

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2017-18

DEPARTMENT OF HIGHER EDUCATION

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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DEPARTMENT OF HIGHER EDUCATION

DEPARTMENT OVERVIEW

RESPONSIBILITIES

Distributes state appropriations for governing boards consistent with decisions of the General Assembly:

State General Fund appropriations are provided for:

- The College Opportunity Fund Program that provides stipends to students for undergraduate education
- Fee-for-service contracts with state institutions to support other higher education activities, such as graduate and professional education, and to provide performance incentives
- State subsidies for governing boards that are not subdivisions of state government, such as Local District Colleges and Area Technical College
- Financial aid programs

The Department also monitors cash funds tuition spending authority provided to each state governing board and has authority to reallocate certain spending authority based on end-of-year enrollment and revenue received.

Coordinates and establishes statewide policies under CCHE: 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, including tuition policy requests. CCHE is also responsible for proposing the model for the allocation of higher education operating funds pursuant to H.B. 14-1319.

Data collection, research and reports: 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;

Vocational education: Oversees and allocates funding from various sources for vocational and occupational education programs provided in both higher education and K-12 settings.

Private occupational schools: Regulates private occupational schools under the oversight of Colorado State Board of Private Occupational Schools.

CollegeInvest and CollegeAssist: Oversees statutorily-authorized state enterprises with responsibilities related to college savings and student loan programs. These programs are off-budget.

Colorado Opportunity Scholarship Initiative (COSI) board: Under oversight of the COSI board, allocates grants to nonprofits and other entities to increase the availability of pre-collegiate and postsecondary student support and provides associated student scholarships. New appropriations for COSI are on-budget, but COSI spends from a fund balance transferred to it by the General Assembly (off-budget).

Federal and private grants administration: 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 (off-budget), and the Gear Up program (on-budget), which provides services beginning in middle school that are designed to increase higher education participation for youth who might not otherwise attend college.

History Colorado: Collects, preserves, exhibits, and interprets items and properties of historical significance through the State Historical Society. History Colorado is overseen by a separate appointed board and is largely funded through Constitutionally-authorized limited gaming revenues.

DEPARTMENT STRUCTURE

Overall Department Structure: Authority over Colorado’s higher education system is fairly decentralized. Individual governing boards of higher education institutions have substantial independent authority over the management of their institutions. The Governor appoints, with consent of the Senate, most members of these governing boards (with the exception of the regents of the University of Colorado, who are elected), the members of CCHE, members of the State Board of Private Occupational Schools, members of the CollegeInvest Board, members of the COSI board, and members of the Board of Directors of the State Historical Society.

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 Colleges, the Division of Occupational Education, the Auraria Higher Education Center, and History Colorado, as described below.

Colorado Commission on Higher Education: The executive director of CCHE, currently Interim Director Diane Duffy, is also the executive director of the Department. The appropriation for CCHE funds the Commission’s central administrative staff of 30.0 FTE, the Division of Private Occupational Schools, and various special-purpose line items. This section is largely supported through indirect cost recoveries.

College Opportunity Fund Program and Governing Boards: About 76 percent of state General Fund appropriations to the Department are for the College Opportunity Fund (COF) Program, with amounts reappropriated to each of the governing boards in consolidated line items in the Governing Boards section. The COF Program provides stipends for undergraduate resident students to attend public colleges and participating private colleges in Colorado and also supports fee-for-service contracts with public higher education institutions for educational performance and 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 Technical Colleges, 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 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 community museums and facilities, as well as preservation grant programs. Funding is largely comprised of state Limited Gaming revenues deposited to the State Historical Fund. History Colorado is considered a state educational institution. However, it is overseen by its own Board, and CCHE has no administrative authority over the organization.

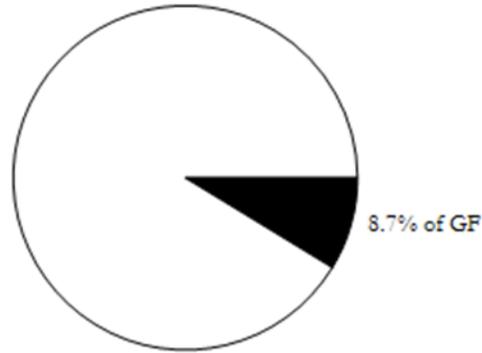
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
General Fund ¹	\$659,108,061	\$762,082,525	\$857,415,995	\$871,034,716
Cash Funds	1,933,397,850	2,048,656,281	2,269,594,336	2,467,212,460
Reappropriated Funds	576,697,493	634,406,378	701,803,695	715,297,309
Federal Funds	19,290,300	22,431,064	22,494,551	22,512,517
TOTAL FUNDS	\$3,188,493,704	\$3,467,576,248	\$3,851,308,577	\$4,076,057,002
Full Time Equiv. Staff	22,842.3	23,455.2	23,856.3	24,491.4

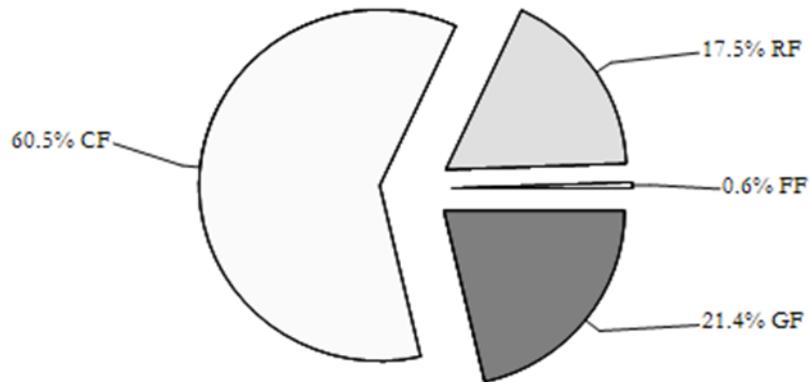
¹ Includes General Fund Exempt.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

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

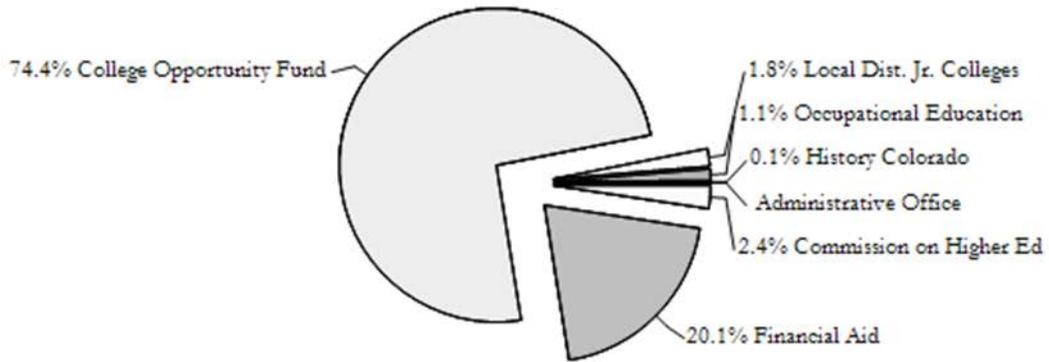


Department Funding Sources

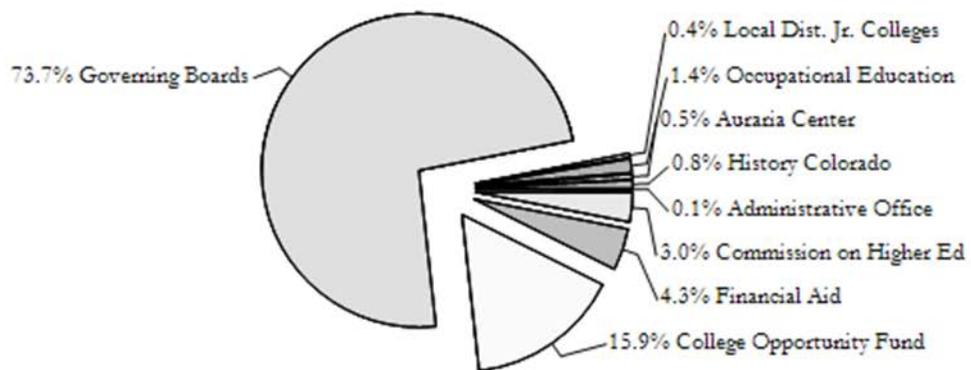


All charts are based on the FY 2016-17 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



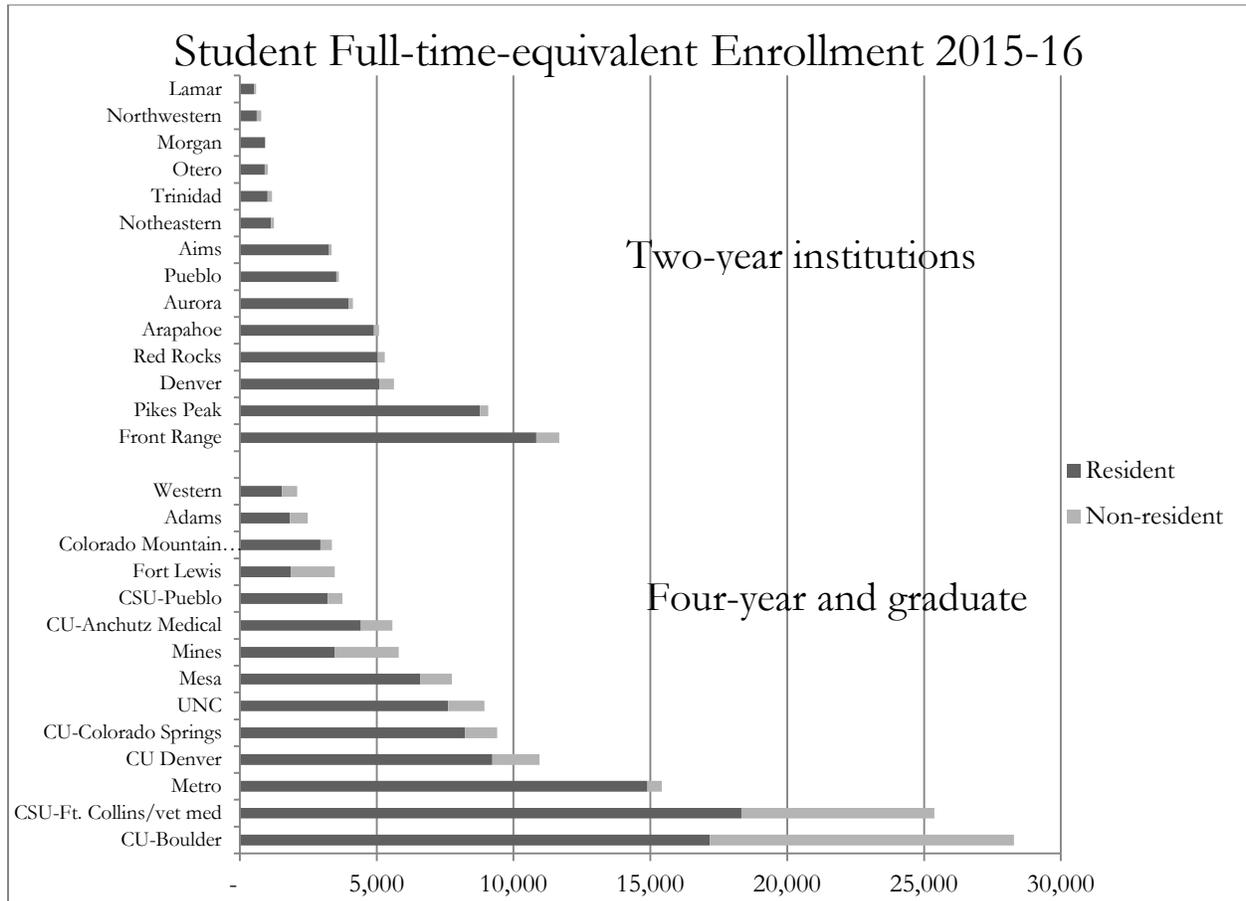
All charts are based on the FY 2016-17 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

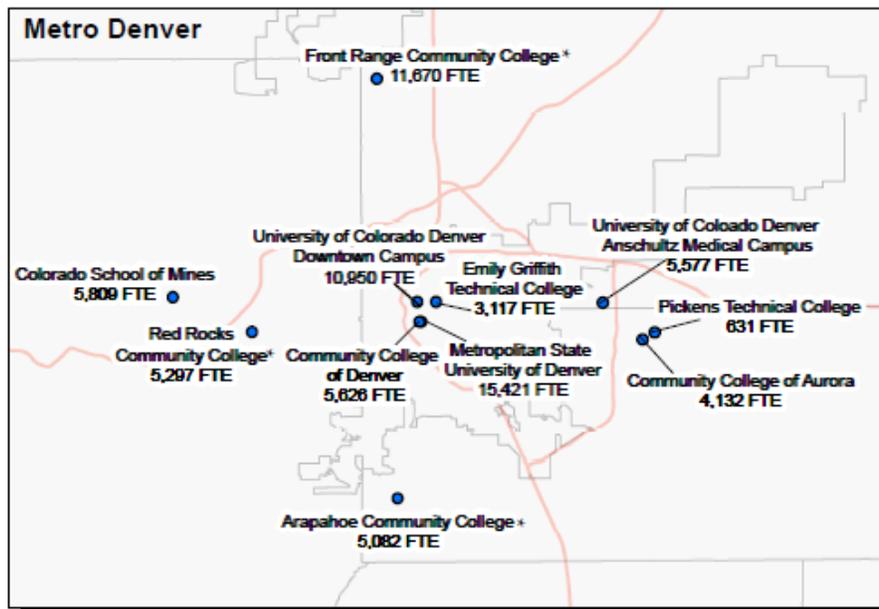
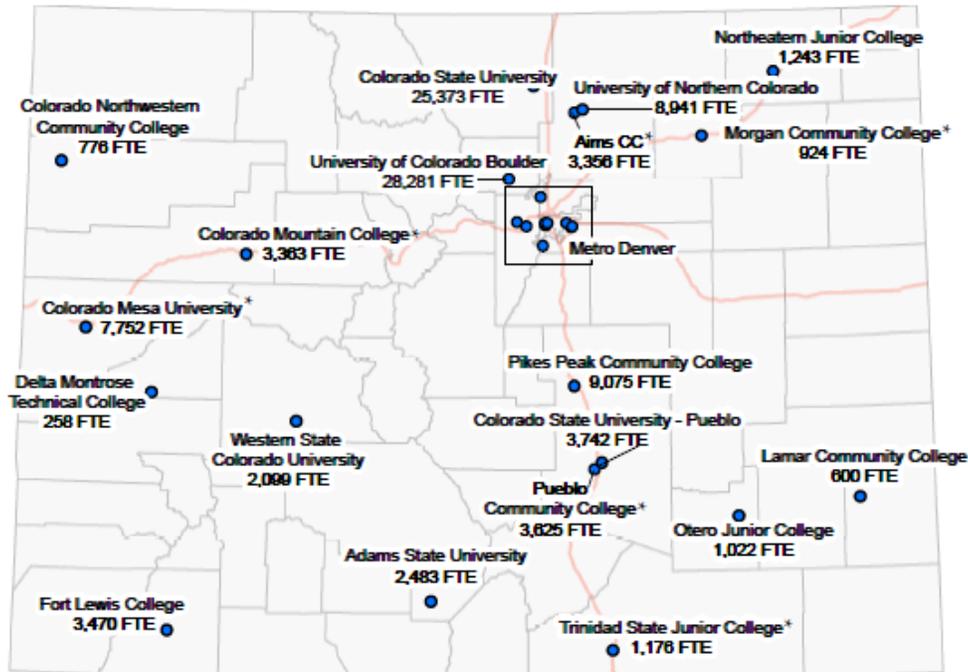
OVERVIEW AND ORGANIZATION

The state higher education system served about 180,000 full-time equivalent students (FTE) in FY 2015-16, including about 146,000 Colorado residents. About 11,000 additional FTE were served by local district colleges, which receive regional property tax revenues in addition to state funding, and area technical colleges, which offer occupational certificates and serve both secondary and post-secondary students. Approximately one-third of student FTE attend 2-year and certificate institutions. Students attending institutions that offer baccalaureate and higher degrees are concentrated at the University of Colorado, Colorado State University, and Metropolitan State University of Denver.

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



Higher Education Total Student FTE, FY 2015-16



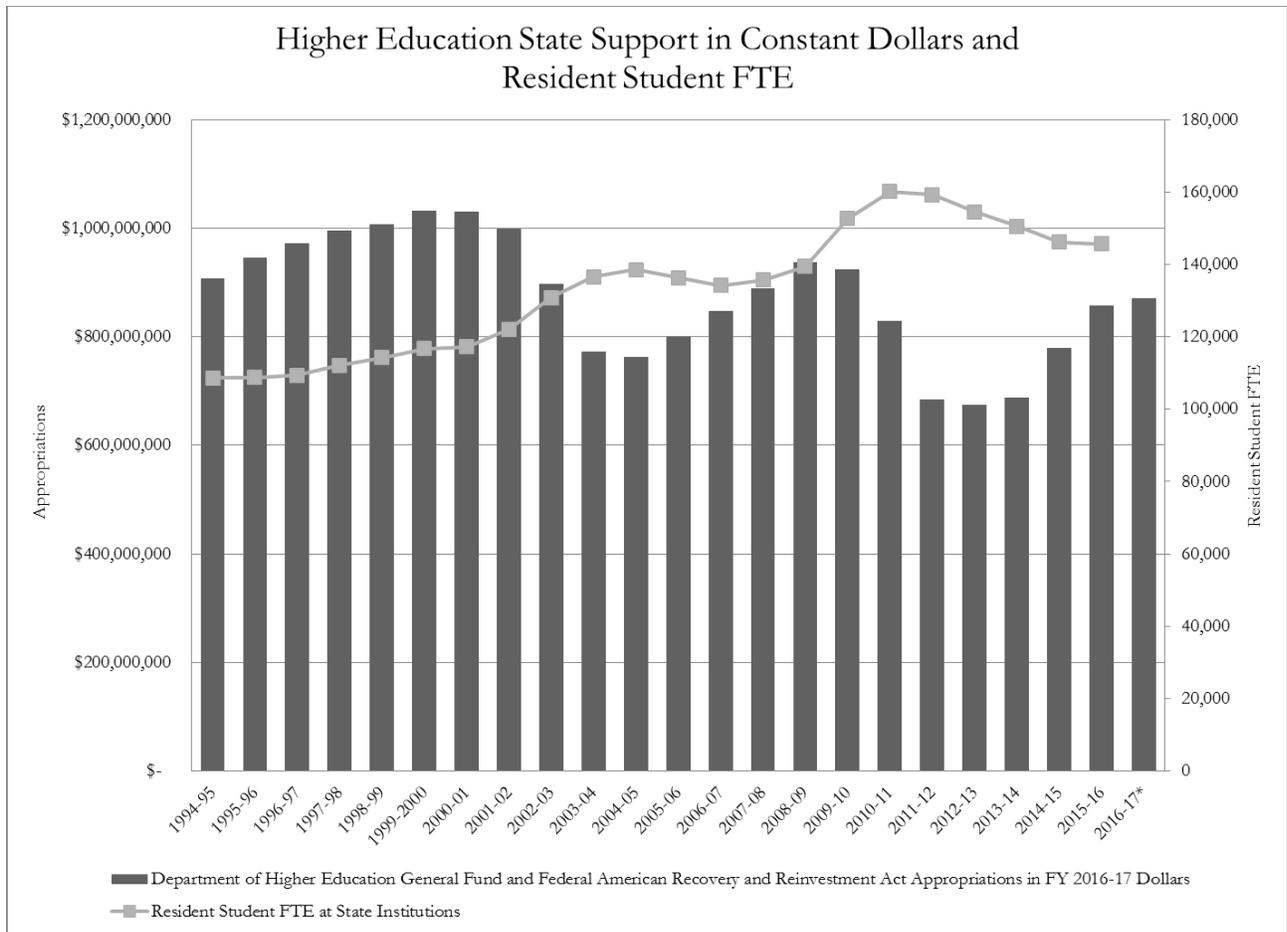
*This institution has additional campuses that are not reflected on the map. Total enrollment for all campuses is shown at the primary location.

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 improved, funding increased, including a \$103.0 million (15.6 percent) General Fund increase for FY 2014-15 and a further increase of \$95.3 million (12.5 percent) General Fund 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. For FY 2016-17, funding was held essentially flat in nominal dollars.



*For FY 2016-17, reflects nominal appropriations; prior years are shown in constant FY 2015-16 dollars. Students at local district colleges and area technical colleges are not included in student FTE figures.

The table below shows the allocation of the overall increase in General Fund support from FY 2015-16 to FY 2016-17 by governing board and funding category.

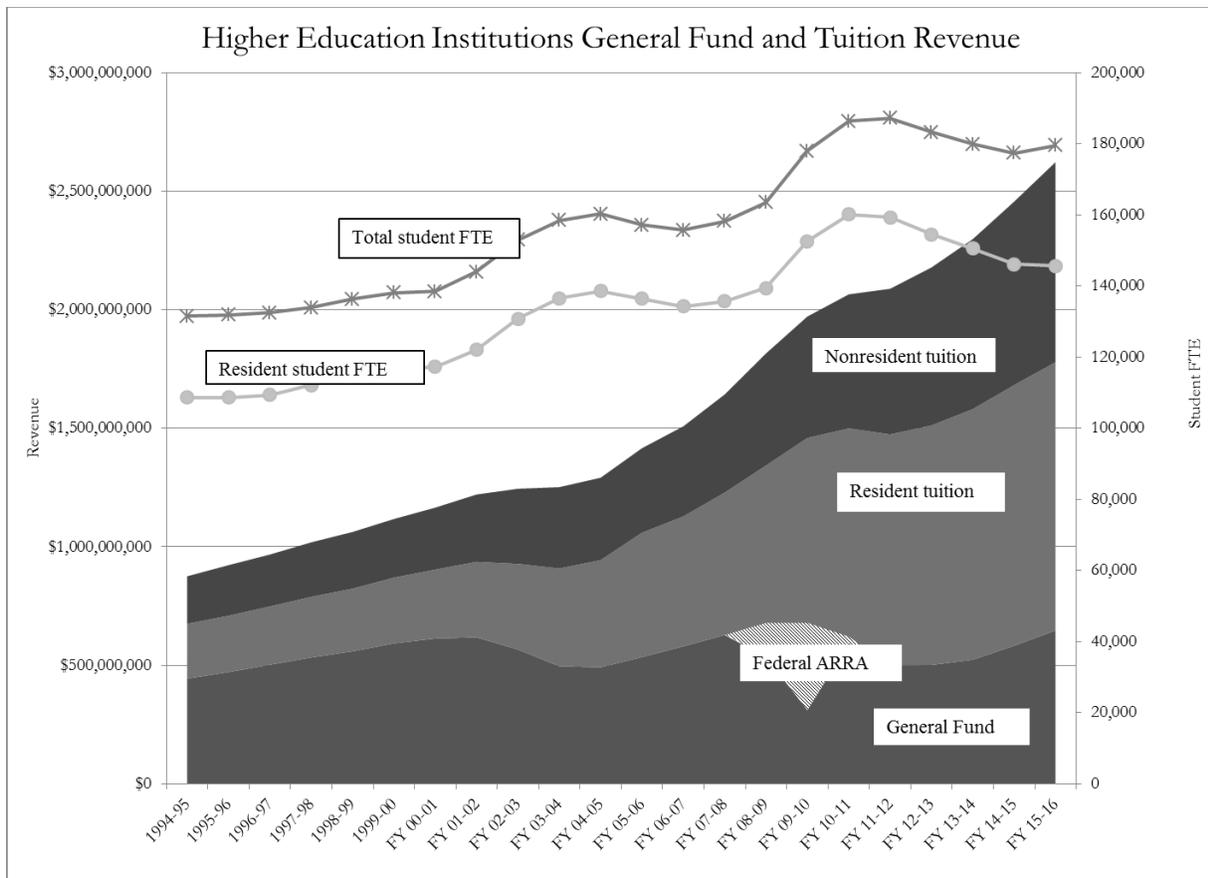
**DEPARTMENT OF HIGHER EDUCATION OPERATING BUDGET:
GENERAL FUND APPROPRIATIONS CHANGES BY CATEGORY AND GOVERNING BOARD
FY 2015-16 TO FY 2016-17**

GOVERNING BOARDS/INSTITUTIONS ¹	FY 2015-16	FY 2016-17	AMOUNT CHANGE	PERCENTAGE CHANGE
Adams State University	\$14,121,017	\$14,076,360	(\$44,657)	(0.3%)
Colorado Mesa University	24,465,356	24,280,729	(\$184,627)	(0.8%)
Metropolitan State University of Denver	50,153,399	51,415,001	\$1,261,602	2.5%
Western State Colorado University	11,643,992	11,534,927	(\$109,065)	(0.9%)
Colorado State University System	134,660,184	134,518,307	(\$141,877)	(0.1%)
Fort Lewis College	11,822,422	11,481,200	(\$341,222)	(2.9%)
University of Colorado System	184,615,667	186,532,686	\$1,917,019	1.0%
Colorado School of Mines	20,547,328	20,639,050	\$91,722	0.4%
University of Northern Colorado	41,092,729	39,113,234	(\$1,979,495)	(4.8%)
Community College System	153,549,541	153,330,147	(\$219,394)	(0.1%)
Colorado Mountain College	7,143,039	7,143,039	\$0	0.0%
Aims Community College	8,446,176	8,446,176	\$0	0.0%
Area Technical Colleges	9,971,721	9,971,721	\$0	0.0%
Subtotal - Governing Boards/Institutions	\$672,232,571	\$672,482,577	\$250,006	0.0%
Financial Aid	\$174,082,678	\$175,203,372	\$1,120,694	0.6%
Move FML Lease Purchase Payments to Higher Education from Treasury budget	n/a	\$12,125,175	\$12,125,175	n/a
Other	\$11,100,746	\$11,223,592	\$122,846	1.1%
Total - Department of Higher Education	\$857,415,995	\$871,034,716	\$13,618,721	1.6%

¹Includes College Opportunity Fund stipends, fee-for-service contracts, and grants to local district colleges and area technical colleges 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.



TUITION AND FEES

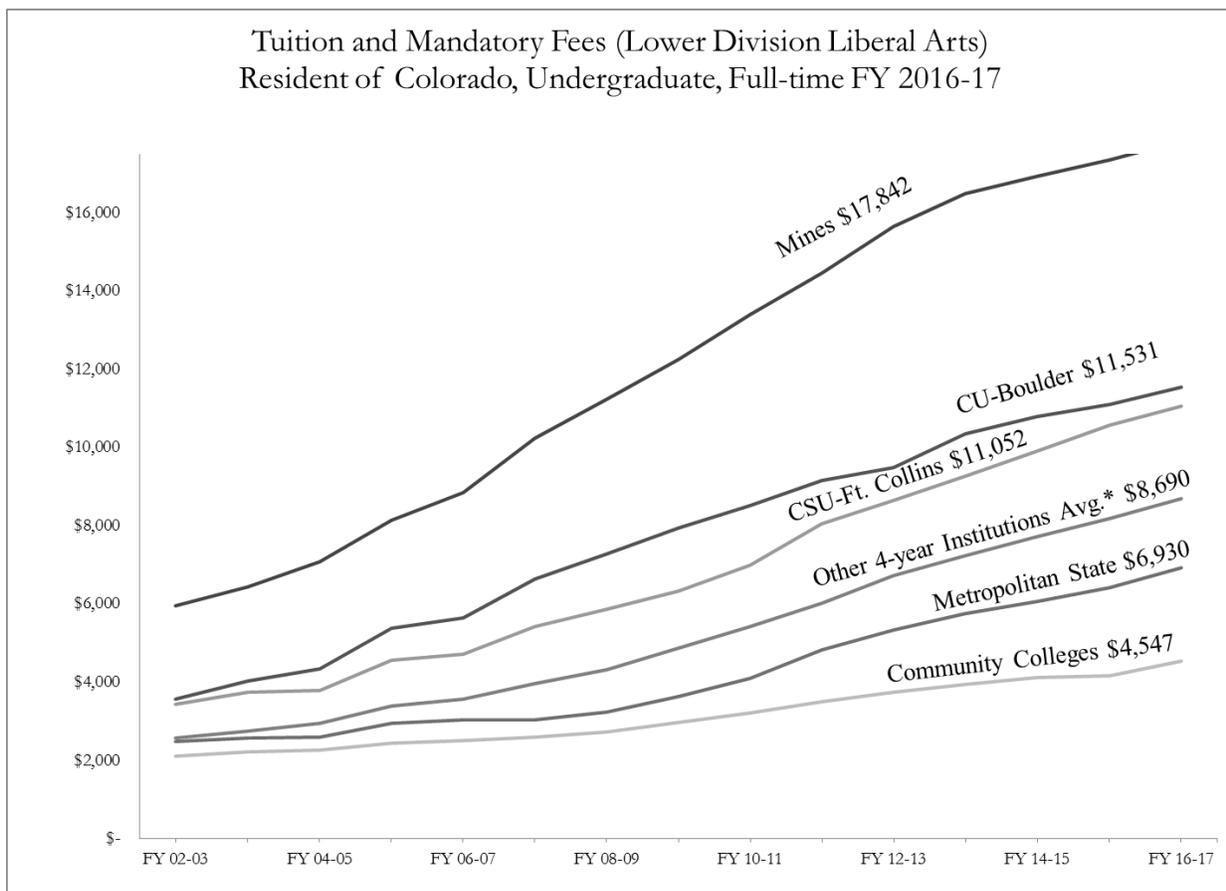
Public access to higher education is significantly influenced by tuition and fee rates: high rates may discourage participation or may result in high debt loads for those who do participate. Nonetheless, Colorado and other states have often used tuition increases to substitute for higher education General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

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

- Prior to FY 2011-12, the General Assembly appropriated tuition revenue to the institutions and set forth its assumptions about tuition increases in a Long Bill footnote.
- S.B. 10-003 temporarily delegated tuition authority to higher education governing boards from FY 2011-12 through FY 2015-16 (five years).
- From FY 2011-12 through FY 2013-14, governing boards could increase resident undergraduate tuition rates up to 9.0 percent per year, and could submit a plan to ensure access and affordable tuition for low- and middle-income students to the Commission for permission to implement larger rate increases.
- For FY 2014-15 and FY 2015-16, the General Assembly paired increases in state funding with a 6.0 percent "hard" cap on undergraduate resident tuition increases through S.B. 14-001 (College Affordability Act).

- Beginning in FY 2016-17, the responsibility to set tuition spending authority reverted to the General Assembly for all institutions except the Colorado School of Mines [Section 23-5-129 (10), C.R.S.], and the tuition increases used to derive the total spending authority for each governing board are detailed in a footnote to the Long Bill [Section 23-18-202 (3) (b), C.R.S.].
- For FY 2016-17, Long Bill footnotes reflect maximum resident undergraduate tuition increases by governing board of 5.0 percent to 9.0 percent.

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



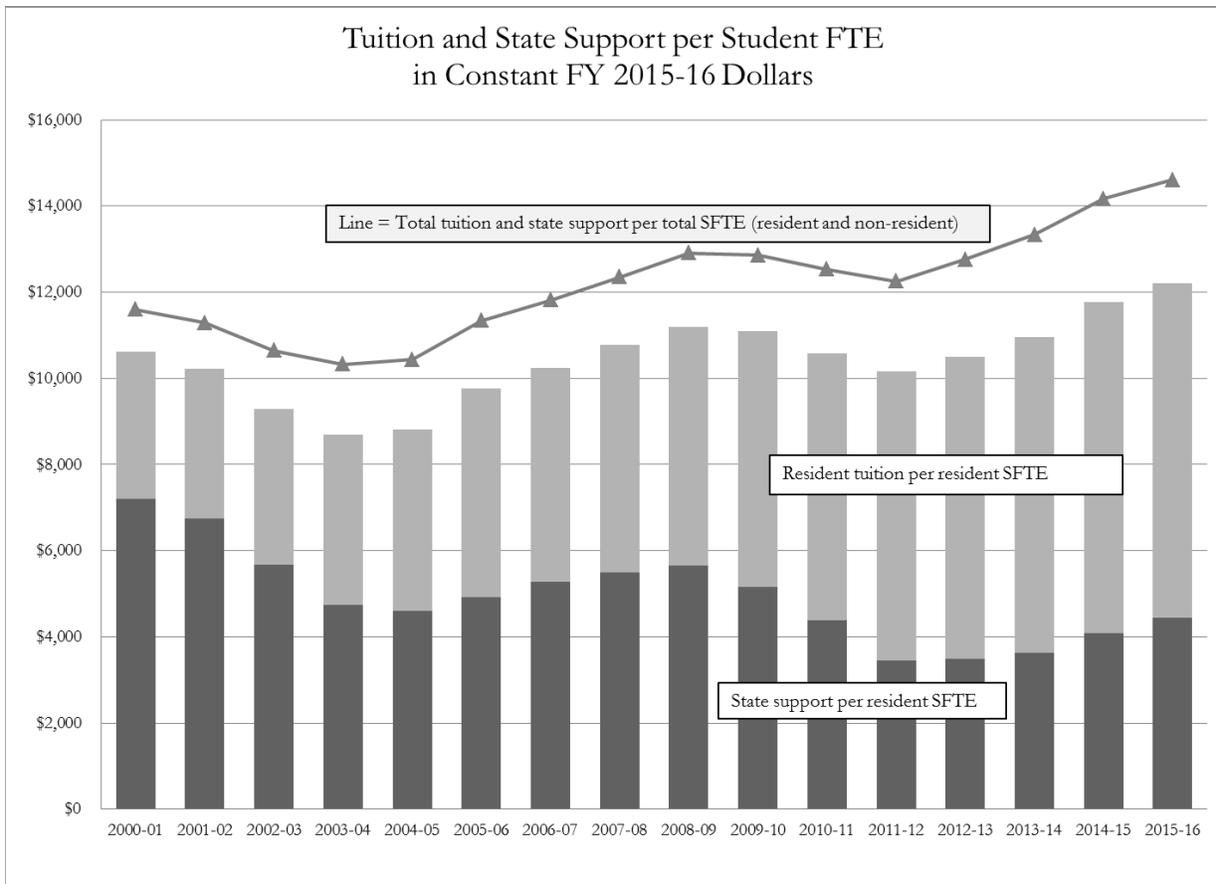
*CSU-Pueblo, Fort Lewis College, University of Northern Colorado, Adams State University, Colorado Mesa University, Western State Colorado University

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

- The share of costs covered by the *resident* student—as opposed to the General Fund—has changed substantially, as reflected by the bars on the chart. In FY 2000-01, the General Fund

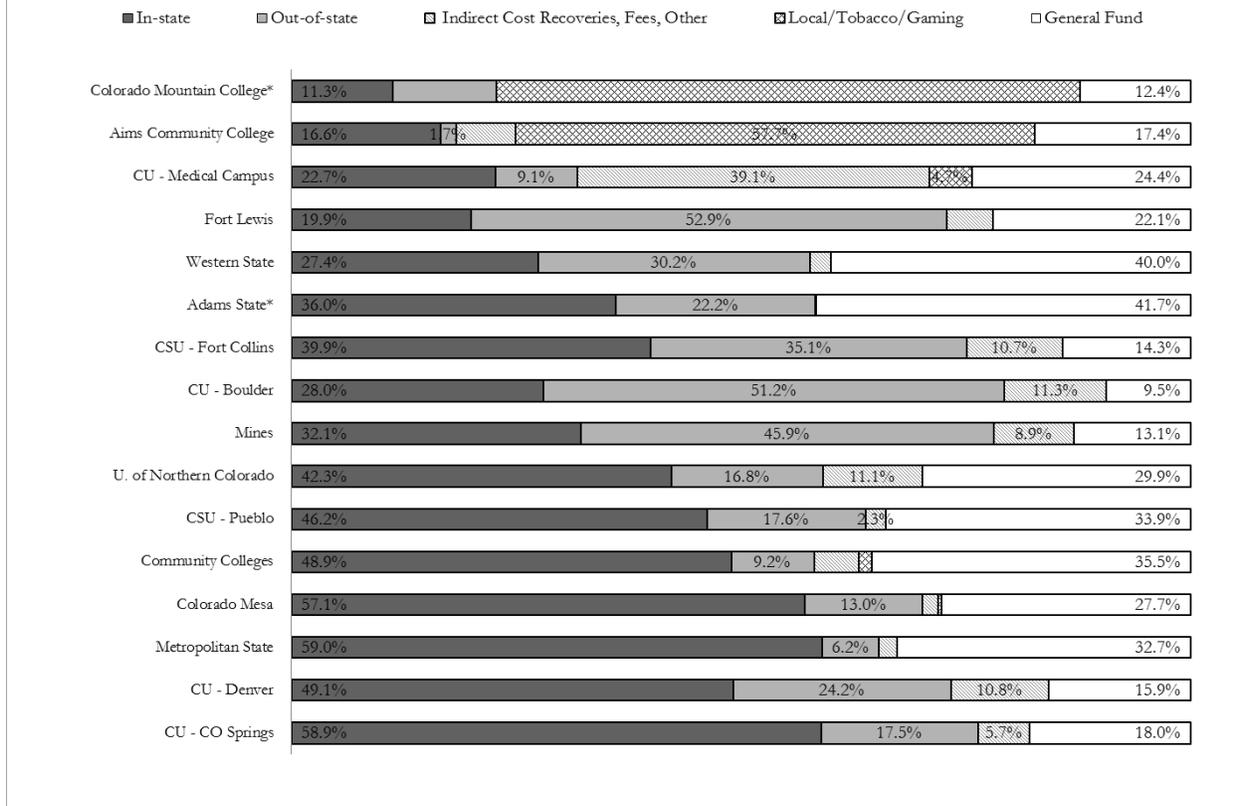
provided about two-thirds of the revenue per resident student; for FY 2015-16, it provided 36.4 percent.

