Prior to the passage of this legislation, higher education funding for the governing boards fell into two legal categories: fee-for-service contracts and student stipends. Area vocational schools and local district junior colleges were also authorized to receive appropriations, but outside the stipend/fee-for-service structure. House Bill 14-1319 breaks the fee-for-service component into several categories, so that overall state funding for public higher education institutions falls into four categories. The first three of these are subject to a detailed set of requirements—the funding model—while funding in the fourth category is to increase at the same overall rate as model, but may increase by more or decrease by less for most programs in the category.

Subject to detailed model requirements (= “total state appropriation” as defined in the bill):

1. Student stipends authorized under the College Opportunity Fund Program (23-18-201, et. seq.);
2. Role and mission fee-for-service contracts authorized under Section 23-18-303 (3);
3. Performance funding fee-for-service contracts authorized under Section 23-18-303 (4), C.R.S.; and

Increases at the same rate as “total state appropriation”, but may increase more or decrease less

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4. Funding for specialty education programs (fee-for-service contracts) and appropriations for area vocational schools and local district junior colleges, all authorized under Section 23-18-304, C.R.S.

Statute specifies:

- At least 52.5 percent of “total state appropriation” be assigned to student stipends (item 1, above). [Section 23-18-305 (2) (a), C.R.S.]

General role and mission and performance metric requirements:

- Each fee-for-service contract must include both role and mission and performance funding, and 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.** [Section 23-18-303 (2), C.R.S.]
- 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. [Section 23-18-306 (2) (b), C.R.S.]
- **“Each role and mission factor may be applied differently to institutions, but to the extent possible, similar institutions must be treated similarly;”** [Section 23-18-306 (2) (b), C.R.S.]
- **“Each performance funding metric must be applied uniformly to all governing boards.** For example, the performance funding metric for retention must be measured and applied to a community college in the same manner that it is measured and applied to a four-year institution. [Section 23-18-306 (2) (b), C.R.S.]
- **Guard rails:** For FY 2015-16 through FY 2019-20, the total fiscal year appropriation for a governing board shall not change from the preceding fiscal year by a percentage that is more than five percentage points less than or five percentage points more than the percentage change in “total state appropriation”. Thus, for example, *if the total increase for the governing boards is 10 percent, each board must receive an increase of at least 5 percent and no more than 15 percent.* Beginning in FY 2020-21, use of the guard rails is optional.
- **State fiscal emergencies and institutional financial instability:** The bill includes various provisions to limit the bill’s constraints based on state or institutional economic hardship. If the LCS March revenue estimate indicates that there are excess state revenues of at least \$50 million that must be refunded in the next year or if the General Assembly adopts a joint resolution by simple majority that declares a fiscal emergency, the requirement that 52.5 percent of “total state appropriations” be used for student stipends does not apply. Likewise, if the provisions of the bill result in financial instability and potential closure for an institution, the JBC may introduce legislation to designate the program as a specialty education program for a specified period of time. [Section 23-18-305 (2) (b) and (3)]

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- **End of year close-out between fee-for-service and stipends:** The Department is authorized to transfer up to ten percent of the annual appropriation to a governing board between its fee-for-service contract and student stipends if there are insufficient moneys to cover student stipends or if there is an excess appropriation for student stipends after the final census date of the last academic term of the fiscal year. [Section 23-18-202 (c)]

The legislation includes detailed requirements for the **components of role and mission and performance funding**. Because the specific language has been so important to the Department's development of the higher education funding model, staff has reproduced the language below in its entirety.

23-18-303, C.R.S.

(3) Role and mission funding. The institutional role and mission component of the fee-for-service contract is based on the following factors, as determined by the commission pursuant to section 23-18-306:

(a) **Institutional mission.** Role and mission funding must include an amount for each governing board to offset the costs incurred in providing undergraduate programs at each institution. In establishing the components of this factor, the commission shall include, at a minimum:

- (I) The selectivity of the institution;
- (II) The number of campuses of the institution;
- (III) The rural or urban location of the institution;
- (IV) Low student enrollment at an institution or a campus of an institution that affects the ability of the institution or campus to meet operational costs;
- (V) Undergraduate or certificate programs that have a high cost per student; and
- (VI) Whether the institution conducts research.

(b) **Support services for Pell-eligible, first-generation, and underserved undergraduate students.** Role and mission funding must include an amount for each governing board to offset the costs incurred in providing additional support services to Pell-eligible undergraduate students enrolled in the institution. The amount of funding for support services for each Pell-eligible undergraduate student enrolled in the institution must be at least equal to ten percent of the amount of the college opportunity fund stipend, as set by the general assembly pursuant to section 23-18-202, for the applicable state fiscal year. The commission may include an amount for each governing board to offset the costs incurred in providing support services to first-generation undergraduate students enrolled in the institution after the commission establishes, in consultation with the institutions, a consistent definition and data collection method for identifying this student population. The commission may also include an amount for each governing board to offset the costs incurred in providing support services to undergraduate students who are identified as underserved after the commission establishes, in consultation with the institutions, a consistent definition and data collection method for identifying underserved students.

(c) **Graduate programs.** Role and mission funding must include an amount for each eligible governing board to offset the costs incurred in providing graduate programs at institutions that are authorized to provide graduate programs. In establishing the components of this factor, the commission shall include, at a minimum, an amount for each graduate student enrolled in an institution, which amount shall be based on the subject and level of the graduate program. In determining the amount of funding, the commission shall consider programs that have a high cost per student, including but not limited to programs in the fields of law, business, science, technology, engineering, and mathematics.

(d) **Remediation.** Role and mission funding must include an amount for each eligible governing board to offset the costs incurred in providing effective basic skills courses for students enrolled at an institution that is authorized to provide basic skills courses and the costs incurred in providing approved supplemental academic instruction pursuant to section 23-1-113 (1.5) (a) (II). In establishing the components of this factor, the commission shall determine how to measure successful remediation, which measure may include a student's successful completion of a first-level college course in the area of remediation, including English or math. The commission may also include components relating to the speed of a student's remediation and the cost of remediation to the student.

(e) **Additional role and mission factors.** The commission may establish up to two additional factors relating to role and mission funding. The factors must be distinguishable from each other and from the factors described in paragraphs (a) to (d) of this subsection (3). The additional factors the commission may consider include, but need not be limited to, institution affordability, cost studies, technology transfer, and provision of career and technical programs.

(4) **Performance funding.** The institutional performance funding component of the fee-for-service contract is based on the following metrics, as determined by the commission pursuant to section 23-18-306:

(a) **Completion.** Performance funding must include an amount for each governing board for each certificate or degree awarded by the institution, and, for the governing board of an institution with a community college role and mission, an amount for each community college student who transfers from a community college to another institution after completion of a certain number of credit hours. The commission shall establish the amount awarded for each type of credential based on the subject and level of the credential and, for transfers from community colleges, and the amount awarded and, in consultation with the institutions, the number of credit hours to be completed prior to transfer. The commission shall increase the value of each credential earned by or transfer completed by a Pell-eligible undergraduate student and may increase the value of each credential earned or transfer completed by a first-generation or underserved undergraduate student if the commission implements increased funding for these student populations pursuant to paragraph (b) of subsection (3) of this section.

(b) **Retention.** Performance funding must include 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. In establishing the components of this metric, the commission may include a component related to an increase in the institution's

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retention rate. A community college that receives a completion incentive for a transferring student is not eligible for a retention bonus for that student in the same year.

(c) **Additional performance metrics.** The commission may establish up to four additional performance funding metrics that reflect and support the policy goals adopted by the commission in the master plan. The metrics must be distinguishable from each other and from the metrics described in paragraphs (a) and (b) of this subsection (4). The additional performance metrics the commission may consider include, but need not be limited to, workforce placement, closing the achievement gap, limiting student loan debt, and controlling institutional administrative costs.

H.B. 14-1319: The Process

H.B. 14-1319 authorized 3.0 new FTE and \$345,235 in ongoing funding, as well as over \$500,000 in one-time funding, to develop and maintain the new funding model. The bill included the following specific process requirements and deadlines:

May 2014 through December 2014: the Commission must convene a series of meetings with interested parties, using a facilitator, to develop role and mission factors and performance funding metrics. The Commission may organize its work in the manner it chooses, including convening committees of interested persons to help develop the model's factors and metrics.

By November 1, 2014: the Commission must submit a budget request including the total amount of funding requested for higher education for FY 2015-16 and draft factors and metrics. The draft factors and metrics shall also be presented as part of the Department's 2014 SMART act presentations to the education committees.

January 1, 2015: the Commission must finalize, in consultation with interested parties, the role and mission factors and performance funding metrics and the weights associated with each metric.

By January 15, 2015: Department and Commission shall submit an updated budget request that includes a detailed description of the model factors and metrics as applied to each institution, including the details of the funding requested. The Commission is then authorized to continue to work with interested parties to make recommendations to the General Assembly concerning any changes to the model after its initial submission.

JBC Figure Setting for FY 2015-16: "In developing the annual general appropriations bill, the [JBC] shall follow the [statutory provisions concerning role and mission and performance funding] in calculating the amounts of fee-for-service contracts...but may apply different weights to the factors and metrics than the values determined by the commission. If the [JBC] alters the value of a factor or metric, the new value shall be applied to the determination of all fee-for-service contracts pursuant to section 23-18-303." [Section 23-18-307 (4), C.R.S.]

November 1, 2015 and each November 1 thereafter: The Department and Commission shall 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.

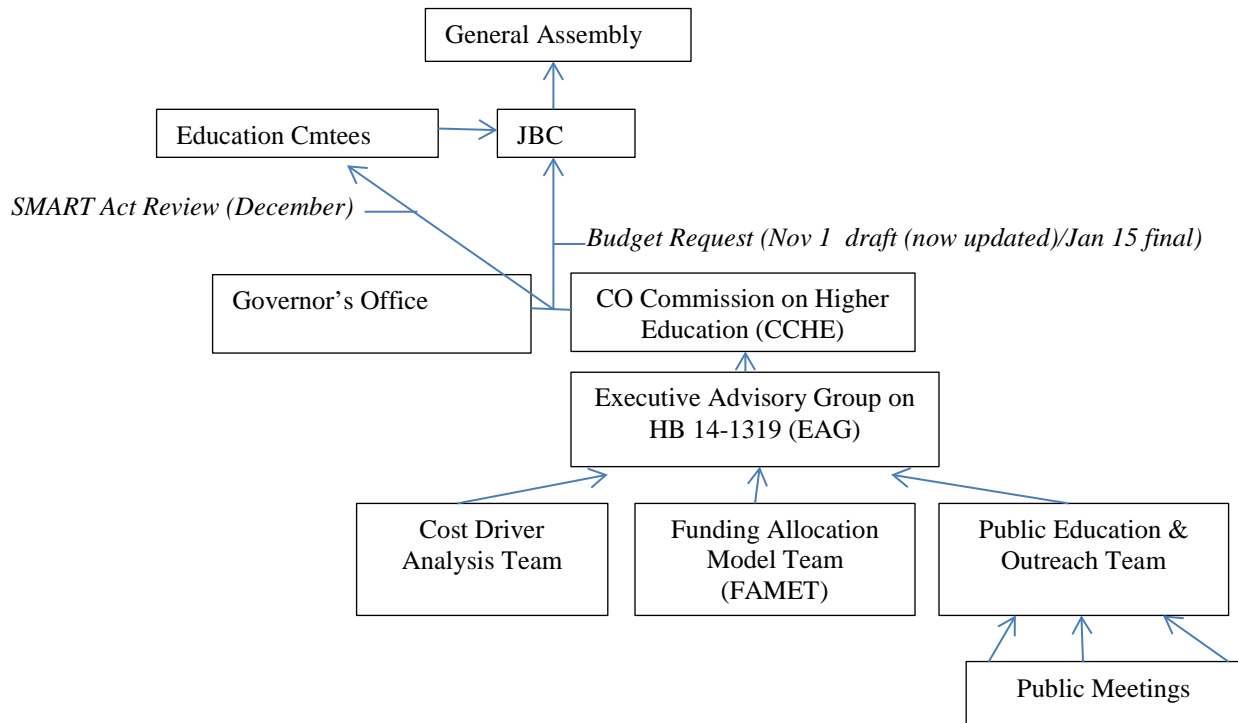
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November 1, 2015: Commission shall submit to the JBC and education committees tuition policies that ensure both accessible and affordable higher education for Colorado residents. The Commission must develop the tuition policy recommendations in consultation with governing boards and other interested parties using an inclusive and transparent process.

July 1, 2016 and each July thereafter through July 1, 2020: the Commission shall submit a written report to the JBC and the education committees concerning the status of implementation and recommended changes to the funding model.

H.B. 14-1319: Implementation Status

The Department brought new staff and contractors on board quickly. The National Center for Higher Education Management Research (NCHEMS) was hired to develop the funding model and the Keystone Center and Engaged Public were hired to convene statewide public outreach meetings. The Commission established several layers of committees to advise CCHE on H.B. 14-1319.



The Executive Advisory Group on H.B. 14-1319 (EAG) included representation from institutions, industry and the General Assembly, including Sen. Steadman, Sen. Lambert, Rep. May, and Rep. Wilson.

Public Education and Outreach Team: This group was tasked with: (1) gathering information from higher education stakeholders across the state and assessing how these priorities should impact the funding model; and (2) education the public about the importance of higher education. Members included

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representatives from institutions, parents, students, faculty, business, non-profits, and the General Assembly (Rep. Hammer).

The Funding Allocation Model Team (FAMET): This group was responsible for creating the funding model, in conjunction with the Department and its contractor. It consisted of CFOs from each of the higher education governing boards, representation from the Governor's Office, from CCHE, and from the General Assembly (Sen. Todd).

The Cost Driver Analysis Team: This team is responsible for addressing questions about the cost of higher education and, associated with this, the appropriate level of state funding and student tuition. The group consists of budget directors and CFOs from the institutions, with representation from the Governor's Office, CCHE, and the General Assembly (Sen. Ulibarri).

Cost Driver Team Status: After an initial meeting, the work of the Cost Driver Analysis Group was put on hold due to the demands on the FAMET team. It is expected to resume its work in preparation for the November 1, 2015 proposal on tuition policy.

Public Outreach Group Status: The Department's contractors facilitated 16 meetings throughout the State in September and October. The meetings included 425 attendees, with representation higher education faculty and administrators, students and parents, business, K-12, and other members of the public; representation was greater from institutional staff than from other key stakeholders. As reflected in its reports to the EAG and CCHE, the priorities for education that emerged from these meetings were:

- Degree or certificate completion
- Serving low income, first generation and underserved undergraduate students
- Affordability

***FAMET Status:* After many hours of work on the part department staff, contractors, and FAMET participants, the FAMET ultimately made a unanimous recommendation to the EAG regarding the funding model factors, metrics, and weights, and the EAG recommended the model to the CCHE.**

H.B. 14-1319: The Model – Version 1.0 DRAFT

Staff has included four pages below, drawn from materials prepared by the Department for the Executive Advisory Group on H. B. 14-1319 and the Colorado Commission on Higher Education summarize the version of the model ultimately recommended by EAG to the Commission. Staff has also included some charts below showing how the model allocates funding for different institutions.

EAG Recommended Model

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FUNDING ALLOCATIONS

Total Appropriations for Higher Education

Full Appropriations	\$665,855,077
Projected Appropriations plus SEP only	\$640,523,963
New Total State Appropriations for Model (TSA)	\$525,682,095
Specialty Ed Programs New	\$114,841,868
Local District Junior College Amount	\$15,449,050
Area Vocational Schools Amount	\$9,882,063

Budget Percentage Increase

10.00%

SEP Additional Increase

0.00%

COF Stipend

Total Awarded from COF Stipend	\$294,582,075
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Percent of Appropriation Dedicated to COF Stipend

	56.0%
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COF Stipend must be 52.5% or greater.

COF Stipend per Credit Hour

\$75

Role & Mission and Performance Allocations

Total in Role and Mission Allocation	\$138,660,012
Total: Performance	\$92,440,008

Role and Mission Split Percentage

60%

Performance Split Percentage

40%

EAG Recommended Model

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ROLE AND MISSION

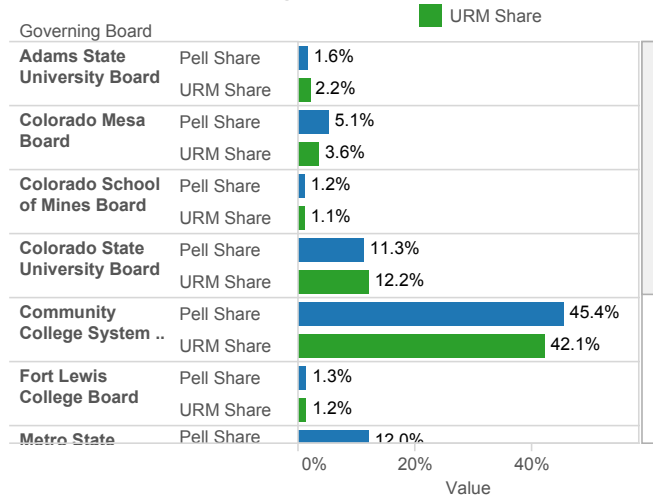
Governing Board	Dollars Awarded to Pell	Dollars Awarded to URM	Dollars Awarded to Tuition Stability Factor	Dollars Awarded to Weighted Credit Hours	Total Awarded from Role and Mission	
Adams TSF \$4,000,000	Adams State University Board	\$211,403	\$76,041	\$4,000,000	1,685,890	5,973,333
Community College TSF \$1,000,000	Colorado Mesa Board	\$683,813	\$125,348	\$1,000,000	3,301,272	5,110,432
	Colorado School of Mines Board	\$156,315	\$39,536	\$2,250,000	5,936,977	8,382,828
CSU TSF \$1,000,000	Colorado State University Board	\$1,502,228	\$420,964	\$1,000,000	19,104,332	22,027,524
	Community College System Board	\$6,049,651	\$1,457,556	\$1,000,000	19,118,805	27,626,012
CU TSF \$1,500,000	Fort Lewis College Board	\$170,085	\$42,694	\$0	2,344,325	2,557,104
	Metro State University Board	\$1,603,703	\$478,489	\$0	8,268,946	10,351,137
Fort Lewis TSF \$0	University of Colorado Board	\$2,168,768	\$602,025	\$1,500,000	34,695,166	38,965,959
	University of Northern Colorado Board	\$668,858	\$197,914	\$6,000,000	6,701,735	13,568,506
Mesa TSF \$1,000,000	Western State Board	\$113,426	\$17,936	\$2,750,000	1,215,815	4,097,178
	Grand Total	\$13,328,247	\$3,458,502	\$19,500,000	102,373,264	138,660,012

Pell Carveout
10.0%

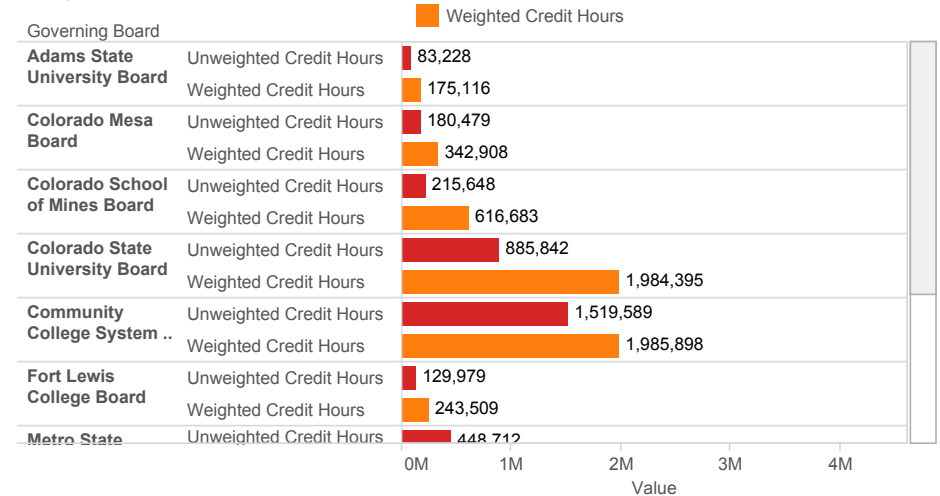
URM Carveout
5.0%

Mesa TSF \$1,000,000
Metro State TSF \$0
Mines TSF \$2,250,000
Northern TSF \$6,000,000
Western TSF \$2,750,000

Pell and URM Percentages



Weighted Credit Hours



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Transfer Weight
0.25

PERFORMANCE

Certificate Weighting
0.25

Associate Weight
0.5

Baccalaureate Weight
1

Grad. Certificate Weight
0.25

Master Weight
1.25

Specialist Weight
1.25

Doctorate Weight
1.25

Governing Board	Dollars Awarded to Completion and Retention	Dollars Awarded to Volume Adjusted Awards	Dollars Awarded to Performance
Adams State University Board	\$886,918	\$4,084,926	\$4,971,844
Colorado Mesa Board	\$1,763,202	\$2,958,490	\$4,721,692
Colorado School of Mines Board	\$1,843,221	\$4,092,928	\$5,936,149
Colorado State University Board	\$10,106,570	\$4,019,374	\$14,125,944
Community College System Board	\$12,790,857	\$2,365,758	\$15,156,616
Fort Lewis College Board	\$1,117,738	\$3,772,986	\$4,890,724
Metro State University Board	\$5,215,357	\$3,657,082	\$8,872,438
University of Colorado Board	\$17,432,939	\$3,999,761	\$21,432,700
University of Northern Colorado Board	\$3,674,925	\$4,035,815	\$7,710,740
Western State Board	\$632,278	\$3,988,884	\$4,621,162

Completion Weight
85%

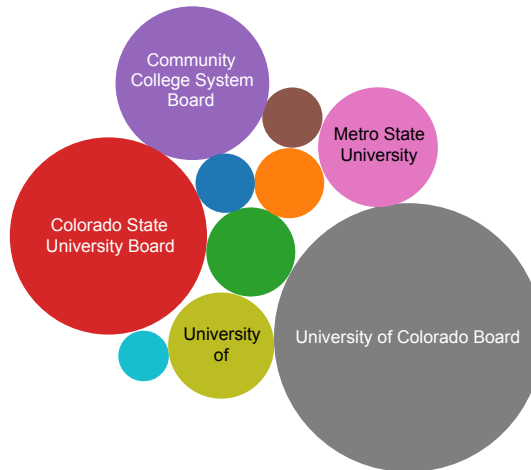
Retention Weight
15%

URM Bonus
1.5

Pell Bonus
1.5

Priority Bonus
1.5

Total Weighted Completions



Volume Adjustment Factors

Awards per SFTE	\$36,976,003
Completion & Retention	\$55,464,005
Total: Performance	\$92,440,008
Two-Pass Total on SFTE	
	100.27307

Volume Adjustment
40%

Volume Adjustment Total
100.27307

Governing Board

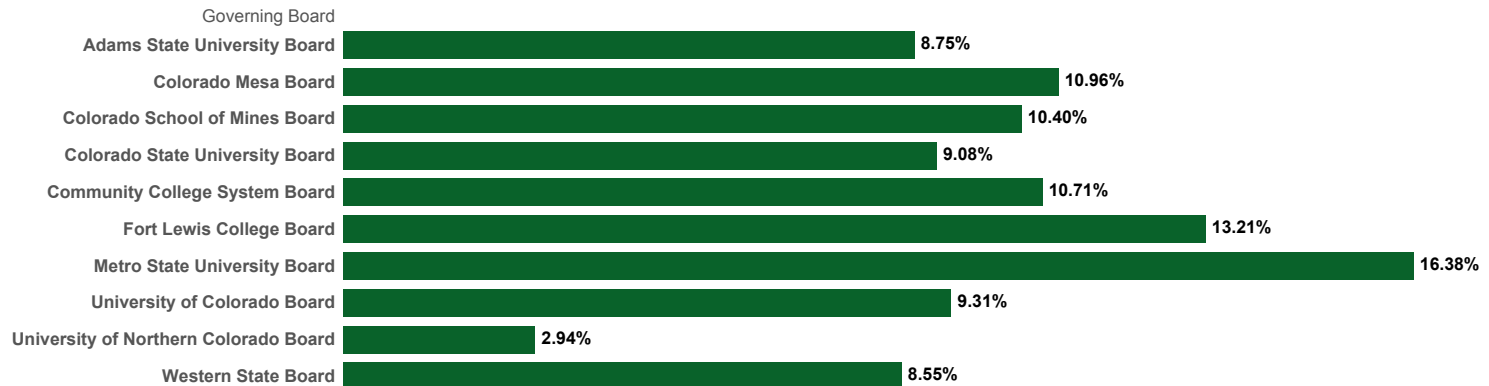
- Adams State University Board
- Colorado Mesa Board
- Colorado School of Mines Board
- Colorado State University Board
- Community College System Board
- Fort Lewis College Board
- Metro State University Board
- University of Colorado Board
- University of Northern Colorado Board
- Western State Board

EAG Recommended Model

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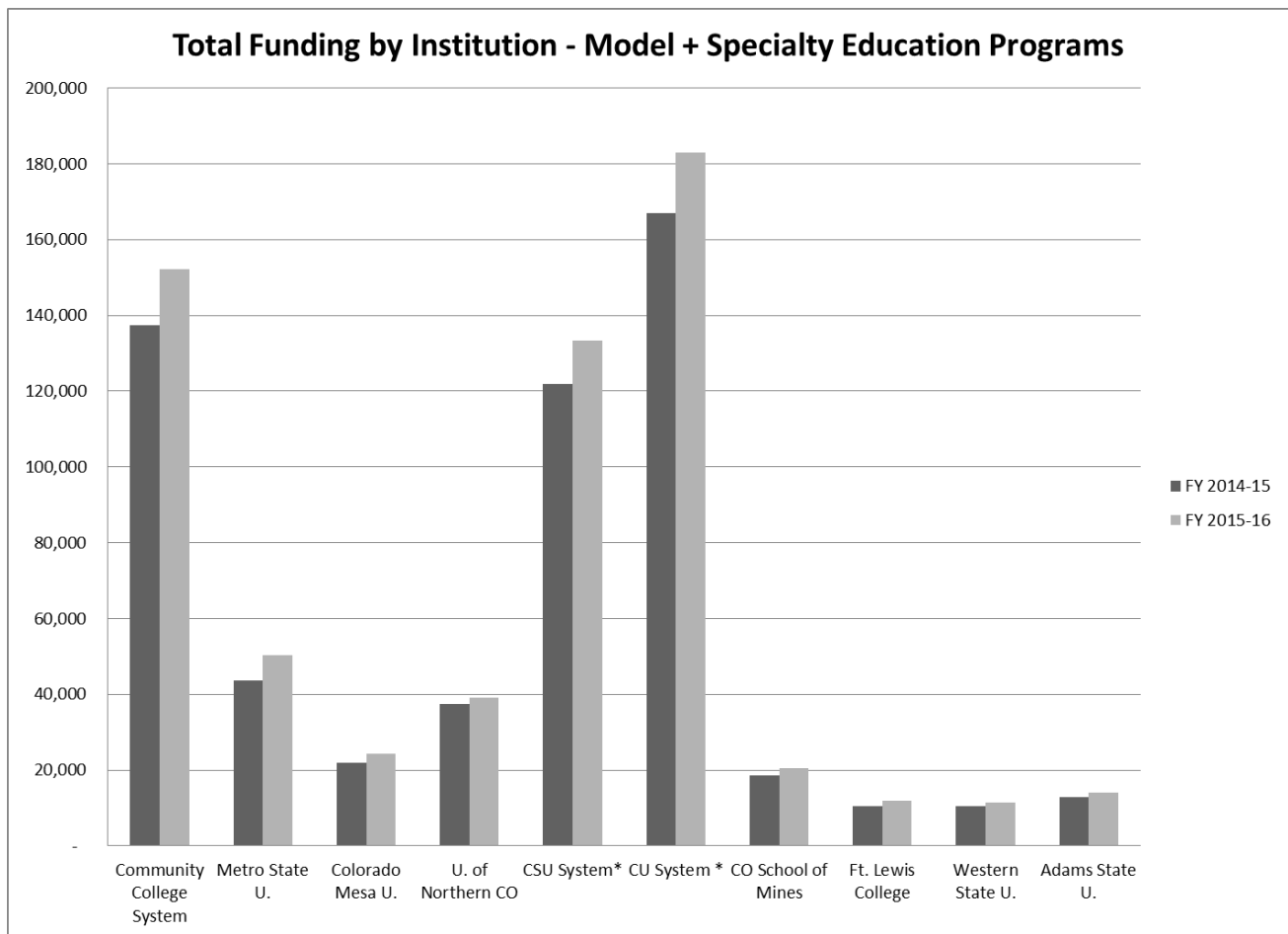
FUNDING BY GOVERNING BOARD							
Governing Board	Total Awarded from COF Stipend	Total Awarded from Role and Mission	Dollars Awarded to Performance	Total Allocation from Model	Total Allocation with SEP	Previous Year's Allocation	Percentage Change
Adams State University Board	\$3,014,775	\$5,973,333	\$4,971,844	\$13,959,952	\$13,959,952	\$12,837,321	8.75%
Colorado Mesa Board	\$14,609,400	\$5,110,432	\$4,721,692	\$24,441,524	\$24,441,524	\$22,027,253	10.96%
Colorado School of Mines Board	\$6,291,600	\$8,382,828	\$5,936,149	\$20,610,577	\$20,610,577	\$18,669,466	10.40%
Colorado State University Board	\$44,015,100	\$22,027,524	\$14,125,944	\$80,168,567	\$133,499,085	\$73,496,160	9.08%
Community College System Board	\$109,407,525	\$27,626,012	\$15,156,616	\$152,190,153	\$152,190,153	\$137,465,917	10.71%
Fort Lewis College Board	\$4,545,825	\$2,557,104	\$4,890,724	\$11,993,653	\$11,993,653	\$10,594,613	13.21%
Metro State University Board	\$31,613,100	\$10,351,137	\$8,872,438	\$50,836,675	\$50,836,675	\$43,681,225	16.38%
University of Colorado Board	\$61,134,600	\$38,965,959	\$21,432,700	\$121,533,258	\$183,044,608	\$111,178,395	9.31%
University of Northern Colorado Board	\$17,177,550	\$13,568,506	\$7,710,740	\$38,456,796	\$38,456,796	\$37,357,034	2.94%
Western State Board	\$2,772,600	\$4,097,178	\$4,621,162	\$11,490,940	\$11,490,940	\$10,585,430	8.55%



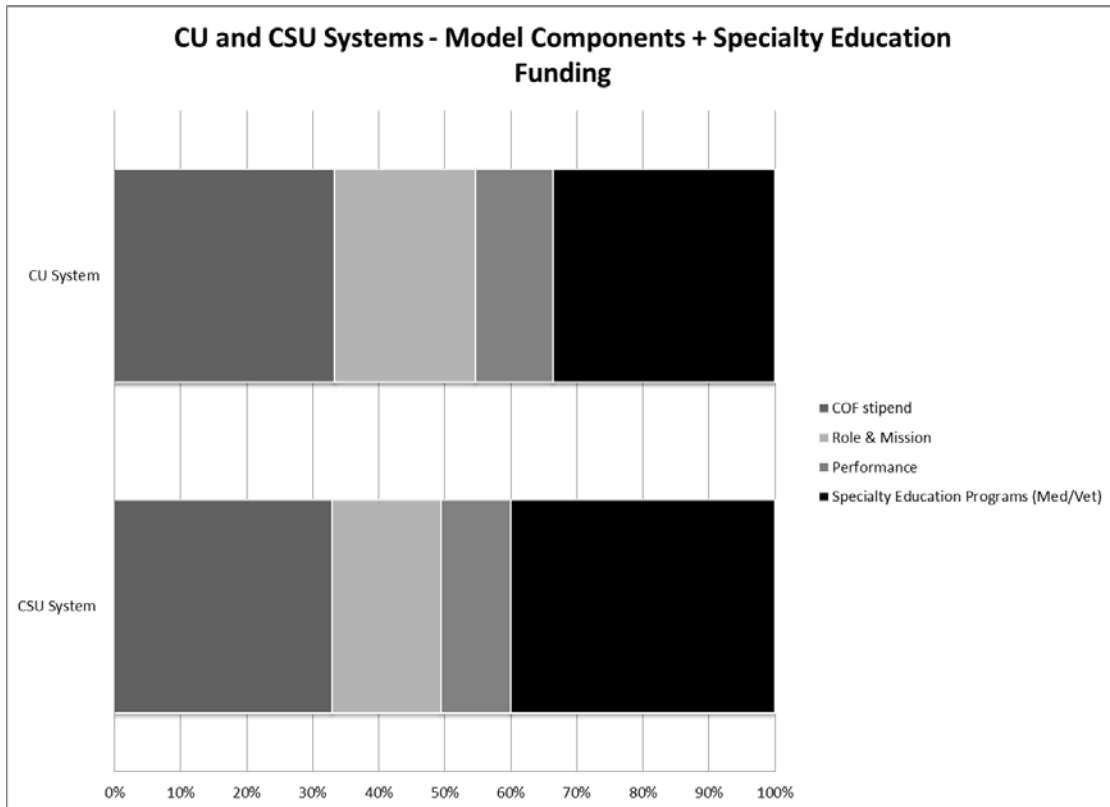
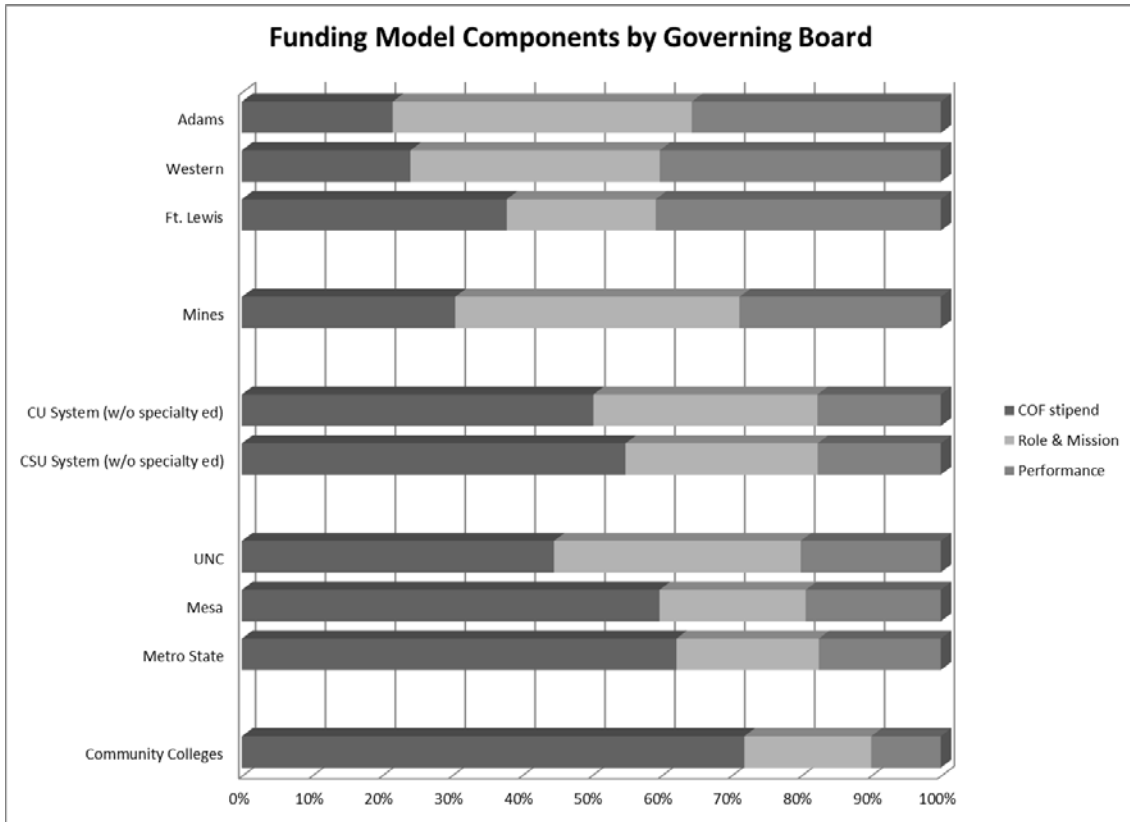
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Several points to note:

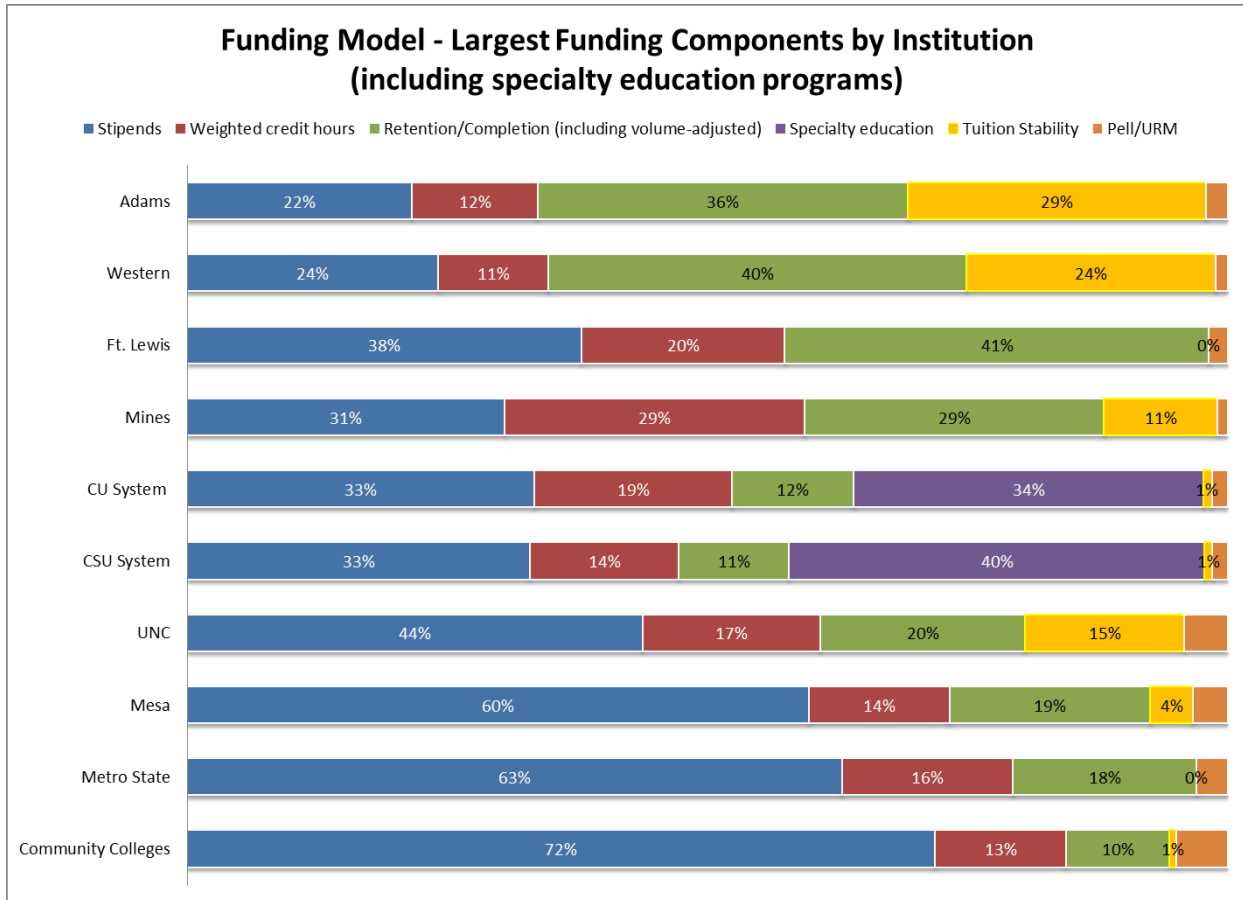
- *This version is still in draft form* and does not include the “guard rails”, which are still being added by the vendor. The vendor has indicated that the guard rails will first move money from the entity that is over guard rail cap (MSU, which is over a 15.0 percent increase) to the entity that is under the guard rail cap (UNC, which is below a 5.0 percent increase). Amounts will then be shaved from the other institutions that are above the guard rails to bring UNC up to the 5.0 percent minimum increase.
- The version as shown on these pages does not reflect the accompanying recommendations from the FAMET to the EAG and from the EAG to the CCHE that approximately \$4.8 million of the total \$15.0 million in transition funding identified in the Governor’s November 1 request be used to bring all of the institutions up to a total base increase of 10.0 percent. Thus, while the model shows winners and losers, in the final result, *no institution is expected to receive an increase of less than 10.0 percent.*



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Staff Observations

Kudos

- **The Department developed a functional model.** It did so in a highly public and participatory fashion and quickly enough that the JBC and General Assembly have time to examine and, if desired, adjust it. **This was a significant feat.**
- **Overall, the model seems consistent with the spirit of H.B. 14-1319.** While it is not simple, it is comprehensible.
- **The key contribution of the model may be its message, rather than the details of weights and values as they apply this year.** By using a funding model that includes values for completion and that adds points related to serving low-income and under-represented students, the General Assembly is conveying its goals. The model *alone* is unlikely to transform institutional behavior. However, it provides one more incentive to institutions to align their efforts with the state’s goals.
- **The Department has based this model on its own unit record data.** This is significant. It means that the Department is using real, relatively current data to identify institutional status

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and performance on an array of measures. This is something the state will be able to build on into the future.

Concerns

- **Because of the tremendous speed with which the model was developed, there has not been sufficient opportunity to test the model to see how it is likely to perform over the long term.** Higher education funding has been one of the most volatile parts of the state budget, insofar as it is typically cut more deeply than other parts of the budget during recessions. The model appears to have sufficient flexibility that it can probably be made to work during a downturn, but this has yet to be tested. Ultimately, institutions will focus on the bottom line: how much does the model benefit them? In this year, as in past years, settings on the model involved some negotiation. Over the long term, *will this model be a cumbersome tool for arriving at figures with which the Department, the institutions, and the General Assembly feel comfortable?* Further testing, and time, will tell.
- Any adjustment to any part of the model affects every other part of it. **Thus, to the extent the General Assembly might want to use the model to increase funding for one particular thing by a particular amount—retention programs, research efforts, etc.—it is not always easy to do so.** Every change to total funding--and any other adjustment--affects every part of the model. The Department has walked a tightrope in an attempt to comply with the language currently in H.B. 14-1319 and what it felt was necessary to build a functional model. Based on consultation with the Office of Legislative Legal Services, *staff concurs that the Department has complied with the letter of the law and believes it is in accordance with the spirit; however, the model in its present form may not allow the General Assembly to adjust some amounts as easily as the bill seems to have envisioned.*
- House Bill 14-1319 was silent on whether the student and degree counts in the bill were intended to apply to non-resident students. **Whether intended or not by the General Assembly, the bill effectively requires that funding amounts be included for non-resident students.** The FAMET, EAG, and CCHE all voted to fully include non-residents in the model (with the exception of the Pell bonus for role and mission funding). In the approved model, non-residents are now included both in the weighted credit hours for “role and mission” and on the “performance metrics” side of the model. *This is a notable change from the General Assembly’s past practice.* The General Assembly could choose to weight non-residents lower than residents, but this option has not been built into the model in its present form.

There are reasonable arguments for why non-residents should be included as well as for why they should not. Staff’s primary concern relates to incentives: *Will including non-residents in the model further encourage institutions to focus on recruiting strong students from out-of-state, rather than on doing a better job recruiting and retaining Coloradans—particularly those who are under-served?* While non-residents contribute to institutions’ financial health, they are less likely to remain in Colorado after graduation than residents.

Improvements for Future Versions of the Model

- In the current version of the model, **Colorado’s higher performing institutions—the Colorado School of Mines, the University of Colorado, and Colorado State University—have a rather small portion of their total funding associated with the “performance” side of the model.** Conversely, some of the Colorado’s smallest institutions: Adams State, Fort Lewis, and Western State, have a large portion of funding in the performance pot. This seems inconsistent with institutional roles and missions and may need to be something that changes in future model versions.
- The current version of the model **provides a large increase for Fort Lewis**, likely because there is no way of for the model to take into account the additional funding Fort Lewis receives from the Native American Tuition Waiver. If the model is ever able to incorporate tuition effectively (see below), this issue could be addressed.
- **The portion of the model currently called “Tuition Stability Factor” could use refinement.** This portion is totally flexible in that specific dollar amounts can simply be plugged in for individual institutions. There may always need to be some part of the model like this; however, this section could probably be refined to more clearly quantify and establish funding for particular issues, such as the economies of scale of small rural institutions. It is possible that some such measure might also help address the appropriate funding level for UNC, which is not rewarded in the current funding model.
- **The model does not address the key issue that is foremost in the minds of most members of the public, the General Assembly, and people who participated in the community forums for H.B. 14-1319: tuition levels.** *Statute did not require that tuition be included the model, and there was insufficient time or data to include it in the FY 2015-16 version.* Statute does require that, by November 1, 2015, the Commission submit to the JBC and education committees proposed new tuition policies that ensure both accessible and affordable higher education for Colorado residents, and the Department’s cost-driver analysis group will contribute to this effort. It is at least possible that some future model version could more explicitly address this.

Technical Issues

Data to use for student stipends: Student stipends are, pursuant to statute, based on the final numbers of students served in a given year. However, because the bill provides considerable flexibility for end-of-year transfers between student stipends and fee-for-service, staff believes the JBC has several options for setting the stipend levels in FY 2015-16 figure setting:

- it could use updated FY 2014-15 projections;
- it could use FY 2013-14 actual stipends as proxies for FY 2015-16; or
- it could use FY 2015-16 projections

The Department’s draft request for FY 2015-16 relies on the FY 2014-15 stipend enrollment estimates in the Long Bill. Whichever of the above approaches the JBC chooses to take will

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likely require adjustments to the draft stipend allocations submitted by the Department. **Staff still needs to do further analysis on this issue but would prefer to use actual figures from FY 2013-14, because these are not vulnerable to “gaming”, as enrollment estimates are. However, as reflected in the table below, using FY 2013-14 figures even at a slightly lower stipend rate of \$74 per credit hour would either increase total funding required or change the size of role and mission funding available, and it would increase the backfill required for UNC.** This is because enrollments are declining, rather than increasing, at most institutions.

	Stipend amount used in current request FY 2014-15 estimated FTE @\$75/SFTE (#s would be updated)	If use 13-14 actual at \$74/person	Difference	If use 13-14 actual at \$75/person	Difference
Adams	\$3,014,775	\$3,030,117	\$15,342	\$3,071,065	\$56,290
Mesa	14,609,400	14,368,277	(241,123)	14,562,443	(46,957)
Mines	6,291,600	5,986,469	(305,131)	6,067,368	(224,232)
CSU	44,015,100	43,732,178	(282,922)	44,323,153	308,053
CCC	109,407,525	110,544,159	1,136,634	112,037,999	2,630,474
Ft. Lewis	4,545,825	4,563,067	17,242	4,624,730	78,905
Metro	31,613,100	33,616,917	2,003,817	34,071,199	2,458,099
CU	61,134,600	61,061,890	(72,710)	61,887,050	752,450
UNC	17,177,550	16,022,840	(1,154,710)	16,239,364	(938,186)
Western	2,772,600	2,808,478	35,878	2,846,430	73,830
Total	\$294,582,075	\$295,734,392	\$1,152,317	\$299,730,801	\$5,148,726

Other Performance Metrics/ S.B. 11-052: 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. However, as outlined in the Department’s SMART Act performance report:

While the provisions of Section 23-1-108 (1.9) (b), C.R.S. statutorily remain in effect, they apply based on a dollar level and fiscal year not applicable to FY 2015-16’s request. Secondly and more importantly, legislation on performance-based funding for higher education was passed in 2014 with the signature of H.B. 14-1319. This historic legislation provided that the goals for higher education “can be accomplished by the General Assembly establishing performance metrics that are consistent and predictable...” (Section 23-18-301 (2) (b), C.R.S.) Thus, HB 14-1319 required performance metrics consistent with the accountability goals of H.B. 13-1299. For this reason, the performance measured for institutions of higher education with respect to Section 2-7-205 (1) (a) (II), C.R.S. is herein interpreted as performance under the provisions of the performance requirements of H.B. 14-1319.

To the extent the Department feels that the requirements of H.B. 14-1319 effectively substitute for the performance funding contracts negotiated in H.B. 14-1319, the S.B. 11-052 funding requirements should be repealed. Beyond this, no further action would be required; however, in lieu of a full repeal, the General Assembly could replace this statute

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with language requiring CCHE to continue to monitor institutional performance on an ongoing basis and report to the General Assembly about performance issues that are not captured in the model. *This might be one method for addressing some key risks in using this kind of model, including that institutions may be encouraged to reduce the quality of the degrees produced, so as to produce more degrees, instead of putting in the necessary effort to help their current student populations complete.*

Informational Issue: The Completion Agenda

Colorado and the nation have struggled with high postsecondary drop-out rates, increasing time-to-completion, and poor participation and completion rates among low-income and minority populations. The Colorado Higher Education Master Plan outlines state goals for addressing these problems. House Bill 14-1319 represents an ambitious effort to more closely align state funding with the Master Plan goals.

SUMMARY:

- More students are participating in higher education than ever before, yet national and state studies suggest that even more will be needed. The Department of Higher Education estimates that 74 percent of jobs in Colorado will require some postsecondary education by 2020.
- Colorado and the nation have struggled in recent decades with high postsecondary drop-out rates and increasing time-to-completion. Low-income and minority populations do not participate in higher education at high enough rate and are less likely to make it through the higher educational pipeline.
- The Colorado Higher Education Master Plan establishes goals for the State including increasing the attainment of high-quality postsecondary credentials, improving student success through reduced average time to credential for all students, and reducing attainment gaps among students from underserved communities.
- House Bill 14-1319 represents an ambitious effort to more closely align state funding with the Master Plan goals.

DISCUSSION:

The National Discussion: The Completion Agenda

More students are participating in higher education than ever before. In 1970, about 52 percent of the U.S. population age 25 or over had graduated high school and only 10.7 percent of the population age 25 or over had a college degree or higher. In 2010, over 87 percent of the population age 25 and over had graduated high school and 29.9 percent had a college degree or higher. In 1960, 45 percent of students who completed high school enrolled in college within 12 months. By 2009, this figure had increased to 70 percent.¹

While this increase in college participation is impressive, the U.S. is no longer the most educated population in the world, and analysts have argued that U.S. growth in educational attainment is insufficient to meet changes in the U.S. economy and anticipated employment needs. The

¹ 2012 Statistical Abstract, United States Census Bureau.

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Department cites research estimating that that 74 percent of jobs in Colorado will require postsecondary education by 2020.²

As an increasing share of the population has pursued higher education, state dollars for higher education have been stretched, and the burden on families to pay for higher education has grown. Educational institutions have been challenged to meet the needs of a more diverse student body, including the needs of students who are not always well prepared for college coursework.

In light of changes in the student body and the growing burden of student debt, policy-makers have increased attention on higher education persistence and completion. Specifically:

- Are students completing the higher education they and states pay for?
- How long is it taking them to complete?
- What are the costs to students and the state of these delays?

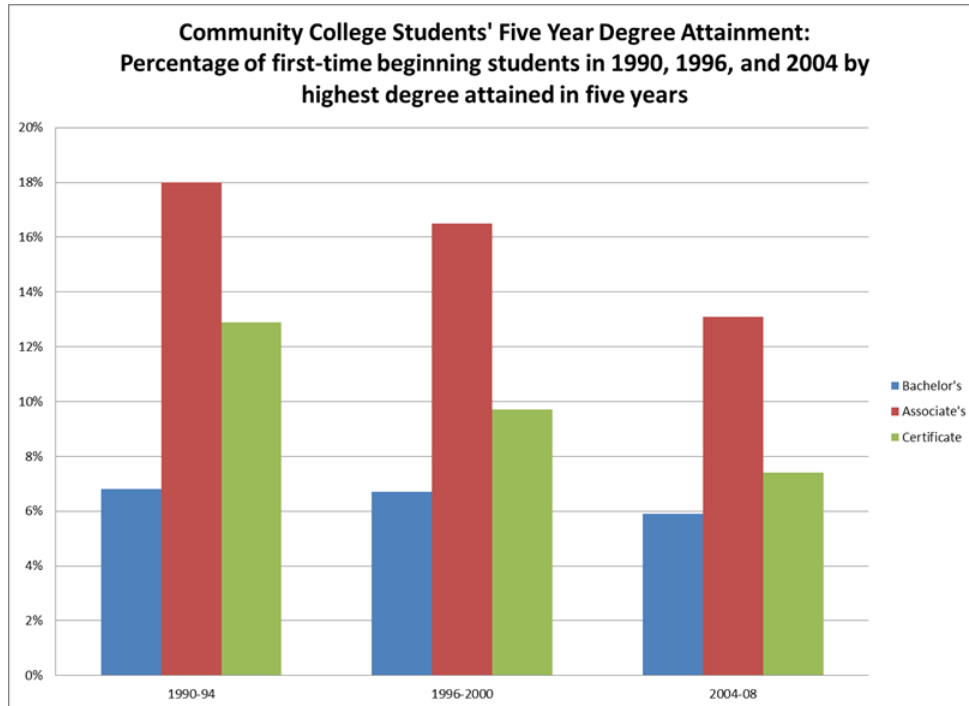
Completion at all

A national longitudinal study indicates that **over one-third of students who begin postsecondary study drop out and are not enrolled in any institution six years later.** Among 2003-04 beginning students who first enrolled in a 4 year institution, 58 percent had received a bachelor's degree six year later, 24 percent had not received a degree and were not enrolled, while the balance were either still enrolled or had received an associates or certificate. Among students who first enrolled in a 2 year institution, 22 percent had received an associates or certificate degree and 12 percent had received a bachelor's degree, while 46 percent had not received a degree and were not enrolled at any institution; the balance were still enrolled at an institution.³

Overall, completion trends have declined—rather than improved—in recent decades, at least for community college students, as reflected in the chart below.

² FY 2013-14 Colorado Skills for Jobs Report, Colorado Department of Higher Education http://highered.colorado.gov/CCHE/Meetings/2014/feb/feb14_vb.pdf

³ Radford, Berkner, Wheeless, and Shepherd (2010). Persistence and Attainment of 2003-04 Beginning Postsecondary Students: After 6 Years (NCES 2011-11), U.S. Department of Education, Washington DC, National Center for Education Statistics. <http://nces.ed.gov/pubs2011/2011151.pdf>



Data Source: Community College Student Outcomes 1994-2009. Web Tables. U.S. Department of Education, National Center for Education Statistics, November 2011 (NCES 2012-253)
<http://nces.ed.gov/pubs2012/2012253.pdf>

Many students who drop out of postsecondary studies have taken on debt. A 2011 study of noncompleters (students who had not completed and were not enrolled after six years) estimates that that, nationally 54 percent of “noncompleters” at public 4-year institutions and 25 percent of “noncompleters” at public 2-year institutions leave with debt. Those leaving 4 year institutions had an average of \$9,300 in federal student loans, while non-completers at public 2-year institutions had an average of \$5,700 in federal student loans. Not surprisingly, these students were also, on average, in lower-paid jobs than their counter-parts who completed and thus had more difficulty paying this debt.⁴

Slow Pace to Completion

Forty years ago, students entering a four-year program were expected to complete in four years. In 1972, 58 percent of BA degree recipients graduated within four years, but for the 1992 high school cohort only 44 percent did so.⁵ Of the 2006 starting cohort, about 39 percent completed within 4 years.⁶

As time-to-graduation has slipped, the measure for what constitutes on-time graduation has changed: the federal government and higher education institutions now typically look at the

⁴ Wei and Horn, Federal Student Loan Debt Burden of Noncompleters (April 2013). Stats in Brief, U.S. Department of Education, Washington DC: National Center for Education Statistics. <http://nces.ed.gov/pubs2013/2013155.pdf>

⁵ Bound, Lovenheim and Turner, Increasing Time to Baccalaureate Degree in the United States, National Bureau of Economic Research, April 2010. <http://www.nber.org/papers/w15892.pdf>

⁶ Digest of Education Statistics, Table 326.10, National Center for Education Statistics http://nces.ed.gov/programs/digest/d13/tables/dt13_326.10.asp

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institution's graduation rate at 150 percent or 200 percent time, *i.e.*, at whether a student graduates from a 4-year institution within six or even eight years and at whether a student graduates from a two year institution within three or four years.

There are significant costs to these delays. Consider the following example, adapted from one analysis:

If a low-income student takes 12 credits per semester (considered full-time by federal Pell criteria) and works 20 hours per week and in the summer, it will still take that student five years to graduate. The extra year of courses and books will add about \$6,000 to the student's net costs for books and tuition after financial aid. However, it will also cost the student about \$14,000 in reduced wages--the difference between what the student could have earned working full time with a degree versus part-time without a degree—for a total cost of about \$20,000.⁷

If the student is attending state institution, the state is also bearing costs. Even in Colorado, which contributes relatively little to state higher education operations compared to other states, the average state contribution per resident student in FY 2014-15 was \$5,174 (total state appropriations for higher education/total resident students). If students attended for, on average, a shorter period of time, state funding could theoretically provide a greater offset to student costs during that shorter time period.

Colorado on-time graduation rates are poor at many of our institutions. Nationally, approximately 59 percent of full-time first-time students at public 4 years institutions in 2007 who were seeking a bachelor's or equivalent completed the degree within 6 years at the institution where they began, with more selective institutions performing better and less selective institutions performing worse. At 2 year institutions, 21 percent of undergraduates who were full-time first time students in 2009 had received a degree at the same institution within three years.⁸ Performance at Colorado institutions is shown below for both 2- and 4-year institutions. (Note: since most community college students are not full time students the results for the average community college student are actually worse than the figures below.)

⁷ Adapted from Shulock and Koester, Maximizing Resources for Student Success by Reducing Time- and Credits-to-Degree, July 2014.