- Revenue to the institutions per resident student (bars on the chart; combination of General Fund and resident tuition revenue) has varied over time but reached a new high point in FY 2015-16, even after adjusting for inflation. In FY 2013-14, total revenue per resident student FTE after adjusting for inflation was similar to the FY 2000-01 revenue per resident. However, between FY 2013-14 and FY 2015-16, total average revenue per resident increased sharply, placing revenue per resident well above both the previous FY 2000-01 and FY 2008-09 high points.
- When non-resident students and related revenue are included, overall revenue to the institutions per student (the line on the chart) has increased far more rapidly than CPI inflation: per-student revenue from tuition and state support increased 26.0 percent from FY 2000-01 to FY 2015-16 after adjusting for inflation.



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 2015-16. Note that this excludes revenue and expenditures for research grants and auxiliary facilities such as dormitories and dining halls.

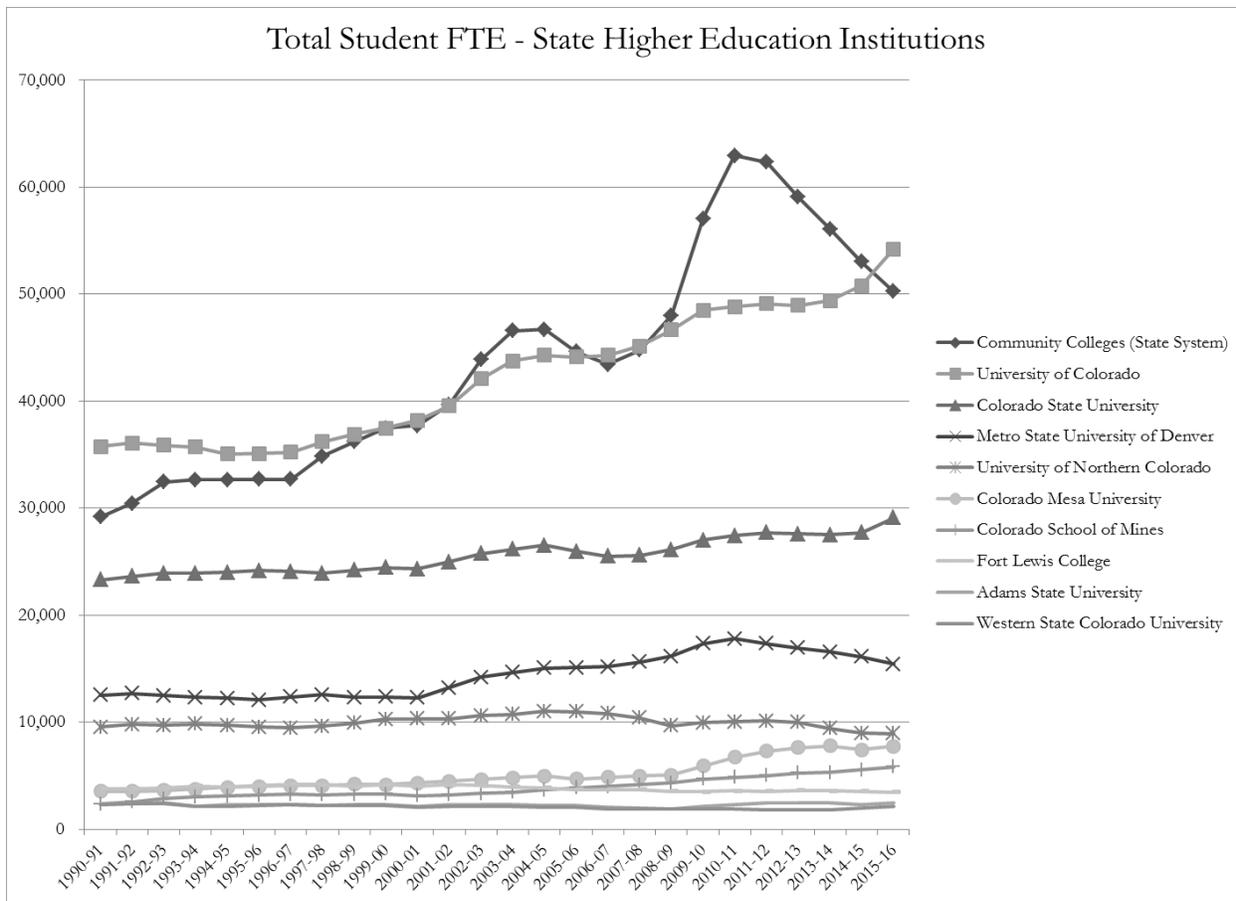
Proportion of Funding from Students vs the State FY 2015-16



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. This affects most institutions to some extent but is particularly notable for the community college system. The following chart reports student FTE since FY 1991-92 (excluding Local District Colleges and Area Technical College data). Thirty credit hours in a year equals one full-time-equivalent student. In FY 2015-16, total enrollment increased for the first time in five years, but there was wide variation in the enrollment trend by institution.



PERSONNEL

Higher education governing boards are allowed by statute to determine the number of employees they need, but the Long Bill reflects estimates provided by the governing boards of the numbers of employees at their institutions. In FY 2015-16, the institutions employed an estimated 24,044.7 FTE, excluding employees of self-supporting auxiliary programs such as food services, book stores, or housing.

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

COLLEGE OPPORTUNITY FUND AND THE HIGHER EDUCATION FUNDING MODEL

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

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

The model refines and restructures the funding system first adopted during the 2004 legislative session through S.B. 04-189. It distributes higher education funding through two mechanisms: student stipends and fee-for-service contracts. Funding for stipends for resident undergraduates is appropriated into a fund that pays each institution a stipend for each eligible resident undergraduate student. The balance of the appropriation is used for fee-for-service contracts to address services that are not accounted for in the student stipends: base funding for institutional roles and missions, performance outcomes, and support for specialty education programs such as the medical and veterinary schools. The sum of stipends and fee-for-service contracts is the state General Fund support provided to each institution for their operations.

As required by H.B. 14-1319, the Colorado Commission on Higher Education developed an initial version of the model which was used for the FY 2015-16 budget submission. The General Assembly used the model, with some adjustments, to set FY 2015-16 budget allocations for the governing boards. The General Assembly adopted additional changes for FY 2016-17. These changes are designed to provide some additional stability to the model and to reduce the share of funding related to students who are not residents of Colorado.

For FY 2016-17, some governing boards received increases and others decreases based on the model's results, even though total governing board support was held flat. The model relies on the most recent actual data available, rather than projections. Thus, funding for the governing boards in FY 2016-17 was based on their actual enrollment, degrees awarded, and other relevant data from FY 2014-15. To a significant extent, the changes in individual governing board support from FY 2015-16 to FY 2016-17 reflected relative growth or decline in the governing board's enrollment in FY 2014-15 compared to other governing boards.

The FY 2016-17 model distribution is detailed below. This excludes additional support provided for certain "limited purpose" contracts (funding provided for specific statutory initiatives) and support for local district colleges and area technical colleges (which by law must receive funding increases consistent with the average for the state-operated boards).

	STUDENT STIPENDS	PELL ELIGIBLE STUDENTS	MISSION DIFFERENTIATION	WEIGHTED CREDIT HRS	COMPLETION/RETENTION (DEGREES AWARDED)	PRODUCTIVITY (DEGREES PER SFTE)	SPECIALTY EDUCATION	TOTAL
Adams	\$2,890,626	\$180,634	\$7,900,000	\$324,126	\$1,667,413	\$1,113,561		\$14,076,359
Mesa	\$13,706,155	\$587,108	\$4,800,000	\$787,262	\$3,479,637	\$920,567		\$24,280,728
Metro	\$32,248,782	\$1,474,350	\$5,100,000	\$2,065,193	\$9,519,353	\$1,007,324		\$51,415,001
Western	\$2,967,276	\$103,729	\$6,350,000	\$212,318	\$911,853	\$989,750		\$11,534,926
CSU	\$43,047,716	\$1,219,718	\$16,050,000	\$3,269,768	\$16,058,084	\$1,058,650	\$53,814,371	\$134,518,306
Ft. Lewis	\$4,041,098	\$134,550	\$4,800,000	\$155,350	\$1,398,921	\$951,281		\$11,481,199
CU	\$62,352,540	\$2,049,428	\$24,450,000	\$5,769,654	\$28,149,829	\$1,064,314	\$62,596,921	\$186,432,685
Mines	\$6,194,533	\$149,374	\$8,900,000	\$776,526	\$3,527,776	\$1,090,841		\$20,639,050
UNC	\$15,440,878	\$572,610	\$14,330,000	\$1,186,442	\$6,421,087	\$1,087,217		\$39,038,234
Community Colleges	\$106,473,273	\$4,444,244	\$16,600,000	\$5,453,362	\$19,480,811	\$716,497		\$153,168,186
Total	\$289,362,876	\$10,915,742	\$109,280,000	\$20,000,001	\$90,614,764	\$10,000,000	\$116,411,292	\$646,584,675
Percentage of Total Funding Allocated in Category								
Overall	44.8%	1.7%	16.9%	3.1%	14.0%	1.5%	18.0%	100.0%
Excluding Specialty Ed	54.6%	2.1%	20.6%	3.8%	17.1%	1.9%	n/a	100.0%

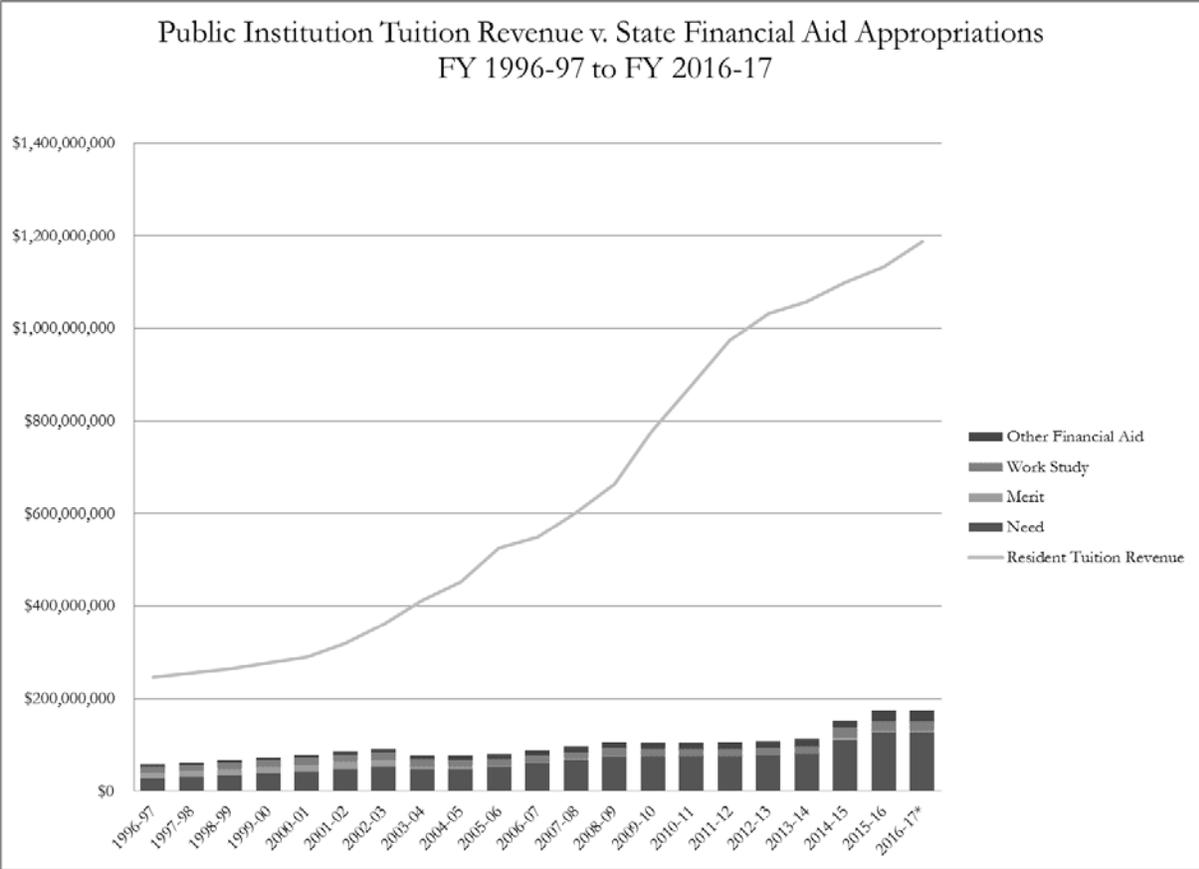
One benefit of the State's higher education funding structure is that it enables the State to designate qualifying state higher education institutions as enterprises under Article X, Section 20 of the Colorado Constitution (TABOR). Revenue, such as tuition, that is generated by enterprises is exempt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

FINANCIAL AID

Of the state General Fund appropriations for higher education in FY 2016-17, \$175.2 million (20.1 percent) is for financial aid. The majority of the money goes for need-based aid and work study. A small appropriation for merit-based grants was restored in FY 2014-15 and continued in FY 2015-16, and there are a number of smaller, special purpose financial aid programs. These include the Colorado Opportunity Scholarship Initiative, added in FY 2014-15, to fund services, supports, and scholarships for high achieving low income students in collaboration with private funders and agencies.

For most of the financial aid programs, the General Assembly appropriates financial aid funds to the Colorado Commission on Higher Education, which allocates them to institutions, including to some private institutions, based on formulas that consider financial need at the schools, total student enrollment, student retention, and program eligibility criteria. A total of 77,801 students received state-supported financial aid in FY 2015-16, most of whom received need-based aid or work study support. The average state need-based award was \$1,963 and the average state work study award was \$2,512.

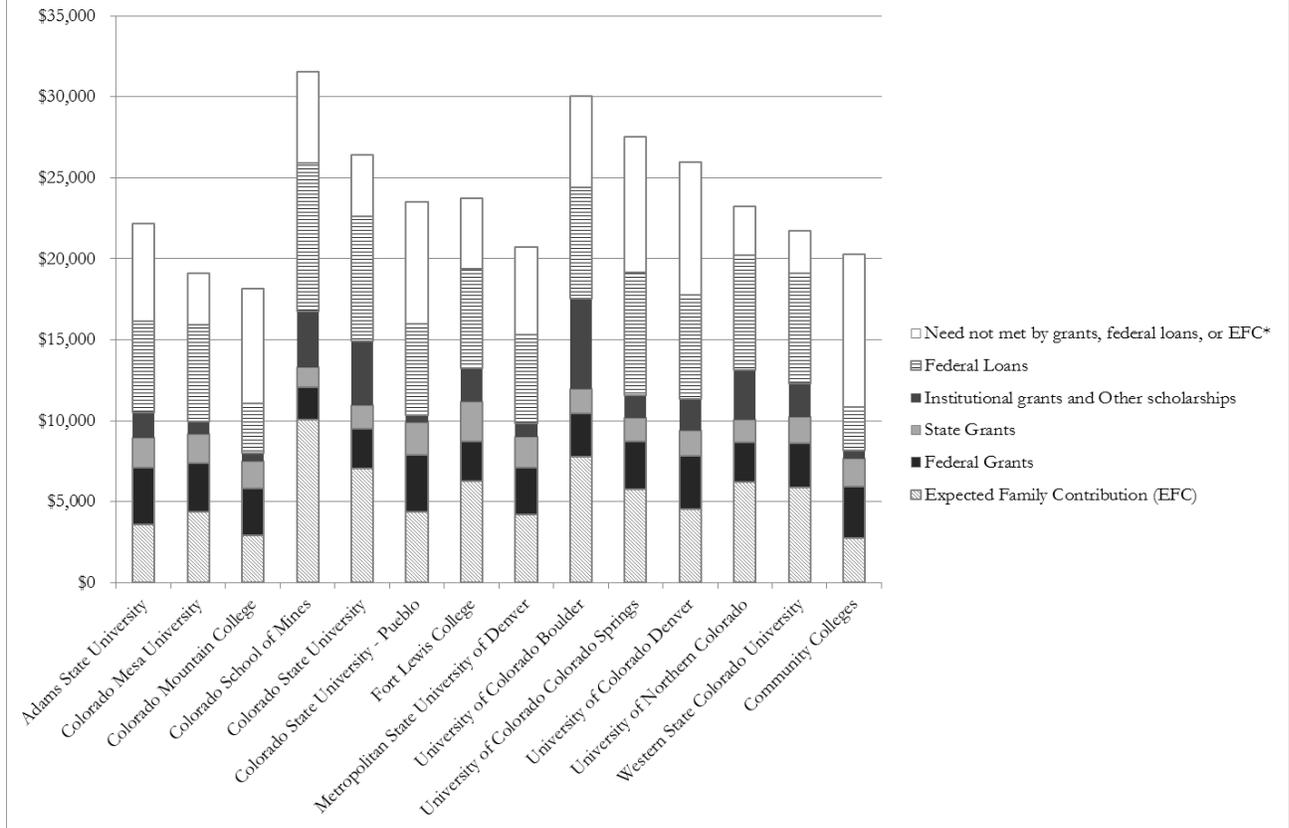
For FY 2014-15, the General Assembly provided a 37.0 percent increase in financial aid, and for FY 2015-16 it provided a 14.0 percent increase. Funding for FY 2016-17 was held virtually flat (a 0.6 percent increase over FY 2015-16). Overall demand for aid continues to far outstrip available funding, as suggested by the chart below.



*Tuition revenue reflects estimates used for budgeting purposes for FY 2016-17.

Most sources of student financial aid are not reflected in the state budget. However, even when these other funding sources are included, financial aid support is far less than the cost of higher education. The following chart compares grants and loans awarded in FY 2015-16 to full-time resident undergraduate students with financial need (calculated based on federal formulas) and the average cost of attendance for a resident student at various institutions. Of the funding sources shown, only state grants are reflected in the state budget.

Average Student Grants, Federal Loans, and Unmet Need by Institution for Resident Undergraduate Students Qualifying for Financial Aid, FY 2015-16



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

As reflected in the chart, state grants represent only one relatively small component of financial aid.

The 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 \$5,775 per eligible student in FY 2015-16, with an average grant of \$3,439. The families of dependent students receiving a full Pell had an average adjusted gross income of \$14,321 while the average for students receiving any Pell award was \$24,436. In FY 2015-16, 74,730 students attending state public institutions received a Pell grant.

Students may also receive grants from the higher education institutions they attend. About 25 percent of all the aid students receive at public and private Colorado institutions is institutional aid. Some institutions make significant funds available from their operating budgets and donated funds, based on moneys available and the number of students who qualify for institutional aid. About one-third of institutional aid is used for need-based aid, primarily for resident students, and this is reflected in the chart above.

The calculated “Cost of Attendance” is far greater than just tuition and academic fees. It includes expenses related to room, board, transportation, and learning materials, in addition to tuition.

Depending on the institution, these other costs of attendance may dwarf the price of tuition. The total cost of attendance for a resident student in FY 2015-16, including room and board and fees, ranged from \$17,169 at Aims Community College to \$31,535 at the Colorado School of Mines.

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

- Sixty-seven percent of students completing a bachelor's degree from a public institution graduated with debt in FY 2015-16, and the average federal student loan debt at graduation was \$25,877.
- Sixty percent of students completing an associate's degree from a public institution graduated with debt in FY 2015-16, and the average student loan debt at graduation was \$13,374.
- There is a substantial gap between the calculated cost of attendance for students with need and known sources of student support. A portion of this gap may be filled with additional unsubsidized student or family loans which are not included in these figures.

INSTITUTIONAL FINANCIAL HEALTH

As state institutions become more dependent upon tuition revenue, their survival has become more dependent upon their performance as businesses. While the governing boards have considerable operating autonomy and independent responsibility for their financial well-being, they are components of state government, employ large numbers of state staff, and play a critical role in the state economy. Thus, the General Assembly has an active interest in how well or poorly the institutions are performing financially.

In addition, the State provides a financial backstop for bonds issued by most of the state institutions. For bonds issued under the higher education revenue bond intercept program (Section 23-5-139, C.R.S.), loan rates are based on the state's credit rating rather than the institution's, and the State agrees to make bond payments if the institution is unable to do so. Under statutory provisions amended in S.B. 16-204, the CDC and JBC must approve requests that increase a governing board's debt under the program.

The Composite Financial Index (CFI) is a tool designed to summarize institutional financial health. It combines four financial ratios (primary reserve ratio, viability ratio, return on net assets, and net operating ratio) to provide an overall indicator of a governing board's financial well-being. Staff has used this tool for the last several years to report on institutional financial health. The table below summarizes the most recent results. This year, all institutions other than Adams State University submitted data through FY 2015-16.

In addition, as result of S.B. 16-204 (Concerning the Higher Education Revenue Bond Intercept Program), the General Assembly also has a new source for information on institutional financial health. In September 2016, the State Treasurer's Office released its *First Annual Report on State Institutions of Higher Education*. The report uses a "traffic light" key to indicate whether:

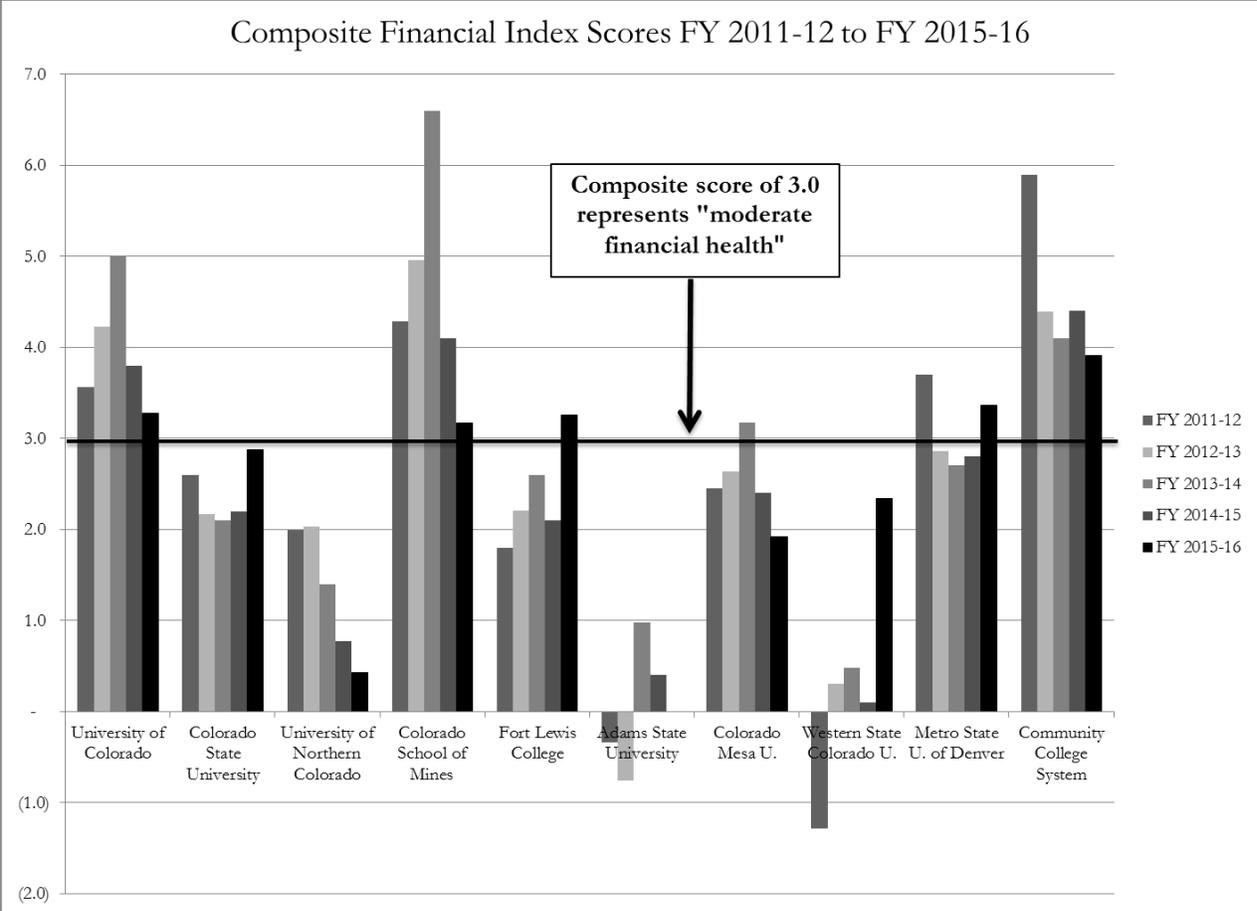
GREEN: an institution currently meets all of the requirements for the higher education revenue bond intercept program

YELLOW: even if it meets the requirements, the institution has been experiencing financial difficulties; or

RED: an institution has fallen below one or more of the minimum requirements for participation in the revenue bond intercept program.

As reflected in the CFI chart and summary of the Treasurer's report below:

- The majority of governing boards reflect a reasonably strong financial position in FY 2015-16, with six of ten close to or above a score of 3.0 (moderate financial health on the CFI scale) and seven of ten receiving a "green" light from the Treasurer's office for issuing new debt under the intercept program.
- The University of Northern Colorado's financial position is looks poor and its credit rating was recently downgraded to A2 based on "several year of weak operations, declining liquidity, and rising fixed costs associated with plans to grow enrollment". While UNC feels it is already seeing positive impacts from its enrollment initiative, its position is concerning.
- Although no new data was submitted by Adams State, the Treasurer's report, discussed below, indicates that its financial situation is troubled, and this is consistent with the prior year's CFI.
- Western State's financial position is substantially improved on the CFI measure, primarily reflecting new state investment in its physical plant, as well as stronger operating revenues. However, as discussed in the State Treasurer's report, its credit rating is still Baa1, and it is highly leveraged.



Source: institutional data submissions using the methodology outlined in KPMG, Prager, Sealy & Co, Attain, "Strategic Financial Analysis for Higher Education, Seventh Edition", 2010.

Notes: Ratios have been adjusted to eliminate the impact of GASB 68, which requires institutions to include pension liabilities in their financial statements, since the CFI tool has not been updated to address the GASB 68 changes. For additional information on the CFI, please see the attached appendix.

GOVERNING BOARD	TREASURER TRAFFIC LIGHT	BOND RATING (MOODY'S)*	NOTES
University of Colorado	GREEN	Aa1	The University has a credit rating higher than the State of Colorado's and thus does not use the Revenue Bond Intercept Program.
Colorado State University	GREEN	Aa3	Sufficient debt service coverage, stable outlook.
University of Northern Colorado	YELLOW	A2	At the time of the report, rating was A1, but it was downgraded to A2 on October 7, 2016. The ratings report indicated that this reflects several year of weak operations, declining liquidity, and rising fixed costs associated with plans to grow enrollment.

GOVERNING BOARD	TREASURER TRAFFIC LIGHT	BOND RATING (MOODY'S)*	NOTES
Colorado School of Mines	GREEN	Aa3	Debt service coverage is high and the institution has had significant growth in financial resources and strength.
Fort Lewis College	GREEN	A2	Debt service coverage is sufficient, but Treasurer's report notes declining enrollment and limited pricing power in a competitive environment.
Adams State University	RED	A3	Fails ratio test: Debt service coverage ratio below 1.5x minimum. Credit rating downgraded by Moody's 1/22/16. Declining enrollment and revenue; increasing expenses.
Colorado Mesa U.	GREEN	A2	Debt service coverage is sufficient. Dominance in western Colorado and long-term growth in enrollment and tuition revenue offsets concerns related to high leverage.
Western State Colorado U.	RED	Baa1	Fails credit rating test and coverage ratio test. Rating is stable. Coverage is challenging as the University is highly leveraged with capital expenses equivalent to 23 percent of total expenses.
Metro State U. of Denver	GREEN	A1	Debt service coverage exceeds minimum requirement. Areas of concern include exposure to the hospitality market associated with guarantee for hotel bonds debt service.
Community College System	GREEN	Aa3	Meets all requirements. Strong coverage ratio.

*The Moody's rating scale, highest to lowest: Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Ba2, etc. The State's rating is Aa2.

SUMMARY: FY 2016-17 APPROPRIATION & FY 2017-18 REQUEST

DEPARTMENT OF HIGHER EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	4,061,311,383	870,343,621	2,453,407,936	715,047,309	22,512,517	24,491.1
Other legislation	14,745,619	691,095	13,804,524	250,000	0	0.3
TOTAL	\$4,076,057,002	\$871,034,716	\$2,467,212,460	\$715,297,309	\$22,512,517	24,491.4
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	\$4,076,057,002	871,034,716	\$2,467,212,460	\$715,297,309	\$22,512,517	24,491.4
R1 Operating request for public colleges and universities	36,549,617	20,506,613	0	16,043,004	0	0.0
R2 Tuition spending authority increase	116,397,363	0	116,397,363	0	0	0.0
R3 Fort Lewis Native American Tuition Waiver	88,300	88,300	0	0	0	0.0
R4 WICHE Optometry	44,125	0	0	44,125	0	0.0
R5 WICHE dues increase	4,000	0	0	4,000	0	0.0
HC1 Revitalization funds for community museums	1,589,044	1,589,044	0	0	0	0.0
HC2 Realignment of History Colorado Long Bill	0	0	0	0	0	0.0
NP1 Resources for administrative courts	76	0	76	0	0	0.0
NP2 OIT Secure Colorado	13,488	0	8,514	4,974	0	0.0
NP3 OIT deskside staffing	5,394	0	5,394	0	0	0.0
Higher Ed Federal Mineral Lease COP	4,868,748	4,870,898	(4,873,048)	4,870,898	0	0.0
Auraria Higher Ed Center adjustment	1,216,595	0	0	1,216,595	0	0.0
Centrally appropriated line items	1,151,028	45,433	712,925	260,060	132,610	0.0
Fitzsimons COP	6,564	12,449	(5,885)	0	0	0.0
Annualize prior year legislation	(8,132,020)	0	(7,932,020)	(200,000)	0	0.0
Other	(2)	0	(2)	0	0	0.0
TOTAL	\$4,229,859,322	\$898,147,453	\$2,571,525,777	\$737,540,965	\$22,645,127	24,491.4
INCREASE/(DECREASE)	\$153,802,320	\$27,112,737	\$104,313,317	\$22,243,656	\$132,610	0.0
Percentage Change	3.8%	3.1%	4.2%	3.1%	0.6%	0.0%

R1 OPERATING REQUEST FOR PUBLIC COLLEGES AND UNIVERSITIES: The request includes an increase of \$20,506,613 General Fund allocated among public institutions of higher education (state governing boards, local district colleges, and area technical colleges) and financial aid. The request includes: (1) an overall increase of \$16,712,891 (2.5 percent) for the governing boards, allocated based on the H.B. 14-1319 funding model; and (2) an increase of \$3,793,722 for need-based financial aid, consistent with statutory requirements that financial aid increase at the same rate as support for the governing boards. The Department does not propose to change the H.B. 14-1319 model from the version used for the FY 2016-17 Long Bill. Under the model, the state-operated boards would receive increases that range from 0.3 percent to 6.9, based on the distribution of institutional enrollment and degrees awarded in actual FY 2015-16. Specialty education programs (such as the medical school), local district colleges, and area technical colleges receive a 2.5 percent increase. The request is based on the need for various inflationary increases at the Boards. The Department proposes that governing board inflationary increases that cannot be fully covered by the request will be addressed through tuition increases (Request R2).

R2 TUITION SPENDING AUTHORITY INCREASE: The request is for an additional \$116.4 million in cash funds spending authority for state public institutions' tuition revenue for FY 2017-18. The increase is proposed to cover base costs and strategic initiatives, given a moderate General Fund increase. The request would cover a 2.2 percent inflationary increase and funding for health care increases. The request reflects: (1) institutions' base funding needs; (2) the General Fund increase requested for each governing board; and (3) feedback from the affected governing boards. The request proposes that Long Bill footnotes authorize 5.0 percent to 7.7 percent increases in undergraduate resident tuition rates, depending upon the governing board, with no restrictions on non-resident or graduate tuition or mandatory fees.

R3 FORT LEWIS NATIVE AMERICAN TUITION WAIVER: The request includes an increase of \$88,300 General Fund for the Fort Lewis College Native American tuition waiver, bringing the total to \$17,452,548 General Fund for the program. This requested increase is mandated by Section 23-52-105 (1) (b) (I), C.R.S., which requires the General Assembly to fund 100 percent of the tuition obligations for qualifying Native American students attending Fort Lewis College. Funding for the tuition waiver is made one year in arrears and is calculated based on the prior year enrollment estimates.

R4 WICHE OPTOMETRY: The Department requests an increase of \$44,125 reappropriated funds (indirect cost recoveries) to fund the Western Interstate Commission on Higher Education Optometry Professional Student Exchange Program (PSEP) in FY 2017-18, bringing the total appropriation to \$443,125. This program allows Colorado resident students to pursue professional degrees in optometry at designated out-of-state institutions at a tuition rate comparable to an in-state tuition rate, through payment of a "support fee" appropriated by the General Assembly. In FY 2016-17, five qualified students were eligible for the program but only two could be accepted based on available funding.

R5 WICHE DUES INCREASE: The request includes an increase of \$4,000 appropriated funds (indirect cost recoveries) to pay for the increase in Western Interstate Commission for Higher Education (WICHE) dues.

HC1 REVITALIZATION FUNDS FOR COMMUNITY MUSEUMS: History Colorado requests an increase of \$1,589,044 General Fund in FY 2017-18 for Colorado's eight community museums located across the state. A portion of the funding would support 8.0 FTE whose responsibilities would focus on community museum security, local community involvement, philanthropic development, and educational outreach in remote areas. A portion would also support the development of revenue-generating enterprise programs that will enable the community museums to reduce the General Fund support required over time. General Fund support would gradually step down over multiple years, declining to \$975,942 by FY 2024-25.

HC2 REALIGNMENT OF HISTORY COLORADO LONG BILL: History Colorado requests that \$306,475 cash funds in its facilities management line item be moved to the community museums line item to provide the community museums more control over and accountability for community museum funds. This change has a net \$0 impact and represents a minor adjustment to the new History Colorado's Long Bill structure adopted in FY 2015-16.

NP1 RESOURCES FOR ADMINISTRATIVE COURTS: This request is for the Department’s share of a Department of Personnel initiative to upgrade to a new electronic case management system for the administrative courts.

NP2 OIT SECURE COLORADO: This request is for the Department’s share of a Governor’s Office of Information Technology (OIT) initiative to improve statewide information security.

NP3 OIT DESKSIDE STAFFING: This request is for the Department’s share of an initiative to improve end-user support for state agencies.

HIGHER ED FEDERAL MINERAL LEASE COP: The request is for an increase of \$4,870,898 General Fund based on a decline in Federal Mineral Lease (FML) revenue available to cover certain state lease-purchase obligations. In 2008, the General Assembly authorized the State to enter into lease-purchase agreements (certificates of participation/COPs) to fund capital construction projects for state-supported institutions of higher education. Annual payments were to be made from Federal Mineral Lease (FML) revenues that were projected to increase. The FML revenue stream has been inconsistent, and General Fund has therefore been required to backfill the obligation. House Bill 16-1229, sponsored by the JBC, made some additional FML fund balance available in FY 2016-17, but this will be exhausted for FY 2017-18, so additional General Fund is again required.

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

CENTRALLY APPROPRIATED LINE ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Health, life, and dental adjustment	\$414,799	\$19,862	\$239,340	\$103,062	52,535
Short-term disability adjustment	2,260	284	1,061	797	118
AED adjustment	59,179	7,817	28,495	18,968	3,899
SAED adjustment	64,939	7,917	31,809	20,012	5,201
Salary survey adjustment	336,345	9,553	190,459	65,476	70,857
Workers’ compensation adjustment	(15,027)	0	(19,916)	4,889	0
Legal services adjustment	1,885	0	520	1,365	0
ALJ adjustment	543	0	543	0	0
Payment to risk management / property funds adjustment	5,542	0	3,372	2,170	0
Leased space adjustment	7,989	0	1,598	6,391	0
Payments to OIT adjustment	268,408	0	247,879	20,529	0
CORE adjustment	4,166	0	(12,235)	16,401	0
Total	\$1,151,028	\$45,433	\$712,925	\$260,060	132,610

FITZSIMONS COP: The request includes a technical adjustment to the total amount and General Fund and Tobacco Master Settlement Funds shares of the annual lease-purchase payment for the University of Colorado Health Sciences Center at Fitzsimons that was authorized by H.B. 03-1256.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments for the second- and third-year impact of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Annualize HB 15-1274	(\$200,000)	\$0	\$0	(\$200,000)	0
Annualize HB 16-1453 Cybersecurity	(7,932,020)	0	(7,932,020)	0	0
Total	(\$8,132,020)	\$0	(\$7,932,020)	(\$200,000)	0

OTHER: The request includes a minor technical adjustment.

ISSUE: REQUEST R2 AND PROPOSED HIGHER EDUCATION TUITION INCREASES

The Department of Higher Education has requested \$116.4 million in additional cash funds spending authority, and related Long Bill footnotes, to accommodate undergraduate resident tuition increases averaging 6.0 percent.

SUMMARY

- Department request R2 proposes a tuition increase of 6.0 percent on average in resident tuition and a related increase of \$116.4 million in cash funds spending authority. The request argues that this is necessary to cover inflationary increases at public institutions that are not covered by the requested General Fund increase of \$16.0 million. Proposed resident undergraduate tuition caps vary by governing board and reflect governing board input. The request assumes slower growth in non-resident tuition (5.0 percent).
- The combined increase in General Fund and tuition (\$132.4 million) is far higher than the \$74.1 million the Department calculated as the minimum required for inflationary increases in Request R1 on the grounds that governing boards require higher increases to address quality improvements and other needs. Further, the Department's model implies that the State would need to cover \$74.1 million--*all* institutional inflationary increases—plus an additional 1.0 percent to keep resident tuition flat, even though the \$74.1 million is calculated on a base that includes non-resident tuition and other revenue categories.
- Tuition has increased faster than both inflation and median household income and student debt loads are high. General Fund support per student has declined over time, which is the most important driver in tuition increases, but it is not the sole cause. Overall revenue to the institutions per student served has increased at a rate well above the rate of inflation.
- A wide variety of factors drive increases in governing board costs. Based on a sampling of some state institutions, key factors include, among other factors: (1) Growth in average compensation at institutions that are highly personnel-intensive; (2) increasing ratios of employees to students; (3) “scholarship allowance”, i.e., the practice of increasing the list-price far in excess of the figure actually paid by many students. This appears as an expense on governing board books but does not assist the institution in covering personnel and operating costs.

RECOMMENDATION

Staff believes the level of tuition increase proposed may be too generous, assuming the requested General Fund increase is authorized. The Committee should discuss institutional needs and cost drivers with the governing boards during budget hearings.

DISCUSSION

DEPARTMENT REQUESTS R1 AND R2 – INSTITUTIONAL INFLATIONARY NEEDS

The Department’s requests for R1, Operational Funding Increase for Public Colleges and Universities, and R2, Tuition Spending Authority Increase, are closely intertwined. R1 requests a state General Fund increase, and R2 requests an increase for tuition spending authority, but both are fundamentally requests to cover inflationary increases at the state’s public higher education institutions.

Request R1 includes detailed tables that explain the basis for the General Fund request. The calculation relies on annual budget data book submissions from the higher education governing boards that report actual and estimated expenditures for “education and general” activities (those expenditures that are primarily covered by state General Fund and student tuition). The request calculates a total inflationary need based on base figures from the data books and then requests that the State cover 21.6 percent of these projected costs, consistent with the General Fund share of total “education and general” revenue.

The overall inflationary need calculated by the Department is based on the following components.

REQUEST R1 CALCULATION: NEED FOR INFLATIONARY INCREASE	
Estimated base FY 2015-16 Education and General Expenses	\$2,987,803,742
FY 2017 Inflationary increase on FY 2015-16 base at 2.6%	77,682,897
Increase for PERA AED and SAED (0.9%) for staff participating in PERA	7,778,694
Health benefits increase on 2016 base at 2.9%	<u>4,305,645</u>
Estimated 2016-17 base	3,077,570,978
FY 2018 Inflationary increase on FY 2017-18 base at 2.2%	67,706,562
Health benefits increase on 2017 base at 4.2%	<u>6,416,599</u>
Total FY 2017-18 increase needed (2.4% on FY 2016-17 estimated base)	\$ 74,123,161
Portion requested from General Fund, based on current GF share of E&G: 21.6%	\$16,010,603
General Fund increase as a percentage of GF <i>appropriation</i> for Governing Boards	2.48%

Essentially, the calculation provides an inflationary increase with a modest additional increase related to rising health care costs. For comparison, the Legislative Council Staff actual and projected inflation by fiscal year is included below.

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Denver-Boulder-Greeley Inflation	2.0%	2.3%	2.8%	2.1%

Request R2 uses the same estimate of costs to be covered included in request R1 (\$74,123,161) and uses the Department’s “cost matrix” to generate a statewide average need for a 6.0 percent increase in tuition.

REQUEST R2 – UNDERLYING ASSUMPTION	
Balance of need calculated by department	\$58,112,558
Revenue generated by 1.0 percent increase in resident tuition, per Department calculations*	9,686,939
Percentage increase in resident tuition that would be required to cover the \$58.1 million	6.0 %
<i>Note: This differs from 1.0 percent of the \$1.2 billion appropriation for undergraduate resident tuition</i>	

The Department then reached out to the individual Boards, showing them the General Fund adjustments and tuition caps they would receive under various scenarios and adjusting figures based on their feedback. Based on this, the Department proposes that the Long Bill include the following tuition assumptions for spending authority and in the Long Bill footnotes that, per statute, explain the General Assembly’s assumptions for tuition appropriations.

FY 2017-18 TUITION REVENUE ASSUMPTION		
	RESIDENT	NON-RESIDENT
ASU	7.0%	5.0%
CMU	6.0%	6.0%
MSU	7.0%	5.0%
WSCU	6.0%	5.0%
CSU	6.0%	5.0%
Ft. Lewis	6.0%	5.0%
CU	5.0%	5.0%
Mines	5.0%	5.0%
UNC	7.0%	5.0%
CCCOES	7.7%	5.0%

Several of the Boards requested specific footnote adjustments to accommodate changes related to specific programs. CMU indicated that it required an additional 3.0 percent flexibility above the Department’s proposal, and Fort Lewis indicated that it would need additional flexibility with respect to resident tuition if non-resident tuition was restricted. (The General Assembly has typically wanted Fort Lewis to restrict increases in non-resident tuition, because such increases are covered 100 percent by the General Fund for many Fort Lewis students under the Native American Tuition Waiver program.)

On this basis, the Department requested tuition spending authority increases as shown in the table below.

TUITION INCREASES REQUESTED			
	Resident	Non-resident	TOTAL
ASU	\$841,943	\$401,415	1,243,358
CMU	3,207,718	801,930	4,009,647
MSU	6,691,658	496,452	7,188,111
WSCU	519,453	460,864	980,317
CSU	13,240,578	9,816,613	23,057,191

TUITION INCREASES REQUESTED			
	Resident	Non-resident	TOTAL
Ft. Lewis	676,838	1,460,813	2,137,651
CU	22,557,134	24,008,853	46,565,987
Mines	2,661,782	4,030,590	6,692,372
UNC	4,456,714	1,246,143	5,702,857
CCCOES	16,785,159	2,034,713	18,819,872
Total Increase Requested	71,638,977	44,758,386	116,397,362
Total FY 2016-17 Base Tuition	\$1,187,734,052	\$892,494,618	2,080,228,671
Total Percentage Increase	6.0%	5.0%	5.6%

The Department's general arguments for the increases are as follows:

- According to the U.S. Census Bureau's report on state government payroll data (March 2014), 65 percent of all State of Colorado government employees (55 percent of state FTE) are working in public higher education. This includes 22.5 percent of classified staff. However, the State does not provide direct funding increase for cost-of-living and health and dental insurance for these employees.
- A study commissioned by the Department in 2015 from the National Center for Higher Education Management Statistics (NCHEMS) concluded that the majority of costs at Colorado public institutions reflect faculty and staff compensation and that Colorado institutions operate at a lower cost per student than similar institutions elsewhere in the country.
- Institutions may not be able to retain staff if they cannot provide competitive compensation. This is particularly true for institutions that compete for faculty on a national-level.
- To cover increases in personnel costs for their core educational expenses, higher education institutions rely on state support or tuition. Thus, insufficient state support drives higher tuition increases.

Staff concurs that covering inflationary increases for the higher education governing boards is important. However, staff is concerned by the differences between the Department's calculated funding need developed pursuant to R1 and its spending authority request pursuant to R2. In sum, the Department's methodology appears to result in a spending authority request far in excess of its "base" calculated funding need generated as part of request R1.

DIFFERENCES IN R1 v. R2 CALCULATIONS	
Total revenue required per R1 calculation	\$74,123,161
(less) General Fund request	<u>16,010,603</u>
Minimum balance of funding needed from tuition to cover core costs	58,112,558
Tuition spending authority increase proposed (Average 6.0 Percent on resident/5.0 Percent on non-resident)	<u>116,397,362</u>
Difference - additional spending authority requested beyond inflationary calculation	\$58,284,804

- The Department has consistently taken the position that institutions need more tuition flexibility than may be generated by keeping them to a base inflationary calculation.
- Nonetheless, the current proposal appears to generate double the spending authority that would be required based on the calculation in R1. On its face, this seems excessive.
- It is likely that most governing boards will increase tuition to at or close to the cap reflected in the governing board's Long Bill footnote, based on past experience.
- The request is subject to change based on updated institutional enrollment figures. However, the governing boards rely on early signals from the Governor's Office and the General Assembly regarding what level of tuition increase is acceptable as they build their budgets. Staff thus encourages the Committee to engage the Department and governing boards at the hearings regarding the justification for tuition increases at the level shown.

The chart below reflects some alternative calculations. These calculations use the same general approach used by staff last year. Specifically:

- Staff calculates a total need for an inflationary adjustment on the base of General Fund, resident, and non-resident tuition. The table below shows a range of options from 2.5 to 5.0 percent.
- The increase required from any given funding source is initially assumed to be proportionate to the base of that funding source.
- If General Fund provided through the funding model is insufficient to cover the General Fund share (or is in excess), the difference is balanced with resident tuition, i.e., the funding from resident tuition is increased or decreased.
- The resident tuition increase divided by the base funding for resident tuition generates the percentage increase required for resident tuition (a preliminary estimate of the funding cap).
- Like the Department, staff has assumed flat enrollment for purposes of this exercise.

Staff Model v. Request: Resident Tuition Increase to Generate Total Revenue Increase Shown

Gov. Board Revenue Increase	Staff Model						Request
	2.5 Percent	3.0 Percent	3.5 Percent	4.0 Percent	4.5 Percent	5.0 Percent	4.9 Percent
Total Revenue from GF + Tuition*	\$68,178,758	\$81,814,509	\$95,450,261	\$109,086,012	\$122,721,764	\$136,357,516	\$132,440,366
ASU	3.9%	5.0%	6.1%	7.2%	8.2%	9.3%	7.0%
CMU	0.5%	1.2%	2.0%	2.7%	3.4%	4.1%	6.0%
MSU	3.6%	4.4%	5.2%	5.9%	6.7%	7.5%	7.0%
WSCU	2.5%	3.7%	4.8%	6.0%	7.2%	8.3%	6.0%
CSU	2.3%	3.1%	3.9%	4.7%	5.5%	6.3%	6.0%
Ft. Lewis	2.4%	3.4%	4.4%	5.4%	6.4%	7.4%	6.0%
CU	1.8%	2.5%	3.2%	3.9%	4.6%	5.3%	5.0%
Mines	1.9%	2.6%	3.3%	4.0%	4.7%	5.3%	5.0%
UNC	3.3%	4.1%	4.9%	5.7%	6.5%	7.3%	7.0%
CCCOES	4.1%	4.9%	5.8%	6.6%	7.5%	8.3%	7.7%
Total Increase in Resident Tuition Revenue**	2.5%	3.3%	4.1%	4.8%	5.6%	6.4%	6.0%

Staff Model v. Request: Resident Tuition Increase to Generate Total Revenue Increase Shown

Staff Model

Request

*Assumes: \$16.0 million GF allocated as requested; For purposes of the exercise, assumes non-resident increase at same rate as desired revenue increase

*As General Fund does not increase, additional resident tuition makes up the difference, as shown.

*Staff is not wedded to the particulars of the staff model. Some of the institution-specific considerations in the Department’s version should be incorporated. **However, staff believes the Department and institutions must provide further justification for why an overall revenue increase of 4.9 percent is required for the governing boards (2.5 percent General Fund, 6.0 percent resident tuition, 5.0 percent non-resident tuition).***

RECENT HISTORY: LEGISLATIVE AUTHORITY OVER TUITION

Until 2010-11, the General Assembly appropriated both state General Fund and cash funds from tuition and fees to provide for the operation of Colorado public higher education institutions. While the General Assembly usually considered amounts for “auxiliary” enterprises (such as housing or parking) or research activities to be “non-appropriated” if shown at all, it always appropriated moneys associated with institutions’ core mission of educating Colorado students.

- In FY 2010-11, in anticipation of large budget cuts to higher education, the General Assembly passed S.B. 10-003. This bill suspended the General Assembly’s authority to appropriate tuition for five years (FY 2011-12 through FY 2015-16). In lieu of this, it established a “soft” statutory tuition cap: institutions were allowed to increase undergraduate resident tuition up to 9.0% per year and could go above this cap if the Colorado Commission on Higher Education approved an institutional “Financial Accountability Plan” explaining the rationale and how low and moderate income students would be protected.
- The “soft” caps were originally expected to last five years, but when the General Assembly began to restore General Fund for higher education in FY 2014-15, it also modified the previously-adopted tuition caps. Senate Bill 14-001 established “hard” tuition caps of 6.0% on undergraduate resident tuition for FY 2014-15 and FY 2015-16.
- In these years the General Assembly also substantially increased General Fund support for higher education: by \$102.9 million in FY 2014-15, including an increases of 11.2 percent for the governing boards and 37 percent for financial aid, and by \$95.3 million in FY 2015-16, including increases of 11.1 percent for the governing boards and 14.0 percent for financial aid.
- In FY 2016-17, the “time-out” ended, and the General Assembly returned to its practice of setting tuition caps in the Long Bill through the appropriations process. Because the Governor’s Office had proposed a change to existing law and that there be no caps for FY 2016-17, the Department had no specific proposal for tuition caps. Staff used data from the Department to develop a simple methodology for calculating General Fund/tuition trade-offs and then recommended footnotes specific to each governing board based on their apparent needs, including feedback from the boards about the figures that resulted from the staff model.

- For FY 2017-18, the Department has used a related approach, i.e., it created a rough model of institutional funding needs to estimate tuition restrictions that might be appropriate and then sought feedback from the governing boards.

Staff believes that the General Assembly’s involvement in the tuition setting process is beneficial and like to lead to lower tuition levels and more efficient institutions. As staff reviewed last year:

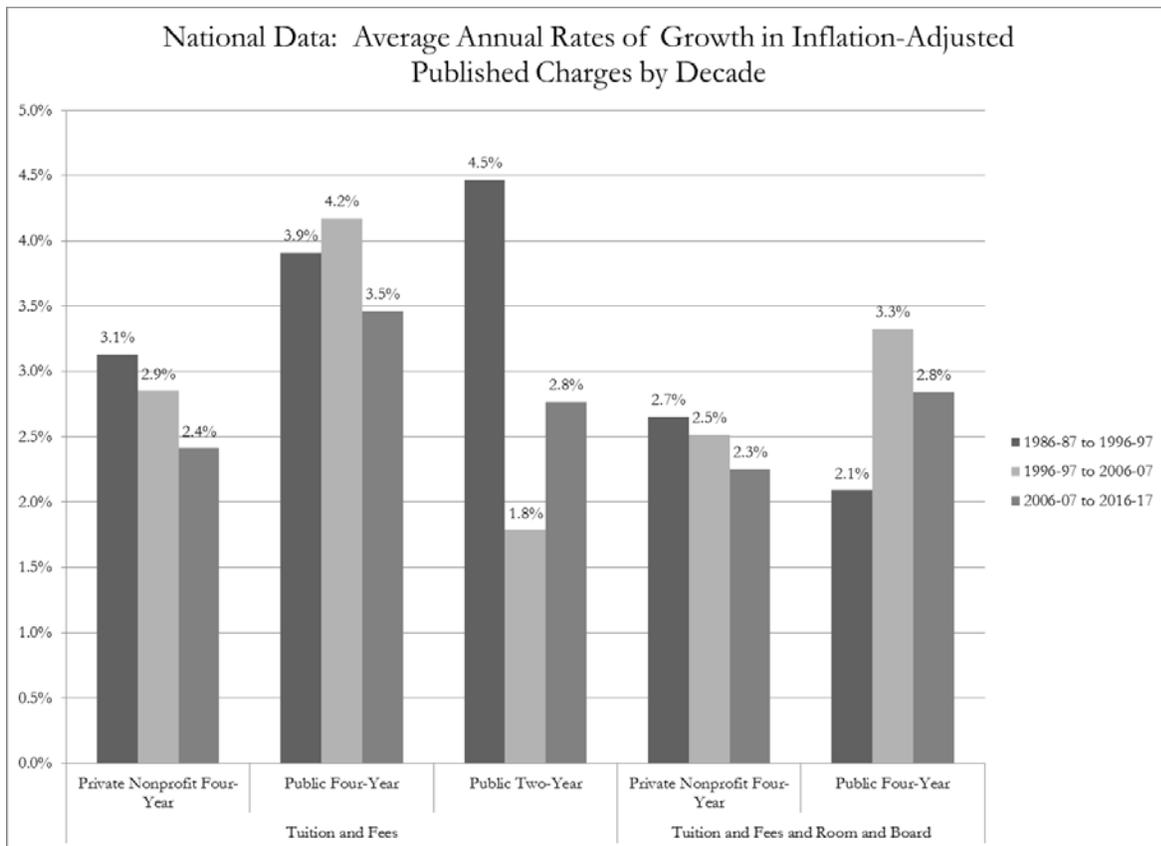
- A number of national studies have found that greater political control over higher education tuition promotes lower prices, while decentralized control (more control in the hands of governing boards and academic interests) generally leads to higher prices. Legislators and their constituents may place more emphasis on affordability, while institutions are often focused on quality-improvements.
- As discussed in last year’s NCHEMS study, Colorado’s higher education institutions are relatively efficient when compared to similar institutions in other states, i.e., they generally operate at lower cost per student. One factor contributing to this may well be the historic pressure from legislators and other political actors to keep tuition from increasing even more than it has.
- Staff also believes that by incorporating tuition spending authority into the budget process, the General Assembly is better equipped to grapple with the key trade-offs in higher education finance and institutional success: the total revenue needed for institutional health and quality, the ability of the state General Fund to contribute, and the burden on students and families of high tuition.

The chart below reflects the recent history of tuition increases at the state institutions. The FY 2016-17 amounts shown are in compliance with Long Bill footnote assumptions.

	Changes in Tuition Rates at State institutions												Appropriated Tuition; GF flat on average but	
	"Soft" 9% Cap, GF budget cuts through FY 2012-13; modest GF increase FY 2013-14								Hard 6% Cap; large GF increases for 2 years					
	FY 10-11	% chg	FY 11-12	% chg	FY 12-13	% chg	FY 13-14	% chg	FY 14-15	% chg	FY 15-16	% chg	FY 16-17	% chg
CU-Boulder	\$7,018	8.9%	\$7,672	9.3%	\$8,056	5.0%	\$8,760	8.7%	\$9,048	3.3%	\$9,312	2.9%	\$9,768	4.9%
CSU	5,256	9.0%	6,307	20.0%	6,875	9.0%	7,494	9.0%	7,868	5.0%	8,300	5.5%	8,716	5.0%
Metropolitan State	3,107	9.0%	3,809	22.6%	4,304	13.0%	4,691	9.0%	4,973	6.0%	5,222	5.0%	5,693	9.0%
Mines	11,550	9.1%	12,585	9.0%	13,590	8.0%	14,400	6.0%	14,790	2.7%	15,225	2.9%	15,716	3.2%
Community Colleges	2,888	9.0%	3,176	10.0%	3,383	6.5%	3,585	6.0%	3,747	4.5%	3,915	4.5%	4,107	4.9%
UCCS	6,270	7.2%	6,720	7.2%	7,050	4.9%	7,470	6.0%	7,710	3.2%	7,980	3.5%	8,280	3.8%
CU - Denver	6,216	8.8%	6,776	9.0%	7,980	17.8%	8,460	6.0%	8,760	3.5%	9,090	3.8%	9,420	3.6%
CSU - Pueblo	4,068	9.0%	4,592	12.9%	5,494	19.6%	5,494	0.0%	5,824	6.0%	6,159	5.8%	7,296	18.5%
Fort Lewis College	3,380	9.0%	4,048	19.8%	4,800	18.6%	5,232	9.0%	5,544	6.0%	5,856	5.6%	6,360	8.6%
UNC	4,680	8.9%	5,300	13.2%	5,464	3.1%	5,748	5.2%	6,024	4.8%	6,372	5.8%	6,906	8.4%
Adams State U	2,952	8.8%	3,312	12.2%	3,816	15.2%	4,872	27.7%	5,160	5.9%	5,448	5.6%	5,736	5.3%
CO Mesa U	5,480	16.8%	5,780	5.5%	6,102	5.6%	6,438	5.5%	6,812	5.8%	7,185	5.5%	7,572	5.4%
Western State CO U	3,422	9.0%	3,922	14.6%	4,627	18.0%	5,275	14.0%	5,539	5.0%	5,844	5.5%	6,312	8.0%

BACKGROUND: TRENDS IN TUITION, FEES, AND INSTITUTIONAL REVENUE

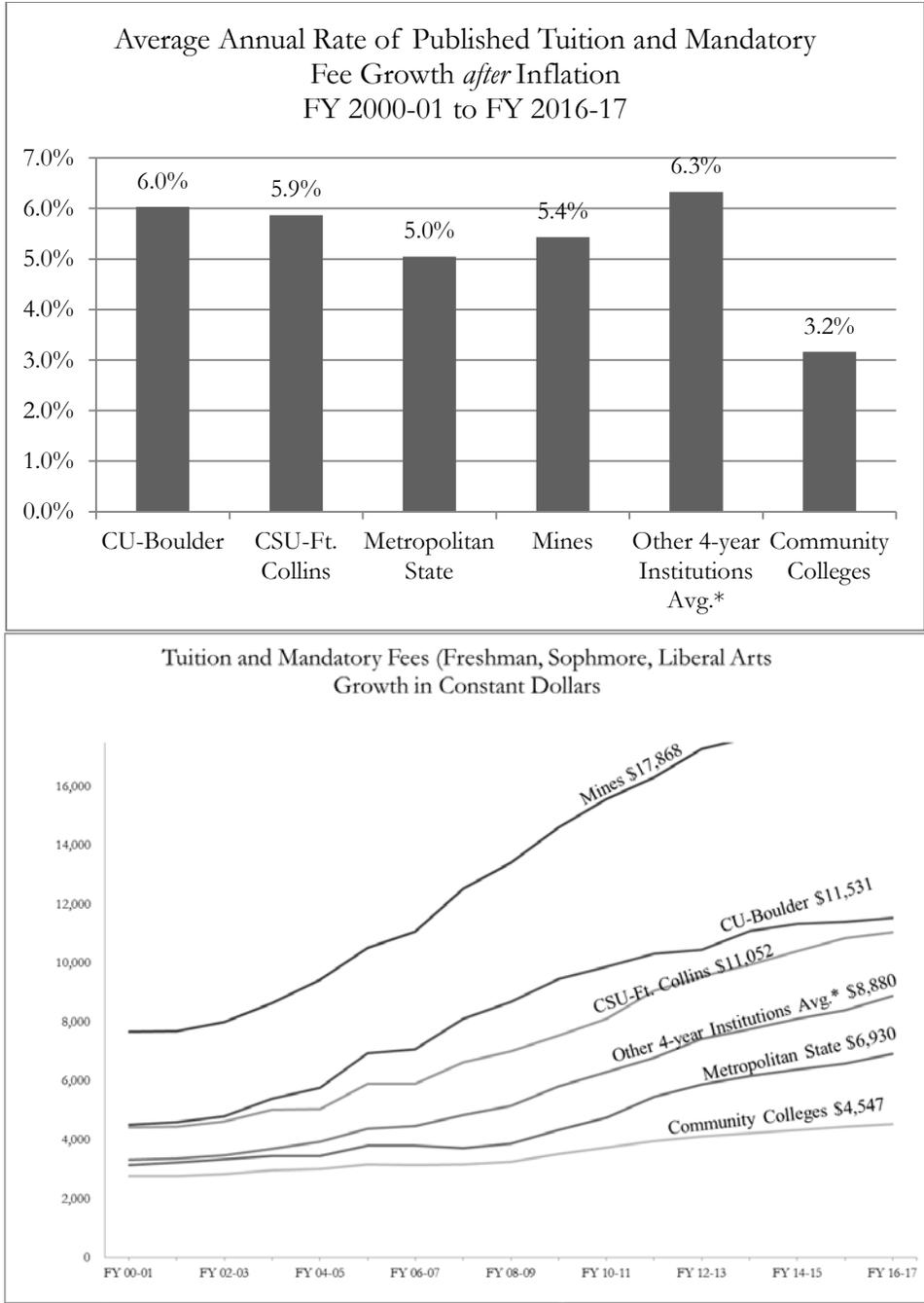
Nationwide, tuition increases for higher education have been increasing at a rate well above inflation for at least three decades. The chart below, from the College Board, shows average rates of growth for various types of institutions **after** adjusting for inflation.



Source: The College Board, Trends in College Pricing, Trends in Higher Education, retrieved Dec 5, 2016. <https://trends.collegeboard.org/college-pricing/figures-tables/average-rates-growth-published-charges-decade>

NOTES: Each bar in Figure 4 shows the average annual rate of growth of published prices in inflation-adjusted dollars over a 10-year period. For example, from 2006-07 to 2016-17, average published tuition and fees at private nonprofit four-year colleges rose by an average of 2.4% per year beyond increases in the Consumer Price Index. Average tuition and fee prices reflect in-district charges for public two-year institutions and in-state charges for public four-year institutions.

Colorado's increases have been particularly rapid in recent years, as reflected in the tables and charts below. The chart below reflects growth in tuition rates in constant (inflation-adjusted) dollars.



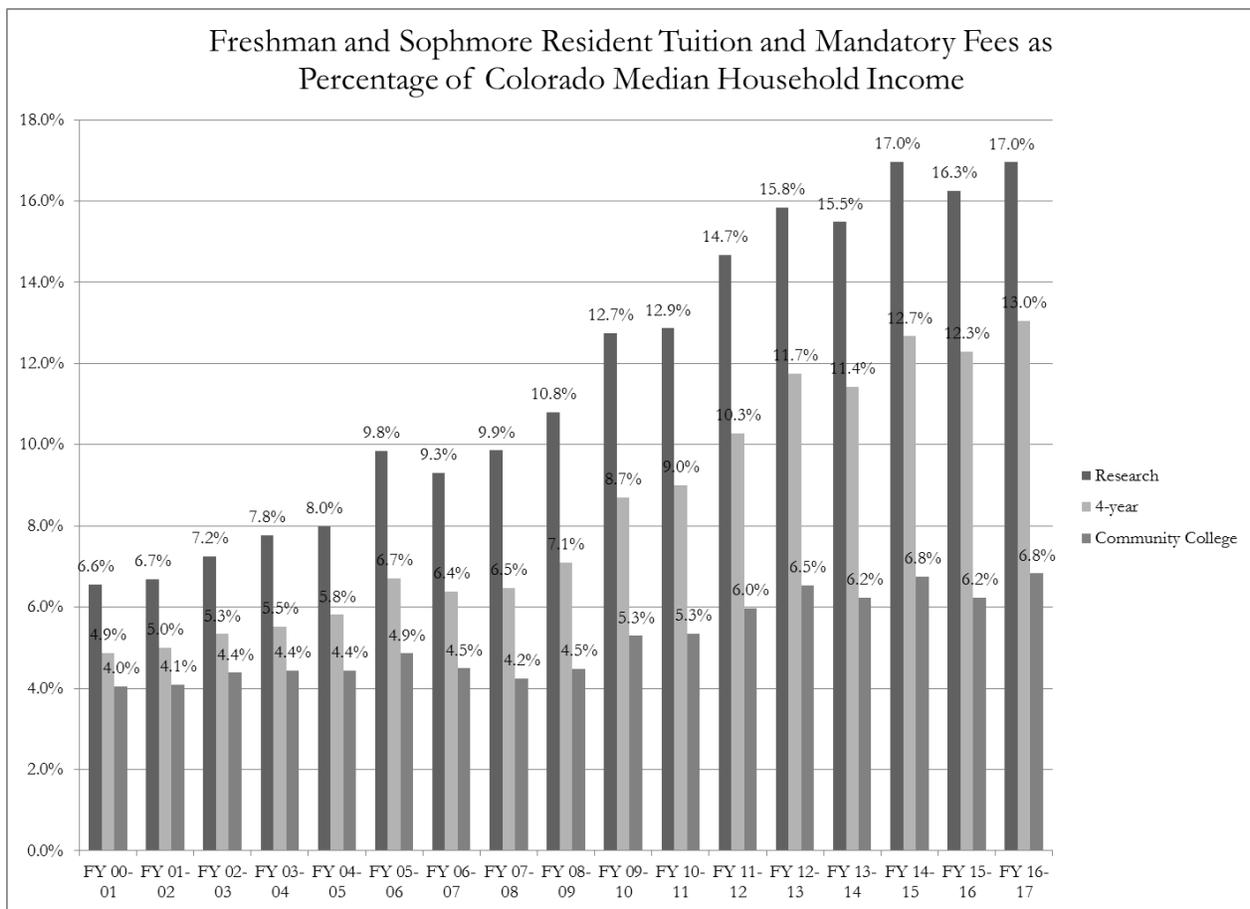
*CSU Pueblo, Fort Lewis, ASU, UNC, CMU, WSCU

The charts below reflect rates that have not been adjusted for inflation, but they are compared to growth in the Denver-Boulder CPI.

TUITION AND FEES, LIBERAL ARTS, FRESHMEN AND SOPHOMORES – NOMINAL DOLLARS					PERCENTAGE CHANGE TUITION AND FEES OVER TIME PERIOD		
	FY 00-01	FY 08-09	FY 15-16	FY 16-17	FY 00-01 TO FY 16-17	FY 08-09 TO FY 16-17	FY 15-16 TO FY 16-17
CU-Boulder	\$3,188	\$7,278	\$11,090	\$11,531	262%	58%	4.0%
CSU-Ft. Collins	3,133	5,874	10,557	11,052	253%	88%	4.7%
Metropolitan State	2,224	3,241	6,420	6,930	212%	114%	7.9%
Mines	5,412	11,239	17,353	17,842	230%	59%	2.8%
Other 4-year Institutions Avg.*	2,349	4,322	8,180	8,690	270%	101%	6.2%
Community Colleges	1,950	2,728	4,324	4,547	133%	67%	5.2%
Denver Metro CPI Percentage Change Over Time Period (actual/projected)					42%	19%	2.8%

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

Increases in published tuition and fees for the institutions represent a growing share of household incomes (median of \$66,596 per year in Colorado in CY 2015).



IMPACTS ON STUDENTS

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

GROWTH IN STUDENT DEBT: Both low and middle-income students must often take on substantial debt to complete their degrees. National student loan debt has topped \$1.2 trillion, prompting widespread discussion of the potential impact of this on young adults and the economy as a whole.²

At Colorado public institutions, in FY 2015-16, 67.4 percent of students graduated with debt and the average debt was \$25,877 for a bachelor’s degree. For students earning an Associate’s degree, 60.4 percent graduated with debt and the average loan debt was \$13,374.³ Student loan debt has now surpassed all other forms of non-mortgage consumer debt.⁴ While this in part reflects greater participation in higher education, it also reflects the increasing cost of higher education: per-borrower inflation-adjusted higher education debt has increased 35 percent since 2004.⁵

While analysts agree that higher education, for completers, is still a good “investment,” others note that growing student loan debt is delaying or impeding home purchases⁶ and may affect individual’s ability to save for other purposes, such as their own retirement or their children’s education.

WHAT DRIVES TUITION INCREASES?

The Department of Higher Education correctly notes that resident tuition increases have been driven substantially by **declines in state support.** Colorado public institutions receive less public support than public institutions in most other states.