⁸ Ginder, Kelly-Reid, and Mann (2014), Graduation Rates for Selected Cohorts, 2005-10; and Student Financial Aid in Postsecondary Institutions, Academic Year 2012-13. First Look (Provisional Data) (NCES 2014-105). U.S. Department of Education, Washington DC: National Center for Education Statistics. <http://nces.ed.gov/pubs2014/2014105.pdf>

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Graduation Rates for First-time Full-time Students at Colorado Four Year Institutions			
	4-year Graduation rate - bachelor's degree within 100% of normal time	6-year Graduation rate - bachelor's degree within 150% of normal time	8-year Graduation rate - bachelor's degree within 200% of normal time
Adams State University	9	23	28
Colorado Mesa University	9	25	27
Colorado School of Mines	40	70	71
Colorado State University-Fort Collins	35	64	66
Colorado State University-Pueblo	19	32	35
Fort Lewis College	19	37	40
Metropolitan State University of Denver	4	21	28
University of Colorado Boulder	40	68	71
University of Colorado Colorado Springs	22	41	44
University of Colorado Denver	15	40	46
University of Northern Colorado	25	46	47
Western State Colorado University	19	39	40

Source: IPEDS, National Center for Education Statistics, 2013 Class Graduation Rates

Institution Name	Graduation rate total cohort 150% of Normal Time (3 years)	Transfer-out rate total cohort
Aims Community College	29	19
Arapahoe Community College	18	15
Colorado Northwestern Community College	33	7
Community College of Aurora	20	9
Community College of Denver	10	11
Front Range Community College	18	12
Lamar Community College	28	6
Morgan Community College	34	7
Northeastern Junior College	36	11
Otero Junior College	30	11
Pikes Peak Community College	14	6
Pueblo Community College	24	3
Red Rocks Community College	21	28
Trinidad State Junior College	39	8

Source: IPEDS, National Center for Education Statistics, 2013 Class Graduation Rates

Particularly Poor Completion Rates for Low-income and Minority Students

A significant body of literature has found that higher education completion rates are lower for low-income students and first-generation students than for other students. For example, one study using national data found that low-income first generation students were nearly four times

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more likely to leave higher education after the first year and significantly more likely to leave college without completing a degree than their more advantaged peers. For example, only 50 percent of students at public four-year institutions who were either low income or first generation completed a degree in four years, compared to 66 percent for other students. Outcomes were worse for students with both risk factors.⁹

Six-Year Outcomes by Type of Institution First Attended

	Low-Income, First-Generation	Low-Income or First-Generation Only	Not Low-Income and Not First-Generation
ALL INSTITUTIONS			
Attained Certificate or AA	32%	21%	11%
Attained BA	11%	26%	55%
Still Enrolled	13%	16%	15%
Not Enrolled	43%	38%	20%
PUBLIC TWO-YEAR			
Attained Certificate or AA	30%	23%	23%
Attained BA	5%	9%	24%
Still Enrolled	14%	19%	23%
Not Enrolled	51%	49%	31%
PUBLIC FOUR-YEAR			
Attained Certificate or AA	11%	7%	5%
Attained BA	34%	50%	66%
Still Enrolled	22%	18%	14%
Not Enrolled	33%	25%	15%

Source: Engle and Tinto, *Moving Beyond Access: College Success for Low-Income First Generation Students*, (U.S. Department of Education’s Beginning Postsecondary Study data)

Even after correcting for income, some racial and ethnic groups are far less likely to persist and complete higher education. Colorado does particularly poor moving Latino students through the higher education pipeline. This is cause for great concern, given changing demographics in the state.

⁹ Source: Engle and Tinto, *Moving Beyond Access: College Success for Low-Income First Generation Students*, (U.S. Department of Education’s Beginning Postsecondary Study data), The Pell Institute. <http://files.eric.ed.gov/fulltext/ED504448.pdf>

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	Colorado Population Distribution		Colorado Four-year Public Institutions		Colorado Two-year Public Institutions	
	Total Colorado Population	Colorado population ages 18-25	Enrollment (undergraduate)	Completion (bachelor's degrees)	Enrollment	Completion (degrees and certificates)
White non-hispanic	71.1%	66.3%	66.6%	73.0%	59.0%	66.7%
Hispanic or Latino total	20.6%	24.4%	13.6%	10.0%	16.4%	14.8%
Black or African American	4.1%	4.6%	3.5%	2.6%	7.0%	3.8%
Asian/Pacific Islander	3.2%	3.5%	3.6%	4.2%	3.2%	2.9%
American Indian or Alaska Native	1.0%	1.2%	1.1%	1.2%	1.0%	1.0%
Race/ethnicity unknown/multiple races			11.6%	9.0%	13.4%	10.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Sources: 2010 census (population); IPEDS, National Center for Education Statistics, 2013 unduplicated enrollment and completion data by race.

The Policy Response: Colorado’s Master Plan

Pursuant to Section 23-1-108, the CCHE was required to develop a master plan for Colorado postsecondary education by December 2012. The Commission ultimately chose to focus on four issues.

Goal 1 Increase the attainment of high-quality postsecondary credentials across the academic disciplines and throughout Colorado by at least 1,000 new certificates and degrees each year to meet anticipated workforce demands by 2025.

Goal 2 Improve student success through better outcomes in basic skills education enhanced student support services and reduced average time to credential for all students.

Goal 3 Enhance access to, and through, postsecondary education to ensure that the system reflects the changing demographics of the state while reducing attainment gaps among students from underserved communities.

Goal 4 Develop resources, through increases in state funding, that will allow public institutions of higher education to meet projected enrollment demands while promoting affordability, accessibility and efficiency.

These goals are intended to guide Colorado’s higher education policy over the coming years.

Colorado higher education institutions are very much aware of critiques related to persistence and completion, and most have some initiatives in place to address these issues. However, making progress will require concerted effort on multiple fronts.

One Element of the Response: Performance and Outcomes-based Funding

Various think tanks—the National Governor’s Association, the Lumina Foundation, Complete College America, among others—have highlighted data such as that above and have encouraged policy-makers to try to address retention and completion problems with a variety of strategies.

One element of this effort has been to encourage states to focus on outputs (degrees), rather than to simply focus on student seat-time (enrollment). Performance-based funding for higher education is currently being explored by at least half the states, and many have

implemented it, at least to some degree. As of FY 2013-14, 12 states—Illinois, Indiana, Louisiana, Michigan, Minnesota, New Mexico, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee and Washington—had funding formulas in place that provided some amount of funding based on performance or outcomes.

Colorado’s H.B. 14-1319 represents one of the more ambitious efforts to tie funding to measures that relate to institutional outcomes. In the new model, this is defined as degrees attained, with additional weight given in the proposed model to functional areas the state deems to be high priority and to degrees awarded to low-income and underrepresented minority students.

Colorado has experimented with various performance-related funding efforts for nearly two decades (see attachment). However, various complaints have been raised about all of them including:

- Too burdensome and complex;
- Poorly-selected measures;
- Data not comparable among institutions;
- Insufficient funding to make institutions respond to funding incentives.

H.B. 14-1319 takes a different track, devoting a substantial share of funding to outcomes and using basic data that all institutions routinely submit to the Department to allocate funding.

- Complaints about prior models have focused on the fact that they have been too institution-specific.
- Complaints about H.B. 14-1319 are likely to focus in the opposite direction: that they are not institution-specific enough to fairly measure “performance” because of the different populations different institutions serve.
- Other concerns about this new kind of model include:
 - Institutions may be encouraged to reduce the quality of the degrees produced, so as to produce more degrees, instead of putting in the necessary effort to help their current student-populations complete.
 - Institutions may be encouraged to focus recruitment efforts on students who are more likely succeed (often higher income from out of state) rather than making the necessary effort to recruit, nurture, and retain harder-to-serve populations.

These are valid concerns. Some are addressed at least in part in the H.B. 14-1319 model. Others may need to be addressed over time, including in subsequent versions of the model. Nonetheless, *this is a significant effort to focus attention on critical outcomes that matter to the State.*

Attachment – Previous Colorado Performance Funding Efforts

Colorado has made various efforts in the past to focus attention and improve institutional performance on higher education performance and completion. These include:

- *Quality Improvement System:* From 1997 through 2003, the Higher Education Quality Assurance Act (H.B. 96-1219) mandated a Quality Indicator System (QIS) to measure the overall performance of the statewide system of higher education. As of 2003, the QIS incorporated bachelor degree graduation rates, freshman retention and persistence rates, among various other factors. At least as of FY 2001-02, both the CCHE and OSPB requests reflected allocating the entire annual increase for the year (about 4 percent) consistent with institutional performance on the QIS.
- *Performance Contracts:* Institutions considered the QIS burdensome. As part of the switch to the COF structure in S.B. 04-189, new performance contracts were instituted in lieu of the QIS. Institutions that entered into a performance contract with CCHE were exempted from the QIS requirements, as well as other elements of CCHE oversight. From 2005 through 2010, performance contracts were negotiated and submitted by each institution that addressed a variety of issues including retention and graduation rates). However, both a 2009 WICHE report and a state audit found that the contracts had little impact due to lack of teeth, poor selection of measures, and use of inconsistent and inaccurate data
- *S.B. 11-052 Performance-based Funding:* The Department committed to remedy performance contract problems identified by state auditors through S.B. 11-052. Senate Bill 11-052 added Section 23-1-108 (1.5 through 1.9), C.R.S., requiring new performance contracts be finalized that are consistent with the Higher Education Master Plan, no later than December 1, 2012 and that these be further developed into a performance-based funding structure. Based on this statute the Department and Commission engaged in negotiations with each governing board to develop individually-tailored performance plans. Pursuant S.B. 11-052, which remains on the books, performance funding is first applied starting FY 2016-17, assuming sufficient funding is available to meet the statutory triggers. The amount available for performance funding is 25 percent of the amount by which the General Fund appropriation for the state system of higher education, excluding financial aid, exceeds \$650 million. However, this only applies if total General Fund support, excluding financial aid, exceeds \$706 million. Based on the statutory specifications, if governing board funding reaches \$706 million in FY 2016-17, about \$14 million (less than 2.0 percent) would be allocated for performance funding ($\$706 - \$650 \text{ million} = \$56 \text{ million}$; $\$56 \text{ million} * .25 = \14 million).

Informational Issue: Financial Health of Colorado Public Higher Education Institutions

The overall financial performance for state institutions over the last three years reflects a mixed bag: the state's two smallest governing boards are still in marginal condition but are likely to show improved results due to state capital construction investments. Enrollment declines have been driving down performance for some institutions, while enrollment increases, particularly among non-resident students, have had a positive impact at others.

SUMMARY:

- As state institutions become more dependent upon tuition revenue, their survival becomes more dependent upon their performance as businesses. The General Assembly must be mindful of institutions' financial health as it moves to a new funding model.
- Financial performance over the last few years at state institutions reflects a mixed bag, with some institutions showing increases and other decreases, driven in part by different enrollment trends.
- The state's two smallest governing boards—Adams State and Western State—are still in marginal financial condition, though both will be positively affected by new state capital construction investments.
- Financial performance and enrollment has declined at the University of Northern Colorado. This represents a new area of concern.
- The JBC should continue to track institutional financial health, particularly in the context of the new H.B. 14-1319 funding model, as, over time, the model's funding results could exacerbate funding challenges at institutions with declining enrollment.

DISCUSSION:

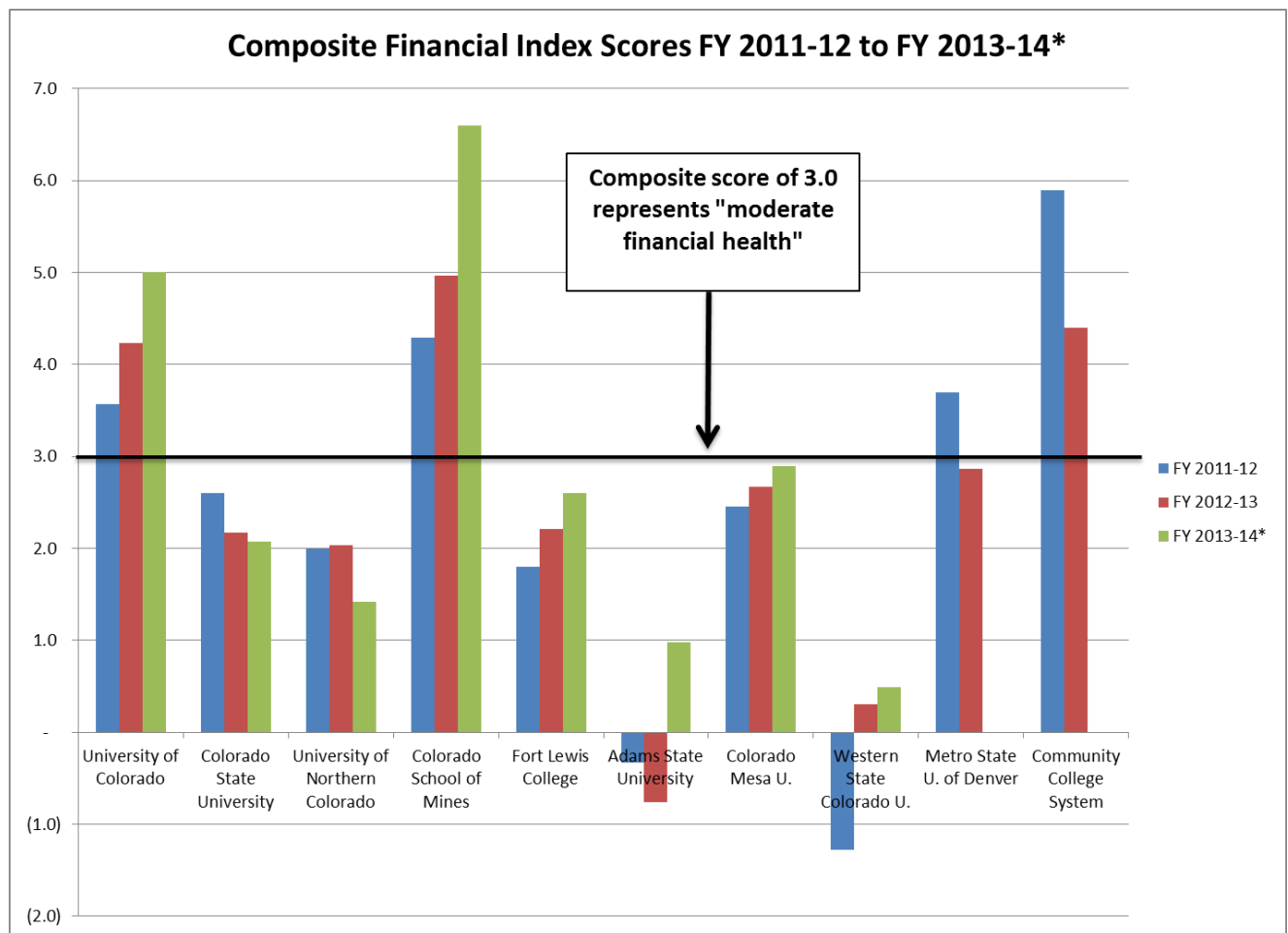
Last year, staff began to track the financial health of public higher education institutions, using a ratio analysis approach common in the higher education sector. Staff feels it is important for the General Assembly to be aware of these ratios for two reasons:

- 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 those resulting from new H.B. 14-1319 funding model—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.

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- 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 an independent basis for assessing the risk to the state of authorizing such bonds.

The chart below summarizes the composite financial index for each of the state governing boards in FY 2011-12, FY 2012-13, and, to the extent data is available, FY 2013-14. With the exception of data for the University of Colorado system, all of the FY 2013-14 data shown represents unaudited figures provided by the institutions themselves. For some institutions—Metropolitan State University of Denver and the Community College System— FY 2013-14 data was not yet available.



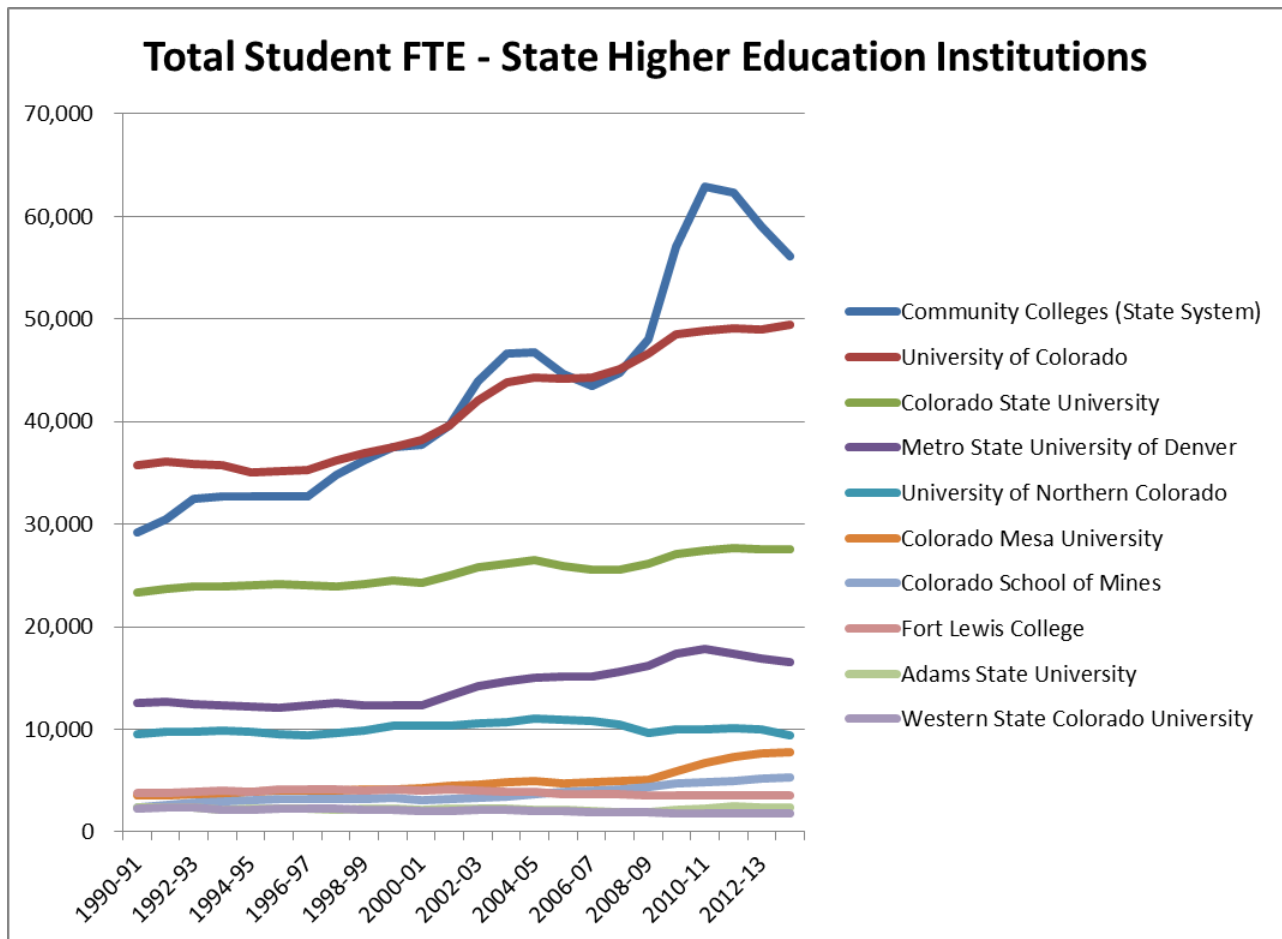
*FY 2013-14 amounts, where shown, represent unaudited figures, except for University of Colorado System data.

- 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. Adams State looks stronger in FY 2013-14 due largely to an influx of state capital construction funding which helps its balance sheet. Western State is likely to

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look stronger in FY 2014-15 for the same reason. These institutions enrolled, respectively, 2,430 and 1,823 students in FY 2013-14.

- The University of Northern Colorado’s CFI has dropped below 2.0 in FY 2013-14, driven in part by a significant decline in enrollment (5.5 percent in FY 2013-14). 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 in part by the performance of CSU-Pueblo. CSU data indicate that if CSU-Pueblo performance were evaluated on its own, CSU-Pueblo’s CFI would be just 1.1 in FY 2013-14 (similar to Adams’ State).
- The CU System and the Colorado School of Mines continue to show strong and improving performance, while Metro and the community college system show declines for FY 2012-13. In general, institutional performance is tied significantly, though not exclusively, to enrollment trends.



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The methodology for the CFI is described below and a copy of the underlying financial ratios for FY 2012-13 has also been provided to help members understand the key factors shaping the CFI.

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, 2005.¹⁰ 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 for FY 2012-13 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 <i>Strategic Financial Analysis for Higher Education, Sixth Edition</i>
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 <i>how long the institution could function using its expendable reserves without relying on additional net assets generated by operations.</i> ” (p. 56)
Viability Ratio	Debt Management	expendable assets/ debt	“The Viability Ratio measures one of the most basic determinants of clear financial health: the <i>availability of expendable net assets to cover debt</i> 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 <i>whether the institution is financially better off than in previous years</i> 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. <i>A large surplus or deficit directly impacts the amount of funds an institution adds to or subtracts from net assets...</i> ” (p. 84)

¹⁰ <http://www.praeger.com/Public/raihe6.pdf> A 7th edition (2010) is also available, but the key ratios have not changed.

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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 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**

	<i>University of Colorado</i>	<i>Colorado State University</i>	<i>University of Northern Colorado</i>	<i>Colorado School of Mines</i>	<i>Fort Lewis College</i>	<i>Adams State University</i>	<i>Colorado Mesa U.</i>	<i>Western State Colorado U.</i>	<i>Metro State U. of Denver</i>	<i>Community College System</i>
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Higher Education Institution Ratio Analysis - FY 2012-13
RATIOS - As defined in KPMG, Prager, Sealy & Co, Bearing Point, "Strategic Financial Analysis for Higher Education, Sixth Edition"

Resource Sufficiency: Primary Reserve Ratio (expendable assets/expenses)	69%	45%	50%	95%	59%	27%	54%	40%	45%	54%
Numerator: All unrestricted net assets+all expendable restricted net assets, excluding those to be invested in plant+unrestricted and temp restricted assets for foundation	2,037,191	456,213	104,424	210,745	40,747	14,819	56,721	17,361	75,752	328,031
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	2,932,392	1,023,355	209,874	222,797	69,273	55,786	104,339	43,524	169,351	609,738
Debt Management: Viability Ratio (expendable assets/debt)	138%	73%	69%	93%	74%	20%	31%	18%	108%	388%
Numerator: Expendable net assets (same as Primary Reserve Ratio)	2,037,191	456,213	104,424	210,745	40,747	14,819	56,721	17,361	75,752	328,031
Denominator: All amounts borrowed from 3rd parties - notes, bonds, capital leases. Includes both current and long-term	1,476,884	626,248	150,848	225,417	55,233	72,359	182,795	94,456	70,159	84,466
Asset Performance: Return on Net Assets Ratio (change in net assets/total net assets)	8.3%	4.4%	3.1%	12.2%	0.7%	-5.3%	5.4%	-3.5%	5.7%	-1.1%
Numerator: Change in GASB total net assets plus change in component unit total net assets regardless of whether restricted/not or expendable or not	308,980	52,083	8,290	52,648	1,071	(3,945)	10,162	(2,825)	4,811	(7,515)
Denominator: Beginning of the year total net assets	3,737,775	1,195,986	270,882	432,409	144,689	75,141	188,207	79,849	84,626	672,080
Operating Results: Net Operating Revenues Ratio (Net Income or loss/total revenues)	5.3%	-0.4%	-2.1%	6.1%	-0.5%	-14.4%	5.7%	-7.1%	2.8%	-2.2%
Numerator: operating + non-operating net income/loss + component unit change in unrestricted assets	160,894	(3,966)	(4,248)	13,939	(304)	(6,523)	5,855	(2,512)	4,700	(12,475)
Denominator: operating +net non-operating revenue plus component unrestricted revenue	3,037,916	1,000,778	199,583	227,005	66,469	45,331	102,418	35,432	170,123	573,519

Issue: Colorado Opportunity Scholarship Initiative

The executive requests that the General Assembly transfer \$30.0 million General Fund to the Colorado Opportunity Scholarship Initiative (COSI) Fund created by H.B. 14-1384. Amounts in the COSI Fund, including \$34.6 million deposited in FY 2014-15, are to be used for programs that help students access and succeed in college and for associated student scholarships. Because this is a new initiative, it is too early to determine the initiative's likelihood of success or long-term sustainability.

SUMMARY:

- The executive request includes a proposal to transfer \$30.0 million General Fund to the Colorado Opportunity Scholarship Initiative (COSI) created by H.B. 14-1384. Funds for COSI could be transferred or appropriated to the Fund, at the General Assembly's discretion.
- Amounts in the COSI Fund, including \$34.6 million deposited in FY 2014-15, are to be used for programs that help students prepare for, access, persist, and succeed in college (up to 10.0 percent) and for associated student scholarships for high achieving low-income students (up to 90.0 percent).
- Because this is a new initiative, it is too early to determine the initiative's likelihood of success or long-term sustainability. The program has begun to review grant applications from student success programs, but will not be granting any scholarships until spring 2016 at the earliest. Staff believes the student success programs the initiative plans to support are very valuable but is uncertain whether the State will be able to build an effective corpus for scholarships.

RECOMMENDATION:

Because the program is so much in its infancy, the JBC may wish to consider waiting to provide an additional \$30.0 million to the program until there is some proof that private donations will be forthcoming. Staff does not believe transfers or appropriations to the COSI fund in FY 2015-16 should substitute for increases for financial aid programs for low-income students who require financial assistance in FY2015-16.

DISCUSSION:

House Bill 14-1384

House Bill 14-1384 (Pettersen & McNulty/Ulibarri & Crowder) created the Colorado Opportunity Scholarship Initiative. Staff understands that this 2014 legislation was the product of the Governor's interest in programs that support high achieving low-income students and bipartisan negotiations to shape a program that would receive support from both parties.

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The bill included a significant amount of initial funding--\$34.6 million--and rather broad statutory guidelines.

As outlined in the legislative declaration, the goals of the bill were to:

- **“Award scholarships or grants** based upon a rigor-based method that emphasizes student commitment to academic achievement and successful placement in the workforce and ensuring that participating students and institutions be held accountable through measurable outcomes; and
- **“Develop the connections and community partnerships necessary to ensure that every Colorado student has the support needed** to enter a postsecondary opportunity, persist and succeed, and enter his or her desired position in the workforce.”
- **“Match non-profit and private financial contributions** to the Colorado opportunity scholarship initiative with annual contributions from the general fund so that a sustainable corpus is created to fund scholarship awards in future years.”

The bill created an advisory board comprised of the executive committee of the State Workforce Development Council, and three Governor appointees to represent research institutions, four-year postsecondary institutions and community colleges and area vocational schools. It requires this board to establish:

- eligibility for state agencies, nonprofit organizations, and public institutions of higher education to participate in the initiative;
- criteria for eligibility of students to apply for and receive grants from the initiative; and
- rules establishing permissible uses of grant and scholarship moneys from the initiative.

The Colorado Opportunity Scholarship Initiative (COSI) Fund, created by the bill, received an **appropriation of \$1.0 million General Fund for FY 2014-15 and a transfer of \$33.4 million from the CollegeInvest Financial Need Scholarship Fund** (where these moneys had been sitting for some time). Moneys in the COSI Fund are continuously appropriated to the Department. The bill required:

- Up to 10 percent of moneys in the fund any fiscal year “may be awarded to state agencies and nonprofit organizations to assist such agencies and organizations with ensuring that student-success, precollegiate, postsecondary student support services are available to students who are classified as Colorado residents for tuition purposes; increasing the capacity for student support services at postsecondary institutions; and developing connections between local employers, public schools, precollegiate organizations, and postsecondary institutions...” Of this amount, at least 70 percent must be awarded to nonprofit organizations.
- Up to 3 percent of moneys in the fund in any fiscal year may be used for administrative costs.

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- Moneys not used for the purposes above must be used to build a financial corpus capable of providing tuition assistance to eligible Colorado students attending eligible Colorado higher education institutions. Such assistance may include direct awards; matching incentives to create or increase other scholarships; loans, or any combination of these.
- To the extent practicable, tuition assistance must be awarded to students representing rural and urban areas and students attending all types of higher education institutions (vocational schools, community colleges, 4-year institutions, research institutions). Also, to the extent practicable, tuition assistance must be evenly distributed between students eligible for federal Pell grants and students with household incomes between 100 percent and 250 percent of Pell income eligibility.

The bill identifies multiple criteria for evaluating the effectiveness for the initiative in improving higher education outcomes, ranging from reductions in remediation rates to fulfillment of local workforce needs.

Evolving Plans for COSI as Reflected in Project Activities to-date

Phase I: Improve and Grow Student Success Programs. This fall, COSI announced that it would be awarding \$3.4 million in FY 2014-15 (ten percent of the FY 2014-15 corpus, as permitted in the legislation) for proposals to increase the availability and implementation of effective student support services and associated programming to ensure success for Colorado students in postsecondary education and degree attainment.

By the November 14, 2014 deadline, it had received applications for a total of \$18.5 million, including \$11.0 million from metro Denver programs and \$7.4 million from programs outside the metro area.

The applications represent a broad array of existing and new initiatives sponsored by government and nonprofit entities. Some are targeted at high school students and helping them orient toward college, including through concurrent enrollment, others focus on assisting students who are new to college and helping them retain; many are focused on both of these and helping students on both sides of the transition from high school to college, with assistance including mentoring, scholarships, and summer programs.

Phase 2: Leverage public dollars and savings to build a sustainable corpus that can award scholarships to Colorado residents. The program indicates that it will be targeting students with incomes up to 150 percent of Pell eligible and who participate in a rigor-based student success program (such as those that will be funded through the grant programs above). The Department reports that assuming financial goals are met, the first scholarships will be awarded in spring 2016. The program currently hopes to stimulate private contributions by offering a 30 percent match for each private dollar contribution. It has projected that, at its peak, the program could award 3,000 students with scholarships covering about 15 percent of their costs.

Some Inspirations for H.B. 14-1384:

Retention Literature, Denver Scholarship Foundation, GEAR UP

Colorado and other states continue to struggle to bring low-income, first-generation, and minority students into higher education and to successfully retain and graduate them from higher education institutions. Research shows that to successfully help such students, a multi-pronged approach is needed:

- Middle- and high-school students whose parents did not attend college need to understand that college *can* be for them. They need appropriate academic preparation, but they also need to understand how to apply to college and how to seek scholarships and financial aid.
- Even after students have been admitted to college, special programs are often needed to keep them there. This includes helping to integrate into campus life, getting them to seek help when they face academic challenges, and ensuring that they have access to sufficient financial assistance so that the financial demands of work and family don't cut their college aspirations short. Studies have shown that a combination of academic and non-academic factors support drive college retention, including factors such as academic self-confidence and social support.¹¹

There are a variety of programs in Colorado and the nation designed to help students who might not otherwise seek a postsecondary education to pursue and persist in college. The Denver Scholarship Foundation's (DSF) program and GEAR UP are two examples of such programs.