¹ Kane, 1995, cited in Heller, Donald. Student Price Response in Higher Education: An update to Leslie and Brinkman. *The Journal of Higher Education*, Vol. 68, No 6 (Nov – Dec., 1997), pp. 624-659

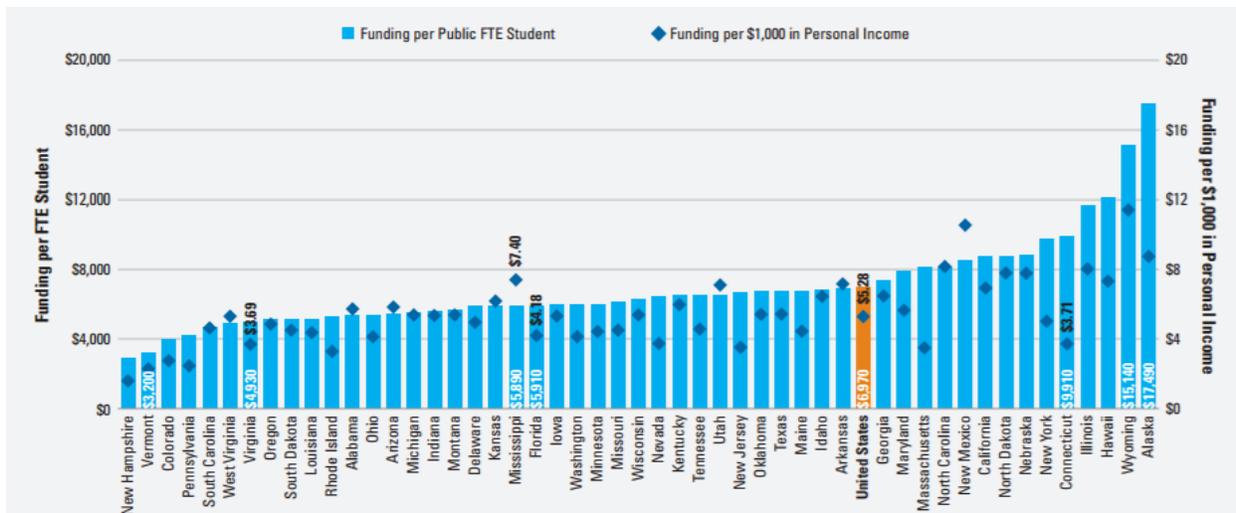
² See, for example, *Consumer Financial Protection Bureau, Student Loan Affordability: Analysis of Public Input on Impact and Solutions*, May 8, 2013. <http://www.consumerfinance.gov/reports/student-loan-affordability/>

³ Colorado Department of Higher Education, FY 2015-16 Financial Aid Report

⁴ Donghoon Lee, *Household Debt and Credit: Student Debt*, February 28, 2013, Federal Reserve Bank of New York <https://www.newyorkfed.org/medialibrary/media/newsevents/mediaadvisory/2013/Lee022813.pdf>

⁵ Federal Reserve Bank of New York Consumer Credit Panel/Equifax, cited in Dustin Weeden, Understanding Student Debt (presentation slides), National Conference of State Legislatures, Legislative Institute on Higher Education, October 11, 2015.

⁶ See for example Kelley Holand, “The High Economic and Social Cost of Student Loan Debt, CNBC, June 15, 2015. <http://www.cnbc.com/2015/06/15/the-high-economic-and-social-costs-of-student-loan-debt.html>



NOTES: Funding data are from SHEEO. Data on state appropriations in previous years' *Trends in College Pricing* were based on the Grapevine data from Illinois State University. For differences between data from these two sources, please see Notes and Sources online.

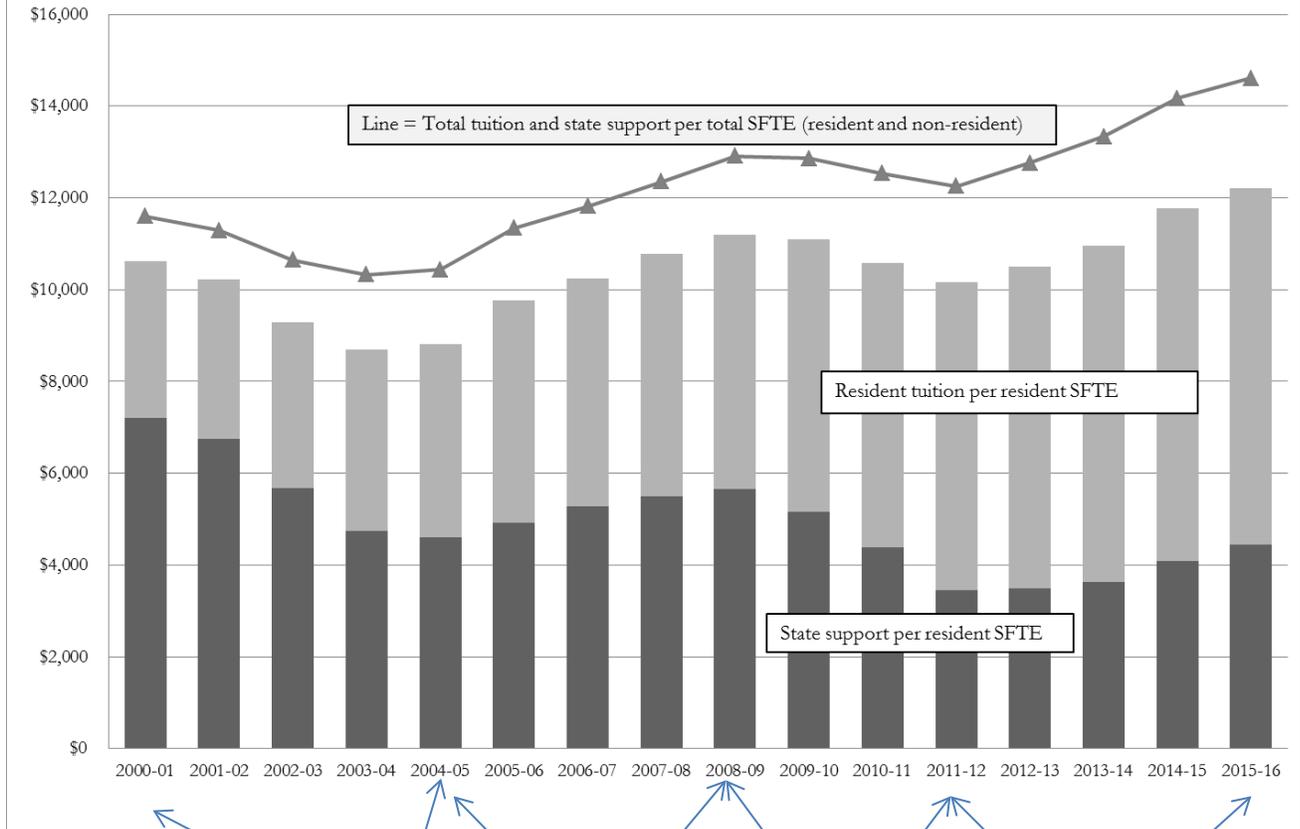
SOURCES: SHEEO, SHEF reports; Bureau of Economic Analysis, Annual State Personal Income 2014; calculations by the authors.

Source: College Board, 'Trends in College Pricing, 2016 (https://trends.collegeboard.org/sites/default/files/2016-trends-college-pricing-web_0.pdf)

In Colorado, as in most other states, as state support has declined, tuition has been increased to fill the gap. *In 2000-01, state support covered 66 percent of a resident student's cost of attendance. In FY 2015-16, that figure was 36 percent.*

However, as is also shown below, declines in state support are not the sole cause of increasing tuition. Colorado institutions have increased tuition well above the level of inflation (defined here as Denver metro CPI) both when state funding has been decreasing AND when it has been increasing, though it has been slower when General Fund increases. **These increases have allowed total institutional revenue—not simply tuition rates—to increase faster than inflation.**

Tuition and State Support per Student FTE in Constant FY 2015-16 Dollars



*All data from budget data book (BDB) actuals.

AVERAGE ANNUAL RATE OF CHANGE AFTER ADJUSTING FOR INFLATION	FY 00-01 TO FY 04-05	FY 04-05 TO FY 08-09	FY 08-09 TO FY 11-12	FY 11-12 TO FY 15-16
State support/Resident SFTE	-10.6%	5.3%	-15.3%	6.6%
Resident Tuition/Resident SFTE	5.5%	6.9%	6.7%	3.7%
Revenue per resident	-4.5%	6.1%	-3.2%	4.7%

	AFTER ADJUSTING FOR INFLATION		NOMINAL CHANGES ESTIMATED/REQUESTED	
	TOTAL % CHANGE FY 01 TO FY 15-16	AVERAGE ANNUAL RATE OF CHANGE	ESTIMATED INCREASE FY 15-16 TO FY 16-17*	REQUESTED INCREASE FY 16-17 TO FY 17-18*
GF+Resident Tuition/Resident SFTE	15.0%	0.9%	6.7%	4.8%
GF+All Tuition/Total SFTE	26.0%	1.3%	6.9%	4.9%
Projected Denver CPI inflation (LCS)			2.8%	2.1%

*FY 2016-17 estimate reflects current appropriation, which will be adjusted through supplemental action.

WHAT DRIVES INCREASES IN OPERATING COSTS?

To help shed some light on key drivers in Colorado, staff reviewed historic budget data book submissions for four of the state’s largest institutions. The budget data books include a wide variety of data points on “education and general” expenditures, i.e., educational costs that are primarily covered by state support and student tuition.

- University of Colorado Boulder (28,281 student FTE in FY 2015-16)
- Colorado State University in Fort Collins (25,373 student FTE in FY 2015-16)
- Metropolitan State University of Denver (15,421 student FTE in FY 2015-16)
- Front Range Community College (11,870 student FTE in FY 2015-16)

These institutions have wildly different general educational costs per student, with per-student costs and revenue at CU Boulder about four times the cost per student at Front Range Community College (FRCC). These massive cost differences reflect both differences in compensation per FTE (CU Boulder’s average compensation is more than double FRCC) and, as significantly, about twice as many employees per student at Boulder when compared to FRCC. The charts below summarize key data and explain the staff findings below.

Certain broad trends seem to hold across all the institutions over the last ten years.

- Operating costs per student FTE appear to have increased at each of these institutions, even after adjusting for inflation.
- At all institutions, this appears to reflect a combination of: increases in staff compensation AND “better” student to staff ratios (fewer students per staff FTE). Staff compensation makes up 60 to 70 percent of total operating expenses at each of the institutions, and faculty represent 50 to 70 percent of total staff FTE.
- At all of the institutions, benefit costs per staff FTE have increased much faster than inflation. At most of the institutions (CSU is the exception) total staff compensation has, overall, increased faster than inflation. CU Boulder and CSU have both increased reliance on part-time faculty, which has helped to suppress the growth in average compensation costs.
- **There appears to have been a decline in the number of students per institutional employee.**
 - At the two large research institutions, this trend seems to transcend changes in economic cycles.

- At Front Range Community College and to some extent at MSU Denver, fewer students per staff FTE is driven in large part by declining student enrollment. If economic changes drive more students to these institutions, this trend may reverse entirely at FRCC and, at least in part, at MSU Denver.
- At the two large research institutions, increases in **expenditures for scholarships** is a notable component of the overall increase. This “expense” is different from other expenses in that it represents foregone revenue. At both CU Boulder and CSU, the rate of increases in cost per student would have been significantly lower if not for the growth in the scholarship allowance—although it would still have exceeded inflation.

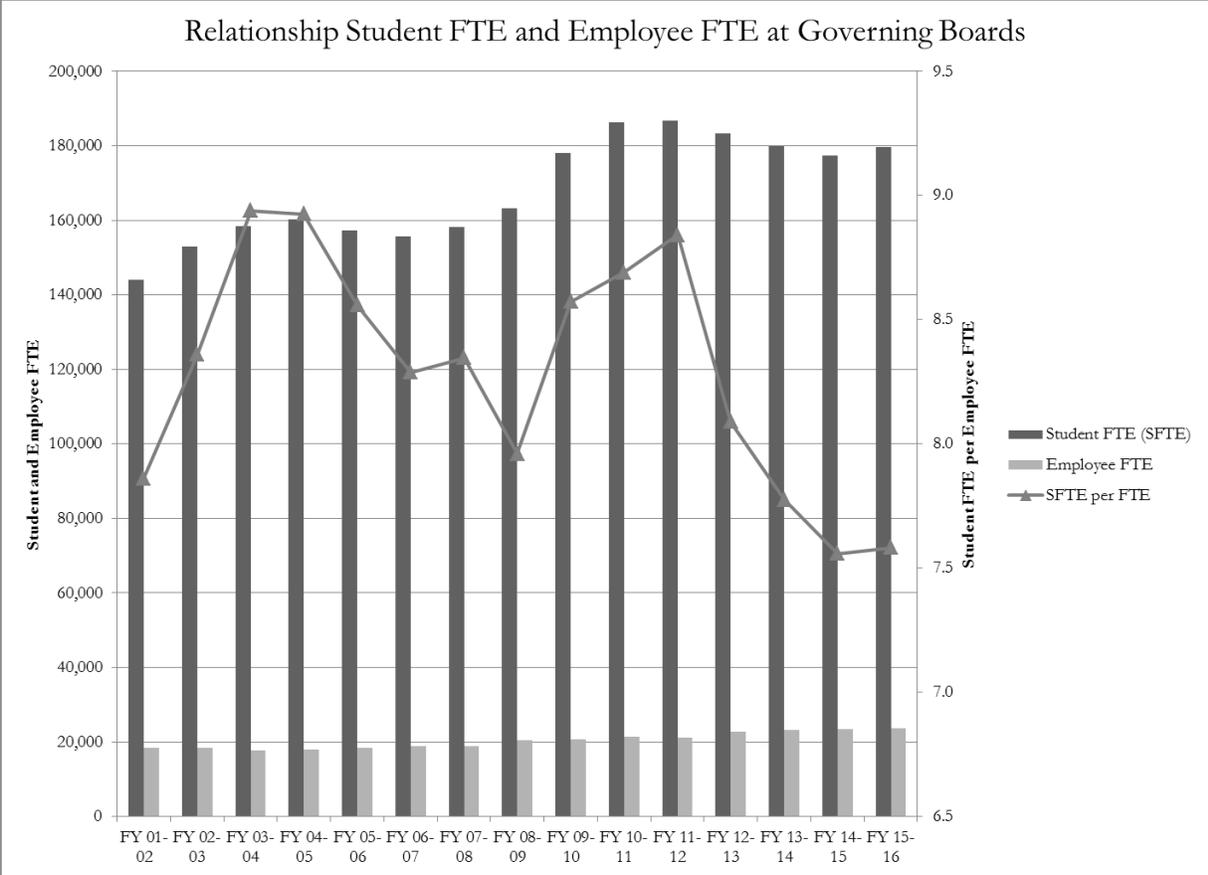
Whether more staff per student at any institution is good or bad is subject to debate.

- More staff per student drives costs and thus drives tuition increases.
- More staff per students may mean that students are getting a better product or may reflect other factors, such as the courses in which students enroll.
- In general, it’s clear that higher education can be provided a wide range of costs and that, given the opportunity, institutions will invest in “quality”, in part by adding staff.
- *As the General Assembly is now appropriating tuition, it has some voice in how investments in quality and costs to students should be balanced.*

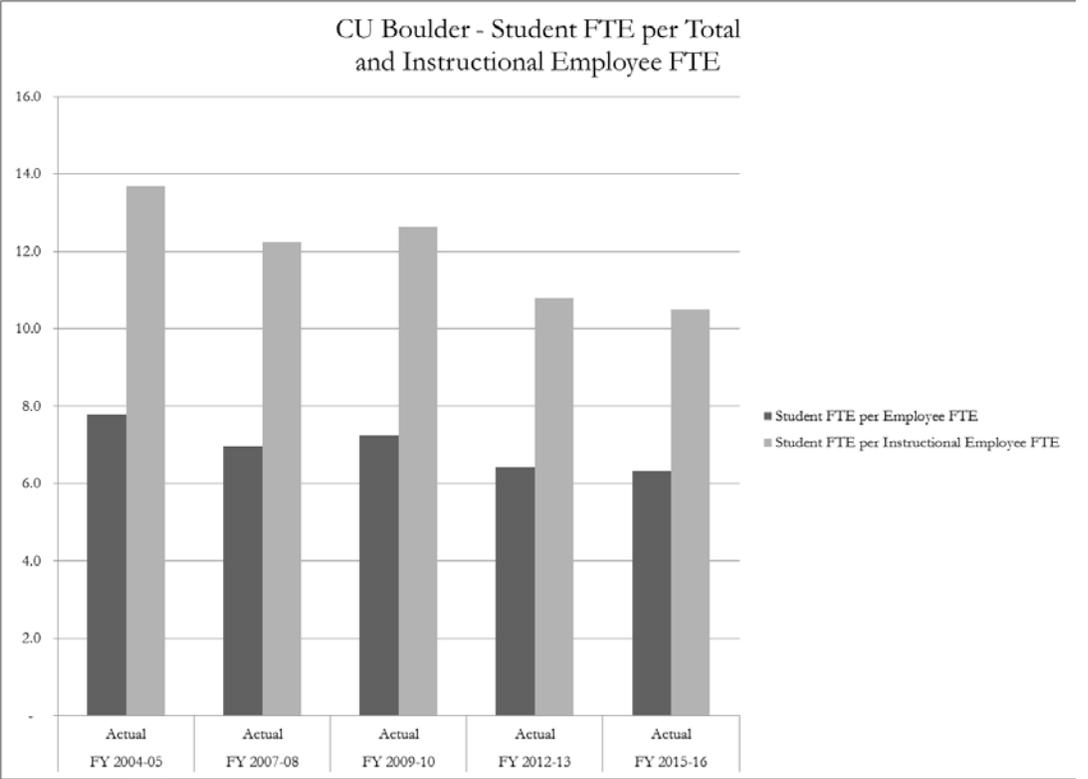
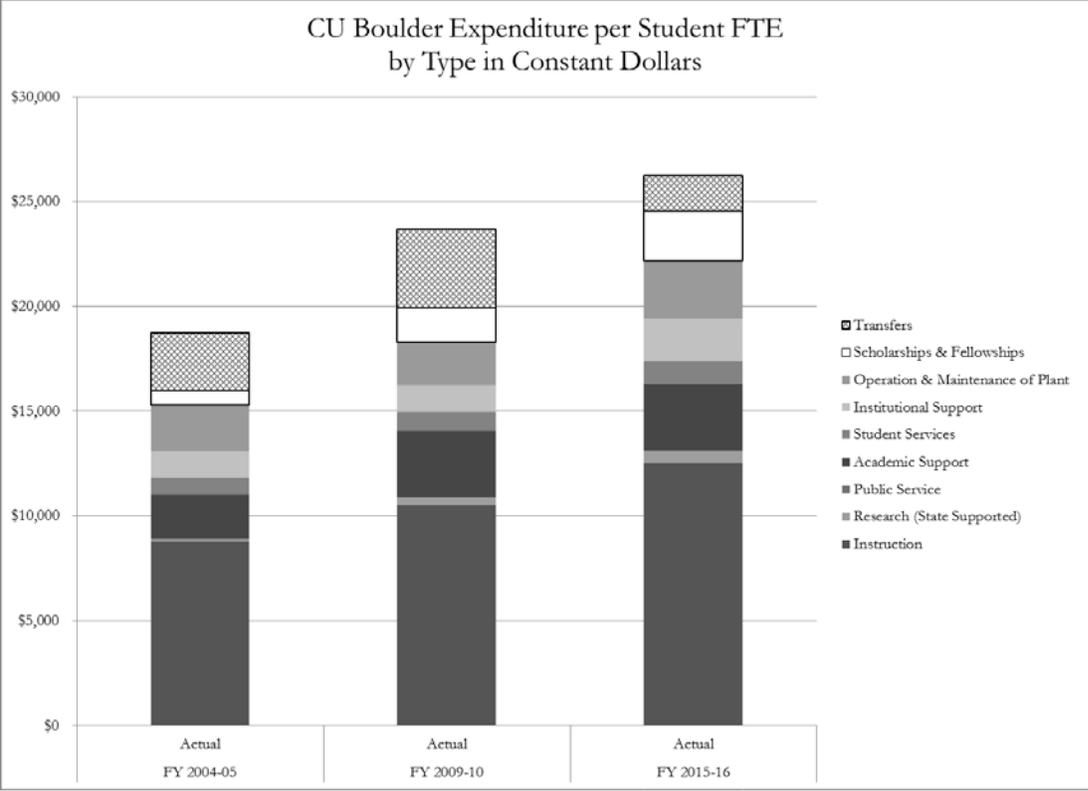
Staff is generally uncomfortable with the growth in “scholarship” expenditures to the extent this inflates the sticker price paid by Colorado residents. Some “scholarships” are really a marketing tool to attract non-resident students. Institutions may list a higher price for non-residents and then offer a scholarship that helps reduce the cost. For some wealthy students, high tuition may even make an institution seem more valuable. However, sticker price can be a very substantial deterrent to low-income resident students. Many low income Colorado residents simply will not pursue higher education based on the sticker price—even if the actual price they might pay would be lower. *It is not thus far clear to what extent the ever-growing scholarship amounts are spent on resident versus non-resident students and to what extent this component is driving listed tuition for resident students.* However, **JBC members should be aware that some institutions may be seeking greater authority for resident tuition increases than the actual revenue they expect to capture because they plan to offset higher published tuition rates with scholarship awards.**

Staff acknowledges that the University of Colorado’s own analyses indicate that overall in the University of Colorado system there has not been an increase in the number of staff per student. They believe the primary cost driver in their system has been students shifting into majors that require higher staff salaries. *It may be that an analysis incorporating a broader range of institutions or a different period of time would provide different results from those shown by staff.* However, the relationship between numbers of students versus staff, as well as cost per staff person, are clearly central to the governing board cost structure and thus helpful to explore with the institutions.

The following chart shows the relationship between student and employee FTE at the governing boards over the last 15 years. As reflected in the chart, swings in student FTE are greater than swings in employee FTE and are thus a significant driver of the ratio between the two. Nonetheless, there does appear to be an overall decrease in the number of students per employee over the period shown.



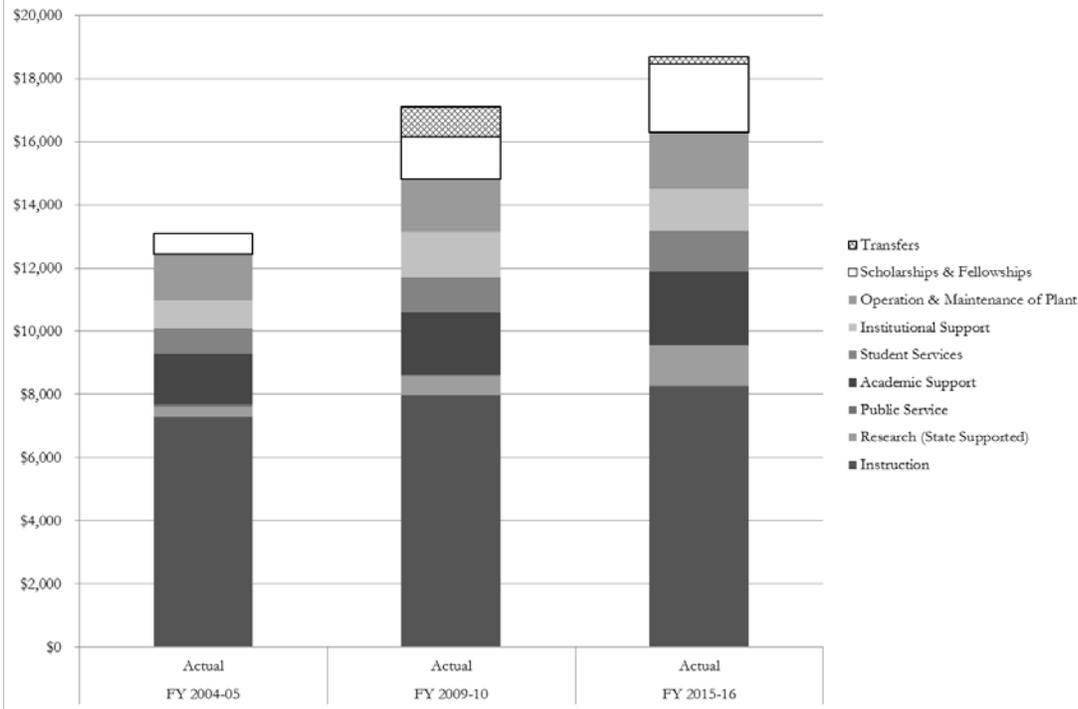
Source: State governing board budget data books



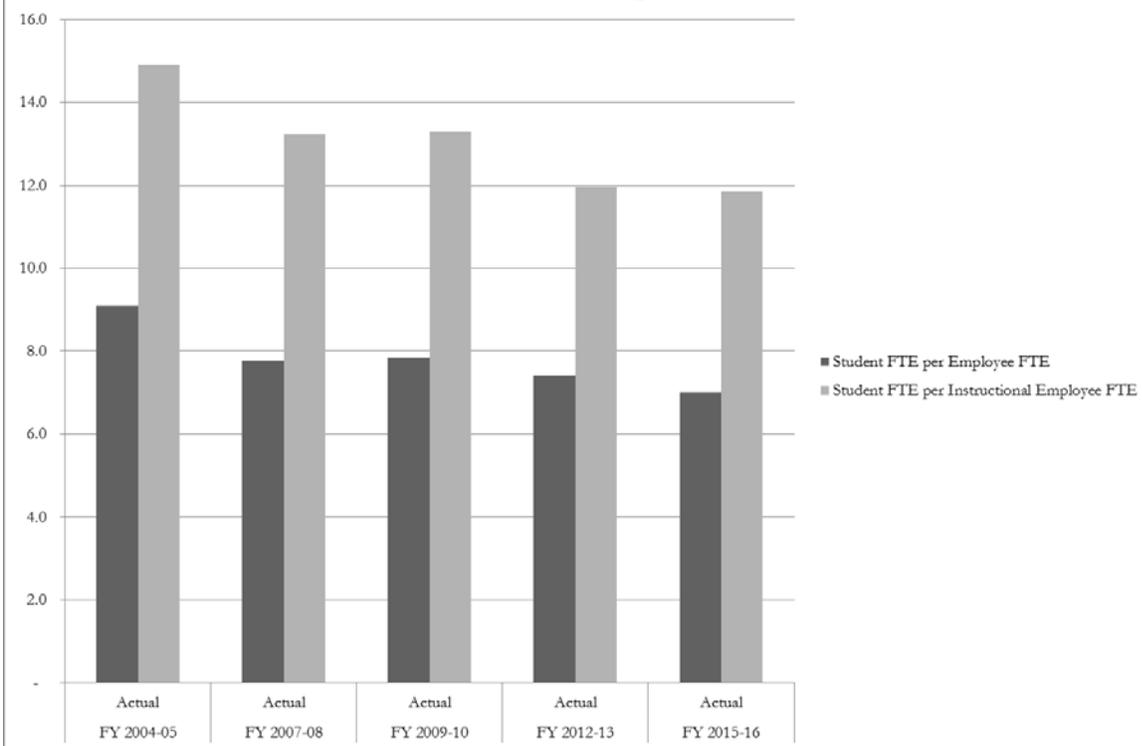
UNIVERSITY OF COLORADO - BOULDER COMPENSATION TRENDS IN CONSTANT 2016 DOLLARS

	FY 2004-05 ACTUAL	FY 2015-16 ACTUAL	CHANGE
Total Compensation	\$297,031,695	\$496,067,282	
Total salaries	246,102,106	\$357,749,550	
Total benefits	50,929,589	138,317,732	
Total FTE	3,408.2	4,358.0	
Total Education & General Expense	\$496,421,391	\$722,623,774	
Compensation as % Total	60%	69%	
Avg. compensation all staff	\$87,152	\$113,829	30.6%
Avg salary per FTE	72,209	82,090	13.7%
Avg benefit per FTE	14,943	31,739	112.4%
Avg. compensation faculty	\$115,066	\$123,973	7.7%
Full-time faculty (FTE: 1,251/ 1,598)	125,634	138,073	9.9%
Part-time faculty (FTE: 350/ 705)	77,295	92,014	19.0%

Colorado State University (Fort Collins) Expenditure per Student FTE
by Type in Constant Dollars

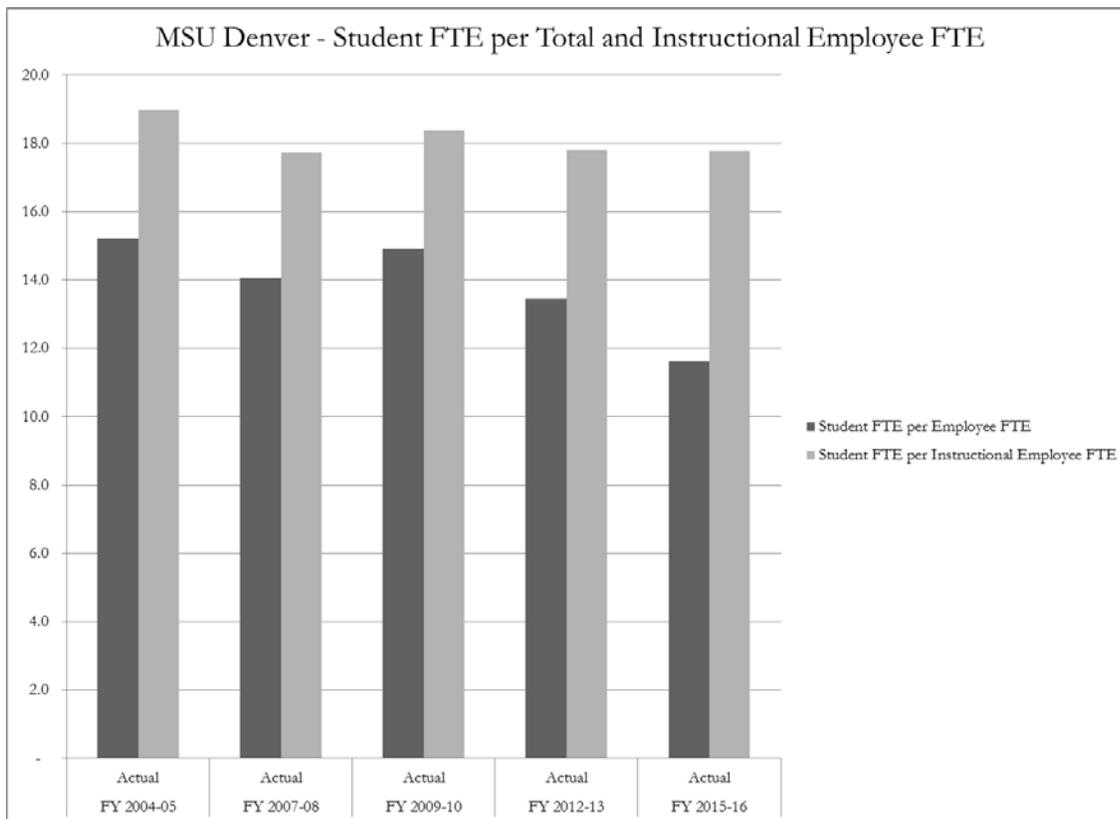
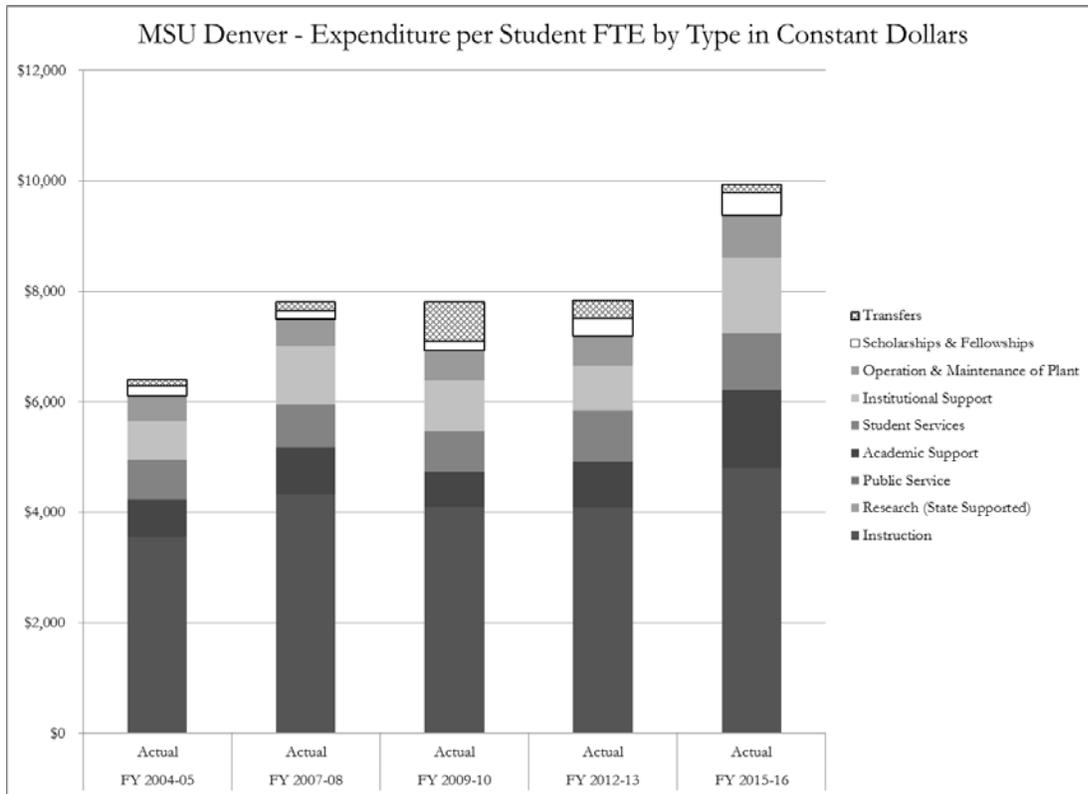


CSU (Ft. Collins) - Student FTE per Total
and Instructional Employee FTE



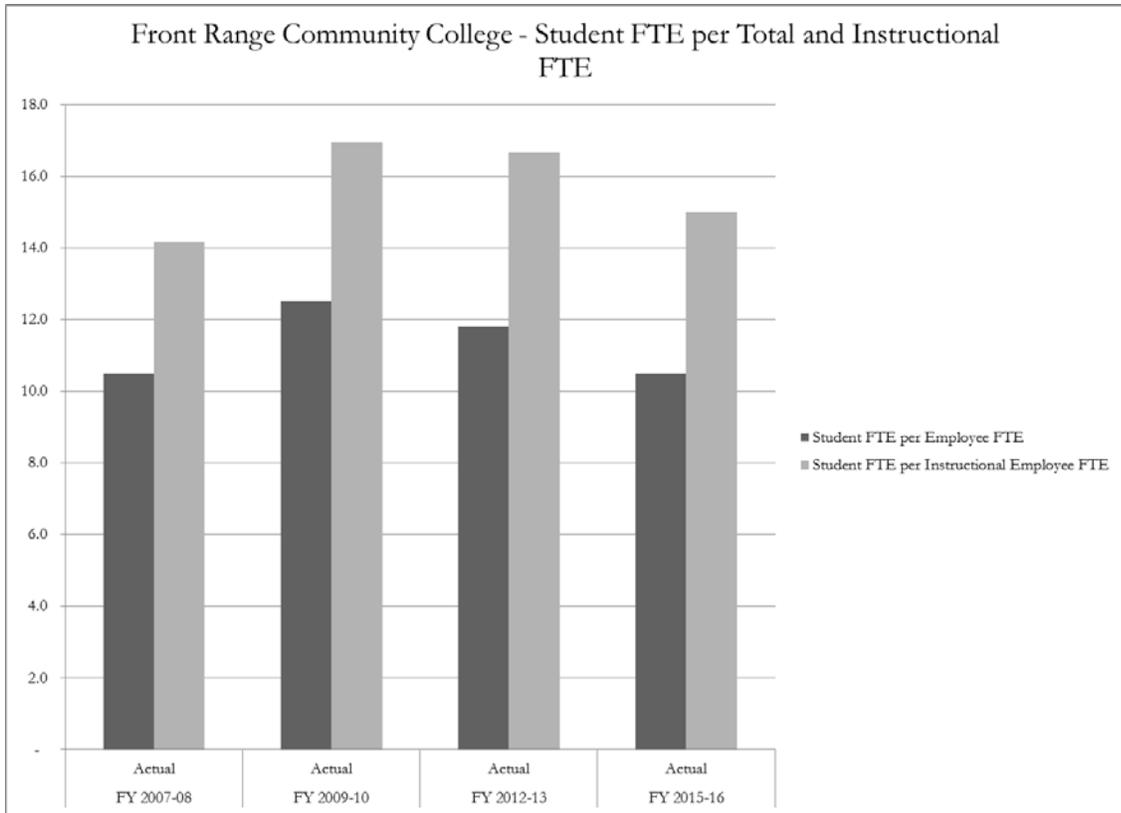
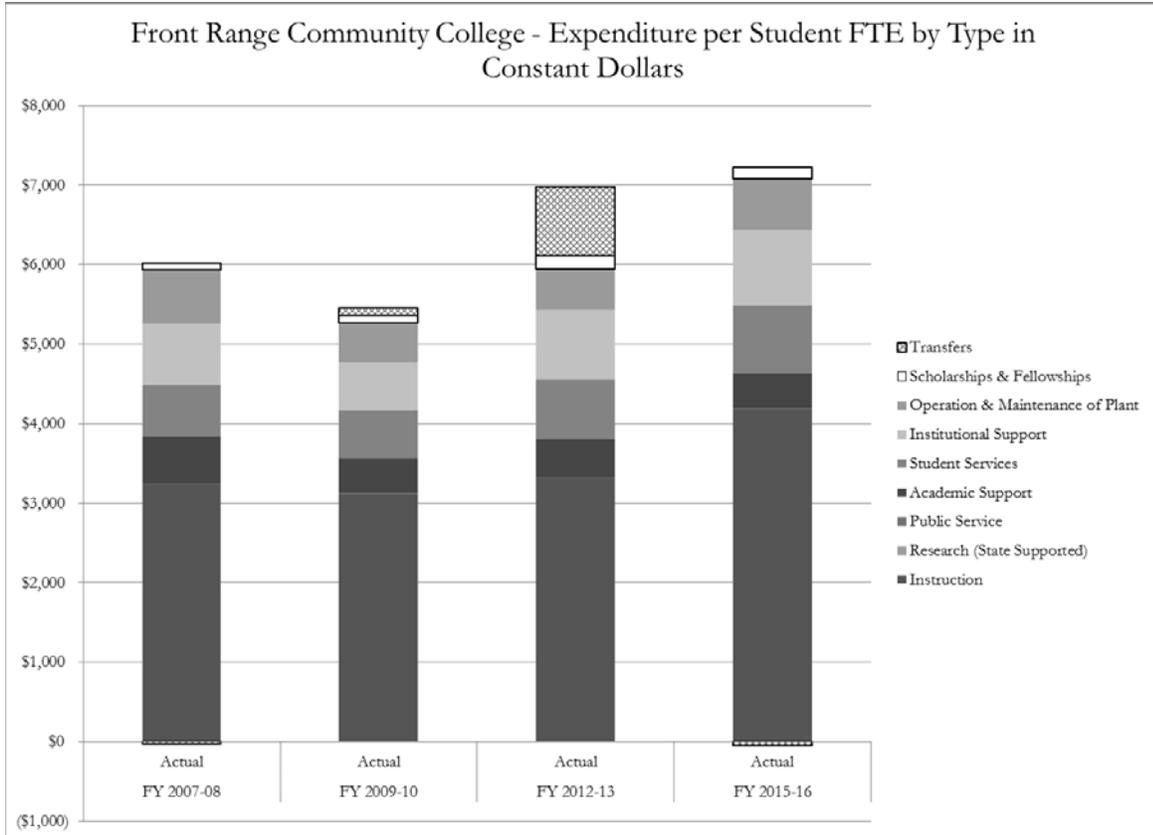
COLORADO STATE UNIVERSITY COMPENSATION TRENDS IN CONSTANT 2016 DOLLARS

	FY 2004-05 ACTUAL	FY 2015-16 ACTUAL	CHANGE
Total Compensation	\$201,803,710	\$280,172,760	
Total salaries	\$170,957,976	\$222,477,380	
Total benefits	\$30,845,733	\$57,695,380	
Total FTE	2,434.80	3,487.6	
Total Education & General Expense	\$289,811,942	\$456,053,643	
Compensation as % Total	70%	61%	
Avg. compensation all staff	\$82,883	\$80,334	-3.1%
Avg salary per FTE	\$70,214	\$63,791	-9.1%
Avg benefit per FTE	\$12,669	\$16,543	30.6%
Avg. compensation faculty	\$93,095	\$85,118	-8.6%
Full-time faculty (FTE: 1,048 /1,105)	\$105,583	\$114,097	8.1%
Part-time faculty (FTE: 234 / 560)	\$37,166	\$27,924	-24.9%



METROPOLITAN STATE UNIVERSITY OF DENVER COMPENSATION TRENDS IN CONSTANT 2016 DOLLARS

	FY 2004-05 ACTUAL	FY 2015-16 ACTUAL	CHANGE
Total Compensation	\$67,079,922	\$103,986,669	
Total salaries	\$58,311,530	\$83,042,199	
Total benefits	\$8,768,392	\$20,944,470	
Total FTE	988.64	1,325.7	
Total Education & General Expense	\$96,355,702	\$153,356,706	
Compensation as % Total	70%	68%	
Avg. compensation all staff	\$67,850	\$78,439	15.6%
Avg salary per FTE	\$58,981	\$62,640	6.2%
Avg benefit per FTE	\$8,869	\$15,799	78.1%
Avg. compensation faculty	\$62,743	\$75,955	21.1%
Full-time faculty (FTE: 400/ 543)	\$89,732	\$94,635	5.5%
Part-time faculty (FTE: 339/ 296)	\$30,913	\$41,636	34.7%



FRONT RANGE COMMUNITY COLLEGE COMPENSATION TRENDS IN CONSTANT 2016 DOLLARS			
	FY 2007-08 ACTUAL	FY 2015-16 ACTUAL	CHANGE
Total Compensation	\$42,511,782	\$59,701,168	
Total salaries	\$36,697,790	\$45,418,978	
Total benefits	\$5,813,993	\$14,282,189	
Total FTE	957.80	1,111.7	
Total Education & General Expense	\$60,124,027	\$83,793,095	
Compensation as % Total	71%	71%	
Avg. compensation all staff	\$44,385	\$53,703	21.0%
Avg salary per FTE	\$38,315	\$40,856	6.6%
Avg benefit per FTE	\$6,070	\$12,847	111.6%
Avg. compensation faculty	\$34,726	\$45,650	31.5%
Full-time faculty (FTE: 183/ 231)	\$68,673	\$80,143	16.7%
Part-time faculty (FTE: 506/ 497)	\$22,417	\$29,609	32.1%

ISSUE: HIGHER EDUCATION REQUEST R1 OPERATIONAL INCREASE FOR PUBLIC COLLEGES AND UNIVERSITIES

The Department of Higher Education request R1 incorporates most of the General Fund increase requested for the Department of Higher Education and includes both a 2.5 percent increase for the governing boards, allocated consistent with the H.B. 14-1319 funding formula, and an associated increase for financial aid.

SUMMARY

- The Department of Higher Education request R1 incorporates most of the Department's requested General Fund increase. This includes formula-driven increases for General Fund support and financial aid.
- The request provides a 2.5 percent increase allocated among the higher education governing boards consistent with the H.B. 14-1319 funding model. It also provides an increase for financial aid, consistent with statutory requirements that financial aid increase at the same rate as General Fund support.
- The allocation formula used by the Department is essentially unchanged from the version adopted for the FY 2016-17 Long Bill. The requested change includes increases to all model components, but the majority of the increase is allocated based on outcomes measures (primarily degrees awarded).

RECOMMENDATION

Staff supports the Department's decision to use the funding model adopted in FY 2016-17 and to try to maintain stability in the overall approach, including weights currently reflected in the model. Staff believes the model provides reasonable results whether the General Assembly ultimately provides an increase or decrease for higher education. However, the JBC may always choose to adjust the weights in the formula, based on existing statutory authority.

DISCUSSION

OVERVIEW OF REQUEST R1

The Department's Request R1 is summarized in the table below.

**REQUEST R1: OPERATIONAL INCREASE FOR PUBLIC COLLEGES AND UNIVERSITIES
GENERAL FUND APPROPRIATIONS AND REQUESTED CHANGES
BY CATEGORY AND GOVERNING BOARD
FY 2016-17 TO FY 2017-18**

GOVERNING BOARDS/INSTITUTIONS*	FY 2016-17 ENACTED	FY 2017-18 REQUEST	AMOUNT CHANGE	PERCENTAGE CHANGE
Adams State University	\$14,076,360	\$14,259,963	\$183,603	1.3%
Colorado Mesa University	24,280,729	25,951,161	\$1,670,432	6.9%
Metropolitan State University of Denver	51,415,001	51,626,603	\$211,602	0.4%
Western State Colorado University	11,534,927	11,821,897	\$286,970	2.5%
Colorado State University System	134,518,307	138,410,526	\$3,892,219	2.9%
Fort Lewis College	11,481,200	11,784,939	\$303,739	2.6%
University of Colorado System	186,532,686	194,318,227	\$7,785,541	4.2%
Colorado School of Mines	20,639,050	21,484,706	\$845,656	4.1%
University of Northern Colorado	39,113,234	39,597,408	\$484,174	1.2%
Community College System	153,330,147	153,709,215	\$379,068	0.2%
Colorado Mountain College	7,143,039	7,319,484	\$176,445	2.5%
Aims Community College	8,446,176	8,654,810	\$208,634	2.5%
Area Technical Colleges	9,971,721	10,218,039	\$246,318	2.5%
Subtotal - Governing Boards/Institutions	\$672,482,577	\$689,156,978	\$16,674,401	2.5%
Need Based Grants (total funds)**	\$124,570,732	\$128,364,454	\$3,793,722	3.0%
COF Stipend - Students at Private Institutions	1,443,375	1,481,865	38,490	2.7%
Total - Request R1	\$798,496,684	\$819,003,297	\$20,506,613	2.6%

*Includes College Opportunity Fund stipends, fee-for-service contracts, and grants to local district colleges and area technical colleges.

**Statute requires a proportionate increase for financial aid on a base that includes other components, in addition to Need Based Grants

The Department's proposed increase for higher education is intended to:

- Address inflationary increases in higher education, including costs related to health benefit increases
- Limit tuition increases by avoiding further erosion of state support for higher education
- Allocate funds for the governing boards consistent with the H.B. 14-1319 funding model
- Comply with other statutory components that align other increases to the increases for the public governing boards. These provisions include:
 - A requirement that the COF stipend for low-income students attending eligible private institutions be 50 percent of the COF stipend at public institutions; and
 - A requirement that state support for financial aid increase at no less than the rate of increase for the public governing boards (Section 23-3.3-103, C.R.S.).

The request focuses on the overall need for inflationary adjustments to cover public institution cost increases. Because these arguments are closely intertwined with the Department's Request R2 (Tuition Spending Authority Increase), much of this argument is addressed in a separate issue.

As reflected in the table above, although overall support for the governing boards would increase by 2.5 percent pursuant to this request, the allocation varies by governing board, based on the H.B. 14-1319 model, which results in different amounts by governing board. Thus, the remainder of this issue focuses on the details of the H.B. 14-1319 funding model: its origins, components, and the FY 2017-18 request as it compares to the FY 2016-17 appropriation.

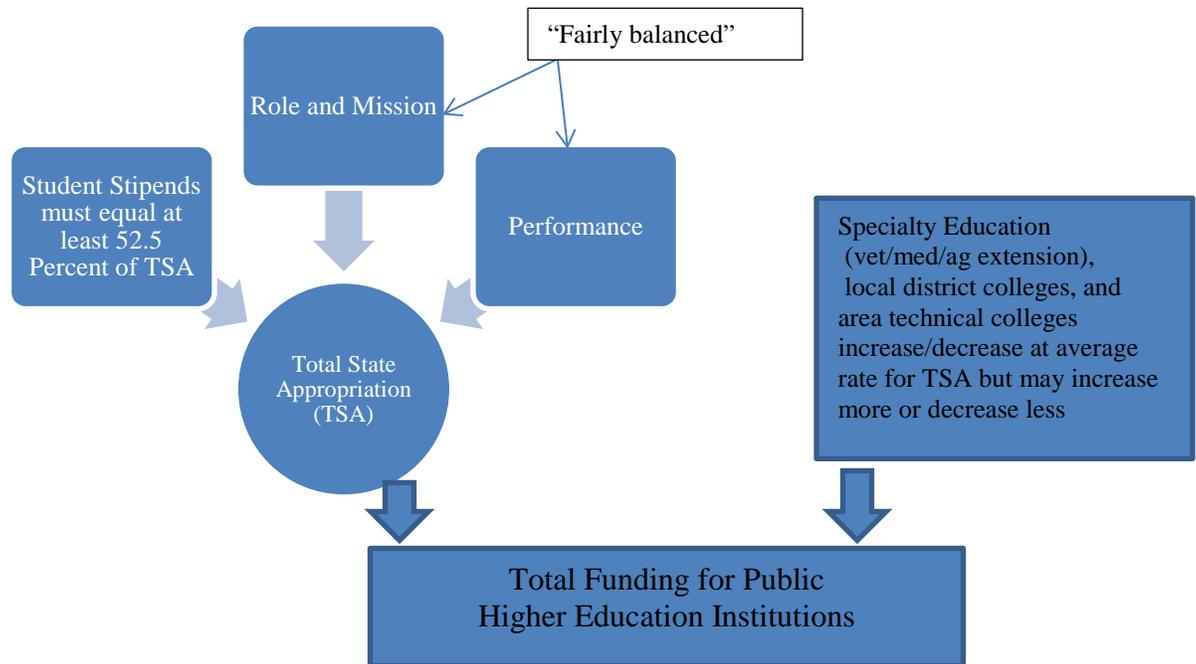
FUNDING MODEL BACKGROUND: WHY H.B. 14-1319

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

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

REQUIREMENTS OF THE H.B. 14-1319 MODEL

House Bill 14-1319 details several major funding categories, as reflected in the chart below.



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

ROLE AND MISSION FUNDING: The role and mission component includes:

Institutional mission. Amount to offset the costs incurred in providing undergraduate programs at each institution, including the following components: selectivity, number of campuses, rural or urban location, low student enrollment, undergraduate programs with a high cost per student, and whether the institution conducts research.

Support services for Pell-eligible, first-generation, and underserved undergraduate students. Must include an amount for Pell-eligible students at least equal to ten percent of the amount of the college opportunity fund stipend. May include amounts for first-generation or underserved students.

Graduate programs. Must include an amount for each graduate student enrolled in an institution, which amount shall be based on the subject and level of the graduate program.

Remediation. Must include an amount for each eligible governing board to offset the costs incurred in providing effective basic skills courses and the costs incurred in providing approved supplemental academic instruction.

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

PERFORMANCE FUNDING: The performance funding component includes:

Completion. An amount for each certificate or degree awarded and each student transferring from a community college. Must include additional amount for each Pell-eligible undergraduate completion.

Retention. An amount for each governing board based on the number of students enrolled in an institution that make academic progress by completing thirty credit hours, sixty credit hours, or ninety credit hours.

Additional metrics. Up to four additional performance funding metrics that reflect and support the policy goals adopted by the commission in the master plan. Examples: workforce placement, closing the achievement gap, limiting student loan debt, and controlling institutional administrative costs.

GENERAL ROLE AND MISSION AND PERFORMANCE METRIC REQUIREMENTS:

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

SPECIALTY EDUCATION, LOCAL DISTRICT COLLEGES, AREA TECHNICAL COLLEGES: Specialty education programs (the medical school at the University of Colorado and the veterinary school and various agricultural extension programs at Colorado State University), as well as funding for local district junior colleges and area vocational schools are required to increase or decrease at the same rate as overall funding for higher education institutions (“total state appropriation”) but may increase more or decrease less.

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

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

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

IMPLEMENTATION

THE FIRST YEAR – FY 2015-16 BUDGET CYCLE

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

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

The JBC also expressed concerns about the first version of the model, and sent a Request for Information to the Department to highlight its concerns including the “tuition stability factor”, potential for differential weighting of resident and non-resident students, better model tools/Excel spreadsheets for experimenting with the model, improvements to the performance section of the model so that results were not counter-intuitive, and alternatives that might incorporate total institutional revenue into the model.

THE SECOND YEAR – FY 2016-17 BUDGET CYCLE

The model submitted for FY 2016-17 included significant changes to the Year 1 model. It was ultimately supported by eight of the ten governing boards (Metropolitan State University and Colorado Mesa University both expressed objections) and by CCHE, although some CCHE members also expressed concerns.

Some of the more significant changes in the November 1 submission:

- *Simplifying the role and mission component.* The role and mission calculation was changed from weighted credit hours+tuition stability to a new “base” calculation, which included differences for the type of institution.
- *Adjusting the performance component to avoid counter-intuitive results.* The previous “volume adjusted award” amount, which had created some counterintuitive performance results, was capped at \$10.0 million and renamed. This element complicates the model but does ensure that smaller and larger schools receive a similar share of their funding based on degrees awarded and related performance metrics.
- *Using actual data for all model components.* Stipends for FY 2016-17 began to rely on FY 2014-15 actual enrollment data (the hastily-compiled FY 2015-16 version had relied on FY 2014-15 Long Bill estimates)

After reviewing the Department’s submission, the JBC made several additional changes to the model before applying it to the Long Bill. These changes did not significantly affect FY 2016-17 allocations, though they were expected to have some impacts on future allocations. These changes included:

- *Role and Mission modifications.* The Committee’s version restored weighted credit hours as a model component. Funding based on the number of credit hours taught by subject and type at each institution was included for resident students, capped at \$20.0 million total. Although this

complicated the model, JBC staff believed it was necessary to ensure that the model complied with various provisions of statute. The rest of the Committee's role and mission calculation differed somewhat from the Department's but reflected the same concept that this portion of the model should provide some base funding/stability to the model.

- *Reducing significance of nonresidents in outcomes funding.* The model adopted by the Committee weights non-resident student degrees and retention at one-third the weight of resident students, on the grounds that about one-third of non-residents are anticipated to remain in the state. (Neither the FY 2015-16 nor the Department's FY 2016-17 versions weighted non-residents differently from residents.)

THIRD YEAR REQUEST – FY 2017-18 BUDGET CYCLE

For the FY 2017-18 budget cycle, the Department has *not proposed any significant changes to the model.* The settings with respect to various components of the model—e.g., the base rate for student stipends—has been adjusted to keep the various components of the model weighted in a manner that essentially matches the FY 2016-17 version. Broadly speaking, *excluding* specialty education funding for the medical and veterinary schools, the model allocates:

- 53.6 percent of funding to student **stipends** (based on FY 2015-16 undergraduate resident enrollment)
- 26.2 percent of funding to **role and mission** components, including mission differentiation, weighted credit hours and enrollment of Pell-eligible (low income) students
- 20.2 percent of funding to **outcomes** measures, including student completions and retention

Again excluding specialty education funding, this includes:

- 73.9 percent of funding using measures that are based purely on **volume**, including numbers of student stipends, Pell-eligible students, degrees awarded, and students who remain enrolled their second year (retention), using the most recent actual data (FY 2015-16)
- 20.6 percent that represents **fixed amounts** per type of institution (mission differentiation)
- 5.5 percent that is a **hybrid**: provides a fixed total dollar amount that is reallocated among institutions each year based on volumetric factors (weighted credit hours and credentials per 100 SFTE)

General observations:

- **Staff supports the Department request to keep the model as consistent as possible**, as this helps institutions to understand what is rewarded. Based on the statute and the resulting model, this is primarily undergraduate resident enrollment (through student stipends) and outcomes in the form of degrees awarded, with significant emphasis on completion for Pell-eligible students and science technology, engineering, and math (STEM) degrees.
- **The total increase in funding through the model is just under 2.5 percent** of the FY 2016-17 base.

- **The FY 2016-17 and FY 2017-18 break-down among institutions and funding categories in the model is very similar, but percentages have shifted slightly**, placing additional weight on the performance components (degrees and retention).
- The amount per **undergraduate resident stipend has increased from \$75 to \$77 per credit hour** (\$2,250 to \$2,310 per student FTE) or 2.7 percent. However, the relative significance of stipend funding in the model has declined somewhat, due to enrollment declines.
- The **role and mission component (mission differentiation) has been inflated by 2.5 percent**, consistent with the overall increase requested in the model.
- **Most of the increase is directed to performance components.** Institutions' share from the performance category is substantially influenced by changes in the number of graduates who are eligible for Pell (low-income students) and graduates in science, technology, math, and engineering areas (STEM)

The tables and charts below provide additional background and analysis on the model, including: the components of model, the resulting allocation of funding by governing board, and the break-down of funding components from an institutional perspective.

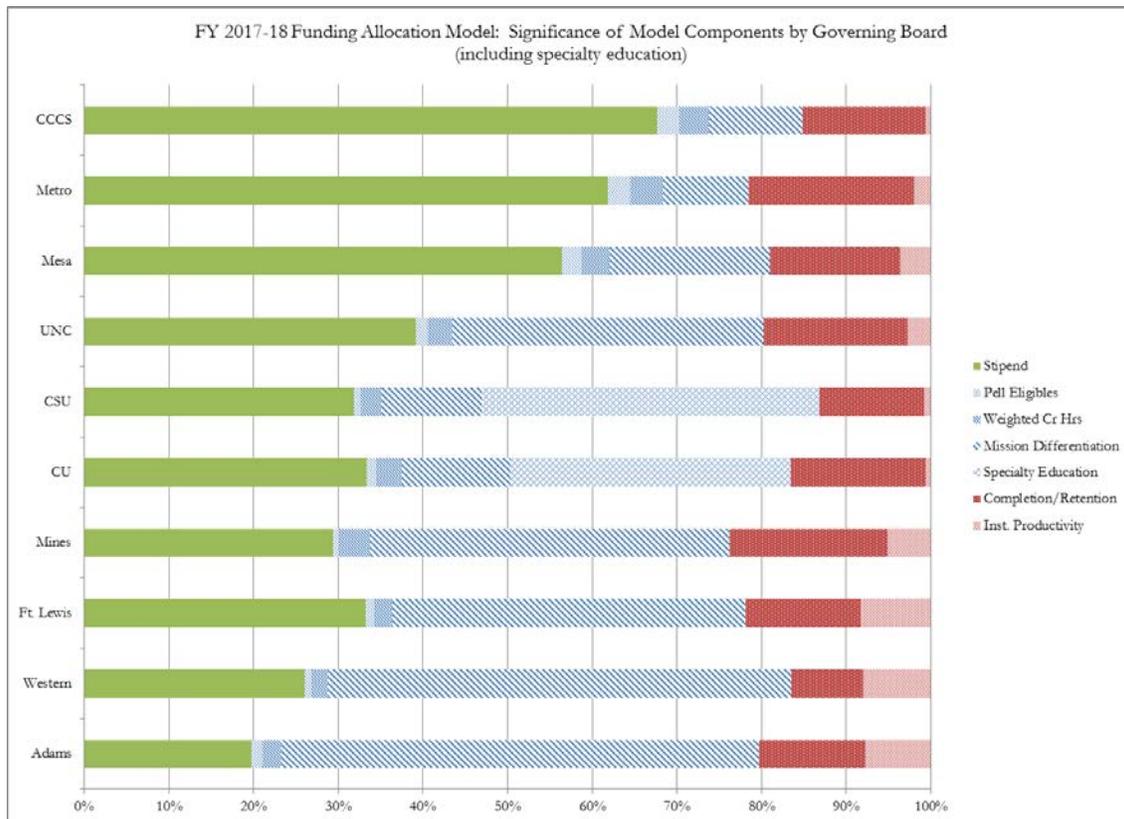
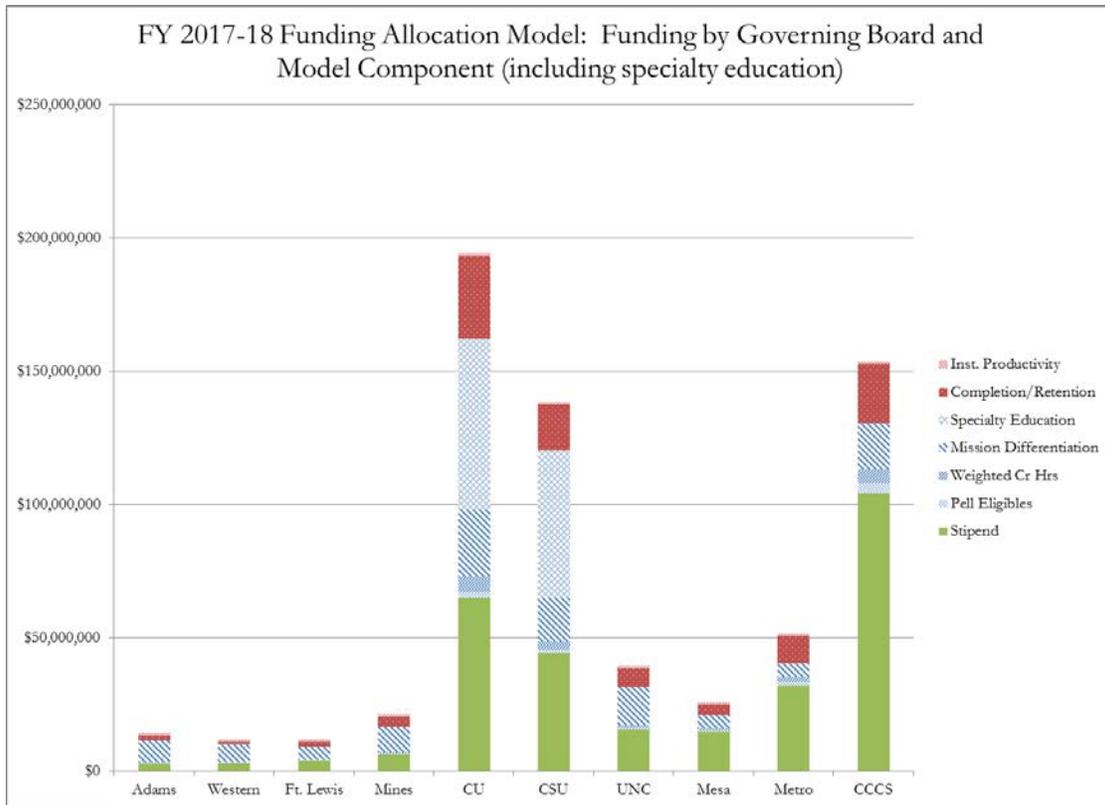
FY 2017-18 FUNDING MODEL ALLOCATION STATE GOVERNING BOARDS

	TOTAL FROM COF STIPEND	TOTAL FROM ROLE & MISSION	SPECIALTY EDUCATION	TOTAL FROM PERFORMANCE	TOTAL FY 2017-18 INCLUDING SPECIALTY EDUCATION
Adams	\$2,829,163	\$8,551,417		\$2,879,383	\$14,259,964
Western	\$3,096,055	\$6,824,688		\$1,901,154	\$11,821,896
Ft. Lewis	\$3,928,733	\$5,279,409		\$2,576,796	\$11,784,938
Mines	\$6,321,656	\$10,032,268		\$5,130,782	\$21,484,706
CU System	\$64,865,863	\$33,045,098	\$64,150,070	\$32,157,196	\$194,218,227
CSU System	\$44,082,292	\$20,931,300	\$55,149,609	\$18,247,325	\$138,410,526
UNC	\$15,477,118	\$16,251,093		\$7,794,197	\$39,522,408
Mesa	\$14,646,059	\$6,375,070		\$4,930,032	\$25,951,161
Metro	\$31,937,232	\$8,568,412		\$11,120,959	\$51,626,603
CCC System	\$104,075,673	\$26,268,712		\$23,202,869	\$153,547,255
TOTAL	\$291,259,845	\$142,127,467	\$119,299,679	\$109,940,694	\$662,627,684

**FY 2017-18 Requested Change for State Governing Boards from FY 2016-17 by Funding Category
Including Specialty Education**

	COF Stipend		Role and Mission including specialty education		Completion/ Retention		Total	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Adams	(\$61,462)	-2.1%	\$146,657	1.7%	\$98,410	3.5%	\$183,605	1.3%
Western	128,779	4.3%	158,641	2.4%	(450)	0.0%	286,970	2.5%
Ft. Lewis	(112,365)	-2.8%	189,509	3.7%	226,595	9.6%	303,739	2.6%
Mines	127,123	2.1%	206,368	2.1%	512,165	11.1%	845,656	4.1%
CU	2,513,323	4.0%	2,329,165	2.5%	2,943,053	10.1%	7,785,542	4.2%
CSU	1,034,577	2.4%	1,727,053	2.3%	1,130,591	6.6%	3,892,220	2.9%
UNC	36,240	0.2%	162,041	1.0%	285,893	3.8%	484,174	1.2%
Mesa	939,904	6.9%	200,700	3.3%	529,829	12.0%	1,670,433	6.9%
Metro	(311,550)	-1.0%	(71,131)	-0.8%	594,283	5.6%	211,602	0.4%
CCCS	(2,397,600)	-2.3%	(228,893)	-0.9%	3,005,562	14.9%	379,068	0.2%
Total	\$1,896,969	0.7%	\$4,820,111	1.9%	\$9,325,930	9.3%	\$16,043,009	2.5%

FY 2017-18 HIGHER EDUCATION FUNDING MODEL					
			% TOTAL FUNDING EXCLUDING SPECIALTY ED.		%TOTAL FUNDING INCLUDING SPECIALTY ED.
			FY 16-17 ENACTED	FY 17-18 REQUEST	FY 2017-18 REQUEST
Stipend					
\$77 per eligible resident undergraduate FTE for FY 2017-18			54.6%	53.6%	44.0%
Role and Mission					
<u>Mission Differentiation/base funding</u>					
<i>Flat amount per type of institution: FY 2017-18 request, including inflationary adjustment</i>			20.6%	20.6%	16.9%
Large research institution	CU Boulder, CSU Ft. Collins	\$11,529,134			
Medium-sized research, part of a system	UCCS, UCD	6,763,759			
Medium-sized stand-alone research institution	Mines, UNC	9,120,826			
Large comprehensive 4 year institution	Metro	5,226,541			
All other comprehensive 4 year institutions	Ft Lewis, Pueblo, Mesa	4,919,097	-		
Small regional 4 year institutions <3,000	Western, Adams	6,507,556			
Medium/large community colleges	7 of total	1,024,812			
Small community colleges	6 of total	1,639,699			
PLUS					
<i>Special factor/ tuition stability</i>					
Adams		\$1,550,000			
UNC		5,430,000			
<u>Weighted Credit Hours (capped at \$20.0 million)</u>					
<i>Residents only</i>			3.8%	3.7%	3.0%
Credit hours provided by each institution (non-resident credit hours excluded), weighted by type of class. For example, a graduate science course might be worth 8 times an undergraduate history class.					
<u>Pell</u>			-		
10.0 percent of stipend for Pell-eligibles			2.1%	1.9%	1.6%
Performance/Outcomes Funding					
<i>Non-residents weighted at 30 percent of residents</i>					
<u>Completions - 85 percent of performance funding</u>			17.1%	18.4%	15.1%
Number of degrees/transfers: .25 for a certificate or transfer to 1.25 for a graduate degree - weighted extra 0.5 for STEM disciplines and 0.6 for Pell					
<u>Retentions - 15 percent of performance funding</u>			-		
Number of students completing 30/60/90 credits (4 yr) or 15/30/45 at two-year institution					
<u>Institutional Productivity (capped at \$10.0 million)</u>			1.9%	1.8%	1.5%
Credentials per 100 SFTE					
Specialty Education					
Funding for Health Sciences Center (CU) and Veterinary School (CSU)			n/a	n/a	18.0%
Data sources: All model funding components are based on actual prior year data including for number of FTE eligible for COF stipend (FY 2015-16 for FY 2017-18 model), weighted credit hours, and Pell.					



OUTCOMES COMPONENT OF THE MODEL – ADDITIONAL BACKGROUND

An important innovation of the funding model was to specifically emphasize the General Assembly’s interest in degrees awarded—as opposed to simply the number of students enrolled in State institutions.

- Funding related to degrees awarded, student retention (from one year to the next), and transfers from community colleges to 4-year institutions comprise 13 to 23 percent of total funding to each of the state governing boards. Of these factors, completions are most significant, as they are weighted at 85 percent of the total.
- Different degrees are weighted differently, from .25 for a certificate to 1.25 for an advanced degree
- Resident and non-resident students are weighted differently, with non-residents weighted at 30 percent of residents; and
- “Priority degrees” (STEM degrees) and Pell-eligible students each receive additional weighting (50 percent and 60 percent, respectively).