GEAR UP is a federally-funded program operating out of the Colorado Department of Higher Education. The program is located in over 30 middle and high schools throughout the state and targets low-income students whose parents did not attend college. Students who are accepted into the program receive on-site counseling services, "early remediation" classes which eliminate the need for remedial classes in college, concurrent enrollment classes in high school, college scholarships, and mentoring support once in college. These students graduate high school (87%), enroll in college (84%) and persist in college (81%) at much higher rates than peers who don't receive these services. The program costs about \$4,000 per student per year, about half of which goes to scholarships.

The Denver Scholarship Foundation is a private, non-profit organization which assists Denver Public School students to achieve their postsecondary goals. The program places staff in Denver high schools to mentor students, provides scholarships, and works closely with postsecondary institutions to ensure that they provide services to meet the needs of DSF students. This includes special orientation programs, learning communities, peer tutor-mentors, and faculty mentors, all of whom help keep DSF students on-track to graduate college.

¹¹ Lotkowski, Robbins, and Noeth, "The Role of Academic and Non-Academic Factors in Improving College Retention, ACT Policy Report, 2004.

COSI staff note that while there are multiple programs to support students in Colorado, such programs do not exist in all parts of the state. Furthermore, there is no good central repository with information on these kinds of programs that might help students learn where to get assistance and might help the state understand which kinds of programs are most effective. This is something COSI hopes to remedy.

Staff Observations and Recommendations

- **Because this is a new initiative, it is too early to determine the initiative’s likelihood of success or long-term sustainability.** The bill requires the COSI board submit to the director any recommendations the board has for the General Assembly by May 30, 2015, and that the director of the initiative report these recommendations to the Education Committee of the House and Senate by June 30, 2015—after the end of the 2015 legislative session. While the program has already launched in FY 2014-15, it is still in its infancy.
- In general, **staff believes there is great value to the kinds of student success programs the initiative plans to support.**
- **Staff is more skeptical that the State will be able to build an effective corpus for scholarships that will be maintained over the long term.** This is for several reasons:
 - In recessions, the General Assembly has typically transferred cash fund balances to the General Fund. Unless an effective mechanism is put in place that will prevent this happening to COSI funds, there is a risk that the State will make long-term scholarship commitments it is unable to keep.
 - Staff is somewhat doubtful that private philanthropy will fill the COSI coffers based on the state’s difficulty raising private funds to renovate the Capitol dome. State support may certainly help stimulate private investment and may draw some matching private funds for scholarships; however staff is uncertain whether private donors will be willing to contribute directly to a state-controlled scholarship fund.
- Staff hopes this project will be successful. However, because the program is so much in its infancy, **the JBC may wish to consider waiting to transfer an additional \$30.0 million to the program until there is some proof that private donations will be forthcoming.**
- Based on consultation with the Office of Legislative Legal Services, **it appears that an appropriation (as opposed to a transfer) to COSI might meet the legal requirement to increase funding for student financial aid programs at the same rate as increases for the governing boards.** A transfer to COSI through a bill would likely not meet this requirement, but it would allow the General Assembly to avoid the associated 6.5 percent reserve requirement (which appears to have been the Governor’s intent in requesting the funds as a transfer).

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- **Even if an appropriation to COSI would meet the letter of the law on financial aid appropriations, staff does not think appropriating moneys to this program should substitute for routine increases in state financial aid programs for students who are already in college and require financial assistance in FY 2015-16.**

Issue: Tuition and Fees

Over the last ten years, tuition and fees at Colorado public higher education institutions have increased far faster than inflation. Once fees are included, undergraduate sticker-prices at public institutions increased from 2.6 to 7.9 percent in FY 2014-15. The General Assembly's authority to appropriate tuition returns in FY 2016-17, but authority to appropriate fees does not return in the absence of statutory change.

SUMMARY:

- Over the last ten years, tuition and fees at Colorado public higher education institutions have more than doubled, increasing by an average of 8 to 12 percent per year at 4-year institutions and at an average of 6.2 percent per year at state system community colleges. This is far faster than the increase in the Denver-Boulder-Greeley consumer price index of about 2.3 percent per year over the same period.
- In conjunction with an operating increase of 11.0 percent, S.B. 14-001 limited FY 2014-15 and FY 2015-16 undergraduate resident tuition rate increases to 6.0 percent. However, once fee increases are included, overall undergraduate sticker-price increases at institutions in FY 2014-15 ranged from 2.6 to 7.9 percent.
- The General Assembly suspended its authority to appropriate tuition for a period of five years through S.B. 10-003; however, this authority returns in FY 2016-17.
- The General Assembly has largely eliminated its oversight of fees. Pursuant to S.B. 09-290, the General Assembly no longer appropriates funds for cash-funded capital construction projects. Authority to appropriate fees was permanently eliminated in H.B. 11-1301, which also reduced CCHE's oversight of institutional fees.

RECOMMENDATION:

The Department will be submitting a proposal for tuition policy on November 1, 2015. Given how significant fees have become as a portion of the total costs students face, the JBC may wish to request that that the Department's tuition policy proposal also addresses student fees. While it is unlikely the Department will want to return to detailed oversight of fees, some middle ground may be possible. For example, the Department and the General Assembly could consider restricting total fees to some percentage of an institution's overall revenue from tuition and fees (assuming this does not violate existing bond commitments). While staff does not have a specific recommendation at this time, the issue is worth exploring further.

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DISCUSSION:

For most legislators and their constituents, the rising cost of higher education is a serious concern. In recent community forums conducted by the Department related to H.B. 14-1319, participants also emphasized that *affordability* was their top priority.

Nationwide, tuition increases for higher education have been increasing at a rate well above inflation for at least two decades.¹² Colorado’s increases have been particularly rapid in recent years, as reflected in the table below. Published tuition and fees have more than doubled in the last ten years, reflecting average annual increases of 6.2 percent to 11.9 percent—far above the average annual increase in the Denver-Boulder-Greeley consumer price index of about 2.3 percent over this period.

Resident, Undergraduate, Full-time Tuition and Mandatory Fees (Arts and Sciences, Freshmen and Sophmores)							
Institution	FY 04-05	FY 09-10	FY 13-14	FY 14-15	1 year increase (FY 14 to FY 15)	5 year avg annual increase (FY 10 to FY 15)	10 year avg. annual increase (FY 05 to FY 15)
Mines	\$ 7,082	\$ 12,244	\$ 16,485	\$ 16,918	2.6%	6.7%	9.1%
CU-Boulder	4,341	7,932	10,347	10,789	4.3%	6.3%	9.5%
CSU-Ft. Collins	3,790	6,318	9,273	9,897	6.7%	9.4%	10.1%
University of Colorado - Denver	3,978	6,542	9,476	9,838	3.8%	8.5%	9.5%
University of Colorado - Colo Springs	4,149	6,997	8,659	9,143	5.6%	5.5%	8.2%
Metropolitan State	2,598	3,639	5,744	6,070	5.7%	10.8%	8.9%
Colorado Mesa University	2,724	5,396	7,206	7,625	5.8%	7.2%	10.8%
University of Northern Colorado	3,370	5,451	7,168	7,733	7.9%	7.2%	8.7%
Colorado State University - Pueblo	3,220	5,203	7,327	7,834	6.9%	8.5%	9.3%
Fort Lewis College	3,060	4,646	6,923	7,252	4.8%	9.3%	9.0%
Adams State University	2,603	4,454	7,449	8,015	7.6%	12.5%	11.9%
Western State Colorado University	2,761	4,064	7,343	7,874	7.2%	14.1%	11.0%
Community Colleges	2,258	2,960	3,950	4,119	4.3%	6.8%	6.2%

Although S.B. 14-001 restricted undergraduate tuition growth for FY 2014-15 to 6.0 percent, **once fees are included, the cost for an entering undergraduate in the liberal arts increased at some institutions by as much as 7.9 percent at some institutions. Depending upon the institution, fees represent 5 percent to 35 percent of sticker-price**, so even through institutions restricted FY 2014-15 tuition increases to 6.0 percent, fee-increases drove some sticker prices higher. The chart below shows the break-down between tuition and mandatory fees for undergraduate, resident liberal arts freshman and sophomores.

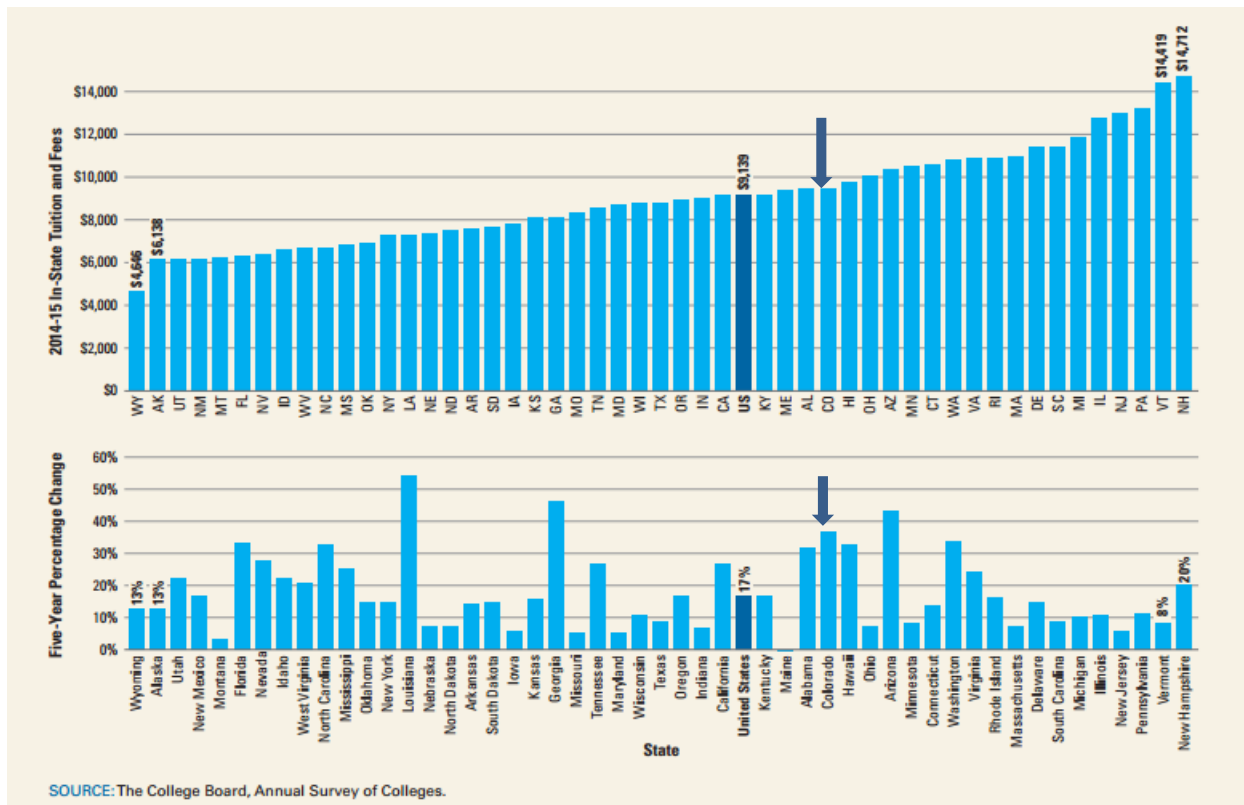
¹² The College Board, *Trends in College Pricing 2014*
<https://secure-media.collegeboard.org/digitalServices/misc/trends/2014-trends-college-pricing-report-final.pdf>

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Institution	Tuition			Fees		
	FY 13-14	FY 14-15	% Change	FY 13-14	FY 14-15	% Change
Mines	\$14,400	\$14,790	2.7%	\$2,085	\$2,128	2.1%
CU-Boulder	8,760	9,048	3.3%	1,587	1,741	9.7%
CSU-Ft. Collins	7,494	7,868	5.0%	1,779	2,029	14.1%
University of Colorado - Denver	8,460	8,760	3.5%	1,016	1,078	6.1%
University of Colorado - Colo Springs	7,470	7,710	3.2%	1,189	1,433	20.5%
Metropolitan State U. of Denver	4,691	4,973	6.0%	1,053	1,097	4.2%
Colorado Mesa University	6,438	6,812	5.8%	768	813	5.9%
University of Northern Colorado	5,748	6,024	4.8%	1,420	1,709	20.4%
Colorado State University - Pueblo	5,494	5,824	6.0%	1,833	2,010	9.7%
Fort Lewis College	5,232	5,544	6.0%	1,691	1,708	1.0%
Adams State University	4,872	5,160	5.9%	2,577	2,855	10.8%
Western State Colorado University	5,275	5,539	5.0%	2,068	2,335	12.9%
Community Colleges	3,585	3,747	4.5%	365	372	2.1%

Nationally, tuition increases moderated in FY 2014-15. The College Board reported that in-state published tuition and fees at public four year institutions increased by 2.9 percent in FY 2014-15—the only increases since 1974-75 that have been less than 3 percent, while average published tuition and fees at public two-year colleges increased by 3.3 percent. Thus, *Colorado tuition and fee increases for FY 2014-15 were still well above the national average.*

Average 2014-15 In-State Tuition and Fees at Public Four-Year Institutions by State and Five-Year Percentage Change in Inflation-Adjusted Tuition and Fees



Source: The College Board, 2014 Trends in College Pricing

Legislative Control over Tuition – A Brief History

- Through FY 2009-10, the General Assembly limited institutional tuition through Long Bill appropriations and footnotes. This was an imperfect mechanism. As highlighted in some JBC staff briefing issues, institutions were adept at lobbying to have the tuition footnote worded so that they could comply with the letter of the law if not always the spirit. Nonetheless, this system gave the General Assembly the capacity to weight total institutional funding requested against the amount the General Assembly could provide and provided a mechanism by which the General Assembly could set separate limits on tuition increases for each governing board.
- In light of declining funding for state funding for higher education—and cuts that were anticipated to be as great as 50 percent—the General Assembly adopted S.B. 10-003 (Concerning Higher Education Flexibility).
- Pursuant to S.B. 10-003, for the years FY 2011-12 through FY 2015-16, the governing boards had authority to set tuition. They were not allowed to increase tuition by more than 9.0 percent unless they obtained approval from the Colorado Commission on Higher Education. To achieve such approval, the institutions were required to submit 5-year accountability plans demonstrating how the schools would ensure access and affordable tuition for low- and middle-income students. A number of governing boards received approval for increases larger than 9.0 percent.
- S.B. 14-001 amended the provisions of S.B. 10-003 for the years FY 2014-15 and FY 2015-16 to insert a “hard” tuition cap of 6.0 percent, which was not subject to waiver by CCHE. Thus, for FY 2015-16, tuition will not be appropriated in the Long Bill, but institutions will be subject to the 6.0 percent cap on increases resident undergraduate tuition. Staff assumes that, as in FY 2014-15, some will increase tuition up to the cap, while others may increase tuition considerably less.
- **Pursuant to Section 23-1-104 (b), C.R.S., effective FY 2016-17, the General Assembly’s authority to appropriate tuition is restored. H.B. 14-1319 specifically requires the Department of Higher Education to submit tuition policies to the education committees and the JBC November 1, 2015 “that ensure both accessible and affordable higher education for Colorado’s residents”.**

Legislative Control over Fees – A Brief History

Student fees have been a concern of the General Assembly for many years and the subject of various resolutions and bills over the years. Through FY 2010-11, the General Assembly and the CCHE sought to limit institutional fees in a number of ways:

- The Commission sought to impose a set of uniform fee policies through Commission policy, as it was authorized to do in statute;
- Statute and Commission policy required that certain kinds of fees—but not others-- be subject to a vote of the student body; and

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- Statute, Commission policy, and General Assembly practice appropriated certain kinds of fees—but not others—through the Long Bill.

A 2010 audit by the State Auditor’s Office examined fees imposed at each state institution.¹³ Key findings from the audit include the following:

- Students did not have consistent opportunities to provide input into the assessment and use of student fees across institutions. The audit noted that at some institutions, the full student body must vote on new capital construction fees, while at others new fees are imposed without such votes.
- Some fees were set higher than necessary to cover related costs and were used for purposes other than the stated purpose.
- Neither the Department nor institutions always provided easily accessible and complete information on student fees to students, parents, and other stakeholders.
- Most institutional fee plans did not contain all of the requirements listed in Commission policy. The Department had not reported to the General Assembly has required on the consistency of institutional fee policies.
- The audit noted no clear distinction between costs that should be paid from tuition as opposed to fees; and found there was no clear distinction between administrative fees and another category of fee-like charges.

The legislature ultimately responded to the audit, in House Bill 11-1301, by substantially loosening statutory and CCHE control over institutional fee-setting.

In Section 23-5-119.5 C.R.S., added by the bill, the General Assembly finds that:

“it is important to allow the governing boards flexibility in managing student fees in the manner that is most effective for their respective institutions.....[but] the general assembly also finds that state institutions of higher education must develop meaningful processes for receiving and considering student input concerning the amount assessed in fees and the purposes for which the institution uses the revenues received.”

From a statutory perspective, 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, statutory changes included in H.B. 11-1301 emphasized the governing boards’ role in the process.

¹³ Office of the State Auditor, Higher Education Student Fees, Department of higher Education, Performance Audit, July 2010

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The statute requires each governing board to adopt an institutional plan for student fees that includes “the opportunity for meaningful input from the students at the affected institution or campus”. It specifies components that must be in each fee plan, requires governing boards to “collaborate with the student government organization at the applicable institution or campus”, and requires that the fee plans be available to the public on a web site. It also outlines costs for which a governing board may impose fees. However, the statute does not limit the fees to these purposes.

The rules adopted by the CCHE are process-oriented and focus largely on the full disclosure of fees to students and prospective students. *CCHE’s rules note that “Part of the intent of [H.B. 11-1301] was to provide greater flexibility at the governing board level to determine fee policy while protecting opportunities for student input and allowing for greater transparency and disclosure. Commission fee policy is consistent with this intent.”*

- 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.
- The CCHE policies are strongest with respect to disclosure. 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.

Statutory changes included in H.B. 11-1301 (Section 23-5-119.5 (3)) also specify that revenues received by a governing board as student fees are not subject to annual appropriation. Unlike provisions related to legislative appropriation of tuition, this provision does not sunset at the end of FY 2015-16. Similarly, cash funded higher education projects that do not have a state match component are not subject to appropriation pursuant to Section 24-75-303, C.R.S., as modified by S.B. 09-290 and H.B. 11-1301. This too is a permanent, rather than temporary, provision.

If the JBC wishes to impose greater oversight of fees, statutory change will be required. Given the history, staff is not prepared to recommend an immediate change; however, the issue may be worth further study, given the significance of fees in the overall cost of attending a higher education institution.

Issue: History Colorado Performance Audit

A recent SAO Performance Audit has highlighted significant financial management problems at History Colorado. The agency has hired new accounting and budget staff who are tackling these issues. The audit also recommends that the agency “reassess its governance and organizational structure”, as History Colorado’s legal structure provides for little executive branch oversight.

SUMMARY:

- The FY 2012-13 Statewide Financial Audit highlighted significant concerns in the financial management of History Colorado. Due to these concerns, the State Auditor’s Office initiated a performance audit of History Colorado, released in June 2014.
- The performance audit delves deeper into the agency’s financial management, revealing extensive problems in History Colorado’s internal financial controls, accounting, budgeting, and financial reporting.
- The audit recommends various changes to the agency’s financial management procedures. New accounting and budgeting staff have been hired, and the agency is in the process of addressing these problems. As part of this process, staff believes the budget should be reorganized.
- The audit also recommends that the agency “reassess its governance and organizational structure”. This issue has not yet been resolved, and staff believes this issue should be addressed by the General Assembly this legislative session. This is particularly important as the agency faces significant long-term financial challenges.

RECOMMENDATION:

- In consultation with the Legislative Audit Committee, the JBC should explore options for modifying the History Colorado governance structure. Staff has outlined some governance change options in this packet but hopes that the agency will come forward with its own suggestions for the General Assembly’s consideration.
- The History Colorado budget should be restructured to improve both transparency and budget control and tracking.

DISCUSSION:

Background

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.

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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.

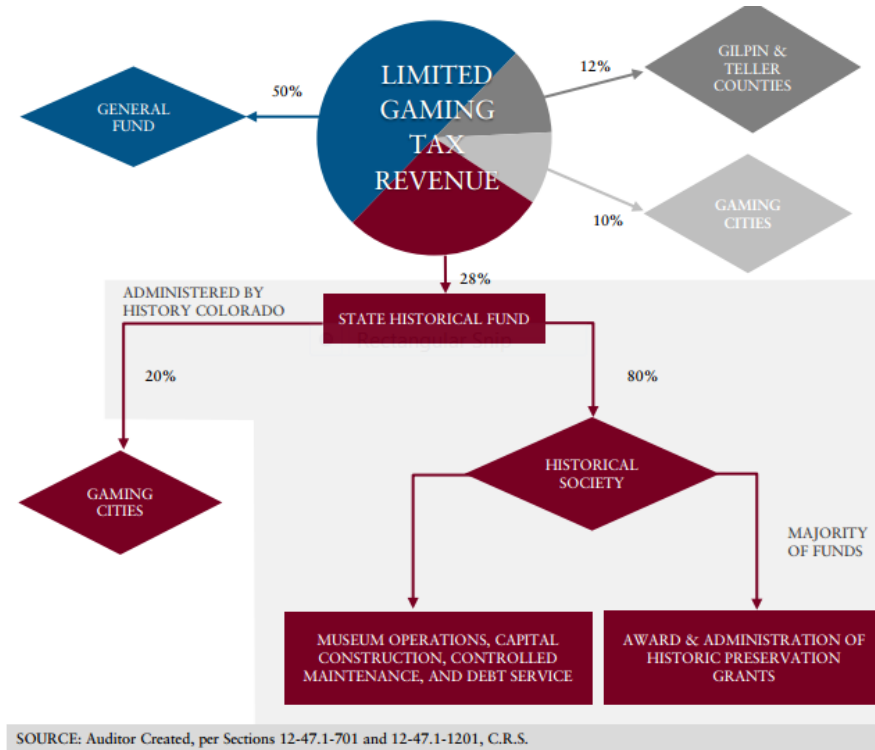
For FY 2014-15, over \$32 million was appropriated for operation of History Colorado, including direct appropriations for society and museum operations and historic preservation grants, constitutionally-required allocations to gaming cities, and amounts in centrally-appropriated Higher Education line items anticipated to be used by History Colorado. Of this amount \$25.2 million was appropriated from gaming revenue deposited to the State Historical Fund, \$4.4 million from earned revenue (such as admission fees), and \$1.3 million from the General Fund, with the balance from federal funds and other sources. An additional \$6.7 million, including \$3.7 million from the State Historic Fund and \$2.8 million from the General Fund, was appropriated for History Colorado capital construction and controlled maintenance projects.

As indicated by the figures above, **the majority of funding for History Colorado is derived from limited gaming revenue deposited to the State Historical Fund.** The 1990 Constitutional amendment that legalized limited stakes gaming in Black Hawk, Central City and Cripple Creek, specified that, after administrative expenses, 28 percent of the revenue generated would be deposited to the State Historical Fund to be used for historic preservation efforts. Of this share, the Constitution requires that 20 percent be used for the preservation and restoration of the three gaming cities, while “the remaining eighty percent in the state historical fund shall be used for the historic preservation and restoration of historical sites and municipalities throughout the state in a manner to be determined by the general assembly.” Subsequent legislation, codified at 12-47.1-1201, C.R.S., makes the State Historical Society (History Colorado) responsible for administering these funds.

The chart below shows the overall distribution of gaming revenues. **The total State Historical Fund share was \$23.5 million of the FY 2013-14 receipts.**¹⁴ As reflected in the chart, pursuant to statute, 20 percent is allocated for historic preservation in gaming cities and the balance of 80 percent of moneys in the State Historic Fund are divided between statewide preservation grants (including both grants and grant administration) and costs associated with the operation of History Colorado (including museum operations, capital construction, controlled maintenance, and Certificate of Participation Payments).

¹⁴ FY 2014-15 appropriations from the State Historic Fund, including both operating and capital appropriations, exceed the State Historic Fund moneys received for the year by approximately \$5.4 million. Actual spending is therefore expected to be lower than the appropriation, with some expenditures paid from reserves.

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Pursuant to statute, the statewide preservation program must constitute the majority share of the Historical Society’s 80 percent share. In the early years of gaming funding, almost all associated revenue was directed to statewide preservation grants to local governments and non-profits. However, as explored in the audit, since 2003, the General Assembly has increasingly relied on gaming revenue to support staff, operations, and, more recently, museum construction for History Colorado and renovation of the state Capitol. Based on current law and practice, only 40 to 45 percent of the 80 percent share of gaming revenue is expected to be available in the coming years for statewide historic preservation grants, after administrative costs. The remainder, over \$10 million per year, will be used for a variety of History Colorado operational and capital costs.

History Colorado governance and funding issues must be understood in the context of its current financial situation. *The agency faces significant future budget deficits if it cannot grow its earned revenue at a sufficient rate.* Revenue to the State Historic Fund has declined from \$28.2 million in 2008 to \$23.5 million in 2014, while History Colorado has increased its annual obligations from gaming revenue by \$3.1 million for Certificate of Participation payments for the new History Colorado Center.

Problems Identified by Auditors: History Colorado Operations

The *FY 2012-13 Statewide Financial Audit* raised significant concerns about History Colorado and identified *material weaknesses* (the highest level of problem) in its financial management.¹⁵ Among the key findings:

- History Colorado had not implemented adequate internal controls to ensure the proper preparation of accounting entries, timely reconciliations, year-end reporting, and segregation of duties.
- It did not have adequate internal written procedures in place for recording periodic transactions, such as debt service payments and reimbursements.
- There were a range of examples that appeared to reflect lack of familiarity with basic accounting principles and practices and the state accounting system.

In light of the above concerns, the auditors initiated a performance audit of History Colorado in early 2014. The *History Colorado Performance Audit* was released in June 2014. This audit confirmed the previously-identified financial management issues and raised new issues. Some of the key findings from the new audit:

- History Colorado used State Historical Fund (gaming) moneys reserved for grants to pay for all indirect costs from the Department of Higher education without an accepted methodology. The potential implication is that *less* than 50.1 percent of History Colorado’s 80 percent share of gaming revenues may have been used for statewide preservation grants and related administration—which would be contrary to statute.
- Almost half of History Colorado official 5,202 official function transactions were for amounts less than or equal to \$50, and many appeared to reflect program costs, rather than official functions, e.g., costs for individual employees to eat at Quizno’s.
- There were one or more problems with 95 percent of procurement card transactions tested, including missing approval signatures, missing decimation, lack of timely reconciliations, and incorrect charging of alcoholic beverages to taxpayer funds. Further, approval of procurement cards for staff was not tied to employee’s job responsibilities.

The Performance Audit recommended that History Colorado implement stronger financial reporting processes and internal controls, specifically improve controls over official function expenditures and procurement cards, and implement a cost allocation plan in accordance with state fiscal rules.

In response to the initial findings from the FY 2012-13 Statewide Financial audit, the agency hired new accounting and budgeting staff. A new indirect cost allocation plan is being compiled by a knowledgeable outside contractor, and the agency reports that it is taking steps to address the problems with procurement cards and to tighten the use of state funds for “official functions”. It expects to implement most corrections by January 2015.

¹⁵

[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](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)

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JBC staff remains hopeful that, under the leadership of a new controller and new budget director, the various financial management problems will ultimately be fully resolved. However, while these changes are important, *they do not address more fundamental History Colorado management issues that are also raised in the audit.*

History Colorado Oversight and Accountability

History Colorado functions as a legally separate non-profit corporation under Section 501 (c) (3) of the Internal Revenue Code but is also classified as a state institution of higher education. It is located within the Department of Higher Education through a “type 1” transfer, which provides the organization with considerable autonomy.

The audit describes the agency’s executive structure as follows:

History Colorado is governed by a Board of Directors (Board). History Colorado’s by-laws, as amended through November 2013, specify that “the number of Directors shall be at least 15 and no more than 39, as may be determined from time to time by the Board of Directors.” The Board has set the current number of Directors at 28. Board members are responsible for nominating new and continuing Board members, and those nominees are voted on by History Colorado’s general membership as part of its annual meeting; none are appointed by the Governor or another member of State government. Currently, two members of the Board’s executive committee (Vice Chair and Treasurer) also serve as officers of the Colorado Historical Foundation’s Board of Directors, and the two Boards’ chairs also serve as ex-officio members of the other Board. An ex-officio member is a member of the Board whose membership is by default by virtue of holding another office. History Colorado’s ex-officio members do not hold voting rights. In accordance with Section 24-80-204, C.R.S., the Board appoints History Colorado’s President and Chief Executive Officer and confirms its vice presidents and staff through Board action. These positions are designated as officers or teachers of an institution of higher education, and therefore, are not subject to the State personnel system.

As a state “higher education institution” History Colorado is subject to some state oversight. Most notably, state funding for History Colorado are subject to legislative appropriation. Pursuant to Section 24-80-202.5, C.R.S.: “The president of the society shall make funding recommendations to the governor and the general assembly for the operation of the state historical society. The general assembly shall make annual appropriations, in such form as the general assembly shall determine appropriate, for the operation of the state historical society.” The General Assembly’s statutory and appropriations authority is particularly significant as History Colorado is so dependent upon state financial support. It would not have access to state

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moneys, including the including gaming funds deposited to the State Historical Fund, were it not for both statutory authorization to access these funds and annual appropriations.