Because completions are weighted at 85 percent of the total and non-residents are weighted at 30 percent of residents, **resident student degrees are the largest outcomes funding component. Raw and weighted degrees for this portion of the model are summarized in the table below.**

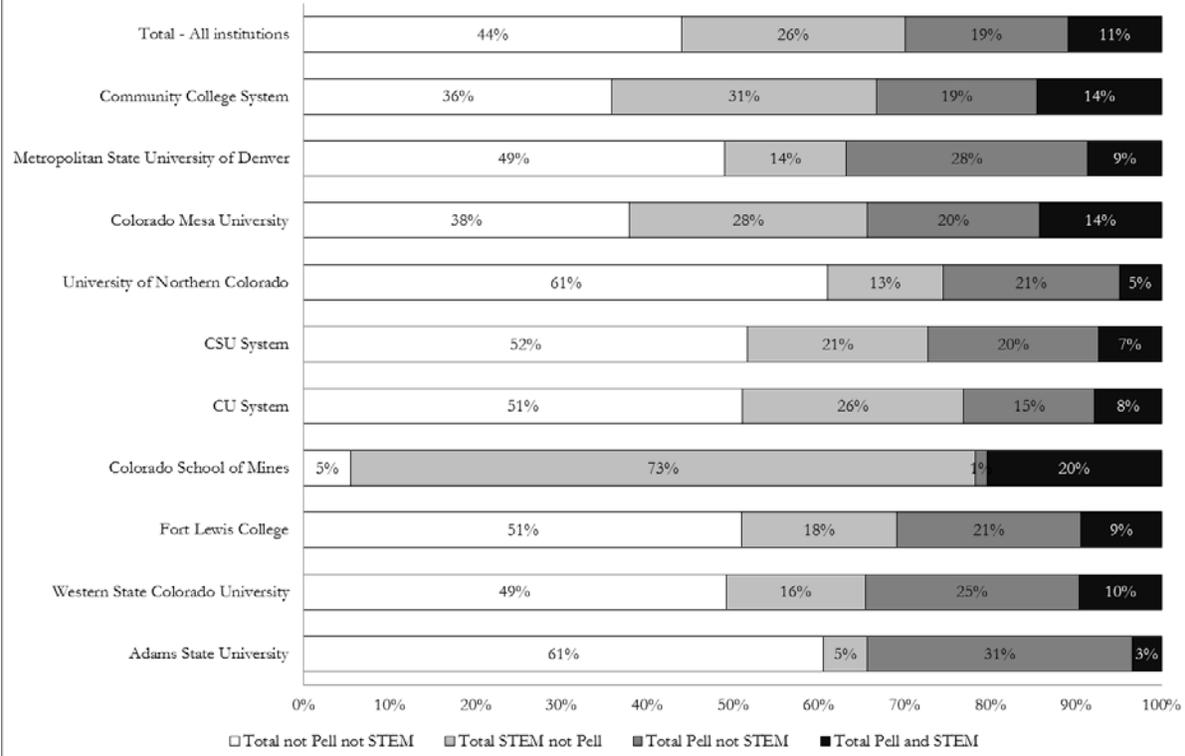
Total Degrees Awarded to Residents by Governing Board and Degree Level								
	Certificates	Associates	Bachelors	Masters	Doctoral	Total Raw Counts	Total weighted degrees**	Percentage of weighted degrees
Adams State University	0	270	513	206	0	989	826	1.8%
Western State Colorado University	0	0	406	0	0	406	395	0.9%
Fort Lewis College	1	0	645	22	0	668	670	1.5%
Colorado School of Mines	0	0	902	306	70	1,278	1,841	4.1%
CU System*	50	0	9,552	2,632	551	12,785	14,414	31.9%
CSU System*	15	0	6,188	1,096	158	7,457	7,943	17.6%
University of Northern Colorado	0	0	2,426	632	63	3,121	3,239	7.2%
Colorado Mesa University	669	441	1,284	47	6	2,447	1,761	3.9%
Metropolitan State University of Denver	106	0	5,029	219	0	5,354	5,044	11.2%
Community College System	11,415	11,786	0	0	0	23,201	9,020	20.0%
Total degrees awarded	12,256	12,497	26,945	5,160	848	57,706	45,153	100.0%
Weight for This Type of Degree	0.25	0.50	1.00	1.25	1.25		**	

*These figures exclude awards at the medical school and veterinary school, since those are separately funded

**Includes additional weight for STEM (0.5) and Pell (0.6)

The additional weighting for Pell and STEM degrees is significant. The break-down by institution for the additional weighted categories is reflected in the chart below. The darker the shading, the larger the “bump” provided, since priority categories receive a 50 percent bump, Pell receives a 60 percent bump, and institutions receive both for students who qualify for both.

Resident Student Degrees Awarded by Institution by Percentage Low-income (Pell) and Priority (STEM)



APPENDIX: 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 technical colleges and local district 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):

Student stipends authorized under the College Opportunity Fund Program (23-18-201, et. seq.); Role and mission fee-for-service contracts authorized under Section 23-18-303 (3); Performance funding fee-for-service contracts authorized under Section 23-18-303 (4), C.R.S.; and
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Increases at the same rate as “total state appropriation”, but may increase more or decrease less

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

Statute specifies that 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)]

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 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.

PROCESS: Statute requires the Department and CCHE to annually submit a budget request that includes a detailed description of role and mission factors and metrics, values assigned, and funding for each institution for each funding metric.

The Joint Budget Committee is then empowered to modify the model within the constraints outlined in H.B. 14-1319: “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.]

ISSUE: PROPOSAL TO TRANSFER CU SPECIALTY EDUCATION FUNDING TO ENHANCE MEDICAID REIMBURSEMENTS

The requests for the Department of Health Care Policy (HCPF) and Higher Education (DHE) include a plan to access additional federal Medicaid funds for medical services provided by faculty of the University of Colorado School of Medicine (UCSOM).

SUMMARY

- The Department of Higher Education has requested new footnotes and letternotes in the FY 2017-18 Long Bill that would enable up to the entire appropriation for specialty education programs at the University of Colorado, *i.e.*, all funding for educational services at the University of Colorado Health Sciences Center, to be transferred to the Department of Health Care Policy and Financing to enhance Medicaid medical payments to physicians who are faculty at the School of Medicine and who provide clinical care at University of Colorado Hospital and Children's Hospital.
- If approved by federal authorities, the state funds transferred to HCPF would be matched by federal funds (50/50) as part of enhanced physician reimbursements.
- The University of Colorado anticipates that School of Medicine educational programs would be "held harmless" because educational programs would be reimbursed by University Physicians Inc., a component unit of the University of Colorado responsible for physician billing, before any real increase in payments to physicians.
- The proposal indicates that, as part of this arrangement, access and services for Medicaid-eligible clients at University Hospital and Children's Hospital would be enhanced, the Commission on Family Medicine Residency Training Program would be increased by three additional residents by FY 2019-20, the Care Transitions Intervention Training program would be staffed, and 6.0 other FTE would be added at the Department of Health Care Policy and Financing to manage the program and related accounting.

DISCUSSION

HCPF R-1-2 INFORMATION REQUEST AND PROPOSED DHE FOOTNOTE FOR CU

The requests for the Department of Health Care Policy (HCPF) and Higher Education (DHE) include a plan to access additional federal Medicaid funds for medical services provided by faculty of the University of Colorado School of Medicine (UCSOM). Faculty at the UCSOM are also clinicians who provide medical services at the University of Colorado Hospital and Children's Hospital in Aurora, as well as at some clinics in the Denver Metro area.⁷ By enhancing Medicaid payments to the faculty, which has been permitted in other states, CU hopes to draw down additional federal funds, allowing for an expansion of services to Medicaid-eligible clients while

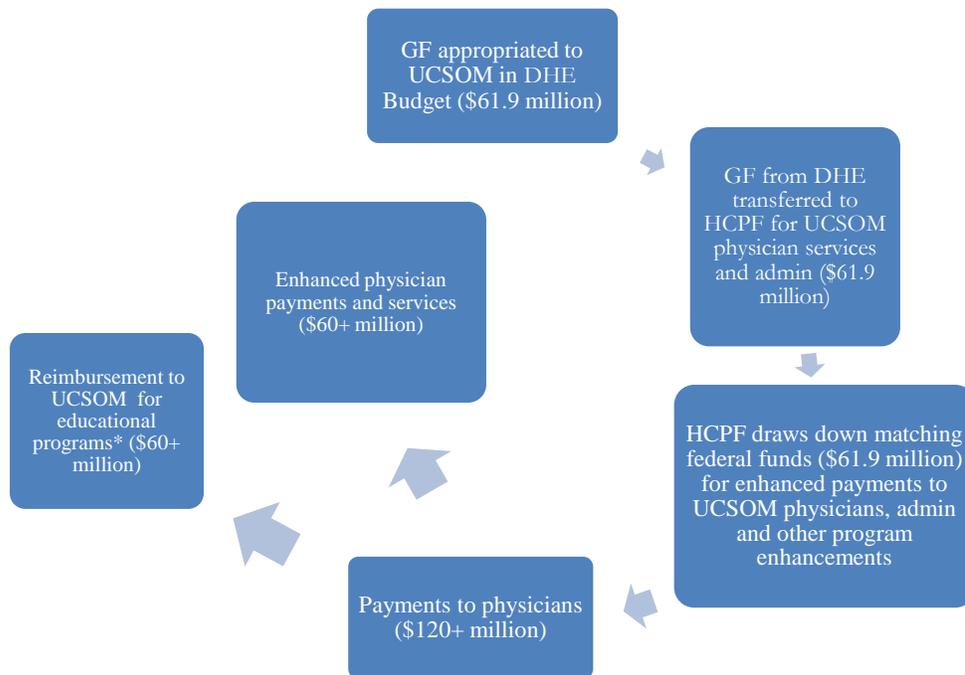
⁷ Although UHealth facilities are located around the state and in other states, in other parts of the Colorado, the "anchor" hospital is different and staff at the hospital and associated clinics are not CU faculty.

simultaneously maintaining the current level of funding for medical education programs. CU reports that the focus of this effort is to expand access to specialty care for Medicaid clients across the State.

- HCPF has submitted an “information only” request for \$123.8 total funds, including \$61.9 million reappropriated funds and \$61.9 million federal funds, to increase service reimbursement rates for physicians employed by UCSOM.
- The Department of Higher Education (DHE) budget request includes a related proposal for a new footnote to the Long Bill to allow \$60.4 million to be transferred from the DHE appropriation to the University of Colorado for specialty education services (i.e., for the UCSOM) to HCPF to pay for the higher physician reimbursement rates.⁸
- If approved by the federal Center for Medicare and Medicaid Services (CMS) and the General Assembly, these requests would enable UCSOM and its faculty to draw down additional federal matching funds of \$61.9 million, without increasing state General Fund appropriations.
- The additional funds resulting from the federal match would be used to enhance physician reimbursements for clinical services to Medicaid clients, to expand access to services for such clients, for program administration, and to enhance the family medicine residency program and hospital transition services.
- The UCSOM educational programs would be “held harmless” because the moneys transferred from DHE to HCPF) would be repaid by the physicians, through their billing entity.
- Most of the HCPF request is contingent upon federal approval of a Medicaid State Plan Amendment (SPA). HCPF submitted the SPA proposal to CMS on September 30, 2016, requesting retroactive approval to July 1, 2016. HCPF anticipates that the SPA could be approved by July 1, 2017 and that, if approved, the first supplemental payment would occur in FY 2017-18 based on FY 2016-17 claims data.

The chart below reflects how staff understands this proposal would operate.

⁸ Staff believes that the correct number is \$61,900,000 and that the DHE request included an outdated figure.



*CU states that reimbursement to the UCSOM would be from other sources of UPI revenue, since Medicaid is a relatively small portion of UPI's overall revenue stream; however, the effect would be the same.

BENEFITS AND COSTS

Increased Services: HCPF anticipates that, if approved, additional reimbursements for physicians would result in expanded access to care for Medicaid clients. UCSOM faculty physicians had 537,002 encounters with people eligible for Medicaid in FY 2015-16. This is an essential source of primary and specialty care for the Colorado Medicaid program. To expand services, the Department would enter into a written agreement with the UCSOM that conditions payments on meeting negotiated benchmarks.

- HCPF indicates that it is in the process of working with UCSOM on the benchmarks, and one reason the request was submitted as “information only” was because these details are still in negotiation.
- As staff understands it, requirements might include ensuring that Medicaid clients are accepted and are not required to wait for either primary care or a specialty service any longer than a person on a commercial plan. According to CU staff, benchmarks
- Requirements might also include provisions to expand “targeted rural access,” such as individuals served through telemedicine, and provisions to expand on-line training/consultation for other doctors on handling challenging health problems such as opioid addiction and pain management.
- The request indicates that the first year of payments would be used for UCSOM to help build infrastructure and increase staffing to meet requirements in the agreement and that, after the initial startup, staffing and infrastructure would be in place to measure outcomes and compliance with the benchmarks. Payments could then be based on this performance.

UCSOM reports that in CY 2016 it served 177,331 Medicaid clients. Total Medicaid enrollment in October 2016 was 1,332,134, indicating that CU served just over 13 percent of Medicaid clients, though likely a larger portion of those requiring specialty care.

Other components: In addition, a portion of the total funding (funds transferred from DHE and match) are proposed to be directed to **expanding medical residencies** and **hospital transition services**, as well as **significant administrative overhead**. The detailed components of proposed expenditures are reflected below. Note that the table below is based on projected costs as of FY 2019-20, when the Family Medicine Residency Program is projected to have increased to its maximum size of three new residents. The proposal reflects adding one new resident each year until FY 2019-20.

ANTICIPATED HCPF PROGRAM BUDGET BY FY 2019-20 (FAMILY MEDICINE COMPONENT BUILDS OVER TIME)			
	FTE	Amount	Notes
New HCPF FTE salary and benefits	6.0	\$524,863	4.0 FTE for staff directly responsible for the supplemental payment program (e.g., accountants, budget analysts). 2.0 FTE directed to broader Medicaid program administration: a specialty care benefit manager and a care transitions intervention specialist.
General professional services and special projects		300,000	For external program oversight
Commission on Family Medicine Residency Training Programs		450,000	Support for 3.0 new residents.
Medical Services Premiums		122,525,137	For supplemental UPL payments to UCSOM physicians
Total		\$123,800,000	
Reappropriated Funds		61,900,000	
Federal Funds		61,900,000	

FEASIBILITY AND MECHANICS: CMS AND TRANSFERRED FUNDS

HCPF explains the feasibility of the request as follows:

- The current Medicaid reimbursement rate for physician services provided by UCSOM is 60 percent lower than the average commercial rate payment, resulting in most private sector physicians—as well as physicians at UHealth facilities, as staff understands it—limiting access to Medicaid patients.
- The federal government allows higher Medicaid payment rates, up to an “upper payment limit” (UPL) determined by **average commercial rates** for UCSOM physicians, since they are faculty at a public medical school and employees of a public entity (the School of Medicine). Such supplemental payments are based on actual expenditures and encounters from the prior year. In other words, if funds were available, UCSOM rates could be increased by up to 60 percent.
- To make such higher payments, including “supplemental” payments, a state match is required (50 percent in Colorado).
- Colorado is able to provide the required match, without impact on the General Fund, by transferring funds from the appropriation for UCSOM in DHE to HCPF.

HCPF emphasizes that the kind of mechanism proposed is consistent with current federal law and existing state practice. For example, the State already “certifies” public expenditures made by Denver Health and other public hospitals to draw down additional federal funds, i.e., when a public hospital can show

that expenditures for Medicaid clients exceeded reimbursement rates and it is able to demonstrate that it has already spent the 50 percent “State” (in this case local) share serving the patients, the federal government will provide the federal match for the excess expenditures as a supplemental payment.

As staff understands the situation, CU explored whether there were other mechanisms for the University of Colorado to provide the match to HCPF to draw down enhanced federal funds, but the current request was deemed most transparent and least likely to create complications from both an accounting and TABOR revenue perspective.

H.B. 16-1408 AND LEGAL AUTHORITY

The University of Colorado first brought this proposal to staff’s attention during the 2016 legislative session, shortly before Long Bill introduction. CU initially sought spending authority and a footnote for HCPF to work on the proposed SPA and (as staff saw it) implicit authority from the General Assembly to proceed with the proposal. After consulting with the Office of Legislative Legal Services, staff informed CU that there did not appear to be adequate legal authority for the proposal. In particular, staff was concerned that there was no legal authority for funds that were appropriated to the Department of Higher Education for medical education to instead be used to pay physicians for medical services.

CU then worked with the sponsors of a JBC bill, H.B. 16-1408 (Concerning the allocation of cash fund revenues to health-related programs by Rep. Rankin and Sen. Steadman) to have the following language added through an amendment in the House during debate on the JBC budget package:

23-18-304. Funding for specialty education programs – area vocational schools – local district junior colleges. (1) (c) Specialty education services provided by the health sciences center campus at the university of Colorado as authorized by paragraph (a) of this subsection (1) [*higher education fee-for-service payments*] includes care provided by the faculty of the health sciences center campus at the university of Colorado that are eligible for payment pursuant to section 25.5-4-401, C.R.S. [*Medicaid provider payments*]

H.B. 16-1408 was primarily focused on restructuring tobacco litigation settlement funding and this amendment was not extensively discussed in either chamber. However, the amendment fit under the bill’s title and was included in the final enacted version.

On the basis of the legal authority provided in H.B. 16-1408, CU began working with HCPF on the SPA amendment. **Although there is now statutory authority to make the necessary transfers, the General Assembly will need to approve the additional spending authority in HCPF for \$123.8 million and the proposed footnote in DHE to implement the proposal. The current requests provide an opportunity for the members of the JBC and the General Assembly to more thoroughly consider whether they wish to proceed with the plan as presented.** Since federal action on the proposal is anticipated to come after the 2017 legislative session, the General Assembly’s decision would occur before the federal decision, and the Long Bill would need to reflect spending authority and transfers that would only occur if there was subsequent federal approval for the SPA. *HCPF has noted that the additional spending authority could conceivably be addressed after federal approval of the SPA; however, staff believes it would be far preferable for the General*

Assembly to take action this legislative session. *If the federal government does not approve the SPA, the spending authority would not be used.*

ADDITIONAL BACKGROUND: MULTIPLE LEGAL ENTITIES

The University of Colorado School of Medicine operates as one component of a complex institutional structure that involves several different entities. Much of the legal structure was established in 1991, pursuant to Section 23-21-501, C.R.S., et. seq., when the University of Colorado Hospital Authority was spun off from the University of Colorado, though portions are far older. The key entities include:

- University of Colorado School of Medicine on the Anschutz Medical Campus (referred to in statute as the Health Sciences Center) – an educational entity that is part of the University of Colorado (CU)
- University Physicians Inc. - a physician billing entity that is a considered a “component unit” of CU but is a separate non-profit
- University Hospital (part of the UHealth Hospital Network) and Children’s Hospital

These entities are closely intertwined, with individuals from each of the entities serving on boards or as staff of the others.

THE SCHOOL OF MEDICINE AT THE CU DENVER ANSCHUTZ MEDICAL CAMPUS/HEALTH SCIENCES CENTER is a component part of the University of Colorado and operates under the oversight of CU’s elected Board of Regents. As reflected in the financial statements for the University of Colorado, this entity incorporates both revenue and expenditures related to:

- medical education,
- medical research; and
- physician salaries

Medical Education: Medical education is virtually the only activity on the Anschutz Medical Campus that is directly supported by the State. Campus educational revenue for FY 2015-16 as reported in the budget data book for the University of Colorado is summarized below.

FY 2015-16 HEALTH SCIENCES CENTER REVENUE	
General Fund (fee-for-service and stipends)	\$63,851,784
Tobacco Master Settlement allocation	12,428,440
Tuition	83,174,350
Indirect Cost Recoveries/Fees/Other non-	102,263,599
Total	\$261,718,173

Source: FY 2016-17 Budget Data Book

Of the amounts shown, only General Fund, tobacco moneys, and tuition are appropriated in the Long Bill.

University Physicians Inc. (UPI)⁹: UPI bills for physician salaries from clinical patient fees. It is considered a component unit of CU from a financial perspective (*i.e.*, it is reported in CU’s financial statements) yet is simultaneously a separate legal entity created in statute at Section 23-20-114 (2),

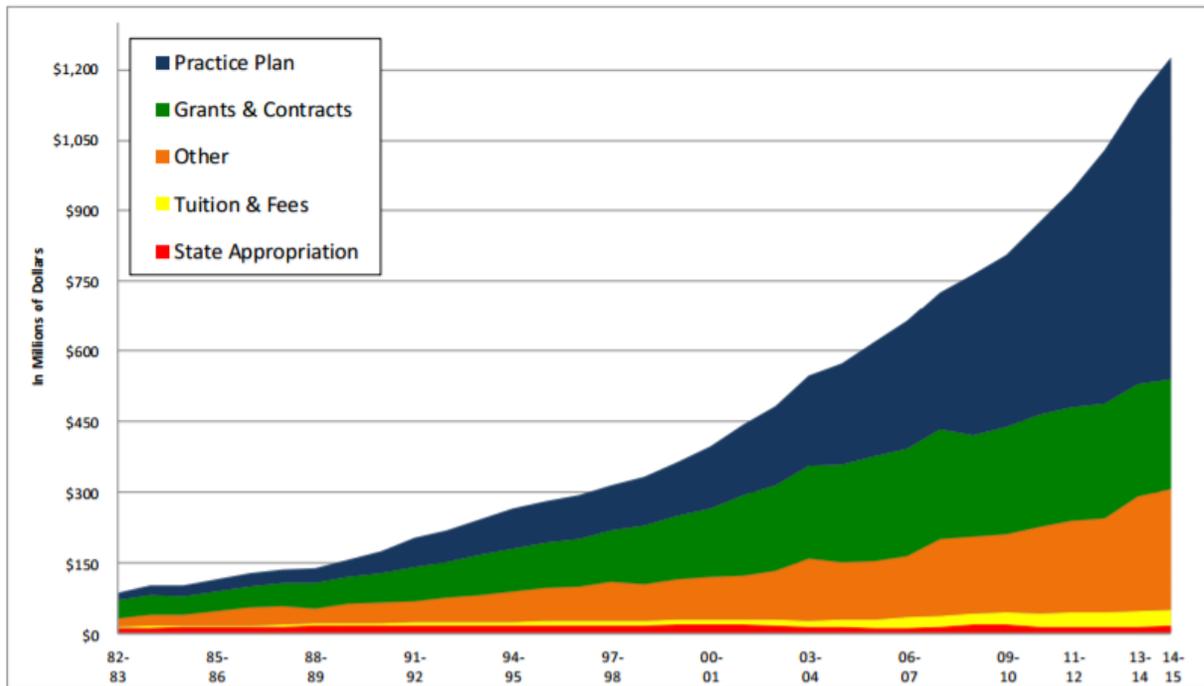
⁹ Staff understand that UPI’s name is currently in the process of being changed to CUMedicine.

C.R.S. The Executive Director of UPI reports to the Dean of the School of Medicine, yet UPI is itself a non-profit organization (a 501 (c) (3)) with its own board of directors. Like research and various other kinds of revenue, physicians' clinical fees/UPI revenue is not included in the Long Bill.

According to UPI's most recent financial statements, UPI's provider membership of approximately 2,800 clinical faculty at the School of Medicine includes the faculty on the Anschutz Medical Campus at University of Colorado Hospital and Children's Hospital and at several other locations in the Denver metropolitan area and across the state. **UPI operating revenue in FY 2015-16 was \$754.0 million**, and overall billings have been increasing rapidly (10.9 percent over the prior year). Thus, UPI revenue is about triple the revenue reported for the School of Medicine for general educational expenses. **According to UPI's financial statements, UPI clinical income supports approximately 75 percent of all faculty funding sources.** UPI management report that state General Fund and tuition revenue provide less than 3.8 percent of physician compensation.

Overall School of Medicine Revenue, including Medical Education, Physician Fees, and Research: As reflected in the chart below from the CU website, state appropriations now represent a tiny portion of overall revenue to the School of Medicine.

CU School of Medicine Trend in Revenue Sources



2015 Facts and Figures, University of Colorado School of Medicine.

http://www.ucdenver.edu/academics/colleges/medicalschool/administration/admin_offices/Documents/facts%20and%20figures%202015.pdf (retrieved December 7, 2016)

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY, UCHEALTH, AND CHILDREN'S HOSPITAL

All physicians who provide clinical treatment at the University of Colorado Hospital and Children's hospital are on the faculty of the Health Sciences Center, School of Medicine. However, the hospitals are separate legal entities and are not considered part of the medical school.

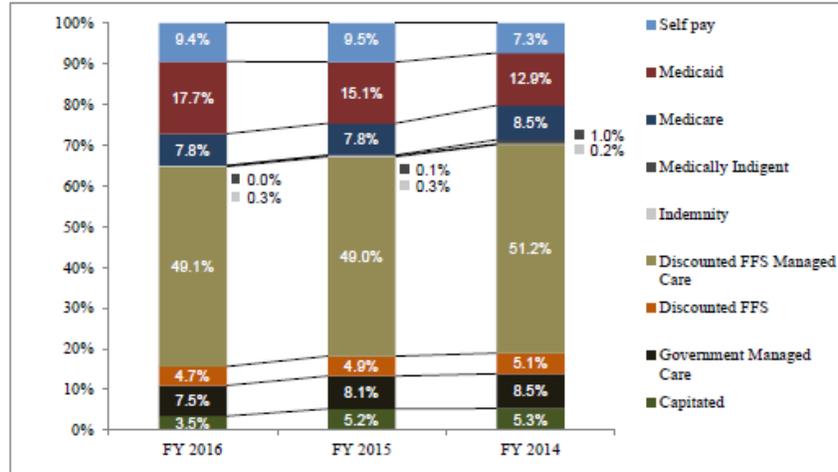
- *Children's hospital* is a non-profit entity, with a primary campus next to the medical school and UC Hospital, additional campuses along the Front Range, and over 1,200 regional outreach clinics in three states. Gross patient revenues were over \$2.2 billion in FY 2014-15.
- *The University of Colorado Hospital Authority* was spun off from the University of Colorado in 1991 by the General Assembly, with the goal, as expressed in the legislative declaration, of ensuring the hospital would remain economically viable. The Authority is described in statute as "a body corporate and a political subdivision of the state, which shall not be an agency of state government, and which shall not be subject to administrative direction or control by the regents or by any department, commission, board, bureau, or agency of the state." [Section 23-21-503(1), C.R.S.] However, pursuant to statute, the CU Board of Regents appoints the board of directors of the hospital, and the chair of the board is appointed by the CU president. UC Hospital reported \$1.5 billion in gross operating revenue in FY 2015-16.

UCHealth was created when UC Hospital joined with other hospitals to create a network. It now has affiliated hospitals and clinics throughout the Front Range and in neighboring states. UCHealth reported \$3.3 billion in gross operating revenue in FY 2015-16. According to CU and UPI, although University Hospital is part of UCHealth, physicians who provide services at other hospitals in the UCHealth network and their associated clinics are not part of UPI or on the faculty of the School of Medicine.

STAFF OBSERVATIONS AND AREAS FOR CLARIFICATION

- As the Committee has already observed, **given changes in CMS administration at the federal level, it is unclear whether a proposal like this one will be accepted.** HCPF reports that the request is broadly consistent with Medicaid law and practice nationwide and therefore believes that obtaining approval may be more a matter of *when* and specific details, rather than *if*. However, significant changes in federal law and policy may change this calculus. Regardless, *the General Assembly should decide whether or not it is comfortable with the proposal, since both federal authorities and the General Assembly must approve the change.*
- **Staff finds the overall complexity of the proposal troubling but recognizes that, complex or not, the benefits of over \$60 million in additional federal funds could be significant.**
- **Most critically: the precise benefits that would be provided by the proposal need to be further fleshed out.** According to UPI financial statements, Medicaid clients represent a growing share of UPI's client-base. As reflected in the chart below. Medicaid clients represented 17.7 percent of all UPI client revenue in FY 2015-16 and, according to CU, Medicaid clients represent about 30 percent of the UPI clients served. **Enhancing reimbursement rates for these clients will clearly benefit physicians. But will it really expand service access? As described above, the request indicates intent to establish requirements and benchmarks, but it is not yet clear what those benchmarks will be or how they will be achieved.**

Payer Mix Comparison by Percent of Clinical Collections



Source: UPI FY 2015-16 Financial Statements.

- **The administrative costs of this proposal are obviously very high**, and HCPF appears to be seeking additional benefits, including for new staff to assist in various improvements to the Medicaid program, as well as the family medicine residency program. The JBC analyst for HCPF will need to weigh in on the value/need for all of the additional appropriations requested for HCPF administration.
- **The enhanced Medicaid rates available through this proposal would not be available to other Medicaid providers.** It seems probable that, if the proposal is approved, University Hospital would become more dominant as a provider for Medicaid specialty services. University Hospital and Children’s Hospital are already significant Medicaid providers, and it is not clear that there are other providers eager to compete for the Medicaid safety-net client population. Nonetheless, this proposal would obviously place University and Children’s Hospital providers at a unique advantage.
- **Staff assumes that, in order to hold medical education programs harmless, UCSOM would enter into an agreement with its physician billing entity, UPI, to ensure that funds diverted from the DHE budget are “repaid” to medical education programs. However, the mechanics for this must also be clarified.**
- Finally, **the General Assembly will need clear assurance that by proceeding with this proposal it is not limiting its ability to reduce the higher education General Fund appropriation to the University of Colorado.** State budget balancing often occurs in higher education. If cuts are required due to a sharp state revenue decline, the State should not face more constraints in cutting funding to the Anschutz Medical Campus than in cutting funds to other higher education institutions. CU indicates that, from its perspective, this change should not restrict the General Assembly’s ability to cut funding higher education funding for specialty education programs on the Anschutz Medical Campus.

During the budget briefing for HCPF, the Committee raised various questions about this proposal. In light of this, a joint hearing with the University of Colorado and HCPF has been scheduled for January 3 to provide an opportunity to flesh out the benefits, costs and risks of the proposal.

ISSUE: HISTORY COLORADO REQUESTS

History Colorado has addressed its structural budget imbalance and has a dynamic new management team. However, the annual lease-purchase payment for the History Colorado Center leaves few resources for other institutional improvements. The organization has therefore requested an appropriation of \$1.6 million General Fund for its community museums, which, if approved would represent the first significant General Fund support for museum operations since FY 2002-03.

SUMMARY

- History Colorado has emerged from a painful realignment in which its governance structure was changed, management replaced and significant budget cuts implemented to bring its expenditures back in line with available revenue.
- While the organization is well-positioned with strong new management, it remains burdened by the annual lease-purchase payment for the History Colorado Center, which requires over 30 percent of the museums' share of gaming revenues (money deposited to the Operations Account of the State Historical Fund). This leaves little revenue available for other needs.
- The agency has requested a new General Fund appropriation of \$1,589,044 for its community museums beginning in FY 2017-18. This would represent the first significant General Fund appropriation for museum operations since FY 2002-03. The request would add 8.0 FTE, including a development director and a collections director, as well as new FTE at each museum to help manage programming and museum services. It would also add funds for information technology resources, programming and outreach at each facility.
- The current director of the community museums effectively transformed the El Pueblo museum into a significant community center and hopes to do something similar at the institution's eight community museums across the state, driving significant increases in visitation and various economic and community benefits.
- Nonetheless, reinstating General Fund support for History Colorado is a major step. History Colorado museums have not received significant General Fund operating support since FY 2002-03, when the combination of state revenue shortfalls and the large funding stream available from gaming revenues led the General Assembly to eliminate General Fund support for the agency.

RECOMMENDATIONS

An investment of this magnitude should only be considered if the role of the community museum is significantly broadened so that the community museums become regional history coordinating entities. Staff believes this is part of History Colorado's vision but hopes that, if funded, this component will be further emphasized.

The Committee should consider legislation that would enable History Colorado museums to operate outside of OIT, as is permitted for all other higher education institutions. The museums must

provide public-facing internet access and related public-facing services in remote parts of the state. This function is very different from that needed for most state government agencies, and History Colorado reports that OIT has great difficulty meeting these needs.

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. It is charged with preserving the state’s history and documenting it for the benefit of its citizens, and it provides a wide variety of services related to this mission.

History Colorado’s operating appropriation for FY 2016-17, including centrally-appropriated items, is \$34.2 million. Of this, over 75 percent is derived from limited gaming revenue deposited to the State Historical Fund. The 1990 Constitutional amendment that legalized limited stakes gaming in three cities specified that 28 percent of state gaming revenue after administrative expenses would be used for statewide historic preservation efforts. The General Assembly has authorized History Colorado to administer these funds, subject to annual appropriation.

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

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

The table below shows actual FY 2015-16 gaming receipts deposited to the State Historic Fund which will be used to support History Colorado activities in FY 2016-17. The total includes a 4.3 percent increase over FY 2014-15 receipts.

STATE HISTORIC FUND LIMITED GAMING RECEIPTS (FY 16 USED IN FY 17)	FY 2015-16
Majority Share - Statewide Preservation Grant Program (50.1% of 80%)	\$10,226,685
Minority Share - Museum Operations and Capital (49.9% of 80%)	10,185,860
Gaming City Direct Distribution (20.0%)	<u>5,103,136</u>
Total to History Colorado	\$25,515,681

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

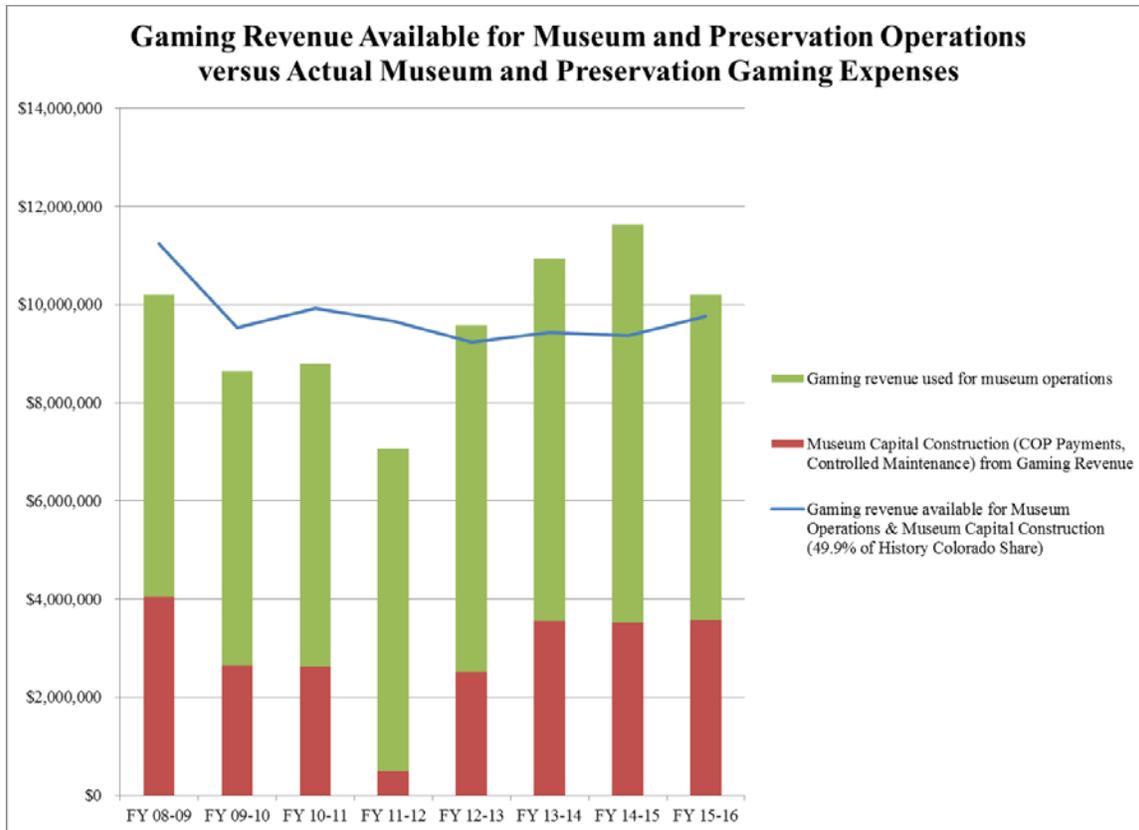
RECENT EVENTS

History Colorado is emerging from a challenging period. **A combination of poor management choices and bad luck dating back to 2008 culminated in a structural deficit in FY 2013-14 and FY 2014-15. Changes initiated in 2015 have addressed the deficit and provided the organization with highly effective new management, but History Colorado remains saddled with heavy debt which will affect it for many years into the future.**

In 2008, as part of the decision to rebuild the Judicial Center, the General Assembly authorized the Historical Society to execute a lease-purchase agreement for up to \$85.0 million in principal, with annual payments not to exceed \$4,998,000 to build a new museum. The resulting annual lease-purchase obligation, now \$3.1 million, represents about 30 percent of the organization's limited gaming funding stream for museum operations. The organization anticipated that it would be able to cover the lease-purchase payments through increases in earned revenue. It also anticipated that gaming revenue to the organization would continue to increase, as it had in prior years. These expectations were frustrated for several reasons:

- Voters adopted Amendment 50 in November 2008, which created a new category of "extended" limited gaming revenue and, from FY 2009-10, effectively redirected most increases in tax revenue that would previously have gone in part to History Colorado.
- The Great Recession, combined with Limited Gaming Commission policies that reduced gaming tax rates, sharply depressed gaming revenue in FY 2008-09. Although tax rates and overall revenues partially rebounded, revenues to History Colorado remained essentially flat from FY 2009-10 through FY 2013-14 and only began to gradually increase again in FY 2014-15. Increases are effectively limited to 3.0 percent annually under Amendment 50.
- The new facility did not result in sufficient new paying customers to cover the huge additional lease purchase payment. In the years through FY 2010-11, preceding the museum's move, earned revenue was typically \$1.5 to \$1.7 million per year. In the first full year the new museum was open (FY 2012-13), earned revenue was \$3.7 million. In FY 2015-16, earned revenue (excluding some transferred funds) was \$3.4 million. Thus, while the new History Colorado Center has resulted in some additional new revenue, the increase is well under \$2.0 million and well below the new \$3.1 million lease purchase expense.