Nonetheless, History Colorado’s legal structure does not provide for effective *administrative* oversight of the agency by the Governor or the Department of Higher Education. Because History Colorado “type 1” state agency, the Executive Director of the Department of Higher Education has no authority to overrule decisions by the History Colorado Board. The Governor exerts some authority, as History Colorado budget requests must be approved and forwarded by the Governor; however the current legal structure does not, for example, enable the Governor to change the agency’s leadership. The board leadership is nominated by previous board members and elected by the non-profit’s membership. Board members are not appointed by the governor or the General Assembly and there is no clear mechanism whereby the Governor or the General Assembly could demand a change in leadership if they felt this was warranted by financial or other mismanagement.

The Performance Audit notes as follows:

“Due to History Colorado’s unique governance and organizational structure and the absence of State representation in its operational oversight, History Colorado lacks a broad familiarity with requirements levied by State Fiscal Rules, State Procurement Rules, State Fiscal Procedures and other State-level guidance History Colorado is required to follow as a State agency. While the agency is appropriated through the Department of Higher Education, the Department does not maintain any operational control or oversight over History Colorado. Due to the current governance and organizational structure and the appointment process for History Colorado executive leadership, *there is inadequate state representation in the governance of History Colorado.*” [Emphasis added]

Given the quantity of state moneys and buildings under History Colorado’s control, JBC staff concurs with the SAO auditors that this organizational structure should be reassessed. The auditors reviewed historical societies in eight other western states, where the historical societies also operate at state agencies: Kansas, Montana, Nebraska, North Dakota, South Dakota, Texas, Utah, and Washington. History Colorado’s current Board structure is the only society of the nine states the auditors compared that does not including voting members that represent the state with a governmental and state-accountability focus. Further, only one other state society (Washington) operates both as a 501 (c) (3) nonprofit and a state agency; the others are simply state agencies.¹⁶

The most obvious alternatives are:

- Require that the History Colorado Board be comprised entirely or in part of individuals appointed by the Governor with consent of the Senate. As indicated in the audit report, in the

¹⁶ Most of these state entities *also* have an associated nonprofit foundation that assists with fundraising. This is also true in Colorado; however, in Colorado *both* the Historical Society itself and the foundation are structured as nonprofits.

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other states examined, some or all board members were appointed by the Governor. The General Assembly could also consider some direct representation from the General Assembly on the Board, but this should not substitute for appointees responsible to the Governor if the goal is to strengthen executive oversight of the organization.

- Place History Colorado under more direct oversight of the Department of Higher Education. History Colorado is, per statute, a “Type 1” transfer to the Department of Higher Education. This could be changed to a “Type 2” transfer.

Type 1: Pursuant to Section 24-1-105 (1), C.R.S., “When any department, institution or other agency, or part thereof, is transferred to a principal department under a type 1 transfer, that department, institution, or other agency or part thereof, shall be administered under the direction and supervision of that principal department, but it shall exercise its prescribed statutory power, duties and functions, including rule making, regulation, licensing, and registration, the promulgation of rules, rates, regulations, and standards, and the rendering of findings, orders, and adjudications, independently of the head of the principal department. Under a type 1 transfer, any powers, duties and functions not specifically vested by statute in the agency being transferred, including, but not limited to, all budgeting, purchasing, planning and related management functions of any transferred department, institution or other agency, or part thereof, shall be performed under the direction and supervision of the head of the principal department.”

Type 2: The alternative, a “type 2” transfer establishes the more typical relationship between a division and department. Pursuant to 24-1-105 (2), C.R.S., “...a type 2 transfer means the transferring of all or part of an existing department, institution or other agency to a principal department established by this article. When all or part of any department, institution or other agency is transferred to a principal department under a type 2 transfer, its statutory authority, powers, duties, and functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds, including the functions of budgeting, purchasing, and planning, are transferred to the principal department.”

Budget Structure and Financial Management

Staff also believes the agency’s budget should be reorganized. *This change is unlikely to have the same level of impact as a change to governance structure; however, staff does believe that it could improve transparency and assist the agency’s management in its oversight and control of the budget.*

History Colorado’s budget structure and fund management has some unusual features:

- It appears to be organized largely around funding sources, rather than functional responsibilities, with subsections for “Auxiliary Programs” and “Sponsored Programs” and with most line items grouped within the “Gaming Revenue” section, including the Society Museum and Preservation Operations line item.
- The “Gaming Revenue” section includes multiple revenue sources other than gaming revenues that are used to support the Society Museum and Grant Programs.

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- Earned revenue appears both in the Society Museum line item and in the Auxiliary line item, with no functional basis for placement in one line item or the other.
- The Agency’s two cash funds are similarly confused: The State Historic Fund, as currently managed, includes revenue from multiple sources including both earned revenue and gaming revenue, while a separate fund includes a portion of earned revenue. Pulling apart the various funding components now deposited to the State Historic Fund is possible but not straight-forward and can easily lead to tracking errors.

Because of the configuration of the budget and the agency’s funds, it can be surprisingly complex to track:

- how much of the agency’s actual funding is derived from earned revenue versus gaming funds and how this has changed over time;
- what share of the agency’s gaming revenue is going to museum operations versus statewide preservation grants;
- how much funding is being directed to the History Colorado Center versus the various regional museums or the Office of the State Archeologist and other statewide preservation programs.

In light of this staff recommends restructuring the agency’s budget. Staff’s initial proposal, with dollar amounts suggested by History Colorado, is shown below.

FY 2014-15 Budget Format		Preliminary Proposal: FY 2015-16 Budget Format	
(9) HISTORY COLORADO			
		<i>Note: Amounts shown reflect HC estimates and would be modified during figure setting; fund source detail pending</i>	
(A) Cumbres and Toltec Railroad Commission	2,180,000	(A) Administration	
General Fund	1,295,000	Central Administration	1,357,500 NEW
Cash Funds	885,000	Facilities Management	2,087,416 NEW
Reappropriated Funds	0	FTE (divided between line items)	19.5
(B) Sponsored Programs	250,000	(B) History Colorado Museums	5,976,755
FTE	3.5	FTE	70.9
Cash Funds	20,000		
Federal Funds	231,906		
(C) Auxiliary Programs	1,926,723	(C) Office of Archeology and Historic Preservation	1,702,866 NEW
FTE	14.5	FTE	23.0
Cash Funds	1,926,723		
(D) Gaming Revenue		(D) State Historical Fund	
Gaming Cities Distribution	4,804,000	State Historical Fund Administration	1,703,303 NEW
Cash Funds	4,804,000	FTE	18.0
Statewide Preservation Grant Program	14,786,302	Grants	11,296,697
FTE	18.0	Gaming Cities Distribution	4,900,000
Cash Funds	14,777,237		
Federal Funds	9,065	(E) Cumbres and Toltec Scenic Railroad Commission	1,315,000
Society Museum and Preservation Operations	8,947,815		
FTE	95.4		
Cash Funds	8,237,291		
Federal Funds	710,524		

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Appendix A: Number Pages

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
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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 the Historical Society. Cash funds reflect the share of costs born by various cash programs within the Department. Reappropriated funds are from indirect cost recoveries.

Health, Life, and Dental	<u>1,123,166</u>	<u>1,247,031</u>	<u>1,477,269</u> 0.0	<u>1,881,551</u> 0.0 *
General Fund	0	0	0	64,945
Cash Funds	768,119	893,372	885,006	1,068,217
Reappropriated Funds	197,183	190,396	256,321	312,272
Federal Funds	157,864	163,263	335,942	436,117
 Short-term Disability	 <u>14,120</u>	 <u>18,973</u>	 <u>23,373</u>	 <u>25,965</u>
General Fund	0	0	0	959
Cash Funds	9,810	12,997	14,332	16,856
Reappropriated Funds	2,507	3,357	3,691	3,360
Federal Funds	1,803	2,619	5,350	4,790
 S.B. 04-257 Amortization Equalization Disbursement	 <u>292,914</u>	 <u>363,955</u>	 <u>432,278</u>	 <u>534,843</u>
General Fund	0	0	0	19,695
Cash Funds	189,165	247,115	264,719	347,174
Reappropriated Funds	60,046	66,142	68,381	69,261
Federal Funds	43,703	50,698	99,178	98,713

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>251,723</u>	<u>328,570</u>	<u>405,261</u>	<u>516,610</u>	
General Fund	0	0	0	19,024	
Cash Funds	162,564	223,090	248,174	335,338	
Reappropriated Funds	51,602	59,711	64,107	66,900	
Federal Funds	37,557	45,769	92,980	95,348	
Salary Survey	<u>0</u>	<u>215,193</u>	<u>226,207</u>	<u>133,092</u>	
General Fund	0	0	0	4,915	
Cash Funds	0	145,257	118,595	86,399	
Reappropriated Funds	0	39,592	45,302	17,223	
Federal Funds	0	30,344	62,310	24,555	
Merit Pay	<u>0</u>	<u>174,977</u>	<u>149,056</u>	<u>123,247</u>	
General Fund	0	0	0	3,107	
Cash Funds	0	119,653	101,034	79,317	
Reappropriated Funds	0	31,161	17,765	17,163	
Federal Funds	0	24,163	30,257	23,660	
Workers' Compensation	<u>47,940</u>	<u>179,422</u>	<u>108,732</u>	<u>82,126</u>	
Cash Funds	41,024	170,416	99,427	75,242	
Reappropriated Funds	6,916	9,006	9,305	6,884	
Legal Services	<u>32,247</u>	<u>40,804</u>	<u>62,572</u>	<u>42,340</u>	
General Fund	0	0	18,216	0	
Cash Funds	9,550	11,260	12,240	11,684	
Reappropriated Funds	22,697	29,544	32,116	30,656	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Administrative Law Judge Services	<u>684</u>	<u>1,454</u>	<u>2,571</u>	<u>0</u>	
Cash Funds	684	1,454	2,571	0	
Purchase of Services from Computer Center	<u>185,984</u>	<u>156,837</u>	<u>0</u>	<u>0</u>	
Cash Funds	170,775	151,485	0	0	
Reappropriated Funds	15,209	5,352	0	0	
Multiuse Network Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
Management and Administration of OIT	<u>65,636</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	65,636	0	0	0	
COFRS Modernization	<u>36,461</u>	<u>36,461</u>	<u>39,004</u>	<u>39,004</u>	
Cash Funds	19,614	19,614	19,614	19,614	
Reappropriated Funds	16,847	16,847	16,847	16,847	
Federal Funds	0	0	2,543	2,543	
Information Technology Security	<u>0</u>	<u>1,559</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	1,503	0	0	
Reappropriated Funds	0	56	0	0	
Payment to Risk Management and Property Funds	<u>30,818</u>	<u>139,297</u>	<u>131,534</u>	<u>89,775</u>	
Cash Funds	29,561	138,040	128,964	86,944	
Reappropriated Funds	1,257	1,257	2,570	2,831	
Payments to OIT	<u>0</u>	<u>0</u>	<u>354,017</u>	<u>318,295</u>	
Cash Funds	0	0	343,890	309,383	
Reappropriated Funds	0	0	10,127	8,912	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Leased Space	<u>522,579</u>	<u>524,862</u>	<u>535,514</u>	<u>546,166</u>	
Cash Funds	116,661	104,972	107,102	109,232	
Reappropriated Funds	405,918	419,890	428,412	436,934	
Colorado State Network	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
TOTAL - (1) Department Administrative Office	2,604,272	3,429,395	3,947,388	4,333,014	9.8%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	0	0	18,216	112,645	518.4%
Cash Funds	1,583,163	2,240,228	2,345,668	2,545,400	8.5%
Reappropriated Funds	780,182	872,311	954,944	989,243	3.6%
Federal Funds	240,927	316,856	628,560	685,726	9.1%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
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(2) COLORADO COMMISSION ON HIGHER EDUCATION

Primary Functions: Serves as the central policy and coordinating board for higher education. Cash fund sources include fees from proprietary schools deposited in the Private Occupational Schools Fund and payments from other states for veterinary medicine as a part of the exchange program organized by WICHE. Reappropriated funds are from indirect cost recoveries.

(A) Administration

Administration	2,995,488	7,141,652	3,184,152	2,947,147 *	
FTE	19.6	27.3	29.9	29.9	
General Fund	0	45,207	786,770	326,376	
Cash Funds	187,681	165,433	234,318	234,318	
Reappropriated Funds	1,913,395	2,068,570	2,163,064	2,386,453	
Federal Funds	894,412	4,862,442	0	0	

SUBTOTAL - (A) Administration	2,995,488	7,141,652	3,184,152	2,947,147	(7.4%)
FTE	<u>19.6</u>	<u>27.3</u>	<u>29.9</u>	<u>29.9</u>	<u>(0.0%)</u>
General Fund	0	45,207	786,770	326,376	(58.5%)
Cash Funds	187,681	165,433	234,318	234,318	0.0%
Reappropriated Funds	1,913,395	2,068,570	2,163,064	2,386,453	10.3%
Federal Funds	894,412	4,862,442	0	0	0.0%

(B) Division of Private Occupational Schools

Division of Private Occupational Schools	596,538	460,029	657,555	676,094	
FTE	7.8	7.3	7.8	7.8	
Cash Funds	596,538	460,029	657,555	676,094	

SUBTOTAL - (B) Division of Private Occupational Schools	596,538	460,029	657,555	676,094	2.8%
FTE	<u>7.8</u>	<u>7.3</u>	<u>7.8</u>	<u>7.8</u>	<u>0.0%</u>
Cash Funds	596,538	460,029	657,555	676,094	2.8%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(C) Special Purpose					
Western Interstate Commission for Higher Education (WICHE)	<u>125,000</u>	<u>131,000</u>	<u>137,000</u>	<u>137,000</u>	
Reappropriated Funds	125,000	131,000	137,000	137,000	
WICHE - Optometry	<u>386,731</u>	<u>393,976</u>	<u>399,000</u>	<u>399,000</u>	
General Fund	62,261	0	0	0	
Reappropriated Funds	324,470	393,976	399,000	399,000	
Distribution to Higher Education Competitive Research Authority	<u>1,949,310</u>	<u>2,534,000</u>	<u>2,800,000</u>	<u>2,800,000</u>	
Cash Funds	1,949,310	2,534,000	2,800,000	2,800,000	
Veterinary School Program Needs	<u>162,400</u>	<u>162,400</u>	<u>285,000</u>	<u>285,000</u>	
Cash Funds	0	0	131,100	131,100	
Reappropriated Funds	162,400	162,400	153,900	153,900	
Colorado Geological Survey at the Colorado School of Mines	<u>878,775</u>	<u>1,863,401</u>	<u>2,124,330</u>	<u>2,229,824</u> *	
FTE	4.6	10.0	14.5	15.5	
General Fund	0	300,000	306,000	411,494	
Cash Funds	767,708	1,459,401	1,477,785	1,477,785	
Reappropriated Funds	0	0	50,000	50,000	
Federal Funds	111,067	104,000	290,545	290,545	
GEAR-UP	<u>0</u>	<u>0</u>	<u>5,000,000</u>	<u>5,052,318</u>	
FTE	0.0	0.0	39.1	39.1	
Federal Funds	0	0	5,000,000	5,052,318	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Colorado Opportunity Scholarship Initiative Fund	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>31,000,000</u> *	
General Fund	0	0	1,000,000	31,000,000	
SUBTOTAL - (C) Special Purpose	3,502,216	5,084,777	11,745,330	41,903,142	256.8%
<i>FTE</i>	<u>4.6</u>	<u>10.0</u>	<u>53.6</u>	<u>54.6</u>	<u>1.9%</u>
General Fund	62,261	300,000	1,306,000	31,411,494	2305.2%
Cash Funds	2,717,018	3,993,401	4,408,885	4,408,885	0.0%
Reappropriated Funds	611,870	687,376	739,900	739,900	0.0%
Federal Funds	111,067	104,000	5,290,545	5,342,863	1.0%
TOTAL - (2) Colorado Commission on Higher Education	7,094,242	12,686,458	15,587,037	45,526,383	192.1%
<i>FTE</i>	<u>32.0</u>	<u>44.6</u>	<u>91.3</u>	<u>92.3</u>	<u>1.1%</u>
General Fund	62,261	345,207	2,092,770	31,737,870	1416.5%
Cash Funds	3,501,237	4,618,863	5,300,758	5,319,297	0.3%
Reappropriated Funds	2,525,265	2,755,946	2,902,964	3,126,353	7.7%
Federal Funds	1,005,479	4,966,442	5,290,545	5,342,863	1.0%

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(3) COLORADO COMMISSION ON HIGHER EDUCATION FINANCIAL AID

Primary Function: Provides assistance to students in meeting the costs of higher education. The source of reappropriated moneys is funding transferred from the Department of Human Services for the Early Childhood Professional Loan Repayment program.

(A) Need Based Grants

Need Based Grants	74,941,339	79,271,758	109,346,789	109,346,789	
General Fund	74,941,339	79,271,758	35,959,253	35,959,253	
General Fund Exempt	0	0	73,042,360	73,042,360	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	345,176	345,176	

SUBTOTAL - (A) Need Based Grants	74,941,339	79,271,758	109,346,789	109,346,789	0.0%
<i>FTE</i>	0.0	0.0	0.0	0.0	0.0%
General Fund	74,941,339	79,271,758	35,959,253	35,959,253	0.0%
General Fund Exempt	0	0	73,042,360	73,042,360	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	0	345,176	345,176	0.0%

(B) Work Study

Work Study	16,047,244	16,012,141	21,432,328	21,432,328	
General Fund	16,047,244	16,012,141	5,000,000	5,000,000	
General Fund Exempt	0	0	16,432,328	16,432,328	

SUBTOTAL - (B) Work Study	16,047,244	16,012,141	21,432,328	21,432,328	0.0%
<i>FTE</i>	0.0	0.0	0.0	0.0	0.0%
General Fund	16,047,244	16,012,141	5,000,000	5,000,000	0.0%
General Fund Exempt	0	0	16,432,328	16,432,328	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(C) Merit Based Grants					
Merit Based Grants	<u>0</u>	<u>0</u>	<u>5,000,000</u>	<u>5,000,000</u>	
General Fund	0	0	5,000,000	5,000,000	
SUBTOTAL - (C) Merit Based Grants	0	0	5,000,000	5,000,000	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	0	0	5,000,000	5,000,000	0.0%
(D) Special Purpose					
Veterans'/Law Enforcement/POW Tuition Assistance	<u>489,699</u>	<u>591,309</u>	<u>672,000</u>	<u>672,000</u>	
General Fund	489,699	591,309	672,000	672,000	
National Guard Tuition Assistance Fund	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	
General Fund	800,000	800,000	800,000	800,000	
Native American Students/Fort Lewis College	<u>12,773,557</u>	<u>14,466,230</u>	<u>14,841,981</u>	<u>16,011,096</u> *	
General Fund	12,773,557	14,466,230	0	1,169,115	
General Fund Exempt	0	0	14,841,981	14,841,981	
Reappropriated Funds	0	0	0	0	
GEAR - UP	<u>842,681</u>	<u>792,862</u>	<u>0</u>	<u>0</u>	
Federal Funds	842,681	792,862	0	0	
SUBTOTAL - (D) Special Purpose	14,905,937	16,650,401	16,313,981	17,483,096	7.2%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	14,063,256	15,857,539	1,472,000	2,641,115	79.4%
General Fund Exempt	0	0	14,841,981	14,841,981	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	842,681	792,862	0	0	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
TOTAL - (3) Colorado Commission on Higher Education Financial Aid	105,894,520	111,934,300	152,093,098	153,262,213	0.8%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	105,051,839	111,141,438	47,431,253	48,600,368	2.5%
General Fund Exempt	0	0	104,316,669	104,316,669	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	0	345,176	345,176	0.0%
Federal Funds	842,681	792,862	0	0	0.0%

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(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

Stipends for eligible full-time equivalent students

attending state institutions	<u>255,106,603</u>	<u>255,770,284</u>	<u>294,582,047</u>	<u>295,144,547</u>	
General Fund	17,377,700	255,770,284	35,349,845	35,912,345	
General Fund Exempt	237,728,903	0	259,232,202	259,232,202	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Stipends for eligible full-time equivalent students

attending participating private institutions	<u>1,269,310</u>	<u>1,295,102</u>	<u>1,506,375</u>	<u>1,506,375</u>	
General Fund	1,269,310	1,295,102	162,480	162,480	
General Fund Exempt	0	0	1,343,895	1,343,895	

SUBTOTAL - (A) Stipends	256,375,913	257,065,386	296,088,422	296,650,922	0.2%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	18,647,010	257,065,386	35,512,325	36,074,825	1.6%
General Fund Exempt	237,728,903	0	260,576,097	260,576,097	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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(B) Fee-for-service Contracts with State Institutions					
Fee-for-service Contracts with State Institutions	245,866,000	267,873,915	287,712,437	287,712,437	*
General Fund	31,461,570	267,873,915	22,614,040	22,614,040	
General Fund Exempt	214,404,430	0	265,098,397	265,098,397	
SUBTOTAL - (B) Fee-for-service Contracts with State Institutions					
	245,866,000	267,873,915	287,712,437	287,712,437	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	31,461,570	267,873,915	22,614,040	22,614,040	0.0%
General Fund Exempt	214,404,430	0	265,098,397	265,098,397	0.0%
(C) New Funding for Allocation January 2015					
New Funding	<u>0</u>	<u>0</u>	<u>0</u>	75,588,527	*
General Fund	0	0	0	75,588,527	
SUBTOTAL - (C) New Funding for Allocation January 2015					
	0	0	0	75,588,527	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	0	0	0	75,588,527	0.0%
TOTAL - (4) College Opportunity Fund Program					
	502,241,913	524,939,301	583,800,859	659,951,886	13.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	50,108,580	524,939,301	58,126,365	134,277,392	131.0%
General Fund Exempt	452,133,333	0	525,674,494	525,674,494	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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(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 College

Trustees of Adams State College	28,817,994	31,601,536	37,232,419	37,241,671	
FTE	314.6	317.0	327.1	327.1	
General Fund	0	0	0	0	
Cash Funds	17,770,139	20,040,335	24,395,131	24,402,133	
Reappropriated Funds	11,047,855	11,561,201	12,837,288	12,839,538	
Federal Funds	0	0	0	0	

SUBTOTAL - (A) Trustees of Adams State College	28,817,994	31,601,536	37,232,419	37,241,671	0.0%
FTE	314.6	317.0	327.1	327.1	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	17,770,139	20,040,335	24,395,131	24,402,133	0.0%
Reappropriated Funds	11,047,855	11,561,201	12,837,288	12,839,538	0.0%
Federal Funds	0	0	0	0	0.0%

(B) Trustees of Colorado Mesa University

Trustees of Colorado Mesa University	70,398,781	75,299,707	80,901,069	80,938,145	
FTE	591.6	626.8	657.9	657.9	
Cash Funds	51,506,463	55,465,896	58,873,818	58,901,894	
Reappropriated Funds	18,892,318	19,833,811	22,027,251	22,036,251	

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SUBTOTAL - (B) Trustees of Colorado Mesa					
University	70,398,781	75,299,707	80,901,069	80,938,145	0.0%
<i>FTE</i>	<u>591.6</u>	<u>626.8</u>	<u>657.9</u>	<u>657.9</u>	(0.0%)
Cash Funds	51,506,463	55,465,896	58,873,818	58,901,894	0.0%
Reappropriated Funds	18,892,318	19,833,811	22,027,251	22,036,251	0.0%
(C) Trustees of Metropolitan State College of Denver					
Trustees of Metropolitan State College of Denver	<u>130,345,566</u>	<u>136,971,040</u>	<u>151,587,084</u>	<u>152,143,593</u>	
FTE	1,258.3	1,275.5	1,347.6	1,347.6	
Cash Funds	92,876,373	97,741,027	107,905,891	108,308,275	
Reappropriated Funds	37,469,193	39,230,013	43,681,193	43,835,318	
SUBTOTAL - (C) Trustees of Metropolitan State College of Denver					
College of Denver	130,345,566	136,971,040	151,587,084	152,143,593	0.4%
<i>FTE</i>	<u>1,258.3</u>	<u>1,275.5</u>	<u>1,347.6</u>	<u>1,347.6</u>	0.0%
Cash Funds	92,876,373	97,741,027	107,905,891	108,308,275	0.4%
Reappropriated Funds	37,469,193	39,230,013	43,681,193	43,835,318	0.4%
(D) Trustees of Western State College					
Trustees of Western State College	<u>22,790,855</u>	<u>24,597,255</u>	<u>28,974,209</u>	<u>28,982,412</u>	
FTE	237.5	234.7	234.8	234.8	
Cash Funds	13,565,630	15,064,346	18,388,762	18,394,715	
Reappropriated Funds	9,225,225	9,532,909	10,585,447	10,587,697	
SUBTOTAL - (D) Trustees of Western State College					
Western State College	22,790,855	24,597,255	28,974,209	28,982,412	0.0%
<i>FTE</i>	<u>237.5</u>	<u>234.7</u>	<u>234.8</u>	<u>234.8</u>	(0.0%)
Cash Funds	13,565,630	15,064,346	18,388,762	18,394,715	0.0%
Reappropriated Funds	9,225,225	9,532,909	10,585,447	10,587,697	0.0%

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(E) Board of Governors of the Colorado State University System

Board of Governors of the Colorado State University

System	458,818,240	442,861,398	494,012,011	494,163,390	
FTE	4,488.6	4,729.4	4,324.7	4,324.7	
Cash Funds	353,627,763	343,014,016	372,033,528	372,155,657	
Reappropriated Funds	105,190,477	99,847,382	121,978,483	122,007,733	

SUBTOTAL - (E) Board of Governors of the Colorado State University System	458,818,240	442,861,398	494,012,011	494,163,390	0.0%
FTE	<u>4,488.6</u>	<u>4,729.4</u>	<u>4,324.7</u>	<u>4,324.7</u>	<u>0.0%</u>
Cash Funds	353,627,763	343,014,016	372,033,528	372,155,657	0.0%
Reappropriated Funds	105,190,477	99,847,382	121,978,483	122,007,733	0.0%

(F) Trustees of Fort Lewis College

Trustees of Fort Lewis College	46,142,649	49,367,991	52,386,216	52,398,066	
FTE	365.8	372.7	392.1	392.1	
Cash Funds	36,956,409	39,827,671	41,791,612	41,800,087	
Reappropriated Funds	9,186,240	9,540,320	10,594,604	10,597,979	

SUBTOTAL - (F) Trustees of Fort Lewis College	46,142,649	49,367,991	52,386,216	52,398,066	0.0%
FTE	<u>365.8</u>	<u>372.7</u>	<u>392.1</u>	<u>392.1</u>	<u>(0.0%)</u>
Cash Funds	36,956,409	39,827,671	41,791,612	41,800,087	0.0%
Reappropriated Funds	9,186,240	9,540,320	10,594,604	10,597,979	0.0%

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(G) Regents of the University of Colorado

Regents of the University of Colorado	<u>925,546,083</u>	<u>982,379,472</u>	<u>1,035,486,324</u>	<u>1,035,715,022</u>	
FTE	7,288.0	7,713.4	7,402.3	7,402.3	
Cash Funds	781,704,042	832,123,833	868,388,514	868,578,962	
Reappropriated Funds	143,842,041	150,255,639	167,097,810	167,136,060	

SUBTOTAL - (G) Regents of the University of Colorado	925,546,083	982,379,472	1,035,486,324	1,035,715,022	0.0%
FTE	<u>7,288.0</u>	<u>7,713.4</u>	<u>7,402.3</u>	<u>7,402.3</u>	<u>0.0%</u>
Cash Funds	781,704,042	832,123,833	868,388,514	868,578,962	0.0%
Reappropriated Funds	143,842,041	150,255,639	167,097,810	167,136,060	0.0%

(H) Trustees of the Colorado School of Mines

Trustees of the Colorado School of Mines	<u>118,244,824</u>	<u>128,547,431</u>	<u>139,218,677</u>	<u>139,244,963</u>	
FTE	825.6	832.7	848.6	848.6	
General Fund	0	0	0	0	
Cash Funds	102,160,692	111,733,884	120,549,221	120,572,132	
Reappropriated Funds	16,084,132	16,813,547	18,669,456	18,672,831	

SUBTOTAL - (H) Trustees of the Colorado School of Mines	118,244,824	128,547,431	139,218,677	139,244,963	0.0%
FTE	<u>825.6</u>	<u>832.7</u>	<u>848.6</u>	<u>848.6</u>	<u>(0.0%)</u>
General Fund	0	0	0	0	0.0%
Cash Funds	102,160,692	111,733,884	120,549,221	120,572,132	0.0%
Reappropriated Funds	16,084,132	16,813,547	18,669,456	18,672,831	0.0%

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(I) University of Northern Colorado

University of Northern Colorado	<u>117,185,843</u>	<u>118,413,262</u>	<u>130,387,474</u>	<u>130,435,787</u>	
FTE	1,208.6	1,125.7	1,247.1	1,247.1	
Cash Funds	84,871,013	84,773,202	93,030,447	93,067,510	
Reappropriated Funds	32,314,830	33,640,060	37,357,027	37,368,277	

SUBTOTAL - (I) University of Northern Colorado	117,185,843	118,413,262	130,387,474	130,435,787	0.0%
FTE	<u>1,208.6</u>	<u>1,125.7</u>	<u>1,247.1</u>	<u>1,247.1</u>	<u>0.0%</u>
Cash Funds	84,871,013	84,773,202	93,030,447	93,067,510	0.0%
Reappropriated Funds	32,314,830	33,640,060	37,357,027	37,368,277	0.0%

(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	<u>389,892,743</u>	<u>395,285,155</u>	<u>419,805,384</u>	<u>420,688,430</u>	
FTE	6,066.8	5,906.4	6,240.5	6,240.5	
Cash Funds	272,172,449	271,895,839	282,339,459	282,913,130	
Reappropriated Funds	117,720,294	123,389,316	137,465,925	137,775,300	

SUBTOTAL - (J) State Board for Community Colleges and Occupational Education State System Community Colleges	389,892,743	395,285,155	419,805,384	420,688,430	0.2%
FTE	<u>6,066.8</u>	<u>5,906.4</u>	<u>6,240.5</u>	<u>6,240.5</u>	<u>0.0%</u>
Cash Funds	272,172,449	271,895,839	282,339,459	282,913,130	0.2%
Reappropriated Funds	117,720,294	123,389,316	137,465,925	137,775,300	0.2%

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TOTAL - (5) Governing Boards	2,308,183,578	2,385,324,247	2,569,990,867	2,571,951,479	0.1%
<i>FTE</i>	<u>22,645.4</u>	<u>23,134.3</u>	<u>23,022.7</u>	<u>23,022.7</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	1,807,210,973	1,871,680,049	1,987,696,383	1,989,094,495	0.1%
Reappropriated Funds	500,972,605	513,644,198	582,294,484	582,856,984	0.1%
Federal Funds	0	0	0	0	0.0%

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
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(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.

Local District Junior College Grants	<u>12,742,980</u>	<u>13,300,325</u>	<u>14,693,860</u>	<u>14,693,860</u>
General Fund	12,093,711	12,650,325	1,394,266	1,394,266
General Fund Exempt	0	0	12,650,325	12,650,325
Cash Funds	649,269	650,000	649,269	649,269
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

TOTAL - (6) Local District Junior College Grants					
Pursuant to Section 23-71-301, C.R.S.	12,742,980	13,300,325	14,693,860	14,693,860	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	12,093,711	12,650,325	1,394,266	1,394,266	0.0%
General Fund Exempt	0	0	12,650,325	12,650,325	0.0%
Cash Funds	649,269	650,000	649,269	649,269	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
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(7) DIVISION OF OCCUPATIONAL EDUCATION

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

Administrative Costs	<u>900,000</u>	<u>900,000</u>	<u>1,791,849</u>	<u>1,791,849</u>	
FTE	8.6	9.0	9.0	9.0	
General Fund	0	0	891,849	891,849	
Cash Funds	0	0	0	0	
Reappropriated Funds	900,000	900,000	900,000	900,000	

SUBTOTAL - (A) Administrative Costs	900,000	900,000	1,791,849	1,791,849	0.0%
FTE	<u>8.6</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>0.0%</u>
General Fund	0	0	891,849	891,849	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	900,000	900,000	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.

Distributions of State Assistance for Career and Technical Education	<u>24,218,052</u>	<u>24,528,304</u>	<u>24,983,788</u>	<u>24,983,788</u>	
Reappropriated Funds	24,218,052	24,528,304	24,983,788	24,983,788	

SUBTOTAL - (B) Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S.	24,218,052	24,528,304	24,983,788	24,983,788	0.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Reappropriated Funds	24,218,052	24,528,304	24,983,788	24,983,788	0.0%

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(C) Area Vocational School Support

Area Vocational School Support	<u>7,765,822</u>	<u>8,091,845</u>	<u>8,091,845</u>	<u>8,091,845</u>	
General Fund	7,765,822	8,091,845	0	0	
General Fund Exempt	0	0	8,091,845	8,091,845	

SUBTOTAL - (C) Area Vocational School Support	7,765,822	8,091,845	8,091,845	8,091,845	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	7,765,822	8,091,845	0	0	0.0%
General Fund Exempt	0	0	8,091,845	8,091,845	0.0%

(D) Sponsored Programs

Administration	<u>2,192,979</u>	<u>1,804,779</u>	<u>2,220,227</u>	<u>2,220,227</u>	
FTE	22.6	17.3	23.0	23.0	
Federal Funds	2,192,979	1,804,779	2,220,227	2,220,227	
Programs	<u>13,353,751</u>	<u>12,414,710</u>	<u>13,353,751</u> 0.0	<u>13,353,751</u> 0.0	
Federal Funds	13,353,751	12,414,710	13,353,751	13,353,751	

SUBTOTAL - (D) Sponsored Programs	15,546,730	14,219,489	15,573,978	15,573,978	0.0%
<i>FTE</i>	<u>22.6</u>	<u>17.3</u>	<u>23.0</u>	<u>23.0</u>	<u>0.0%</u>
Federal Funds	15,546,730	14,219,489	15,573,978	15,573,978	0.0%

(E) Colorado First Customized Job Training

Colorado First Customized Job Training	<u>2,725,022</u>	<u>4,225,022</u>	<u>2,725,022</u>	<u>4,500,000</u> *	
Reappropriated Funds	2,725,022	4,225,022	2,725,022	4,500,000	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
SUBTOTAL - (E) Colorado First Customized Job					
Training	2,725,022	4,225,022	2,725,022	4,500,000	65.1%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Reappropriated Funds	2,725,022	4,225,022	2,725,022	4,500,000	65.1%
TOTAL - (7) Division of Occupational Education					
	51,155,626	51,964,660	53,166,482	54,941,460	3.3%
<i>FTE</i>	<u>31.2</u>	<u>26.3</u>	<u>32.0</u>	<u>32.0</u>	<u>0.0%</u>
General Fund	7,765,822	8,091,845	891,849	891,849	0.0%
General Fund Exempt	0	0	8,091,845	8,091,845	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	27,843,074	29,653,326	28,608,810	30,383,788	6.2%
Federal Funds	15,546,730	14,219,489	15,573,978	15,573,978	0.0%

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(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.

Administration	<u>16,904,618</u>	<u>17,679,311</u>	<u>19,300,000</u>	<u>19,879,000</u> *
FTE	177.8	181.9	177.8	177.8
General Fund	0	0	0	0
Cash Funds	0	0	0	0
Reappropriated Funds	16,904,618	17,679,311	19,300,000	19,879,000
Federal Funds	0	0	0	0

TOTAL - (8) Auraria Higher Education Center	16,904,618	17,679,311	19,300,000	19,879,000	3.0%
<i>FTE</i>	<u>177.8</u>	<u>181.9</u>	<u>177.8</u>	<u>177.8</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	16,904,618	17,679,311	19,300,000	19,879,000	3.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
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(9) STATE HISTORICAL SOCIETY

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) Cumbres and Toltec Railroad Commission

Cumbres and Toltec Railroad Commission	<u>1,870,500</u>	<u>1,295,447</u>	<u>1,638,500</u>	<u>1,623,500</u>	
General Fund	1,020,500	445,447	1,295,000	1,295,000	
Cash Funds	850,000	850,000	343,500	328,500	
Reappropriated Funds	0	0	0	0	

SUBTOTAL - (A) Cumbres and Toltec Railroad Commission	1,870,500	1,295,447	1,638,500	1,623,500	(0.9%)
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	1,020,500	445,447	1,295,000	1,295,000	0.0%
Cash Funds	850,000	850,000	343,500	328,500	(4.4%)
Reappropriated Funds	0	0	0	0	0.0%

(B) Sponsored Programs

Sponsored Programs	<u>157,632</u>	<u>73,580</u>	<u>250,000</u>	<u>256,786</u>	
FTE	1.6	0.9	3.5	3.5	
Cash Funds	0	0	20,000	20,000	
Federal Funds	157,632	73,580	230,000	236,786	

SUBTOTAL - (B) Sponsored Programs	157,632	73,580	250,000	256,786	2.7%
<i>FTE</i>	<u>1.6</u>	<u>0.9</u>	<u>3.5</u>	<u>3.5</u>	<u>0.0%</u>
Cash Funds	0	0	20,000	20,000	0.0%
Federal Funds	157,632	73,580	230,000	236,786	3.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(C) Auxiliary Programs					
Auxiliary Programs	<u>1,685,910</u>	<u>1,757,535</u>	<u>1,926,723</u>	<u>1,949,608</u>	
FTE	14.0	12.4	14.5	14.5	
Cash Funds	1,685,910	1,757,535	1,926,723	1,949,608	
SUBTOTAL - (C) Auxiliary Programs	1,685,910	1,757,535	1,926,723	1,949,608	1.2%
FTE	<u>14.0</u>	<u>12.4</u>	<u>14.5</u>	<u>14.5</u>	<u>0.0%</u>
Cash Funds	1,685,910	1,757,535	1,926,723	1,949,608	1.2%
(D) Gaming Revenue					
Gaming Cities Distribution	<u>4,625,470</u>	<u>4,726,639</u>	<u>4,400,000</u>	<u>4,400,000</u>	
Cash Funds	4,625,470	4,726,639	4,400,000	4,400,000	
Statewide Preservation Grant Program	<u>12,196,760</u>	<u>7,483,277</u>	<u>13,000,000</u>	<u>13,028,405</u>	
FTE	16.7	15.1	18.0	18.0	
Cash Funds	12,196,760	7,483,277	13,000,000	13,028,405	
Federal Funds	0	0	0	0	
Society Museum and Preservation Operations	<u>8,336,577</u>	<u>8,185,210</u>	<u>8,947,815</u>	<u>9,103,441</u>	
FTE	93.7	83.8	95.4	95.4	
Cash Funds	7,496,436	7,505,167	8,237,291	8,365,777	
Federal Funds	840,141	680,043	710,524	737,664	
SUBTOTAL - (D) Gaming Revenue	25,158,807	20,395,126	26,347,815	26,531,846	0.7%
FTE	<u>110.4</u>	<u>98.9</u>	<u>113.4</u>	<u>113.4</u>	<u>0.0%</u>
Cash Funds	24,318,666	19,715,083	25,637,291	25,794,182	0.6%
Federal Funds	840,141	680,043	710,524	737,664	3.8%

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TOTAL - (9) State Historical Society	28,872,849	23,521,688	30,163,038	30,361,740	0.7%
<i>FTE</i>	<u>126.0</u>	<u>112.2</u>	<u>131.4</u>	<u>131.4</u>	<u>0.0%</u>
General Fund	1,020,500	445,447	1,295,000	1,295,000	0.0%
Cash Funds	26,854,576	22,322,618	27,927,514	28,092,290	0.6%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	997,773	753,623	940,524	974,450	3.6%
TOTAL - Department of Higher Education	3,035,694,598	3,144,779,685	3,442,742,629	3,554,901,035	3.3%
<i>FTE</i>	<u>23,012.4</u>	<u>23,499.3</u>	<u>23,455.2</u>	<u>23,456.2</u>	<u>0.0%</u>
General Fund	176,102,713	657,613,563	111,249,719	218,309,390	96.2%
General Fund Exempt	452,133,333	0	650,733,333	650,733,333	0.0%
Cash Funds	1,839,799,218	1,901,511,758	2,023,919,592	2,025,700,751	0.1%
Reappropriated Funds	549,025,744	564,605,092	634,406,378	637,580,544	0.5%
Federal Funds	18,633,590	21,049,272	22,433,607	22,577,017	0.6%

Appendix B: **Recent Legislation Affecting Department Budget**

2013 Session Bills

S.B. 13-033 (In-state Classification for Colorado High School Completion/ “ASSET”): Establishes that any student who has attended high school in Colorado for at least three years immediately preceding graduation or obtained a general education equivalent degree and does not have lawful immigration status but who meets certain other requirements shall be classified as an in-state student for state higher education tuition purposes and shall be eligible for a College Opportunity Fund stipend.

S.B. 13-230 (Long Bill): General appropriations act for FY 2013-14.

H.B. 13-1004 (Colorado Careers Act of 2013): Requires the Department of Human Services to administer a transitional jobs program which provides temporary subsidies to employers for individuals participating in the program. Provides appropriations to several departments for FY 2013-14, including \$1,500,000 reappropriated funds to the Department of Higher Education for the Colorado First Customized Job Training Program. These funds are reappropriated from the Governor-Lieutenant Governor-State Planning and Budgeting, where they originate as General Fund. For additional information, see the recent legislation section for the Department of Human Services.

H.B. 13-1005 (Career and Technical Education Pilot Program): Authorizes the State Board for Community Colleges and Occupational Education (SBCCOE) to design new accelerated certificate programs to allow certain unemployed or underemployed adults to obtain a career and technical education certificate in 12 months or less.

H.B. 13-1165 (Creation of a Manufacturing Career Pathway): Requires that the State Board for Community Colleges and Occupational Education (SBCCOE) collaborate with the Department of Higher Education, the Colorado Department of Education, and the Colorado Department of Labor and Employment, to design a career pathway for students seeking employment in the manufacturing sector. The career pathway must be available for students beginning with the 2014-15 academic year. Includes an FY 2013-14 appropriation to the Department of Higher Education of \$559,165 General Fund, including \$84,565 for financial aid need based grants and \$474,600 for a College Opportunity Fund Program (COF) fee-for-service contract. The COF amount and 1.5 FTE are reappropriated to the SBCCOES. The appropriation is projected to annualize to \$696,000 General Fund and 13.0 FTE in FY 2014-15.

H.B. 13-1194 (In-state Tuition for Military Dependents): Enables a dependent of a member of the armed forces to obtain in-state tuition notwithstanding his or her length of residency in Colorado, with certain limitations. Includes an FY 2013-14 appropriation to the Department of Higher Education of \$22,621 General Fund, including \$3,421 for financial aid need based grants and \$19,200 for a College Opportunity Fund Program (COF) stipends. The \$19,200 is further

reappropriated to five governing boards, based on the overall statewide distribution of resident students eligible for COF stipends.

H.B. 13-1230 (Compensation for Persons Wrongly Incarcerated): Creates a state compensation program for persons who are found actually innocent of felony crimes after serving time in jail, prison, or juvenile placement. Provides appropriations to several departments for FY 2013-14, including \$1,920 General Fund to the Department of Higher Education for College Opportunity Fund Program stipends. This amount is further reappropriated to the State Board for community Colleges and Occupational Education State System Colleges.

H.B. 13-1320 (Support for Meritorious Colorado Students): Modifies requirements pertaining to the ratio of resident students to non-resident students in state higher education institutions, effectively allowing institutions to increase the proportion of their students who are not Colorado residents. Accomplishes this by allowing the institutions to double-count, in ratios of resident to non-resident students, up to eight percent of resident students as “Colorado Scholars”. A Colorado Scholar must have, at a minimum, graduated in the top 10 percent of his or her high school class or with a 3.75 GPA. An institution must provide a Colorado Scholar at least \$2,500 in annual financial aid through the institution’s Colorado Scholar program.

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:

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	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. 14-211 (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.

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- 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. 14-1384 (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.

Appendix C:

Update on Long Bill Footnotes & Requests for Information

Long Bill Footnotes

- 22 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. Department budget schedules indicate that \$328,647 was rolled forward from FY 2013-14 to FY 2014-15.

- 23 Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Special Purpose, National Guard Tuition Assistance Fund** -- It is the intent of the General Assembly that only the minimum funds necessary to pay tuition assistance for qualifying applicants pursuant to Section 23-5-111.4, C.R.S. will be transferred to the National Guard Tuition Fund administered by the Department of Military Affairs. Any funds appropriated in this line item that are in excess of the minimum necessary to pay tuition assistance for qualifying applicants may be used for need-based financial aid.

Comment: Expresses legislative intent with regard to National Guard Tuition Assistance. This footnote expresses legislative intent that the Department not automatically transfer the full appropriation to the Department of Military Affairs, but rather that the Department transfer only the funds necessary to comply with Section 23-5-111.4, C.R.S. The footnote also provides flexibility for the Department to transfer unused funds to other need based financial aid programs. However, this flexibility does not appear to have been used in FY 2011-12, FY 2012-13 or FY 2013-14.

- 24 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; and Auraria Higher Education Center** -- The FTE reflected in these line items are shown for informational purposes and are not intended to be a limitation on the budgetary flexibility allowed by Section 23-1-104 (1) (a) (I), C.R.S.

Comment: Expresses legislative intent with regard to FTE.

- 25 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 2014 higher education enrollment and tuition forecast. Consistent with commitments made by the higher education governing boards to 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 4.8 percent to 6.0 percent for resident students and 0.0 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.

- 26 Department of Higher Education, Local District Junior College Grants Pursuant to Section 23-71-301, C.R.S.** -- It is the intent of the General Assembly in making this appropriation that local district tax revenue supplement, rather than supplant, the amount of General Fund provided, and thus annual General Fund adjustments should be equitable with General Fund adjustments for the state-operated governing boards.

Comment: Expresses legislative intent with regard to General Fund appropriations for the Local District Junior Colleges. Both the Governor and CCHE request an increase in funding for the Local District Junior Colleges using the same methodology applied to the increases for the governing boards.

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. No information on whether institutions complied will be available until FY 2015-16.

Requests for Information

1. 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.

Comment: The Department submitted its most recent report on December 5, 2013 (another report will be received soon). The report is available on the Department's website at:

http://higher.ed.colorado.gov/Publications/Reports/FinancialAid/FY2013/201213_FAReport_rell120513.pdf. Some key findings of the last report included:

- A total of \$2.3 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 2012-13. Of this amount, 54 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 2012-13, federal grant aid accounted for 38 percent of grant aid, state aid comprised nearly 10 percent of all grant aid, and institutional aid accounted for 45 percent of all grant aid.
- In FY 2012-13, 110,210 students received federal Pell grants, representing nearly half of all students who received financial assistance. Eligibility for Pell grants need-based; the maximum grant was \$5,550 in FY 2012-13.
- From 2008 to 2013, the number of students requiring need-based aid increased. During this period, federal Pell grant dollars awarded increased by 132 percent due to increasing numbers of students and federal policy changes. State need-based funding remained essentially flat during this period, although the average

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grant per student declined. Institutional aid increased by almost 70 percent in this period. Roughly 64 percent of institutional aid is awarded for merit.

- The average student loan debt for students graduating with a baccalaureate in FY 2012-13 was \$25,672.
2. Department of Higher Education, Colorado Commission on Higher Education, Special Purpose, GEAR UP – The Department is requested to provide a report by November 1, 2014, on the GEAR UP program, including how funds provided are used and the program’s impact on students.

Comment: The Department submitted the report on November 1, 2014. Key points from the report are provided below.

- Colorado GEAR UP serves low income students statewide through a seven-year federal GEAR UP III grant that began in 2012. Colorado has offered CGU services since 1999, supported by two previous federal grant cycles.
- In FY 2014-15, the program serves 4,130 students in low-income schools beginning in the eighth grade. The program works in both rural and urban districts in locations throughout the state (e.g., Aurora, Lamar, Fort Morgan, and La Junta).
- Program services include one-on-one mentoring and advising, a college preparatory curriculum including financial literacy and financial aid, a Colorado GEAR UP scholarship, early remediation interventions, concurrent enrollment opportunities, tutoring, assistance with the college admission process, and support mechanisms throughout students’ first year of college.
- The total grant funding is \$5.0 million per year. Approximately half of the grant is expended on the Colorado GEAR UP scholarships and the balance on all the other program activities to ensure student success.
- Pre-Collegiate Advisors coordinate and provide services in middle and high schools. These advisors provide one-on-one mentoring for all students at least once a month. They also help structure academic interventions for students who are not performing well and coordinate postsecondary readiness and career planning workshops and college visits to motivate GEAR UP students. The program also helps to educate students’ families about postsecondary education and planning for college.
 - The program offers early math remediation to middle and high school students in partnership with Adams State University. The self-paced online courses help to improve students’ performance in high school courses. Further, upon completion of the math sequence, students are qualified to enroll in college level math courses, either through concurrent enrollment in high school or after high school graduation. Over 900 students are enrolled in the program in 8 middle schools

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and 13 high schools. In spring 2014, the program also launched an early remediation intervention in integrated reading and writing in partnership with Adams State University. The new program is being piloted with 61 students.

- In the FY 2013-14 school year GEAR UP had over 180 students enrolled in concurrent enrollment courses in 10 high schools in 8 districts. In FY 2014-15 there are 577 students enrolled in concurrent enrollment courses.
- Many of the program outcomes are not measured until later in the grant cycle. Some that are addressed:
 - Increase the percentage of GEAR UP students who complete pre-algebra by the end of the 8th grade: Was 9.4% in FY 2012-13 and 10.5% in FY 2013-14
 - Increase the percentage of student who completes algebra 1 by the end of 9th grade: 0% in FY 2012-13 and 28.7% in FY 2013-14.
 - Increase the percentage of students who achieve proficiency in reading, writing, and math as measured through TCAP scores. Math: In FY 2012-13 was 35.8% and in FY 2013-14 was 42.5%. English: In FY 2012-13 was 44.7% and in FY 2013-14 was 50.1%.
 - Increase the percentage of students who have fewer than five unexcused absences each semester: 91.0% in FY 2012-13 and 91.5% in FY 2013-14.

Appendix D: Indirect Cost Assessment Methodology

Description of Indirect Cost Assessment Methodology

There are two major components of the Department’s indirect cost methodology:

- A component for allocating departmental indirect costs; and
- A component for allocating statewide indirect costs, which are significant for this department.

Departmental Indirect Cost Methodology

The Department of Higher Education's indirect cost assessment methodology is calculated based on two components: an “*Indirect Cost Pool*”, and an “*Indirect Cost Base*.”

The *Departmental Indirect Cost Pool* is comprised of the FY 2013-14 appropriated amounts for the administrative functions of the Colorado Commission on Higher Education, and its share of central POTS costs. *Table 1* outlines which lines are included in the *Department’s* Indirect Cost Pool.

Table 1		
Department of Higher Education Indirect Cost Pool		
Division	Line Item	FY 2012-13 Approp.
Department Administrative Office		
	Centrally-appropriated for CCHE	\$874,026
Colorado Commission on Higher Education		
	Administration	2,329,089
	Adjustments (reversions, supplemental adjustments)	-19,617
Total Indirect Cost Pool		\$3,183,498
	Reduce for nonpublic schools	<u>-62,083</u>
	Subtotal	3,121,415
Cash and Reappropriated Share of Total (79.34%)		\$2,476,417

The *Indirect Cost Base* is comprised of the FY 2013-14 appropriations shown in Table 1. The costs are allocated to the programs, divisions, and Governing Boards using a multi-tiered allocation methodology.

In the first step of the allocation methodology, costs of services to non-public schools are allocated (\$62,083 in FY 2013-14). The balance of the indirect cost pool is allocated proportionately to each funding source. Next, the costs allocated to the cash and reappropriated funding sources (79.34 percent of the FY 2013-14 total), are further allocated to the divisions, programs, and governing boards (in aggregate) based on FY 2013-14 appropriations. Finally the

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aggregate governing board costs are then allocated to each individual governing board based on student FTE, using a three-year rolling average.

Table 2 illustrates the final allocations assessed to each program and governing board.

Table 2 Department of Higher Education Departmental Indirect Cost Assessments	
University of CO	\$645,405
CSU System	\$363,616
Ft. Lewis	\$48,015
Adams State	\$31,745
Colorado Mesa	\$95,081
Western State	\$23,931
Metro State	\$228,751
Community Colleges	\$810,196
U. of Northern CO	\$132,641
School of Mines	\$66,540
Auraria Higher Ed Ctr	\$0
SUBTOTAL	\$2,445,922
CCHE	\$0
HISTORICAL	\$29,584
Private Occupational Schools	\$628
Vet. Medicine	\$283
SUBTOTAL	\$2,476,417
CollegeInvest	\$0
CollegeAssist	\$0
TOTAL	\$2,476,417

Department Share of *Statewide* Indirect Cost Assessment Request

In addition to the *Departmental* indirect cost pool, the Department is responsible for an allocated share of the *statewide* indirect cost pool. For this department, the statewide pool and associated indirect cost collections from the governing boards are large. The statewide indirect cost amount for the Department is allocated to the governing boards based upon their usage of state services as calculated by the State Controller’s Office. The statewide indirect cost collection amount, including the Colorado Commission on Higher Education’s share of the statewide assessment for FY 2013-14 (which is then allocated to the governing boards) is shown below in **Table 3**.

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Table 3	
Department of Higher Education	
Statewide	
Indirect Cost Assessments	
University of CO	\$968,657
CSU System	\$384,382
Ft. Lewis	\$30,314
Adams State	\$27,437
Colorado Mesa	\$43,809
Western State	\$33,972
Metro State	\$80,010
Community Colleges	\$326,154
U. of Northern CO	\$117,331
School of Mines	\$106,826
Auraria Higher Ed Ctr	\$101,482
SUBTOTAL	\$2,220,374
CCHE (re-allocated to gov. boards)	\$80,752
History Colorado	\$164,855
Private Occupational Schools	\$5,506
Vet. Medicine	\$0
SUBTOTAL	\$2,471,487
CollegeInvest	\$24,171
CollegeAssist	\$66,327
TOTAL	\$2,561,985

Appendix E: Department’s 4-Page Annual Report

Section 2-7-204 (3) (a) (II), C.R.S. states that the Department of Higher Education’s master plan, in conjunction with the institutions’ performance contracts (required pursuant to S.B. 11-052) satisfy the requirements of the SMART Act. Please follow the following link to a copy of the Department’s Master Plan, “Colorado Competes”.

http://higher.ed.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://higher.ed.colorado.gov/Academics/PerformanceContracts/>

The Department has not submitted any reports related to how institutions are performing on these performance contracts. Pursuant to statute, funding is only supposed to be based on the metrics in these contracts after FY 2015-16 and when state funding for public institutions hits a trigger (\$706 million) which has not yet been met. Furthermore, due to the adoption of H.B. 14-1319 (Outcomes-based Funding), these may no longer be relevant. As detailed in the Department’s Annual Performance Report (attached):

While the provisions of Section 23-1-108 (1.9) (b), C.R.S. statutorily remain in effect, they apply based on a dollar level and fiscal year not applicable to FY 2015-16’s request. Secondly and more importantly, legislation on performance-based funding for higher education was passed in 2014 with the signature of H.B. 14-1319. This historic legislation provided that the goals for higher education “can be accomplished by the General Assembly establishing performance metrics that are consistent and predictable...” (Section 23-18-301 (2) (b), C.R.S.) Thus, HB 14-1319 required performance metrics consistent with the accountability goals of H.B. 13-1299. For this reason, the performance measured for institutions of higher education with respect to Section 2-7-205 (1) (a) (II), C.R.S. is herein interpreted as performance under the provisions of the performance requirements of H.B. 14-1319.

In lieu of reports associated with S.B. 11-052, the Department prepared a detailed update on plans for the implementation of H.B. 14-1319 and the outcome metrics included in that bill. The four page report is attached below. A full report including the Department’s detailed appendices (updates on implementation of H.B. 14-1319) may be found at the following link:

<https://docs.google.com/file/d/0BzIopKKDzSSTSFNRVnBpdINrTDQ/edit>



Department of Higher Education Annual Performance Report

Department Goals – Annual Performance Report

The Department of Higher Education is working to build a new framework for allocating state general fund dollars among the state's public institutions of higher education, as defined in H.B. 14-1319. The legislation charges the Colorado Commission on Higher Education (CCHE) to engage in a facilitated process with interested parties and ultimately adopt funding factors for a new base-funding formula that considers both the role and mission, and performance at each institution of higher education. This act emphasizes transparency in higher education funding and key outcomes, such as timely graduation rates, and reflects a strong desire to make this formula more understandable to Colorado taxpayers, students and families. This formula will support the statewide goals for higher education in the CCHE's master plan [Colorado Competes, A Completion Agenda for Higher Education](#) (the goals are listed later in this report). Additionally, key goals of the statute are to provide greater tuition predictability for Colorado families and to ensure an accessible and affordable public higher education system for years to come.

The FY 2014-15 Annual Performance Report provides an outline of the various requirements that form the parameters for the Department of Higher Education's work going forward, as well as the connection between reporting requirements. The report is available on OSPB's Performance Plan [website](#), along with the 2012 Master Plan. The report includes the H.B. 14-1319 Interim Report, and the Funding Allocation Model Preliminary Working Document is available in a separate document. Updates will be available January 1, 2015.

H.B. 13-1299 SMART Act Requirements and H.B. 14-1319

H.B. 13-1299 made changes to the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act of 2010. While the initial SMART Act included the Department of Higher Education in its requirements, the 2013 revised SMART Act acknowledged the Department of Higher Education's unique effort on performance measures and the performance-based direction previously given by the General Assembly in S.B. 11-52. Section 2-7-205 (1) (a) (II) reads as follows:

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 education's progress towards the goals set forth in the institution of higher education's performance contract described in Section 23-5-129, C.R.S., and the outcomes of the recommended performance funding plan required in Section 23-1-108 (1.9) (b), C.R.S.

Section 23-1-108 (1.9) (b), C.R.S. provides that the Colorado Commission on Higher Education shall recommend to the JBC appropriations for the Governing Boards which are based on the performance-based funding plan. This plan, after FY 2015-16, would be predicated upon the

reinstatement of funding for higher education to the \$706 million for Governing Board per Section 23-1-108 (1.9) (c) (II), C.R.S. and the difference between that sum and \$650 million in (1.9) (c) (I), C.R.S. multiplied by 25 percent (1.9) (c) (I), C.R.S.