As a result of these factors, the organization faced a serious structural imbalance beginning in FY 2013-14, the first full year of lease-purchase payments.



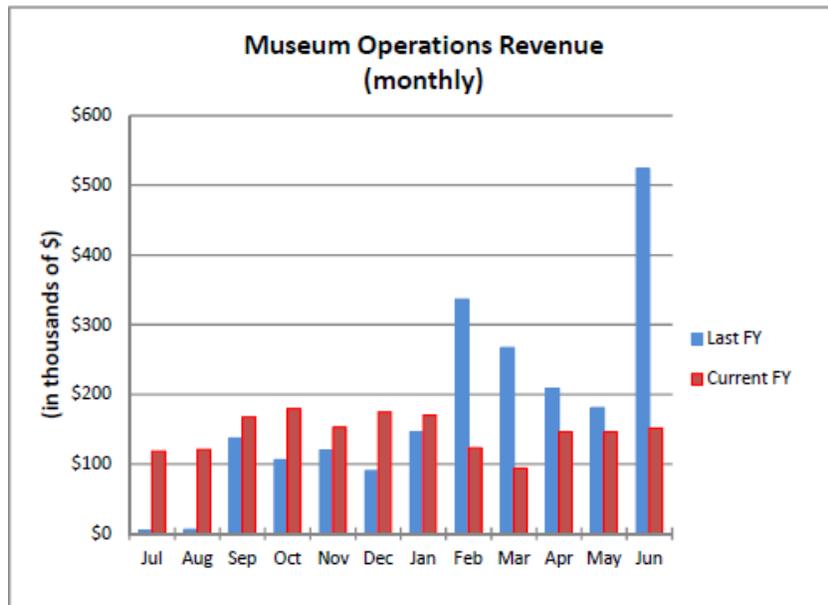
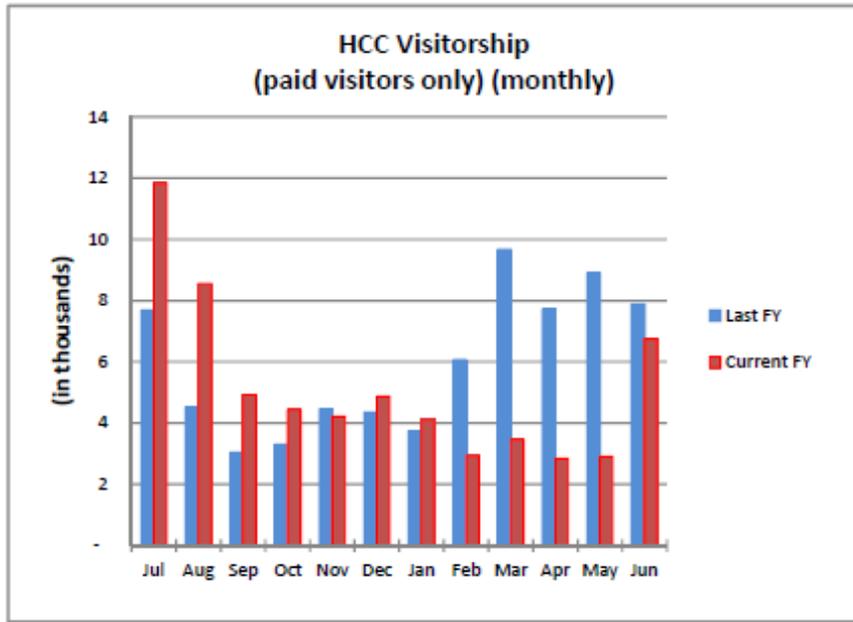
Initially, the scale of the imbalance and the implications were not entirely clear to the museum’s Board of Directors or other oversight entities, in part due to other problems at the organization: poor accounting and financial management practices. The institution was the subject of two highly critical audits from the Office of the State Auditor in 2014 which indicated that, among other issues, the organization was not following various standard government accounting practices.

As both financial and management problems became more clear, the organization, Governor and General Assembly worked together to modify the organization’s oversight structure, ultimately giving the Governor (rather than the organization’s membership), authority to select the Board of Directors (S.B. 15-225). JBC budget actions and bills also helped to highlight key issues during the 2015 legislative session.

At the beginning of FY 2015-16, a new high-powered Board of Directors with an aggressive turn-around mandate took rapid steps to appoint a new interim management team. Through voluntary early retirements and furloughs and involuntary layoffs the organization reduced personnel (by 26.1 FTE or 20 percent as of June 30, 2016), flattened its management structure, and began to develop additional in-house exhibits, thus eliminating reliance on traveling exhibits from out-of-state. On July 1, 2016, the Board appointed Steve Turner, co-director of the interim management team and the previous Director of Historic Preservation, the new Executive Director. **The organization closed out FY 2015-16 with a budget approaching balance. Its final shortfall for FY 2015-16 was \$513,326--lower than the \$834,080 originally projected. It will begin rebuilding reserves in FY 2016-17. However, the institution’s smaller operating budget leaves little space for new initiatives.**

In the last fiscal year, neither museum revenue nor visitation increased significantly. The challenge for the institution in the coming years is whether new management and energy can change this.

FY 2014-15 to FY 2015-16 History Colorado Visitation and Revenue (all museums)



Source: History Colorado management dashboards

HISTORY COLORADO FY 2017-18 REQUESTS

HC1 – REVITALIZATION FUNDING FOR COMMUNITY MUSEUMS

The Executive Request proposes an appropriation of \$1,589,044 General Fund for History Colorado.

Most of History Colorado’s focus and investment in recent years has been on the new History Colorado Center in Denver. However, History Colorado has community museums across the state including:

- Ute Indian Museum (Montrose)
- Fort Garland Museum and Cultural Center (Costilla County)
- Trinidad History Museum (Trinidad)
- El Pueblo History Museum ((Pueblo)
- Healy House and Dexter Cabin (Leadville)
- Byers-Evans House (Denver)
- Grant Humphreys Mansion (Denver)
- Fort Vasquez (Platteville)

These facilities are staffed by 0.5 to 3.0 FTE and see visitation ranging from as little as 1,825 (Healy House in Leadville) to 58,843 (El Pueblo) per year, as reflected in the chart below.

	Byers Evans House	El Pueblo History Museum	Fort Garland Museum	Fort Vasquez Museum	Grant Humphreys Mansion	Healy House & Dexter Cabin	Trinidad History Museum	Ute Indian Museum	Community Museum Admin
Location	Denver	Pueblo	Costilla County	Platteville	Denver	Leadville	Trinidad	Montrose	
Budget FY17	\$117,316	\$304,842**	\$230,024	\$87,288	\$186,529	\$94,716	\$208,644	\$244,105	\$252,598
Revenue Expectation FY17	\$45,000	\$75,000	\$70,000	\$32,000	\$325,000	\$18,000	\$24,000	\$94,500	
Actual Revenue FY16	\$46,525	\$87,661	\$68,709	\$33,412	\$219,063	\$16,320	\$23,209	\$125,454*	\$4,689
Overall Visitation FY16	11,274	58,843	10,260	4,680	13,632	1,825	7,297	8,323*	
FTEs	1.0 FTE	3.0 FTE	2.0 FTE	part-time temp staff	1.0 FTE	0.5 FTE	2.0 FTE	2.0 FTE	1.0 FTE
Months of Operation	year-round	year-round	April-November	March-December	year-round	June-mid October	year-round	year-round	

As shown in the table below, total costs per visitor and earnings per visitor vary by museum. Costs per visitor are highest at those with the smallest visitation, as would be expected.

Base Budget and Earnings per Visitor at the Community Museums			
	2017 Projected Visitation	FY 2016-17 budget per visitor	FY 2016-17 Earnings per visitor
Byers-Evans (Denver)	12,700	\$10.41	\$4.13
El Pueblo (Pueblo)	63,500	\$5.18	\$1.49
Ft. Garland (Costilla County)	10,800	\$22.42	\$6.70
Ft Vasquez (Platteville)	5,100	\$18.65	\$7.14
Grant-Humphreys (Denver)	14,400	\$13.68	\$16.07
Healy (Leadville)	3,000	\$51.90	\$8.94
Trinidad (Trinidad)	8,600	\$28.59	\$3.18
Ute (Montrose)	9,000	\$29.33	\$14.95

Base Budget and Earnings per Visitor at the Community Museums			
	2017 Projected Visitation	FY 2016-17 budget per visitor	FY 2016-17 Earnings per visitor
TOTAL (including administration)	127,100	\$14.86	\$5.37

The request highlights the following problems at the community museums:

- Insufficient staffing: Results in inability to both keep facilities open and comply with a range of other expectations for museums including ensuring high quality interpretive content.
- Security: At some remote locations, e.g., Fort Garland, there is insufficient staff to protect the large site.
- Part-year closures: Inability to remain open year round due to resources, making it impossible to serve local schools.
- Technology: Most museums lack adequate technology to improve operations and increase revenue generation, e.g., lack of guest wireless to facilitate educational programs.

The request argues that with additional support in the near-term community museums will not only address these problems, but:

- will drive economic benefits, particularly in rural regions; and
- will increase their self-sufficiency, reducing their long-term dependence on state support.

The request is structured over an eight year period, during which time General Fund support is proposed to very gradually decrease, while earned revenue is anticipated to increase.

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 and thereafter
FTE: Community Support (8.0 FTE)	\$434,999	\$434,999	\$434,999	\$434,999	\$434,999	\$434,999	\$434,999	\$434,999
FTE operations expense	\$70,392	\$7,600	\$7,600	\$7,600	\$7,600	\$7,600	\$7,600	\$7,600
Museum Restoration	\$138,739	\$138,739	\$138,739					
Technology	\$128,410	\$128,410	\$128,410	\$128,410	\$128,410	\$128,410	\$128,410	\$128,410
Community Revitalization Programs	\$404,933	\$404,933	\$404,933	\$404,933	\$404,933	\$404,933	\$404,933	\$404,933
Sustainability Program Development	\$411,571	\$411,571	\$411,571	\$411,571	\$411,571	\$411,571	\$411,571	
TOTAL General Fund Revenue	\$1,589,044	\$1,526,252	\$1,526,252	\$1,387,513	\$1,387,513	\$1,387,513	\$1,387,513	\$975,942

New FTE: This includes:

- 1.0 FTE community museum curator to ensure that History Colorado collections are displayed in community museums
- 1.0 FTE development manager to raise funds in local communities for the museums
- 1.0 FTE Fort Garland education coordinator to serve schools in the San Luis Valley
- 1.0 FTE Byers Evans House education coordinator to implement profitable adult-education programs focusing on historic preservation workshops for homeowners, heritage arts, and architectural programs, as well as to coordinate school bus tours.

- 3.0 FTE (1.0 FTE each): Trinidad History Museum, Ute Indian Museum, El Pueblo Museum for maintenance/rental staff to alleviate directors from activities such as snow removal, facilitate revenue-generating rental programs, and enhance security.
- 0.5 FTE for Healy House to expand the current position to full-time and enable more community-based business development.
- 0.5 FTE for Fort Garland security staff to help protect the oldest property owned by the state.

The request indicates that FTE “authority” is not required but that funding is needed to support existing FTE authority which is not filled due to lack of funds.

Museum Restoration: Proposed to include new rental, events, utility, and security system equipment and upgrades, exhibit repairs, point of sale systems, and new curriculum development and educational materials.

Technology: Reflects implementing IT infrastructure and costs of ongoing annual service fees. Spreads one-time investments over a five year period (rolling out progressively over five years at different institutions).

Community Revitalization Programs: Reflects plans for programming upgrades: instructors and materials for programs for children and adults, community generated exhibits and oral histories, summer camps, exhibit development and maintenance.

Sustainability Program development: Further development of various activities that generate ongoing income for the museums: space rentals, bus tours, community outreach activities.

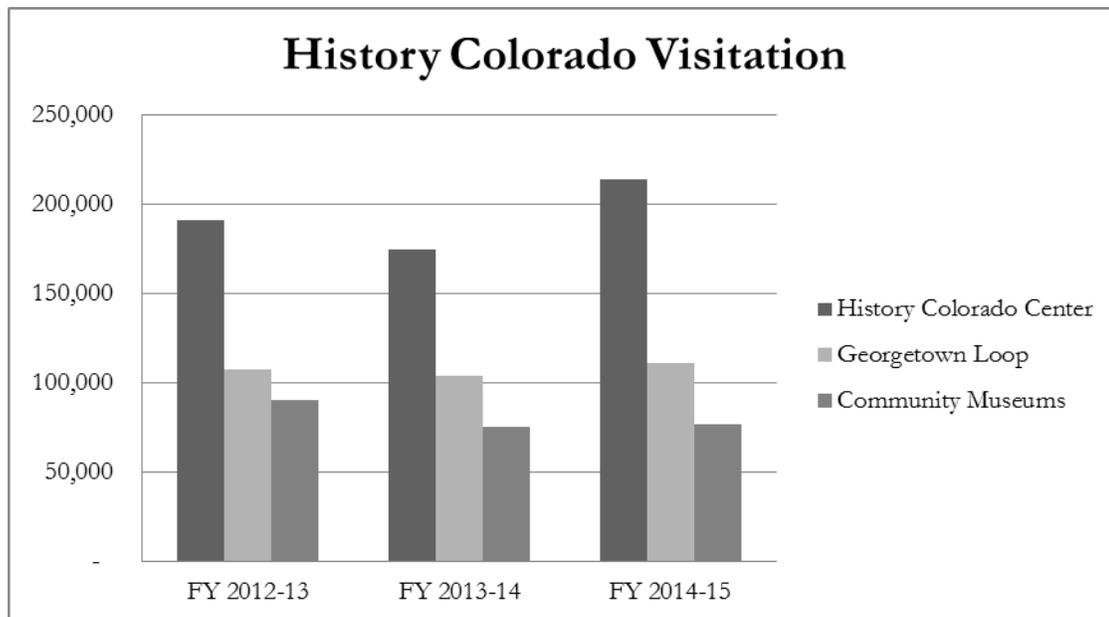
What can be achieved? The request highlights the revitalization of the El Pueblo museum (under the direction of the current director for all the community museums). From FY 2013-14 to FY 2015-16, visitation increased from 26,851 to 58,843, while revenue increased from \$51,775 to \$91,402. The goal of this request is to effectuate similar transformation at other community museums: *The proposal projects earned revenue at the museums increasing from less than \$100,000 in FY 2016-17 to \$1.2 million by FY 2024-25.*

Staff observations about the request:

- **This would be the first significant General Fund appropriation for History Colorado operations since FY 2002-03.**¹⁰
- **The request would more than double the current community museums appropriation.** Setting aside a technical request, which would also increase the line item, the request would add \$1.6 million General Fund to the current \$1.2 million base budget shown in the Long Bill (\$0.9 million FY 2015-16 actual expenses). The Department identifies the base budget for the community museums as \$1,726,062 after including appropriations in facilities line items and “pots”. This represents a very large requested increase. Note also that \$2.0 million over four years from reserve funds (effectively \$500,000 per year for four years) was appropriated for community museum exhibits during the 2016 legislative session.

¹⁰ Excluding Cumbres and Toltec railroad support and capital construction funding

- **The community museums represent about 20 percent of History Colorado’s visitation, and in much of the state this visitation has been falling.** History Colorado indicates that there is a nationwide trend in falling attendance at “house museums” such as a number of the facilities in the History Colorado collection. In general, History Colorado continues to struggle with visitation. This may in part reflect the time required for new management to bring up new exhibits. *However, both the value and the success of History Colorado ultimately rests on visitation.*



Source: Annual Reports

- **Staff believes an investment of this magnitude should only be considered to the extent that the role of the community museum is significantly broadened so that the community museums become regional history coordinating entities.** Colorado is full of hundreds of small history and community museums, only a few of which are supported by the State. Others are small for-profits or non-profits and run by towns or community foundations. For example, *Leadville alone has seven museums, only one of which is a state museum.* If the State chooses to provide additional resources, the community museums must extend their responsibilities, serving as a central point of contact for local historic preservation efforts and engaging in joint marketing and programming with other local historic facilities. *Staff believes this is part of History Colorado’s vision but hopes that this component will be further emphasized.*
- **The most visible product of this initiative, if it is successful, will be increased visitation to the community museums.**
 - In FY 2015-16, visitation to the community museums, excluding Georgetown Loop, was just 116,134. The request proposes that this will increase to 150,000 by FY 2017-18 and over 300,000 in 10 years.
 - *With rare exceptions, community museums are unable to generate enough income to cover their operating expenses, let alone capital appropriations. The request does not expect to change this.* As shown in the table below, the request would increase the budget per visitor from \$13.58 to \$22.72

from FY 2016-17 to FY 2017-18, while earned revenue would remain under \$6.00 per person. While per-person costs might decline over time as visitation increased, per-person earnings are not expected to change much or to catch up to per-person costs.

Community Museums Anticipated Visitation, Proposed Budget, and Earnings over Time			
	FY 2016-17	FY 2017-18	FY 2024-25
Visitation	127,100	150,100	333,700
Budget (FY 17+GF+increase earned)	\$1,726,062	\$3,410,735	\$3,793,857
Earned revenue	\$721,192	\$816,820	\$1,813,045
Budget/Visitor	\$13.58	\$22.72	\$11.37
Earnings/Visitor	\$5.67	\$5.44	\$5.43

- The request proposes that an initial \$1.6 million appropriation be reduced to \$1,387,513 in FY 2021 and further reduced to \$975,942 in FY 2024-25. Staff believes that the 8 year timeline for adjusting General Fund appropriations is probably too long for state budgeting purposes. **Should the General Assembly fund the request, staff believes it would be more reasonable to reduce any new appropriation one-time in FY 2020-21, using that as an opportunity to determine whether the museums have seen the hoped-for increases in visitation and activities.** The turn-around at El Pueblo happened very quickly; *staff believes it will soon be evident whether any new investments in staff and resources are achieving results.*
- Based on conversations with History Colorado staff, **staff believes the Committee should explore whether new legislation should be introduced that would enable History Colorado to operate outside the requirements of OIT, like other higher education institutions.** History Colorado’s public function is quite different from that of other state agencies, and OIT appears to have difficulty serving it well. This request includes significant information technology investments for the organization to provide services such as public access wireless. If the organization is free to operate outside of OIT, it will likely purchase different equipment and could possibly achieve this portion of the request at lower expense.

HC2 REALIGNMENT OF HISTORY COLORADO LONG BILL LINE ITEMS

In FY 2015-16, the JBC adopted significant changes to the History Colorado budget structure in order to make key components more transparent and easier to track. Having lived with the changes for over a year, the Department has proposed a small additional change to move \$306,475 in gaming funds from the facilities management line item to the community museums line item, in order to give the community museums more functional control over their maintenance and utilities expenses.

Staff has no objection to the proposal to move funds. *There continues to be excess spending authority (appropriations for which there is insufficient revenue) in the History Colorado budget, but the scale of these discrepancies has declined and staff believes it is within a reasonable range, assuming it shrinks—rather than grows—for FY 2017-18.* Specifically:

- FY 2016-17 appropriations exceed revenue received for museum operations by just over \$350,000 or about 3.5 percent, as reflected in the table below.

- The agency estimated that there was \$454,000 excess spending authority from the Enterprise Services Cash Fund (earned revenue) in FY 2016-17; however, staff hopes that the agency will “grow in” to the excess.

Historical Fund Operations Account	
FY 2016-17 Appropriations	
Centrally appropriated items	\$1,619,545
Operating appropriations in History Colorado Division, including lease purchase payment	8,317,328
Capital construction appropriation for community museum maintenance	600,000
Total Appropriations	\$10,536,873
FY 2015-16 revenue deposited to Operations Account for use in FY 2016-17	
	10,185,860
Difference (over)/under appropriated revenue	(\$351,013)

Staff has also noted that there appears to be an excess FTE appropriation in the budget. History Colorado indicates, however, that it is considering bringing some currently contracted staff “in house” and therefore also requests that its FTE authority remain intact.

FTE shown in History Colorado Budget	
FY 2016-17 FTE reflected	131.1
Anticipated to be used (FTE as of June 2016)	105.3
HC proposal to use 8.0 FTE existing authority	<u>8.0</u>
Base appropriation that may be needed for FY 2017-18	113.3
Excess in budget	17.8
Percentage difference	15.7%

ISSUE: IMPROVING TRANSFER

One-third of students entering Colorado public institutions each year are transfer students. Students lose large amounts of credit in the transfer process, often due to changes in their degree program. Colorado has been in the forefront of efforts to ease transfer among institutions, but there is still room for improvement.

SUMMARY

- According to national research, about one-third of students transfer and, in the process, lose a significant amount of the credit they previously earned. This is one factor that contributes to delays in graduation and additional costs to students, as well as state government.
- In light of the national research and some anecdotal information, JBC staff launched a research project with the assistance of the Department of Higher Education and higher education institutions to gather more information about the scope of the problem in Colorado.
- Some initial results from this work are striking. Based on institutions' review thus far of 600 transcripts at six 4-year institutions and 366 transcripts at four 2-year institutions:
 - **83 percent of students transferring to a 2-year institution lost credits, with an average credit loss of 26.1 credits for those students** (almost a full year of work).
 - **38 percent of students transferring to a 4-year institution lost credits, with an average credit loss of 13.2 credits for those students** (almost a full semester of work).
 - Although the amount credit lost is immense, closer examination indicates that **most of the credit loss reflects student decisions to change their course of study**.
- Some of the initiatives already implemented at the State level do appear to be having a positive impact.
- There do not appear quick or easy fixes to this problem, which has plagued higher education for years. However, staff has highlighted some areas that could benefit from further attention.

RECOMMENDATIONS

Request DHE in collaboration with the higher education institutions work to address some issues that have been raised related to credit transfers and efficiency to degree:

- 1 **Website:** Establish a page on the DHE website that points to the electronic databases and tools that most 4-year institutions are already using to show how credits from other institutions transfer to degree requirements;
- 2 **Filing complaints with the Department:** Under current law and policy, student complaints about transfer processes may be elevated to the Department, but this is not widely known or necessarily publicized among students. Institutions should be required to provide notice of how to file a complaint with the Department at a prominent location on their transfer-related

websites. This will help to highlight institutional administrative problems, which may be useful both for institutions and the Department;

- 3 **Concurrent enrollment:** Require that *all concurrent enrollment courses and other dual enrollment classes offered for college and high school credit at high schools (e.g., CU Succeeds)* either be classified as gtPathways or, if CTE (career and technical education), that students are informed how this fits into a certificate or degree pathway;
- 4 **Career and technical education courses:** Convene a working group to explore how to maximize the number of career and technical education credits that can be counted toward academic degree requirements both in the institution where the student is taking the course and in institutions to which they might transfer, *e.g.*, through cross-listing some CTE courses with academic courses and adding them to “gtPathways”;
- 5 **Simpler degree pathways options:** Request that DHE and institutions work together to report on the degree pathways already offered that facilitate graduation for students through simpler, broader degree requirements. Consider if such pathways could be strengthened or expanded by incorporating selected career/technical education credits, experiential learning credits, and credits from other disciplines.
- 6 **Next steps?** Explore with DHE and the institutions the processes needed to make a broader array of lower-division courses automatically transferrable across institutions. Staff suggests examining lower division courses that are not gtPathways and that are accepted for transfer toward a degree by some institutions but are not accepted by others with a similar or lower “Carnegie classification”. Can common course numbering/equivalencies be developed for more of these courses? Ultimately, staff would like to see most lower-division non-remedial courses offered at Colorado public institutions automatically accepted for credit toward a degree at all other Colorado public institutions.

DISCUSSION

INEFFICIENCY TO DEGREE

A significant challenge facing the higher education system, both in Colorado and around the nation is **inefficiency to degree**. This includes a number of components.

- **Failure to complete a degree at all.**
 - Baccalaureate degree: only 60 percent of first-time full-time freshmen complete a degree at the institution where they began.¹¹ While more students complete after transferring to another institution, **21 percent of students who initially seek a bachelor’s degree have not done so and are no longer enrolled after six years.**¹²
 - Subbaccalaureate certificates and degrees: The graduation rates for these students are worse. Only 20 percent of first-time full-time students at public 2-year institutions have completed a degree or certificate after 3 years. National longitudinal surveys indicates that *after six years*, only 39 percent of such students have earned a credential, while **46 percent have not obtained a degree and are no longer enrolled.** The remaining 15 percent remain enrolled.

¹¹ 2008 cohort. Undergraduate Retention and Graduation Rates, The Condition of Education, National Center for Education Statistics, May 2016. http://nces.ed.gov/programs/coe/indicator_ctr.asp

¹² 2003-04 cohort. Data Point: Persistence and Attainment Among Postsecondary Subbaccalaureate Students, Data Point, National Center for Education Statistics 2016-083, July 2016. <http://nces.ed.gov/pubs2016/2016083.pdf>

- **Length of time required to obtain a degree.** While many people think about how many students complete degrees in four years (for a baccalaureate degree at a 4-year institution) or two years (for an associate’s degree at a 2-year institution), higher education institutions and regulators now look at the percentage of students who complete in 150 percent time—6 years for a 4-year degree or 3 years for an associates, and many students take longer than this. There are large direct costs (e.g., more tuition, fees, and room-and-board costs) and opportunity costs (students keep working at a café rather than pursuing a better-paid career) associated with this slow progress.
- **Number of credits earned before a student obtains a degree.** Students who obtain a degree have typically earned substantially more credits than the minimum required for the degree. Data from Colorado public institutions indicate that, on average, at the time a student obtains a baccalaureate degree, he or she has earned more than **17 credits more than the 120 credits outlined as the standard number of credits required for a bachelor’s degree.** Students earning associates degrees have typically earned 15 credits more than the required number. In addition, students have often paid for *more* credits than the number that appears on their transcript: this includes time and money spent in remedial courses and courses they did not pass, as well as credits that they earned at other institutions or in other disciplines that did not transfer to the institution where they finally earned their degree.

IMPACT OF TRANSFERS AND ATTENDING MULTIPLE INSTITUTIONS

One commonly recognized element of this “inefficiency” results from students transferring from one institution to another. A 2014 study by the National Center for Education Statistics (NCES) explored the transferability of postsecondary credit following student transfer or coenrollment based on a study of 16,960 transcripts from 2,620 institutions.¹³ **This study found:**

- **One-third (35 percent) of first-time beginning undergraduate students transferred or coenrolled** at least once during the six year period covered by the student. This included 21 percent who did so once and 11 percent who did so more than once. State-level NCES data confirms that Colorado-specific figures are similar. This is consistent with other studies that have also found that about a third of students transfer institutions.
- **On average, students lost 13 credits** as a result of their first transfer or coenrollment. (Students transferring from a public to a public institution lost 12 credits).
- **For about 39 percent of students, no credits transferred** between the origin and first designation, with an average credit loss of 27 credits; while almost one-third of students transferred all their credits. The remaining 28 percent were able to transfer some credits.

The National Student Clearinghouse Research Center Report confirmed previous research that **as the number of institutions attended increases, so does time to degree.**¹⁴ For associate degree

¹³ National Center for Education Statistics, *Transferability of Postsecondary Credit Following Student Transfer or Coenrollment*, U.S. Department of Education, 2014.

¹⁴ Shapiro, D., Dundar, A, Wakhungu, P.K., Yuan X, Nathan, A, & Hwang, Y. *Time to Degree: A National View of the Time Enrolled and Elapsed for Associate and Bachelor’s Degree Earners* (Signature Report No. 11). Herndon, VA: National Student Clearinghouse Research Center, September 2016.

earners from two-year public institutions, attending two institutions increases the average time enrolled from 3.0 to 3.6 academic years (and elapsed time from 4.2 to 6.5 calendar years). For bachelor's degree earners, attending two institutions increased the average time enrolled by 0.4 academic years while the average elapsed time increased from 4.4 to 5.5 calendar years.

TRANSFER RESEARCH PROJECT

In light of the striking national data about credits lost, and some concerning anecdotes, staff requested the assistance of the Department and the higher education institutions in collecting some data to evaluate the scale of the problem in Colorado. This issue summarizes the results of this research to-date. *Staff greatly appreciates the assistance of the Department and the institutions on this project. Staff hopes that results, some of which are still being compiled, prove useful to the Department and the institutions as well as the General Assembly.* The process included:

- Extracting data from state systems on:
 - numbers of transfer students and transfer-patterns in the State
 - the average number of credits student had earned at graduation and the extent to which this exceeded minimum requirements (whether due to transfer credits lost or other issues)
 - to what extent concurrent enrollment credits earned were transferring successfully
- Review of up to 100 transcripts of transfer students at each higher education institution to determine numbers of credits accepted, numbers of credits rejected, and reasons for credit-rejections. (Research still ongoing.)
- A survey instrument distributed to staff involved in the transfer process at community colleges to explore obstacles they observed in the transfer process.

SUMMARY OF RESULTS

- 22,759 students transferred into Colorado public four-year institutions in FY 2014-15. **Transfer students comprise about one-third of all new students entering public 4-year institutions.** Over 50 percent of transfers are from out-of-state, about 28 percent from Colorado public 2-year institutions, and about 18 percent from other Colorado public 4-year institutions.
- **Students who transfer to or among Colorado public institutions lose large numbers of credits.**¹⁵ Based on initial transcript reviews, covering 601 transfer students at 4-year institutions and 366 transfer students at 2-year institutions:
 - **83 percent of students transferring to a 2-year institution lost credits, with an average credit loss of 26.1 credits for those students** (almost a full year of work).
 - **38 percent of students transferring to a 4-year institution lost credits, with an average credit loss of 13.2 credits for those students** (almost a full semester of work). There are significant differences among the 4-years, with more credits lost for transfers to Western and CSU-Pueblo than for transfers to more selective institutions.

¹⁵ This excludes credits lost because grades were too low (D, F or withdrawn) or a course was repeated.

- Based on a department data extract, **a large minority of students—41.2 percent—appear to have lost at least some of the concurrent enrollment credit they had earned in the transfer process**, although only about 15 percent lost more than six credits.
- **While the amount of credit lost is shocking, the majority of the problem appears to reflect student choices** such as changing majors, as well as school efforts to ensure students remain eligible for federal financial assistance in their new courses of study.
 - There are multiple examples of students with huge numbers of credits but no degree.
 - Significant credits seem to be lost because students have taken too many courses to transfer, e.g., more than 64 credits at a community college which cannot offer “upper division” courses.
 - Many of the credits lost at the community colleges reflect students retraining in a new field to which their previous credits may not apply.
 - Many institutions noted that they do not transfer in credit that does not clearly apply to the student’s degree, because federal Pell-eligibility rules require special federal approval if a student has earned more than 150 percent of credits required for a degree and has not obtained the degree. If a student has 60 general education credits and is seeking a welding credential that requires 30 credits, transferring in all of the general education credits could jeopardize the student’s eligibility for federal financial assistance.
- **State policy seems to be making a positive difference.** Colorado’s gtPathways program requires core, general distribution credit requirements to be fully transferrable across institutions. Negotiations related to these courses were intense, and progress was slow. However, results seem positive. At the four-year institutions, over one-third of all credits accepted from all sources were gtPathways credits, and very few gtPathways credits were not accepted.¹⁶ At one school, UCCS, the State’s Degree with Designation program has also taken off, suggesting the potential for broader use. This program ensures that 60 lower-division credits taken toward a specific major at one school (usually a community college) are accepted for transfer for the degree at a 4-year school. Newer requirements that all AP courses be accepted with a score of 3 or above also seems to be having an impact. National research has not yet been able to demonstrate that statewide transfer programs have successfully changed transfer rates,¹⁷ but the programs are clearly being used in Colorado, and, at a minimum, reduces some of the complexity and friction involved in the transfer process.
- **There remains room for improvement.**
 - **Administrative processes and student counseling**
 - Community college transfer staff who were surveyed rated the “significance” of transfer issues in Colorado as 63 out of 100. Asked about the biggest barriers faced by transfer students, 63 percent identified “institution specific issues, such as variance in requirements and difficulty in getting answers to questions.”

¹⁶ At 2-year schools there were far more examples of gtPathways courses not transferring, but this typically seems to reflect either a student with a broader educational background choosing to pursue a narrow technical certificate or, occasionally, a student with a more advanced degree choosing to take a “one off” course at a community college for personal interest.

¹⁷ Jenkins, D. and Fink, J., *What We Know About Transfer*, Columbia University, Teacher’s College, Community College Research Center, January 2015.

- Community college transfer staff have noted that in many cases courses would be allowed to transfer if the student took their particular situation to a faculty member who could determine if a course taken at another institution was ‘close enough’; however, since 50 percent of community college students “self-advise” (i.e., don’t speak to a transfer specialist), they may either not get that message or simply be too intimidated to speak to the faculty member.
- National research has indicated that institutional performance on whether students transfer successfully and ultimately achieve degrees is highly dependent on administrative practices and effective counseling. One recent study ranked Colorado in the bottom third of states for its success in transferring student from community colleges to 4-year institutions and ultimately to degrees.¹⁸
- At some of the more prestigious 4 year schools, among the most common reasons students seem to lose credit is simply failure to make it through a required hoop such as submitting a syllabus or transcript. The data was students admitted in Fall 2015, indicating that issues have not been resolved after a year. This may reflect student choices but could possibly be improved through further administrative actions. CU Boulder, for example, reports that it is in the middle of a significant institutional initiative to speed-up the process for transferring credit.
- Staff has heard a number of troubling anecdotes about students attending various institutions who found themselves caught in what felt like an endless maze of administrative redirection, i.e., instructions to speak to one staff person or administrator after another who sent them to someone else. Under existing policy, students may refer any transfer concern they have to CCHE. However, it is unlikely most students are aware of this. *The State should require institutions to inform students of the option for referring concerns to CCHE (pursuant to Section 23-1-108 (7) (a), C.R.S.) through a prominent notice on the transfer information section of institutions’ websites. This might help to highlight for institutions and CCHE where such administrative issues are most pronounced.*
- **“Vocational” v. “Academic” courses.** Among the most common reasons credits do not transfer is because they are for “vocational” courses for students pursuing a more “academic” degree—or because they are more “academic” credits for students pursuing a vocational credential. There may be some potential for improving transferability in this area, particular in some fields of study, e.g., accounting as opposed to automotive technology. Further, staff believes it might be reasonable to allow a limited number of more applied credits to count as general elective credits in a range of fields.
- **Degree requirements that are too narrow/specific.** Most people working in this field report that the biggest obstacle for students is not whether credits transfer but whether they transfer and **count toward a specific degree**. In some cases, such specificity seems reasonable and appropriate, for example in technical applied fields such

¹⁸ Jenkins, D. and Fink, J., *Tracking Transfer: New Measures of Institutional and State Effectiveness in Helping Community College Students Attain Bachelor’s Degrees*, Columbia University, Teacher’s College, Community College Research Center, January 2016.

as engineering or nursing. In others, particularly for less-applied fields, such specificity may be an unnecessary impediment to student progress. Staff believes some further exploration in this arena could be worthwhile.