While the provisions of Section 23-1-108 (1.9) (b), C.R.S. statutorily remain in effect, they apply based on a dollar level and fiscal year not applicable to FY 2015-16's request. Secondly and more importantly, legislation on performance-based funding for higher education was passed in 2014 with the signature of H.B. 14-1319. This historic legislation provided that the goals for higher education "can be accomplished by the General Assembly establishing performance metrics that are consistent and predictable..." (Section 23-18-301 (2) (b), C.R.S.) Thus, HB 14-1319 required performance metrics consistent with the accountability goals of H.B. 13-1299. For this reason, the performance measured for institutions of higher education with respect to Section 2-7-205 (1) (a) (II), C.R.S. is herein interpreted as performance under the provisions of the performance requirements of H.B. 14-1319.

H.B. 14-1319 requires the Department of Higher Education to create a new base funding allocation formula for FY 2015-16. This formula must transparently articulate how the State's investment in higher education is allocated based on specific factors: the COF stipend, the role and mission of each institution, and performance.

Colorado Commission on Higher Education Master Plan

The CCHE Master Plan, published in October 2012, calls for all public colleges and universities and the State to focus their resources on four primary goals:

- 1. Increase the attainment of high-quality postsecondary credentials across the academic disciplines and throughout Colorado by at least 1,000 new certificates and degrees each year to meet anticipated workforce demands by 2025.**
- 2. Improve student success through better outcomes in basic skills education, enhanced student support services and reduced average time to credential for all students.**
- 3. Enhance access to, and through, postsecondary education to ensure that the system reflects the changing demographics of state while reducing attainment gaps among students from underserved communities.**
- 4. Develop resources, through increases in state funding that will allow public institutions of higher education to meet projected enrollment demands while promoting affordability, accessibility and efficiency.**

Colorado Commission on Higher Education Master Plan and H.B. 14-1319

The goals in the Master Plan provided for in Section 23-1-108 are supported specifically and indirectly in H.B. 14-1319. H.B. 14-1319 expressed legislative intent that Colorado students have access to a postsecondary education, that the education be affordable to the students regardless of income, race, gender, age, or academic preparation. The legislation specified that participation by low-income Coloradans and underrepresented minorities should be increased. (Section 23-28-301, C.R.S.) The legislation effectuated these goals through metrics in the “total state appropriations” which are divided between the COF stipend (at no less than 52.5 percent of total state appropriations) and fee-for-service contracts. Such fee-for-service contracts are broken up balanced between role and mission and performance funding.

Among other components of the role and mission funding, the legislation provides for an amount to be provided to each Governing Board to offset costs of serving PELL-eligible students and provides for funding for remediation to offset the costs in providing effective basic skills courses and Supplemental Academic Instruction. Additional specified role and mission factors may be selected as well.

The performance funding component of the performance funding plan must focus on completion and retention. The performance funding component also allows for other performance funding metrics that “reflect and support the policy goals adopted by the Commission in the Master Plan” including but not limited to workforce placement, closing the achievement gap, limiting student loan debt, and controlling institutional administrative costs. These H.B. 14-1319 performance metrics support the intent and process envisioned in HB 13-1299, the SMART Act.

H.B. 14-1319 Performance Metrics

In H.B. 14-1319, the CCHE is required to include factors for Completion and Retention in the new allocation formula. The CCHE will use the following Definition and Data Source for these factors:

Statutory Requirement: Completion

- **An amount for each certification or degree awarded**
 - An amount for each student who transfers from a community college to another institution after completion of a certain number of credit hours
 - Establish the amount to be awarded for each, based on the subject and level of credential;
 - Establish the number of credit hours to be completed prior to transfer;
 - The value shall be increased for each credential earned or transfer of a Pell-eligible undergraduate student
- **CCHE definition**
 - Completion – Certificates should be counted when issued for:

- Programs spanning one year (24 credit hours) or more; or
- If program is less than one year (24 credit hours):
 - Certificate meets the federal “gainful employment” definition, or
 - Certificate represents the highest award earned at stop out.
- Students earning multiple 1-2 year or 24 to 60 credit hour certificates in an academic year will have each earned certificate count as a separate outcome
 - Transfers – Minimum of 18 credit hours at time of transfer, this will include concurrent enrollment credit hours
- **CCHE data source: Student Unit Record Data System (SURDS)**

Statutory Requirement: Retention

- **An amount for student progress**
 - An amount for number of students who make academic progress – complete 30, 60, or 90 credit hours;
 - A community college that receives an incentive for a transfer student cannot also receive a retention bonus for that student in the same year
- **CCHE definition**
 - Retention – Credit for number of students as follows:
 - Four year institutions – number of students who cross the threshold of completing
 - 30 credit hours
 - 60 credit hours
 - 90 credit hours
 - Additional factor - Two-year institutions – number of students who cross the threshold of completing
 - 15 credit hours
 - 30 credit hours
 - 45 credit hours
 - Concurrent enrollment will be included and each student will be counted only once at each academic progress interval
- **CCHE Data Source: SURDS**



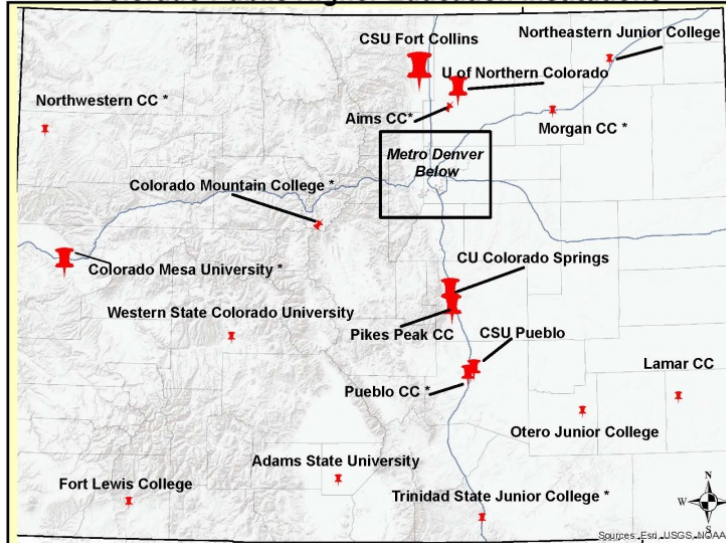
JBC Staff FY 2015-16 Budget Briefing Department of Higher Education

Presented by:

Amanda Bickel, JBC Staff

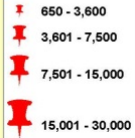
December 4, 2014

Colorado Public Higher Education Institutions



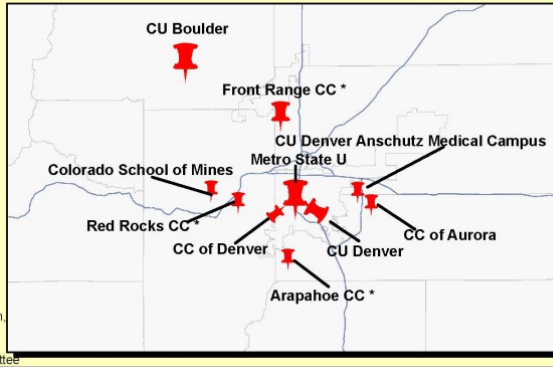
Metro Denver

Student FTE Served
FY 2014

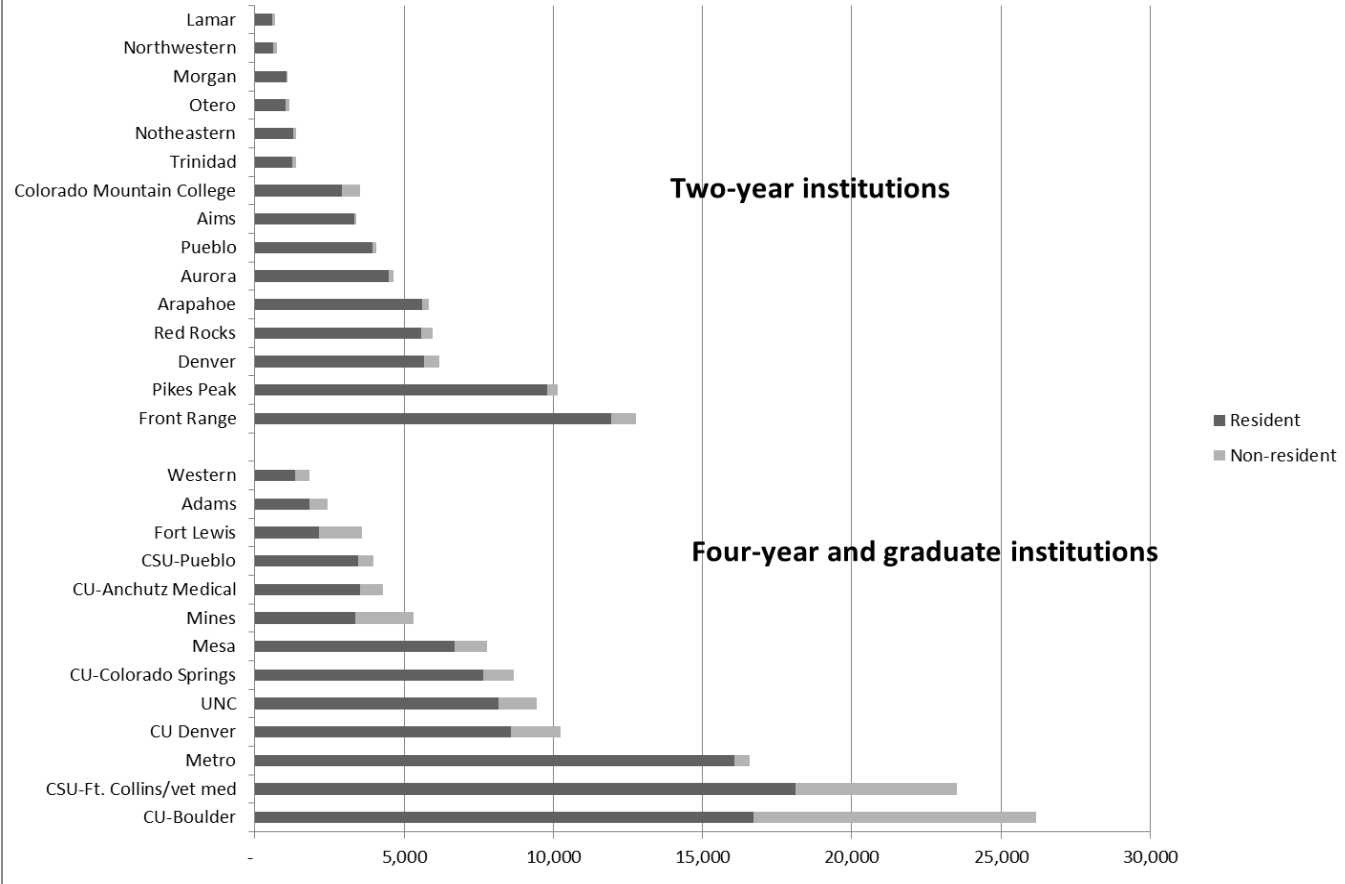


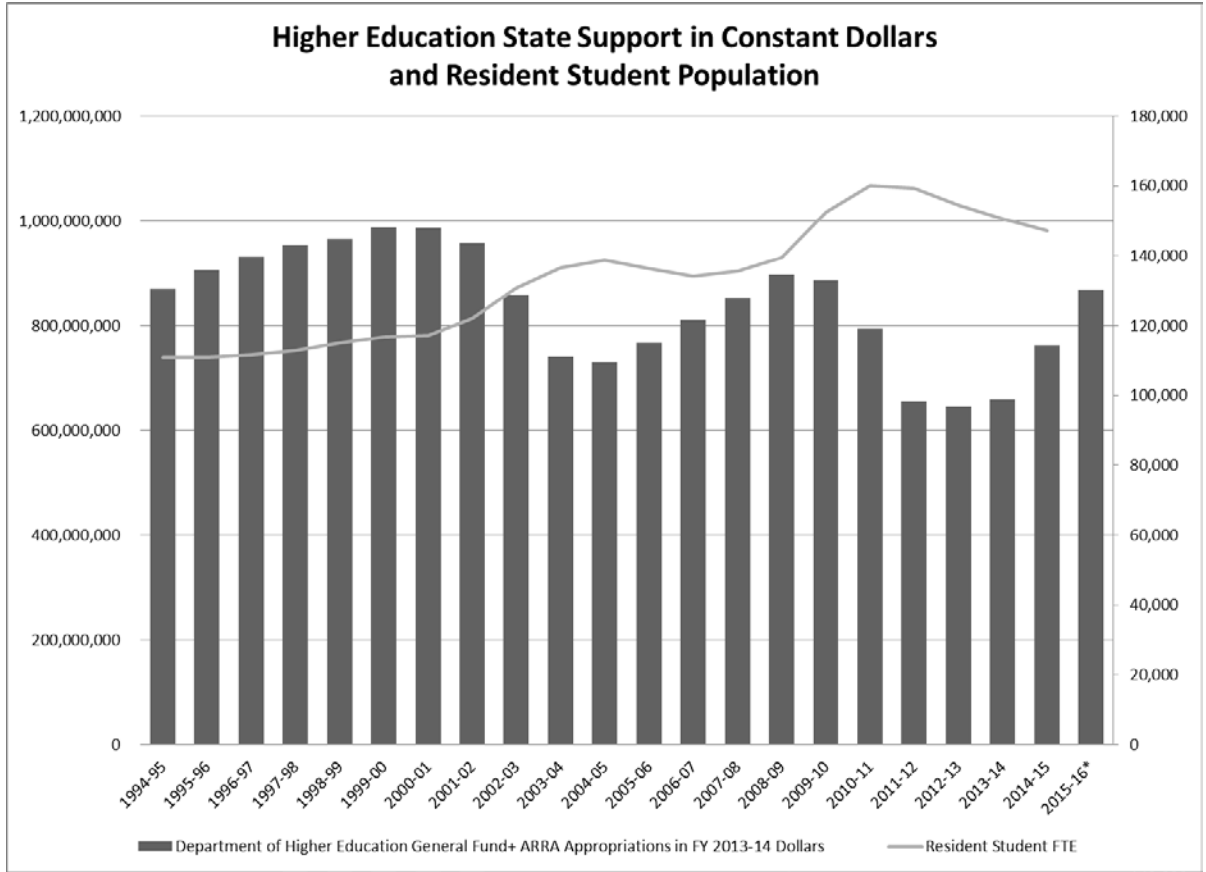
* This institution has additional campuses that are not reflected on the map. The size of the symbol at the primary location is based on total student FTE for the institution, including all campuses.

Source: Joint Budget Committee



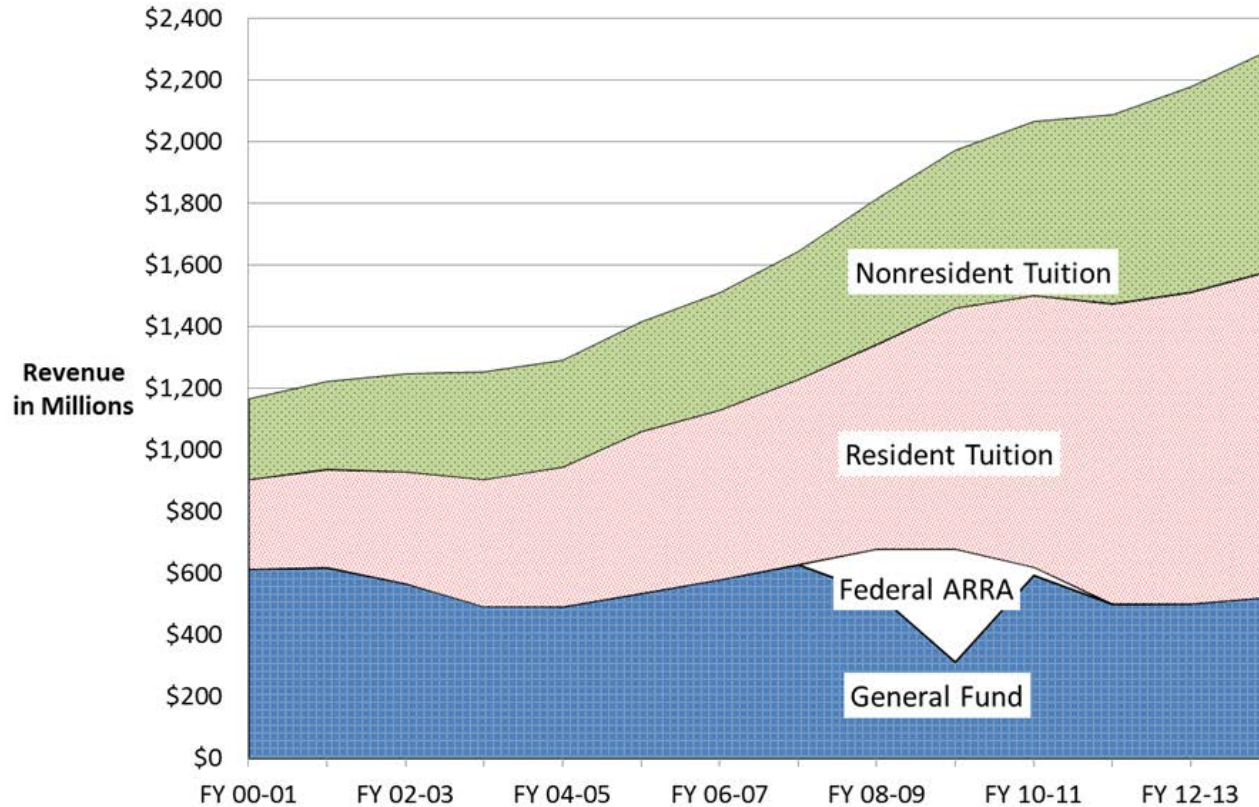
Student Full-time-equivalent Enrollment 2013-14



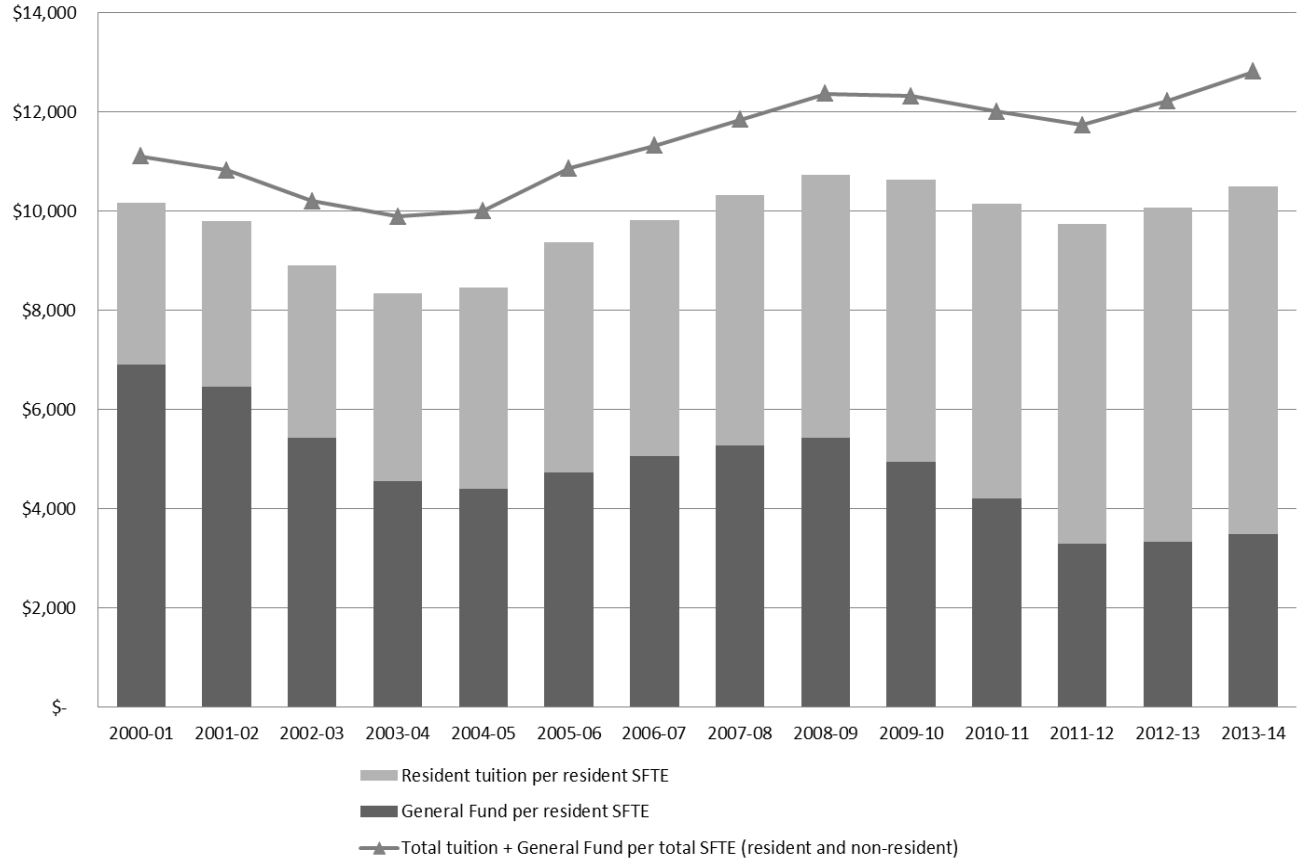


*FY 2015-16 reflects the request

Higher Education Institutions General Fund + Tuition Revenue

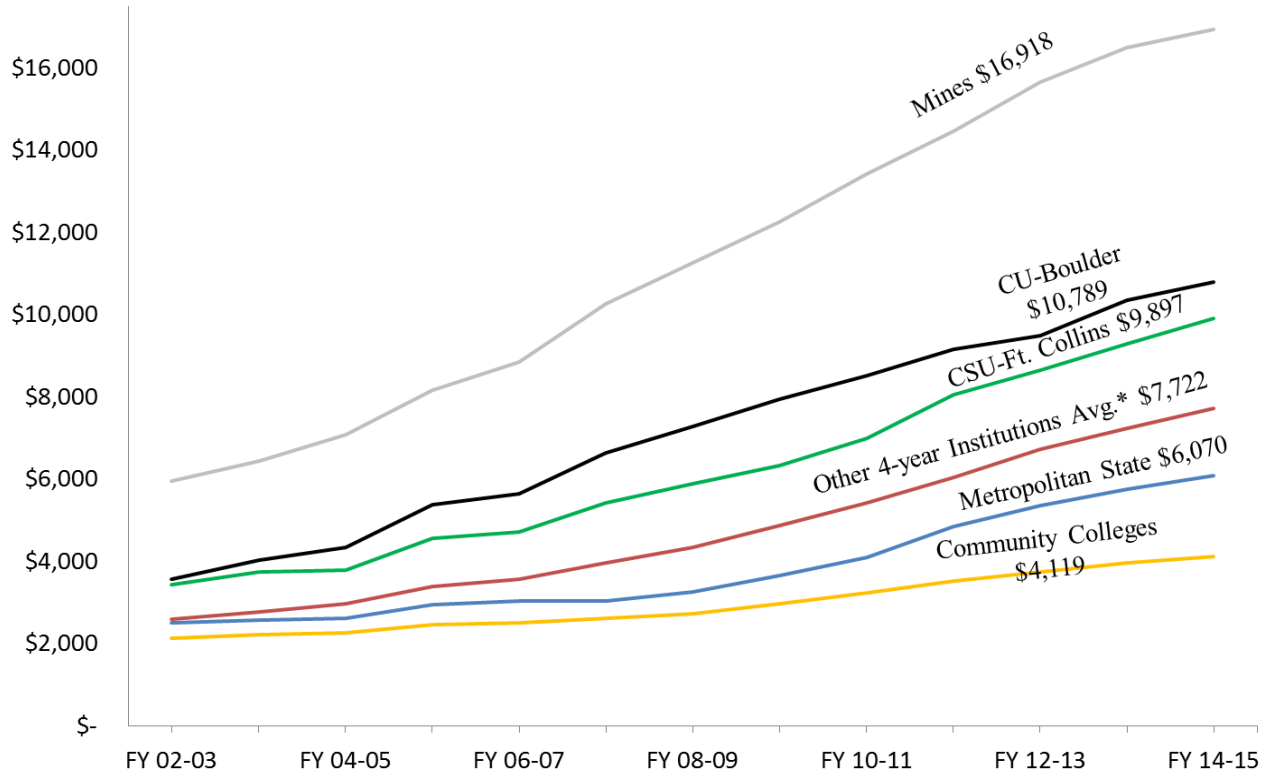


Tuition and State Support per Student FTE in Constant FY 2013-14 Dollars



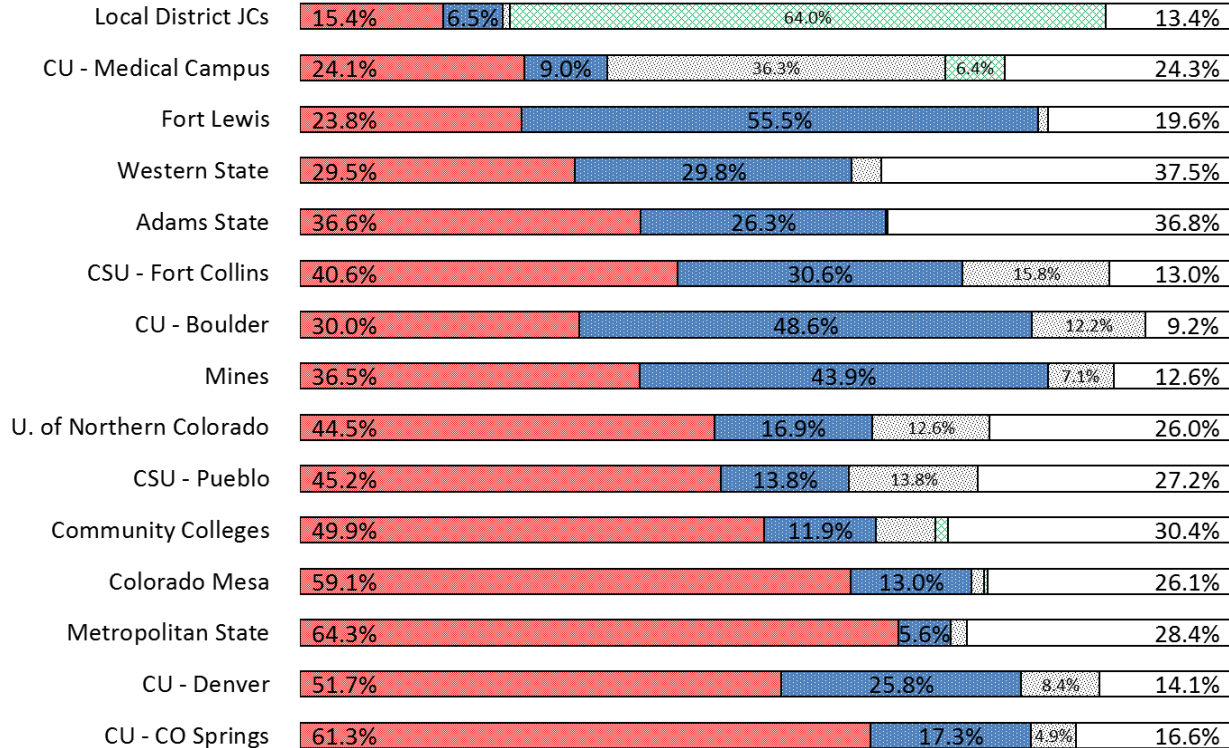
Tuition and Mandatory Fees

Resident of Colorado, Undergraduate, Full-time

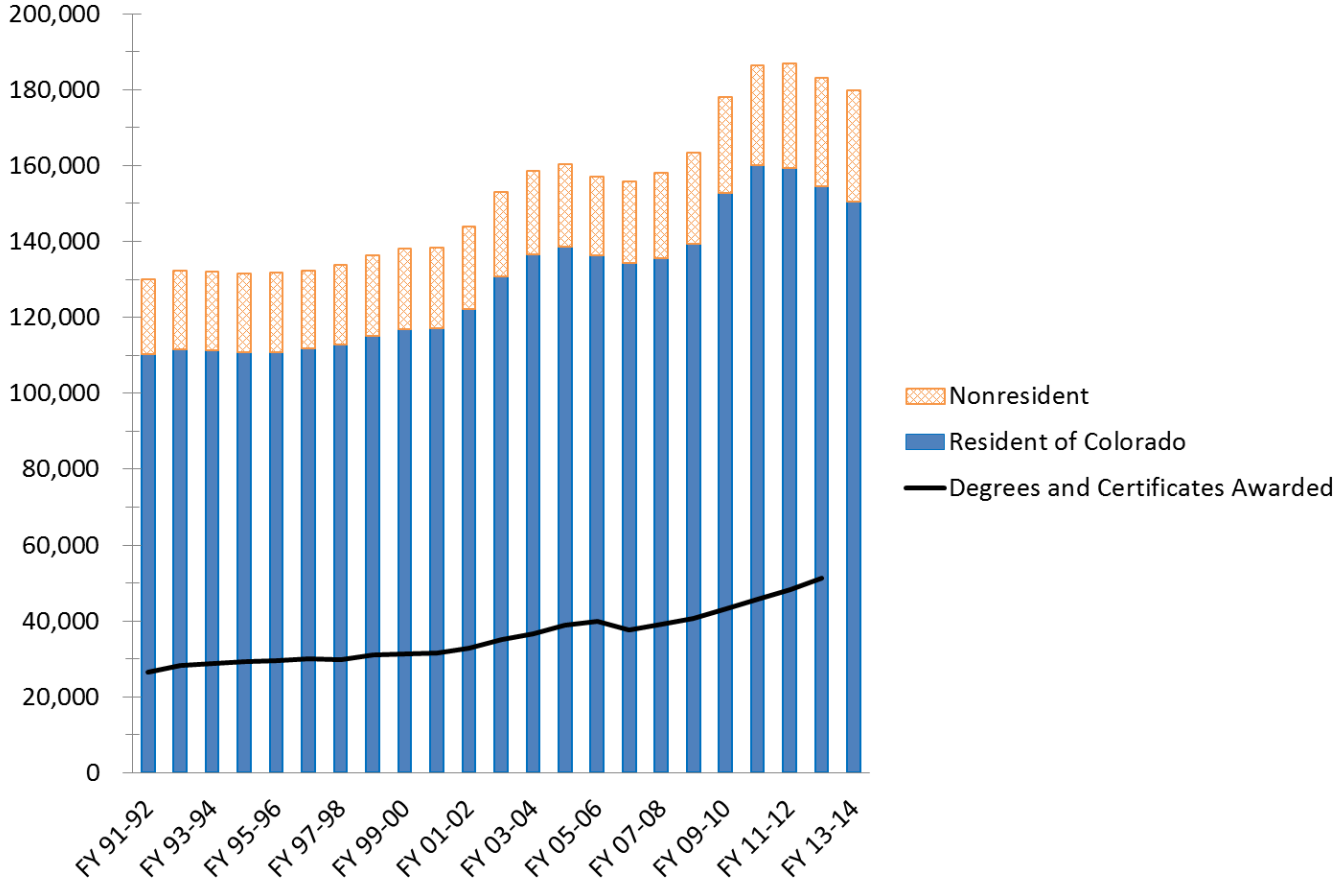


Proportion of Funding from Students vs the State

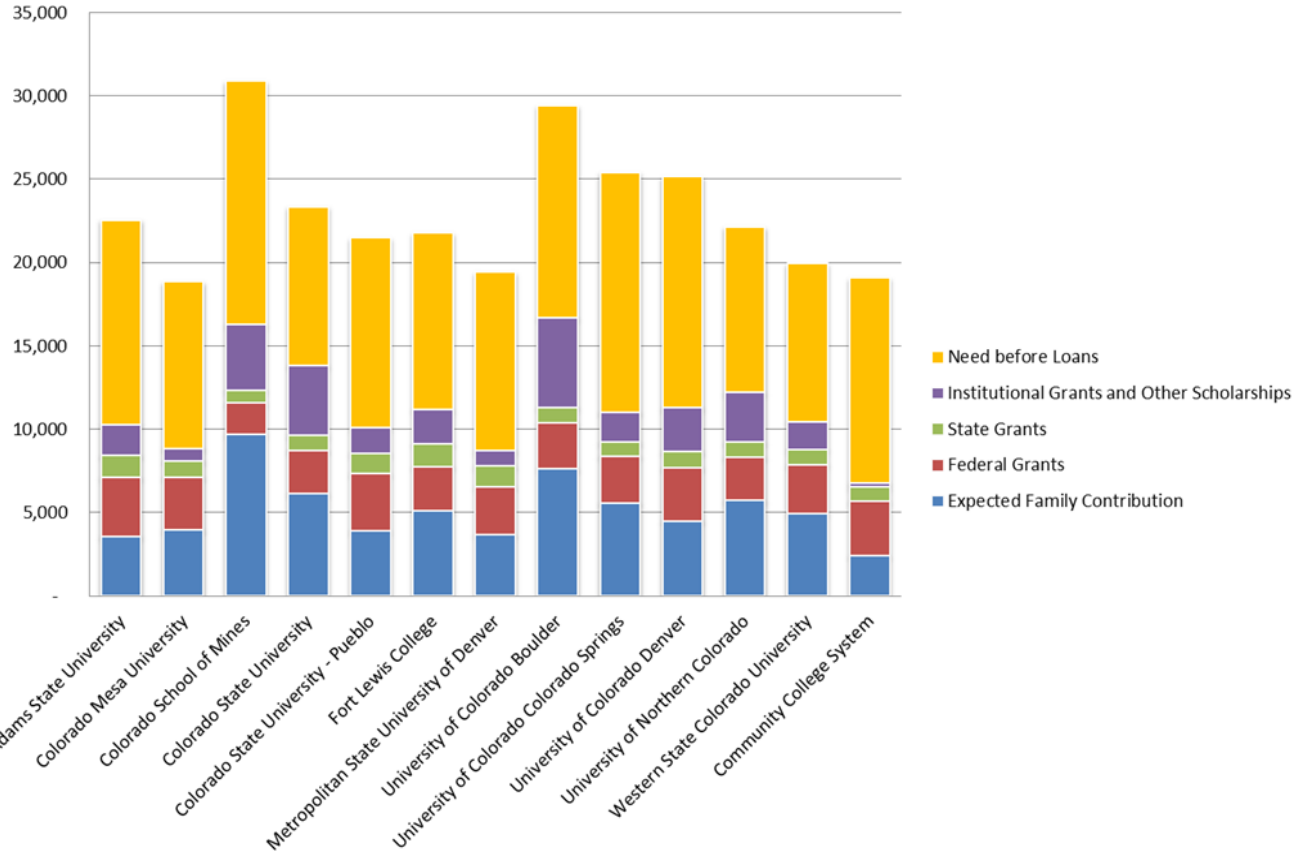
■ In-state
 ■ Out-of-state
 ■ Indirect Cost Recoveries, Fees, Other
 ■ Local/Tobacco/Gaming
 ■ General Fund



Student FTE Enrollment



Average Student Grant and Unmet Need by Institution for Full-time Undergraduate Students Qualifying for Financial Aid FY 2013-14





JBC Staff FY 2015-16 Budget Briefing Department of Higher Education

Presented by:

Amanda Bickel, JBC Staff

December 4, 2014

EAG Recommended Model

NOT FOR DISTRIBUTION - DRAFT ONLY

HB-1319 Model. Draft Model

User: Todd Haggerty

FUNDING ALLOCATIONS

Total Appropriations for Higher Education

Full Appropriations	\$665,855,077
Projected Appropriations plus SEP only	\$640,523,963
New Total State Appropriations for Model (TSA)	\$525,682,095
Specialty Ed Programs New	\$114,841,868
Local District Junior College Amount	\$15,449,050
Area Vocational Schools Amount	\$9,882,063

Budget Percentage Increase

10.00%

SEP Additional Increase

0.00%

COF Stipend

Total Awarded from COF Stipend	\$294,582,075
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COF Stipend per Credit Hour

\$75

Percent of Appropriation Dedicated to COF Stipend

	56.0%
--	--------------

COF Stipend must be 52.5% or greater.

Role & Mission and Performance Allocations

Total in Role and Mission Allocation	\$138,660,012
Total: Performance	\$92,440,008

Role and Mission Split Percentage

60%

Performance Split Percentage

40%

EAG Recommended Model

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HB-1319 Model. Draft Model

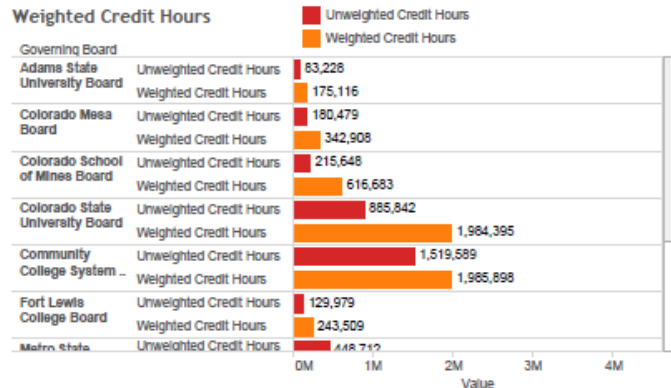
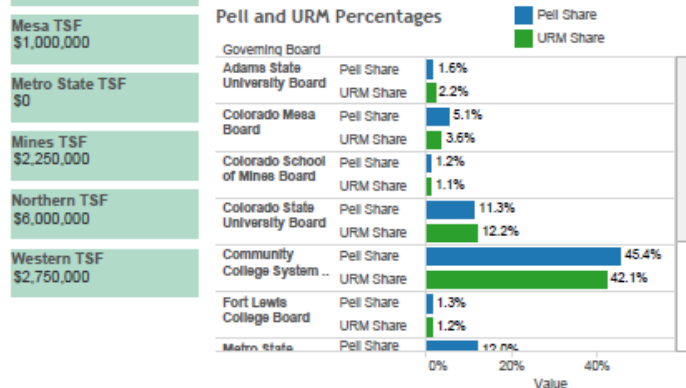
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ROLE AND MISSION

	Governing Board	Dollars Awarded to Pell	Dollars Awarded to URM	Dollars Awarded to Tuition Stability Factor	Dollars Awarded to Weighted Credit Hours	Total Awarded from Role and Mission
Adams TSF \$4,000,000	Adams State University Board	\$211,403	\$76,041	\$4,000,000	1,685,890	5,973,333
	Colorado Mesa Board	\$683,813	\$125,348	\$1,000,000	3,301,272	5,110,432
Community College TSF \$1,000,000	Colorado School of Mines Board	\$156,315	\$39,536	\$2,250,000	5,936,977	8,382,828
	Colorado State University Board	\$1,502,228	\$420,964	\$1,000,000	19,104,332	22,027,524
	Community College System Board	\$6,049,651	\$1,457,556	\$1,000,000	19,118,805	27,626,012
CSU TSF \$1,000,000	Fort Lewis College Board	\$170,085	\$42,694	\$0	2,344,325	2,557,104
	Metro State University Board	\$1,603,703	\$478,489	\$0	8,268,946	10,351,137
CU TSF \$1,500,000	University of Colorado Board	\$2,168,768	\$602,025	\$1,500,000	34,695,166	38,965,959
	University of Northern Colorado Board	\$668,858	\$197,914	\$6,000,000	6,701,735	13,568,506
	Western State Board	\$113,426	\$17,936	\$2,750,000	1,215,815	4,097,178
Fort Lewis TSF \$0	Grand Total	\$13,328,247	\$3,458,502	\$19,500,000	102,373,264	138,660,012

Pell Carveout
10.0%

URM Carveout
5.0%



EAG Recommended Model

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PERFORMANCE																																																								
Transfer Weight 0.25																																																								
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Associate Weight 0.5																																																								
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Total Weighted Completions

- Governing Board
- Adams State University Board
- Colorado Mesa Board
- Colorado School of Mines Board
- Colorado State University Board
- Community College System Board
- Fort Lewis College Board
- Metro State University Board
- University of Colorado Board
- University of Northern Colorado Board
- Western State Board



Volume Adjustment Factors

Awards per FTE	\$36,976,003
Completion & Retention	\$55,464,005
Total: Performance	\$92,440,008

Two-Pass Total on SFTE

100.27307

Volume Adjustment
40%

Volume Adjustment Total
100.27307

EAG Recommended Model

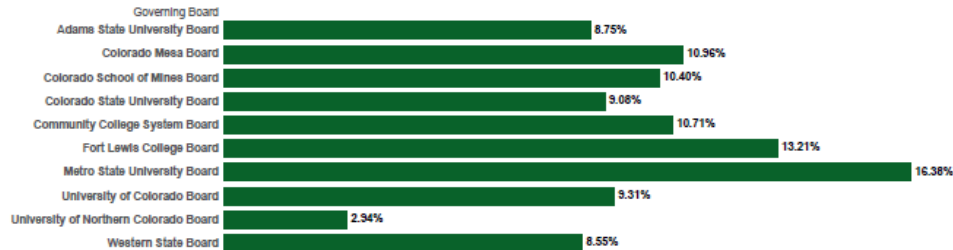
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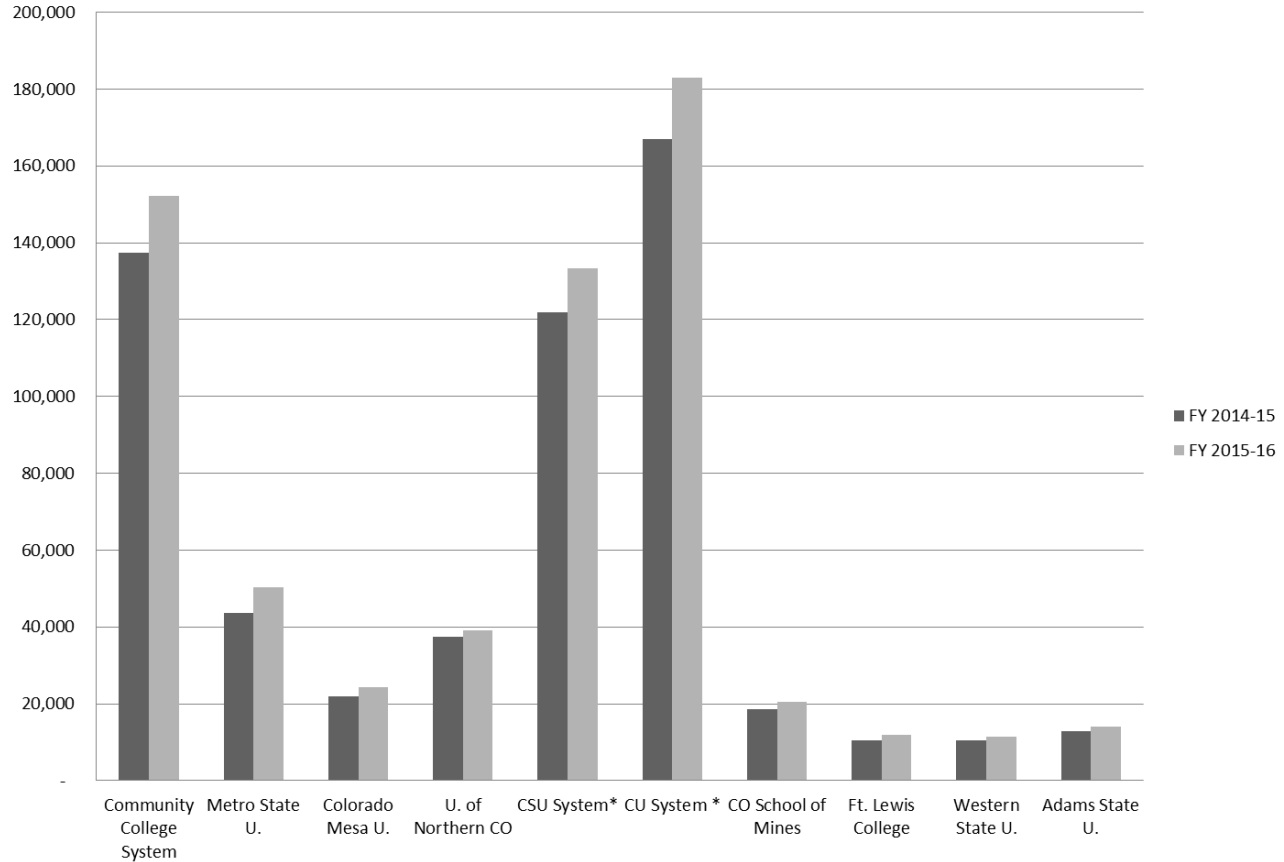
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FUNDING BY GOVERNING BOARD

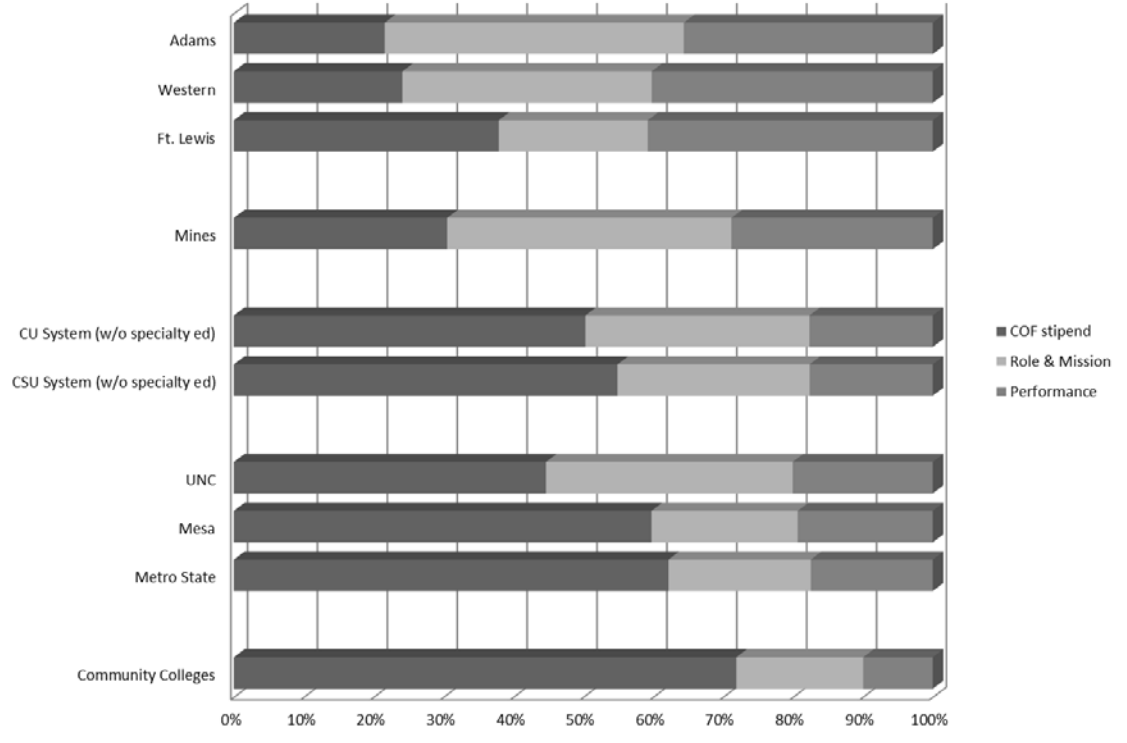
Governing Board	Total Awarded from COF Stipend	Total Awarded from Role and Mission	Dollars Awarded to Performance	Total Allocation from Model	Total Allocation with SEP	Previous Year's Allocation	Percentage Change
Adams State University Board	\$3,014,775	\$5,973,333	\$4,971,844	\$13,959,952	\$13,959,952	\$12,837,321	8.75%
Colorado Mesa Board	\$14,609,400	\$5,110,432	\$4,721,692	\$24,441,524	\$24,441,524	\$22,027,253	10.96%
Colorado School of Mines Board	\$6,291,600	\$8,382,828	\$5,936,149	\$20,610,577	\$20,610,577	\$18,669,466	10.40%
Colorado State University Board	\$44,015,100	\$22,027,524	\$14,125,944	\$80,168,567	\$133,499,085	\$73,496,160	9.08%
Community College System Board	\$109,407,525	\$27,626,012	\$15,156,616	\$152,190,153	\$152,190,153	\$137,465,917	10.71%
Fort Lewis College Board	\$4,545,825	\$2,557,104	\$4,890,724	\$11,993,653	\$11,993,653	\$10,594,613	13.21%
Metro State University Board	\$31,613,100	\$10,351,137	\$8,872,438	\$50,836,675	\$50,836,675	\$43,681,225	16.38%
University of Colorado Board	\$61,134,600	\$38,965,959	\$21,432,700	\$121,533,258	\$183,044,608	\$111,178,395	9.31%
University of Northern Colorado Board	\$17,177,550	\$13,568,506	\$7,710,740	\$38,456,796	\$38,456,796	\$37,357,034	2.94%
Western State Board	\$2,772,600	\$4,097,178	\$4,621,162	\$11,490,940	\$11,490,940	\$10,585,430	8.55%



Total Funding by Institution - Model + Specialty Education Programs

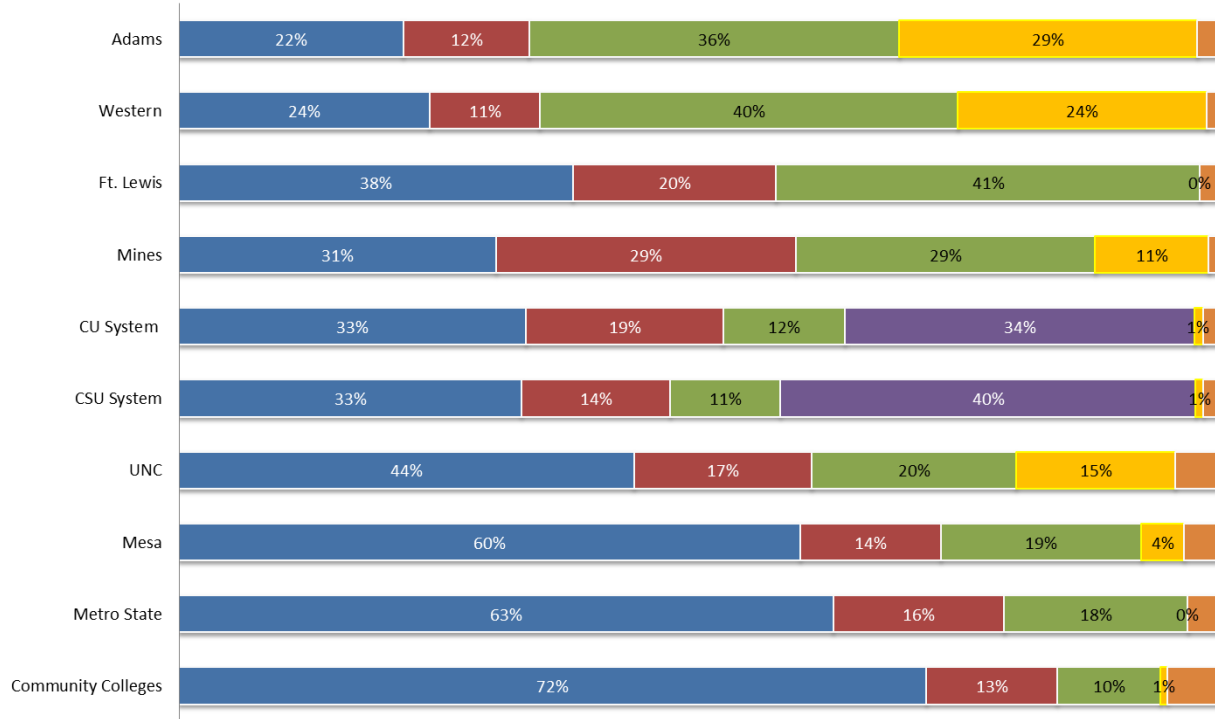


Funding Model Components by Governing Board



Funding Model - Largest Funding Components by Institution (including specialty education programs)

■ Stipends
 ■ Weighted credit hours
 ■ Retention/Completion (including volume-adjusted)
 ■ Specialty education
 ■ Tuition Stability
 ■ Pell/URM





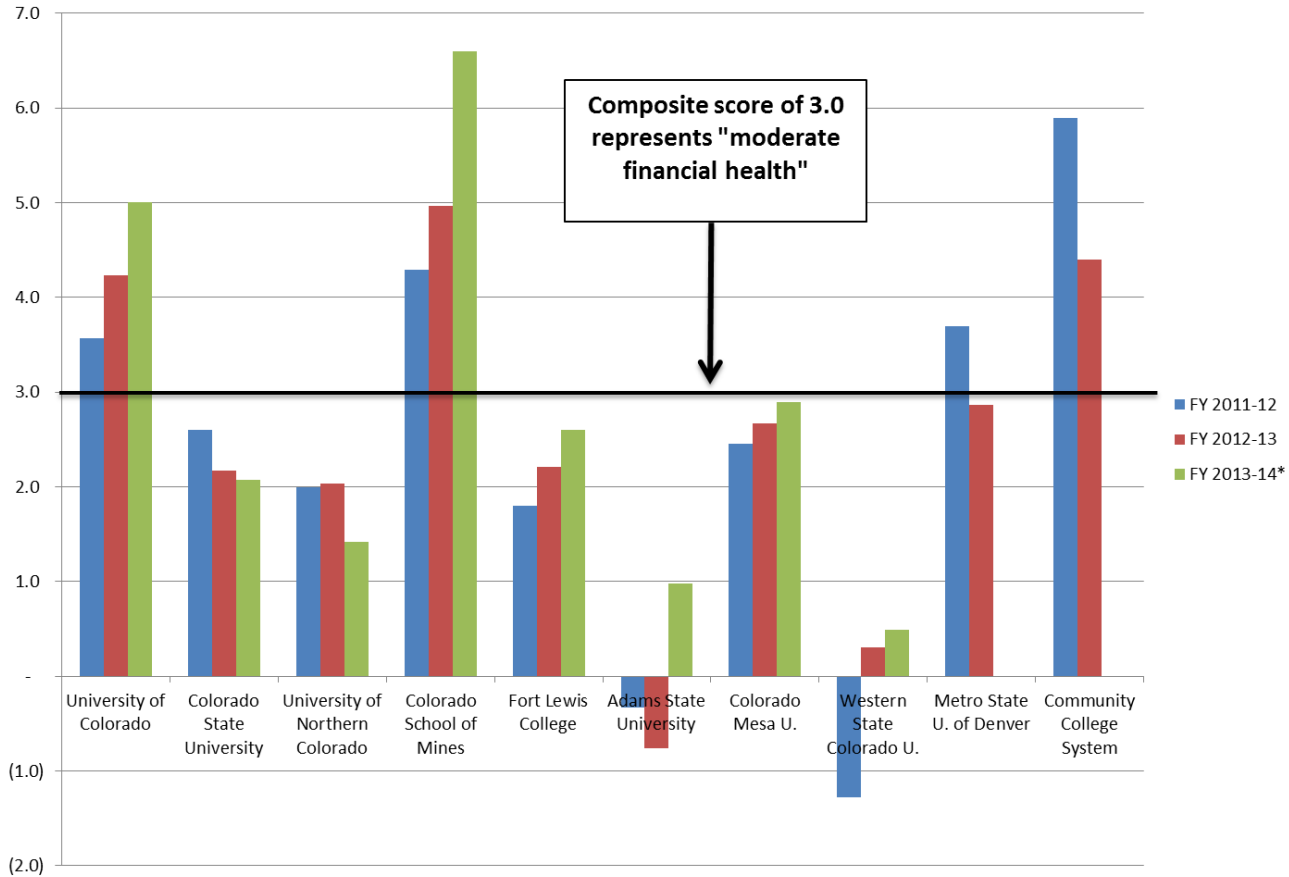
JBC Staff FY 2015-16 Budget Briefing Department of Higher Education

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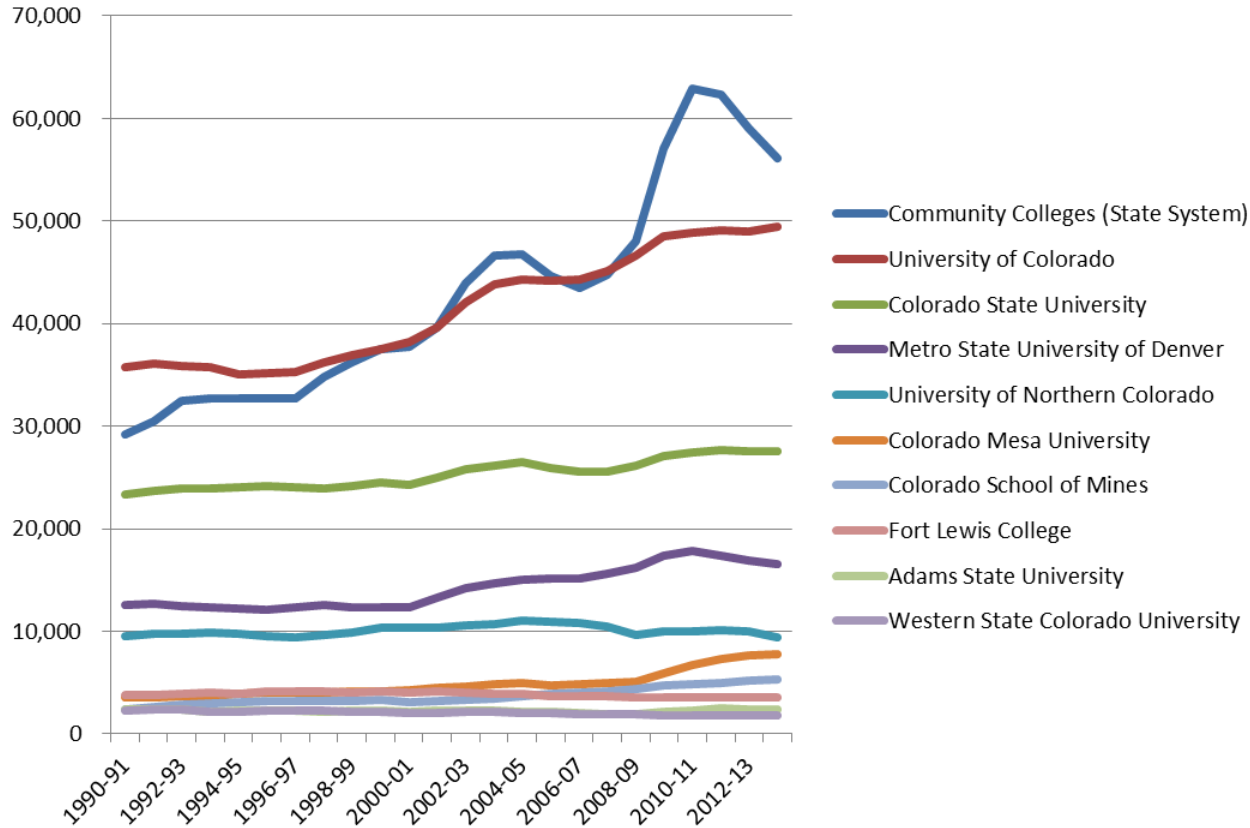
Amanda Bickel, JBC Staff

December 4, 2014

Composite Financial Index Scores FY 2011-12 to FY 2013-14*



Total Student FTE - State Higher Education Institutions





JBC Staff FY 2015-16 Budget Briefing Department of Higher Education

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