- **Concurrent/dual enrollment credits.** Programs to enable high school students to earn college credits have been expanding rapidly. To ensure that these programs really assist students in moving through higher education, more focused course options and better student advising are required. A graduate student research project conducted for the Department indicated of the student cohort taking concurrent enrollment courses their senior year, 70.2 percent took gtPathways courses. Students who took at least one gtPathways course were more likely to matriculate and persist in higher education.¹⁹
- **Big fixes are not easy or obvious.** The majority of lost credits seem to reflect student choices and faculty decisions about minimum coursework needed in specific fields of study. These are issues that can be worked on through further guidance for students and limiting “requirements creep” for degrees. However, neither is amenable to a quick or easy fix.

COLORADO LEADERSHIP: GTPATHWAYS AND DEGREES WITH DESIGNATION

Colorado has been in the forefront of work to improve transfer pathways among institutions, dating back at least two decades. Examples of Colorado’s strong statutory framework include:

gtPathways: Beginning in 2001, started to establish a statewide articulation matrix system of course numbering for general education courses for all state-supported institutions of higher education. By 2003, institutions were required to publish and update a list of course offerings corresponding to the state’s general education “core”. (23-1-108.5, C.R.S.) There are now over 1,300 courses designated as gtPathways courses. The system guarantees transfer among all institutions for the 31 credits in the general education curriculum, which incorporates specific general education requirements for writing, math, social sciences, and natural and physical sciences.

Degrees with Designation: Beginning in 2010, required CCHE to establish statewide degree transfer agreements between institutions so that a student who completes an associate’s degree subject to the agreement may be enrolled with junior status in a 4-year institution. Fourteen agreements were required to be in place by July 1, 2016 (Section 23-1-108 (7), C.R.S.)

Student Bill-of-Rights: Establishes that students should be able to complete associates degrees within 60 hours and baccalaureate degrees within 120 hours. Requires clear and concise information on degree requirements and transferability of courses. Requires that credits shall not expire for 10 years. Requires that students be allowed to test out of core courses. (23-1-125, C.R.S.)

Credits for Prior Learning, AP/IB: Using statutory authority at 23-1-113.2, C.R.S., as well as the Student Bill-of-Rights, the State has recently established statewide minimum cut scores (3 for AP/4 for IB) for Advanced Placement and International Baccalaureate credit

¹⁹ Buchanan, “Effects of gtPathways on College Success Outcomes: Research Project in fulfillment of MPA Capstone Requirement”, University of Colorado, Denver, 2016.

TRANSFER STUDENTS IN COLORADO

The Department examined the extent to which students transferred into Colorado public institutions. As reflected below, **22,759 students transferred into the state's 4-year public institutions in FY 2014-15. Transfers appear to represent more than one-third of all new students entering the state's public 4-year institutions.**²⁰

TRANSFERS INTO COLORADO 4 YEAR PUBLIC AND COF-ELIGIBLE PRIVATE INSTITUTIONS FY 2014-15		
	STUDENTS	SHARE OF TOTAL
Transfers from 2 year public and vocational schools to 4 year public	6,277	27.7%
Transfers from 4 year public to 4-year public	4,001	17.6%
Transfers from Colorado private non-profit colleges (e.g., DU) to 4-year public	344	1.5%
Transfers from CO private for-profit colleges (e.g. CTU) to 4-year public	186	0.8%
Transfers from out-of-state/other institutions to 4 year-public	11,951	52.3%
Total	22,759	100.0%
If exclude CSU Global, and private COF-eligible institutions	-4,136	
Adjusted Total	18,623	

The table below shows additional detail for a selected group of institutions that accept large number of transfers.

SOURCE OF TRANSFERS TO THE 4-YEAR INSTITUTIONS LISTED FY 2014-15						
	MESA	CSU	METRO	CU BOULDER	UCCS	CU DENVER
Total Transfers in (# students)	1,178	1,969	4,133	1,799	1,726	2,757
% from 2 year public colleges	13.7%	37.1%	40.5%	24.1%	37.7%	34.4%
% from 4 year public	41.9%	18.9%	23.4%	20.1%	14.8%	24.9%
% from other CO private (for-profit and not)	1.4%	1.2%	3.8%	2.0%	2.4%	3.0%
% from out-of-state/other institutions	<u>43.0%</u>	<u>42.8%</u>	<u>32.3%</u>	<u>53.9%</u>	<u>45.1%</u>	<u>37.7%</u>
	100.0%	100.0%	100.0%	100.1%	100.0%	100.0%

TRANSFER CREDITS LOST: SURVEY RESULTS TO DATE

In light of the striking national data about credits lost, and some concerning anecdotes, staff requested the assistance of the Department and the higher education institutions in collecting some data to evaluate the scale of the problem in Colorado. *This project required significant manual work on the part of higher education institutions, and staff greatly appreciates the time and effort institutional and Department staff have spent on this.* At the time staff compiled the data, staff had received responses from six of the four-year institutions (CU Boulder, UCCS, CSU, CSU-Pueblo, Metro, and Western) and five community colleges (Red Rocks, Arapahoe, Aurora, Pueblo, Trinidad). Staff will report on remaining responses and any new findings as part of figure setting.

²⁰ Based on IPEDS data for Fall 2014.

4 YEAR INSTITUTION RESULTS	
Total number of credits lost (601 student records reviewed)	2,986
Number of students losing credits	227
Percentage of students losing credits	38%
Avg. credits lost/not transferred per affected student	13.2
Avg. credits successfully transferred per student (99% of all students transferred credit)	51.2

4 YEAR INSTITUTIONS - DISTRIBUTION OF CREDITS LOST AMONG AFFECTED STUDENTS	
Percentage of students losing credits who lost:	
0-6 credits	54%
7-14 credits	26%
15-30 credits	10%
31-50 credits	5%
More than 50 credits	5%

2 YEAR INSTITUTION RESULTS	
Total number of credits lost (366 student records reviewed)	7,929
Number of students losing credits	304
Percentage of students losing credits	83%
Avg. credits lost/not transferred per affected student	26.1
Avg. credits successfully transferred per student (83% of all students transferred credit)	13.9

2 YEAR INSTITUTIONS - DISTRIBUTION OF CREDITS LOST AMONG AFFECTED STUDENTS	
Percentage of students losing credits who lost:	
0-6 credits	25%
7-14 credits	23%
15-30 credits	24%
31-50 credits	13%
More than 50 credits	15%

CONCURRENT CREDITS: SURVEY RESULTS

The Department pulled records from almost 4,500 students who had taken concurrent enrollment courses and then enrolled in a Colorado public institution to find to what to what extent concurrent enrollment courses appeared to be transferring. The methodology compared the number of credits earned by a student through concurrent enrollment with the total number of credits that were reflected on the student's record after their first semester, to help deduce to what extent their concurrent enrollment credits were being reflected in their academic record. This is not a perfect method but does raise some issues and concerns.

Based on this somewhat rough approach, the Department found that of the 4,490 student records surveyed:

- 1,848 students (41.2 percent) appear to have some of their concurrent credit not transferring. Of that, 1,193 students show 6 credits or less not transferring.
- 1,283 students (28.6 percent) appear to have complete credit transfer.
- 1,359 students (30.2 percent) appear to have brought in credits from other places (they show having more credits than their CE and first semester combined). These could come from place such as AP/IB credit

In sum, **a large minority of students—41.2 percent—appear to have lost at least some of the concurrent enrollment credit they had earned in the transfer process, although only about 15 percent lost more than six credits.** This may occur for various reasons. For example the concurrent enrollment course may have been a career/technical class that did not transfer. In other cases, the student may choose to retake a course they took in high school (e.g., calculus), at which point they would lose the credits they earned taking the course in high school.

SURVEY OF COMMUNITY COLLEGE TRANSFER STAFF TRANSFER CHALLENGES

A survey of 31 community college staff involved in the transfer process suggested the transfer process is still far from smooth. Respondents rated the “significance” of transfer issues in Colorado as 63 out of 100.

Asked about the biggest barriers faced by transfer students, 65 percent of respondents indicated that students’ own actions—changes in program of study—was the largest problem, but almost as many (63 percent) identified “institution specific issues, such as variance in requirements, difficulty in getting answers to questions” as a key problem.

WHAT WOULD IMPROVE THINGS?

According to the staff who were surveyed:

- Better information on what does and doesn’t transfer to degrees at various 4 year schools, including information about prior learning assessment tests
- Better advising, career planning, assisting students with transfer process
- Allowing a broader range of courses to count toward degrees, e.g., allowing more courses to count toward elective requirements for associates degrees; for transfers, “developing the philosophy that a course does not have to match word to word”
- Further strengthening systems that ensure transfer works: common course numbering, degrees with designation, standardizing degrees across two-year schools

CAREER AND TECHNICAL EDUCATION (CTE)

Two-thirds of those surveyed reported that CTE courses do sometimes transfer and apply to Associates of Arts and Science and Baccalaureate degrees. The majority indicated that such credits may be provided for elective credit, but some respondents noted that CTE courses could sometimes apply to general education or major requirements.

Asked about how transfer between CTE and other “academic” programs could be improved, most indicated that finding additional mechanisms for incorporating CTE into guaranteed transfer pathways would help, including “cross-listing” CTE courses that commonly transfer. Some

respondents noted that CTE credits are typically not accepted even as elective credits in the community colleges toward an AA or AS degree and recommended meetings within the community college system to identify courses that may work for both.

ISSUE: PROMOTING OPEN ACCESS RESEARCH AND EDUCATIONAL MATERIALS

The open access movement seeks to increase the availability of scholarly research by making the product of research freely available on the internet. *Open educational resources* draw on such freely available materials *in lieu of other textbooks* to reduce student educational costs. The General Assembly should consider legislation to: (1) promote and expand open access to scholarly publications produced at state institutions; and (2) promote development and use of open educational resources in courses offered at Colorado public institutions.

SUMMARY

- The *open access movement* seeks to increase the availability of scholarly research by making the product of research freely available on the internet.
- Faculty who use *open educational resources* draw on open access scholarly publications and other freely available materials *in lieu of textbooks*, thereby significantly reducing educational costs for students.
- *There could be significant benefits to faculty, students, and the wider population in expanding use and availability of open access scholarly publications and expanding use of open educational resources for students.* Open access increases readership and societal use of academic research. Open access publications and open educational resources may also provide substantial savings for students and institutions.
- There are real costs in time and money associated with the publication, organization, and dissemination of academic materials; but *the open-access movement promotes covering these costs at the front-end, when the materials are initially produced, rather than at the back-end when libraries and students purchase the materials.* It is typically less costly to produce and disseminate materials on-line than to print hard-copy materials, and *a large selection of open educational resources is already available.*
- The open access movement is still in a relatively early stage and is not widely known, even among many academics. *While it is unlikely to entirely replace the traditional academic publishing structure in the near-term (and perhaps never will), staff believes the State should play an active role in promoting open access and the use of open educational resources.*

RECOMMENDATION

Staff recommends that the Committee sponsor legislation to:

- Form an open access educational council with representation from the higher educational institutions, the Department of Higher Education, the State Librarian, and the Department of Education to explore state policy options for expanding the dissemination and use of open access materials. This initiative should include expansion of an existing website for the State Library or the Department of Higher Education with links to open educational resources for gtPathways courses (see below). Such a website could also provide a central state portal for linking to open access materials and initiatives at state institutions.

- Create a grant program, initially funded at the \$1.0 million level, to promote the identification or development, organization, adoption, and use of *open educational resources* for gtPathways courses. (The gtPathways courses are lower-level “common core” undergraduate courses that are transferrable across all Colorado public institutions.) The grants should focus on high enrollment courses that are commonly used for concurrent enrollment. *Based on the experience of other states, staff anticipates that this initiative will require at least as much support for publicizing, promoting, educating and assisting interested faculty in using open access materials as it will for developing and organizing the materials themselves.*
- Consider requiring that all research publications produced by faculty at state institutions be made freely available and deposited to institutional archives after no more than a 12 month embargo. While the State provides virtually no direct support for faculty research activities, the state institutions are component parts of state government, and the State has a compelling interest in the wider dissemination of research developed at state institutions.

DISCUSSION

WHAT IS “OPEN ACCESS”? The Open Access (OA) movement, as described in one recent scholarly publication, “refers to the removal of major obstacles to accessing, sharing, and re-using the outputs of scholarly research.”²¹

Traditionally, scholarly research is submitted for publication in peer-reviewed journals. If a researcher’s article is published in the journal, the journal receives the copyright to the article. The publisher then charges for access to the journal, often through subscriptions bundled to universities.

In an “open access” structure, in contrast, any costs associated with producing, reviewing and disseminating an academic article are borne up front, so that the research publication itself can be made freely available to anyone on the internet who is interested in the subject.

This concept, if widely implemented, could turn academic publishing on its head: publication and dissemination costs are covered at the front-end, rather than through payments for subscriptions on the back end.

Approximately 75 percent of articles are still issued through the traditional publishing structure and are not, therefore, widely available outside of academic research libraries, even though publisher policies and existing legal structures allow self-archiving for most articles now published through traditional pathways.²²

Not only articles but production of materials for entire courses may be reconceived through the open access approach. The cost of student textbooks is often a very significant educational expense; but various educational institutions and states have become involved in developing and disseminating open access course materials. *This can have a significant impact on reducing student educational costs.*

²¹ Tennant JP, Waldner F, Jacques DC et al., The academic, economic and societal impacts of Open Access: an evidence-based review [version 3; referees: 3 approved, 2 approved with reservations]. F1000Research 2016, 5:632 <https://f1000research.com/articles/5-632/v3> accessed October 15, 2016.

²² Khabsa and Giles, 2014, cited in Tennant et. al, 2016.

WHY SHOULD THE JBC AND GENERAL ASSEMBLY BE INTERESTED? JBC Staff became interested in the issue when investigating how the General Assembly could gain access to articles on public policy. At present, the General Assembly has no standard access to policy journals, and I have on occasion paid high fees out of my own pocket (e.g., \$35 per article) to access academic journal articles that seem particularly relevant. *It seems absurd that the General Assembly has no easy access to articles produced at the institutions it funds.*

- If state legislators wish to access academic research on policy—even if has been authored by faculty at a Colorado public higher education institution—either the member, staff, or the Legislative Librarian must often go to considerable lengths and potentially expense to legally access research that is not in the public domain.

As staff dug further into the issue, it became clear that there are more reasons to be interested in open access:

DIRECT FINANCIAL BENEFITS TO STUDENTS AND INSTITUTIONS

- *Costs of library services and text book costs, all have significant direct and indirect costs on students.* The estimated cost for student books and supplies at Colorado public institution in FY 2016-17 (the amount used in financial aid calculations) was \$1,800.²³ Various research studies have indicated that high textbook and course material costs may lead students to take fewer courses or to proceed with courses without purchasing textbooks, resulting in low grades.²⁴ *Greater use of open access materials may materially reduce the cost of higher education.*
- Higher education research institutions have long complained about *rapidly escalating costs for accessing journal subscriptions.* The University of Colorado reports that inflation on journals has been running 6-8 percent, and it has eliminated thousands of journal subscriptions to contain costs. It is galling to the institutions—as it is to JBC staff—that *they must sometimes pay stiff fees to “buy back” access to articles authored by their own faculty.* Further, it is typically the institution, rather than the publisher, which has paid for the staff time involved in writing the article, since in most cases publishers provide little or no compensation to either faculty or peer reviewers for authoring academic articles.

SOCIETAL BENEFITS: BROADER DISSEMINATION AND EXCHANGE OF INFORMATION BETWEEN ACADEMIC RESEARCHERS AND OTHERS

- Academics write articles for the purpose of increasing understanding of issues they believe are of relevance. They receive greater prestige the more their research is cited in other publications. *The traditional academic publishing structure constrains—rather than enhances—the dispersion of a faculty member’s research. Most studies indicate that there is at least some positive association between OA publishing and increased citation counts across most disciplines, with very substantial advantages in certain disciplines.*²⁵ Open access also increases the potential for text- and data-mining of existing research, making it

²³ This figure is well above the national average of about \$1,300 in FY 2015-16 per The College Board, Trends in Higher Education, Average Estimated Undergraduate Budgets FY 2015-16. <https://trends.collegeboard.org/college-pricing/figures-tables/average-estimated-undergraduate-budgets-2015-16> accessed October 14, 2016.

²⁴ For example, see surveys by the non-profit Student Public Interest Research Group. <http://www.studentpirgs.org/reports/sp/covering-cost>

²⁵ Tennant et. al, 2016.

possible to explore a mass of scientific research on a large scale to find patterns and inconsistencies.

- *The traditional publishing structure may create significant barriers between information and knowledge found “within the ivory tower” and information and applied knowledge that exists outside of it. Staff believes that in some fields, this may degrade both the relevance and the quality of academic work, because there may be no good feedback mechanism for practitioners to learn from research, to attempt to apply it, and to convey to researchers whether the hypotheses, methods, or any solutions proposed by academics are work-able. Policy research seems a particularly good example of the problem: If policy-makers have no access to policy research conducted at institutions of higher education, to whom is that research useful? The academic world is too often an echo-chamber.*
- *Observers have also noted that expanding access to research information can potentially have very substantial positive economic impacts. For example, in responding to a federal information request about the impact of increasing open access, Columbia University responded that Europe has made substantive investments in government research repositories as a “means to eliminate duplication of research efforts and lower the research and development costs to innovation”.*²⁶

BUT DOESN'T PUBLISHING INVOLVE REAL COSTS?

- *Faculty members typically receive no compensation for authoring journal articles, and peer-reviewers and journal editors also do this work for free. They are able to do this because they are being paid by their institutions to do the research and writing, and because publishing is critical to advancing in an academic career.*
- *Publishers have real costs associated with coordinating projects, editing, final layouts, and distribution. However, publication costs vary substantially by publication, and the type of journal, and there is thus a vast range in real per-article publication costs.*²⁷
 - For traditional publishers, particularly high costs may be driven in part by their production of print-plus-online versions, costs associated with maintaining paywalls, and costs related to profit-margins.
 - OA publications typically report low per-article costs, as they are done solely digitally (typically no print versions).
 - Textbooks are expensive to produce. Similarly, producing and organizing OA materials for a course involves real time and effort--but production costs may still be less than costs associated with hard-copy textbook production—and the final product may in some cases be more appropriate and useful.
- *There are valid concerns about low-quality “scam” journals that ask faculty to pay for having their articles published. Those involved in the OA movement emphasize that OA is not the same thing as*

²⁶ Columbia University's response to the White House Office of Science and Technology Policy's request for information on public access to scientific publications resulting from federally funded research. <http://scholcomm.columbia.edu/open-access/columbia-response-to-white-house-publications-rfi/> accessed October 14, 2016.

²⁷ Tennant et. al, 2016.

“pay to play” or low quality. In the traditional publishing world, many reputable journals also charge “article processing charges” to authors, and the majority of OA journals do *not* charge such fees.²⁸ *Faculty and institutions must continue to ensure that faculty articles are properly peer-reviewed and only released through reputable journals.*²⁹

Whether in a traditional or OA publishing structure, there must be some mechanism for covering coordination, publication and dissemination costs for OA materials. *Staff anticipates that support by academic institutions and libraries themselves, as well as grant funders, is one potential source of financial support for OA publication.*

OA/OER INITIATIVES AROUND THE NATION

Federal directives on making publicly-funded research results freely available: A February 2013 memo from the White House Office of Science and Technology Policy directed federal agencies to develop plans to make the publications resulting from federally funded research freely available to the public within one year of publication, and also required steps to make the digital data related to the publications accessible. The directive applies to agencies with research and development budgets of over \$100 million annually. Federal agencies began rolling out implementation plans in 2014. This executive action expands to additional agencies a 2009 federal law requiring that grants funded by the National Institutes of Health must submit a copy of refereed journals to PMC (formerly known as PubMed Central) upon acceptance for publication, to be made public no less than 12 months from publication. Foundations such as the Bill and Melinda Gates foundation have followed the federal lead, requiring research they fund to be made publicly available.

Archiving pre- and post-print versions of faculty articles in institutional repositories: Following Harvard’s lead, many institutions, including the University of Colorado at Boulder, have adopted legal agreements with faculty that enable all faculty research to be made freely available in institutional on-line repositories. However, some grantors and institutions **require** deposit to these repositories, while others (such as CU) make this voluntary, resulting in thus-far quite limited additional open-access to materials.³⁰ Further, search-engines are not always effective in *finding* research stored in such repositories, making it less accessible and useful.

²⁸ Tennant et. al, 2016.

²⁹ See the Directory of Open Access Journals <https://doaj.org/> and Creative Commons website <https://creativecommons.org/share-your-work/for> additional information on best practices, reputable journals, and the various open access copyright and licensing arrangements.

³⁰ For more information on institutional open access policies worldwide see information from the EnablingOpenScholarship organization. http://www.openscholarship.org/jcms/c_5012/en/home

Library-based OA journals and other mechanisms for funding costs at the front-end:

- Some higher education institutions are moving to develop their own new on-line peer-reviewed journals, sometimes coordinated through their libraries. Some believe that this may represent the long-term future of academic publishing. However, to become a realistic alternative to the current publishing model, such initiatives will require financial resources and active faculty involvement and support.
- Some traditional publications are now offering an “open access” option in which faculty and their grants pay on the front-end to ensure the published article is made available for free.
- Other journals have been launched as purely “open access” and are supported by charges passed through to authors and their institutions, professional society fees, and/or foundation grants.

Free course materials as a replacement for textbooks: Many states and higher educational systems are developing open access resources as an alternative to textbooks.

In 2012, California adopted legislation to create an Open Educational Resource (OER) Council, to identify or create open textbooks for 50 high-enrollment courses, to establish an on-line library for the results, and to provide \$5 million in matching state funds to support these efforts. Of the total \$3 million was repurposed to provide training and incentive funds to campuses so that they could provide professional development and library and technology services for faculty interested in adopting OER.³¹

During 2016, California enacted new legislation and a \$5.0 million appropriation for *zero-textbook-cost degrees* at California community colleges. The initiative is similar to efforts launched by Virginia Community Colleges and Achieving the Dream, a national nonprofit that is funding demonstration projects in various community colleges which provides grants to develop entire degree programs based on OER resources at dozens of community college institutions. (There are currently no Colorado grantees.)³²

Many other states and institutional systems are also working on developing open educational resources and—as significantly—assisting faculty in adapting and adopting these resources. For example, the State University of New York system runs its own publishing platform which offers professional development for faculty, instructional designers and librarians, a publishing platform, and a support network for participants at different campuses. At some institutions, faculty receive financial incentives to develop open access textbooks, but institutions are recognizing that additional steps are required to ensure broad adoption of open access materials.³³

³¹ Mac Taylor, “The 2016-17 Budget: Assessing the Governor’s Zero-Textbook-Cost Proposal”, State of California Legislative Analysts’ Office, March 14, 2016. <http://www.lao.ca.gov/reports/2016/3392/zero-textbook-cost-031416.pdf>.

³² See: <http://www.oiconsortium.org/2016/08/zero-textbook-cost-degrees-on-the-rise-californias-governor-brown-achieving-the-dream-two-years-in-a-row-money-for-open-textbooks-and-degrees/> and <http://achievingthedream.org/resources/initiatives/open-educational-resources-oer-degree-initiative>

³³ Carl Straumsheim, “Scaling Up OER”, Inside Higher Education, June 22, 2016. <https://www.insidehighered.com/news/2016/06/22/new-university-initiatives-focus-bringing-open-educational-resources-masses>. See also American Council on Education and Center for Education Attainment and Innovation, “Open Textbooks: The Current State of Play”, <http://www.acenet.edu/news-room/Documents/Quick-Hits-Open-Textbooks.pdf>

The California Legislative Analyst’s Office (LAO) has highlighted the significant benefits of OER and the wide range of initiatives across the country to provide access to OER.³⁴ However, despite the increasingly large array of available OER resources, nearly two-thirds of faculty in a national survey and 60 percent of faculty at public institutions in California reported that they had never heard of OER or knew little about it. Of those surveyed in California, the vast majority (72 percent) said they were willing to use OER but that they would need assistance to modify materials and courses.³⁵

OA AND OER INITIATIVES IN COLORADO

Some Colorado state institutions have been actively engaged in the OA movement. The list below was compiled by the Colorado State Library. *Staff believes the legislation proposed by Staff could play a useful role in helping to further expand and promote these kinds of activities.*

Location	Status of Open Education/Open Access Resources
Colorado Community Colleges Online	<p>Focused on course design and providing low/no fee courses via CCCOnline, currently offering 21 OER courses.</p> <hr/> <ul style="list-style-type: none"> • Evaluate the existing OER resource for the subject when a course is proposed for OER and provide a determination if enough resources are available. • If a course is selected for OER, work with the Subject Matter Expert to curate and evaluate resources needed. • Evaluate library holdings against the OER course, and make recommendations for new subscriptions or eBook purchases • CCCOnline submitted an OER Grant to take 8 additional courses OER in the next 18 months via the CCCS Innovation Challenge Grant; waiting to hear if it was awarded.
CU Boulder	<p>Actively working on OA through multiple venues.</p> <hr/> <ul style="list-style-type: none"> • CU Scholar Institutional repository: Includes theses and dissertations, student papers (Honors program), technical papers, faculty research. We lost our Scholarly Communication Librarian last Spring so our efforts in acquiring faculty publications is a work in progress but you will see some collections by discipline. The CU Scholar site will be updated in the near future with links to more campus scholarship and academic events. • Open Access Policy: Campus policy approved by faculty in 2014. Supports author rights, grants the University a non-exclusive license to faculty scholarly works in order to enable posting of the final version of their work to the repository. Full text is here. • Open Access information pages: Includes links on the right side to our Open Access Fund to support faculty and grad students pay APC charges. Fund is heavily used by graduate students, many of whom will be faculty publishing in the future. The Grad School Council is very supportive of OA initiatives. • To support federal mandates related to making federally funded research data publicly available, work with campus IT folks and others on research data initiatives.

³⁴ Mac Taylor, State of California LAO, 2016.

³⁵ Ibid.

UCCS	<p>Investigating options for an open access publishing platform to be launched in fall 2018.</p> <hr/> <ul style="list-style-type: none"> • Have an ongoing Academic Publishing workshop series for new faculty and graduate students that includes open access as part of the curriculum. • The larger CU system is also starting discussion about open access/affordable educational resources, and will be talking to partners in the bookstores about working together on this.
UC-Denver/ Auraria Library	<p>Working with Open Educational Resources (OER), which complements the Open Access journal collections available in Colorado.</p> <hr/> <ul style="list-style-type: none"> • Research Guide highlights online collections of OER and other textbook alternatives. Working with all three schools served by (CU Denver, Metro State, and the Community College of Denver) to raise awareness of OER and help lower the costs incurred by our students when they purchase course materials. There is still some hesitation from faculty regarding OER, but offering consultation services so librarians can help instructors identify and evaluate open alternatives. • The University of Colorado System office recently initiated a proposal to create a program similar to ALS here; also looking to successful programs in New York, Georgia, Florida, and Washington state.
CSU-Pueblo	<p>Promoting the open textbook library and encourage faculty to adopt open textbooks and/or contribute their own works.</p> <hr/> <ul style="list-style-type: none"> • Joined <i>Open Textbook Network</i> and partnered with the university's <i>Center for Teaching and Learning</i>. Holding info sessions this fall, organizing a recognition system of participants, starting with early adopters, and holding an OTN workshop on campus in the spring. • <i>Scholarly Communications & Open Access libguide*</i> –building a comprehensive directory for OA resources by subject, which is then brought into instruction program, subject guides, and research consultations. Divided into three sections – peer-reviewed articles, data repositories, plus images, and primary sources. • <i>OER directory*</i> – creating list of places to find OERs and articles/courses for implementing them. <p style="text-align: right;"><i>* Under construction, links to be available when live.</i></p>
Arapahoe Community College	<p>Designed this OER guide to for ACC: http://arapahoe.libguides.com/OER/oerhome</p>

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Appendix A: Number Pages

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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DEPARTMENT OF HIGHER EDUCATION
Diane Duffy, Interim Executive Director

(1) DEPARTMENT ADMINISTRATIVE OFFICE

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

Health, Life, and Dental	<u>1,477,269</u>	<u>1,902,038</u>	<u>1,526,429</u>	<u>1,941,228</u>
General Fund	0	0	5,119	24,981
Cash Funds	885,006	1,144,173	842,980	1,082,320
Reappropriated Funds	256,321	349,353	260,229	363,291
Federal Funds	335,942	408,512	418,101	470,636
Short-term Disability	<u>23,373</u>	<u>25,965</u>	<u>20,161</u>	<u>22,421</u>
General Fund	0	0	353	637
Cash Funds	14,332	16,856	11,635	12,696
Reappropriated Funds	3,691	4,319	3,568	4,365
Federal Funds	5,350	4,790	4,605	4,723
S.B. 04-257 Amortization Equalization Disbursement	<u>432,278</u>	<u>534,843</u>	<u>552,761</u>	<u>611,940</u>
General Fund	0	0	9,563	17,380
Cash Funds	264,719	347,174	318,025	346,520
Reappropriated Funds	68,381	88,956	100,157	119,125
Federal Funds	99,178	98,713	125,016	128,915

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S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>405,261</u>	<u>516,610</u>	<u>547,001</u>	<u>611,940</u>	
General Fund	0	0	9,463	17,380	
Cash Funds	248,174	335,338	314,711	346,520	
Reappropriated Funds	64,107	85,924	99,113	119,125	
Federal Funds	92,980	95,348	123,714	128,915	
Salary Survey	<u>226,207</u>	<u>133,092</u>	<u>0</u>	<u>336,345</u>	
General Fund	0	0	0	9,553	
Cash Funds	118,595	86,399	0	190,459	
Reappropriated Funds	45,302	22,138	0	65,476	
Federal Funds	62,310	24,555	0	70,857	
Workers' Compensation	<u>108,627</u>	<u>87,984</u>	<u>85,322</u>	<u>70,295</u>	
Cash Funds	99,322	78,459	69,596	49,680	
Reappropriated Funds	9,305	9,525	15,726	20,615	
Legal Services	<u>61,619</u>	<u>41,302</u>	<u>42,582</u>	<u>44,467</u>	
General Fund	18,216	0	0	0	
Cash Funds	11,287	11,747	11,751	12,271	
Reappropriated Funds	32,116	29,555	30,831	32,196	
Administrative Law Judge Services	<u>2,654</u>	<u>0</u>	<u>7,475</u>	<u>8,094</u> *	
Cash Funds	2,654	0	7,475	8,094	
Payment to Risk Management and Property Funds	<u>131,534</u>	<u>94,719</u>	<u>128,967</u>	<u>134,509</u>	
Cash Funds	128,964	90,678	121,074	124,446	
Reappropriated Funds	2,570	4,041	7,893	10,063	

*Asterix indicates that the line item includes a request.

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Leased Space	<u>534,607</u>	<u>546,166</u>	<u>556,818</u>	<u>564,807</u>	
Cash Funds	107,102	109,232	111,362	112,960	
Reappropriated Funds	427,505	436,934	445,456	451,847	
Payments to OIT	<u>358,208</u>	<u>408,001</u>	<u>393,394</u>	<u>680,684</u> *	
General Fund	120	0	0	0	
Cash Funds	347,961	396,577	342,581	604,368	
Reappropriated Funds	10,127	11,424	50,813	76,316	
CORE Operations	<u>166,006</u>	<u>74,699</u>	<u>158,645</u>	<u>162,811</u>	
General Fund	99,353	0	0	0	
Cash Funds	49,806	58,699	86,457	74,222	
Reappropriated Funds	16,847	16,000	72,188	88,589	
Merit Pay	<u>149,056</u>	<u>123,247</u>	<u>0</u>	<u>0</u>	
Cash Funds	101,034	79,317	0	0	
Reappropriated Funds	17,765	20,270	0	0	
Federal Funds	30,257	23,660	0	0	
TOTAL - (1) Department Administrative Office	4,076,699	4,488,666	4,019,555	5,189,541	29.1%
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	117,689	0	24,498	69,931	185.5%
Cash Funds	2,378,956	2,754,649	2,237,647	2,964,556	32.5%
Reappropriated Funds	954,037	1,078,439	1,085,974	1,351,008	24.4%
Federal Funds	626,017	655,578	671,436	804,046	19.8%

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(2) COLORADO COMMISSION ON HIGHER EDUCATION

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

(A) Administration

Administration	3,107,380	3,070,381	3,278,535	3,078,535	
FTE	26.4	30.0	30.3	30.3	
General Fund	786,770	326,450	14,095	14,095	
Cash Funds	179,481	148,622	247,469	247,469	
Reappropriated Funds	2,141,129	2,595,309	3,016,971	2,816,971	
Federal Funds	0	0	0	0	

SUBTOTAL - (A) Administration	3,107,380	3,070,381	3,278,535	3,078,535	(6.1%)
<i>FTE</i>	<u>26.4</u>	<u>30.0</u>	<u>30.3</u>	<u>30.3</u>	0.0%
General Fund	786,770	326,450	14,095	14,095	0.0%
Cash Funds	179,481	148,622	247,469	247,469	0.0%
Reappropriated Funds	2,141,129	2,595,309	3,016,971	2,816,971	(6.6%)
Federal Funds	0	0	0	0	0.0%

(B) Division of Private Occupational Schools

Division of Private Occupational Schools	664,386	602,909	656,642	656,642	
FTE	7.0	7.8	7.8	7.8	
Cash Funds	664,386	602,909	656,642	656,642	

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SUBTOTAL - (B) Division of Private Occupational					
Schools	664,386	602,909	656,642	656,642	0.0%
<i>FTE</i>	<u>7.0</u>	<u>7.8</u>	<u>7.8</u>	<u>7.8</u>	<u>0.0%</u>
Cash Funds	664,386	602,909	656,642	656,642	0.0%

(C) Special Purpose

Western Interstate Commission for Higher Education (WICHE)	<u>137,000</u>	<u>137,000</u>	<u>145,000</u>	<u>149,000</u>	*
Reappropriated Funds	137,000	137,000	145,000	149,000	
WICHE - Optometry	<u>399,000</u>	<u>393,300</u>	<u>399,000</u>	<u>443,125</u>	*
Reappropriated Funds	399,000	393,300	399,000	443,125	
Distribution to Higher Education Competitive Research Authority	<u>1,414,342</u>	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,800,000</u>	
Cash Funds	1,414,342	2,800,000	2,800,000	2,800,000	
Veterinary School Program Needs	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	
Cash Funds	131,100	131,100	133,950	133,950	
Reappropriated Funds	153,900	153,900	151,050	151,050	
Colorado Geological Survey at the Colorado School of Mines	<u>2,137,695</u>	<u>2,182,858</u>	<u>2,243,363</u>	<u>2,243,363</u>	
FTE	5.7	15.5	15.5	15.5	
General Fund	306,000	411,494	413,829	413,829	
Cash Funds	1,541,150	1,537,955	1,486,289	1,486,289	
Reappropriated Funds	0	50,000	50,592	50,592	
Federal Funds	290,545	183,409	292,653	292,653	

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Institute of Cannabis Research at CSU-Pueblo	<u>0</u>	<u>0</u>	<u>900,000</u>	<u>900,000</u>	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	0	0	900,000	900,000	
GEAR-UP	<u>6,620,644</u>	<u>6,411,757</u>	<u>5,000,000</u>	<u>5,000,000</u>	
FTE	40.0	39.1	39.1	39.1	
Federal Funds	6,620,644	6,411,757	5,000,000	5,000,000	
Prosecution Fellowship Program	<u>0</u>	<u>356,496</u>	<u>356,496</u>	<u>356,496</u>	
General Fund	0	356,496	356,496	356,496	
Rural Teacher Recruitment, Retention, and Professional Development	<u>0</u>	<u>0</u>	<u>427,000</u>	<u>427,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	427,000	427,000	
University of Colorado, Lease Purchase of Academic Facilities at Fitzsimons	<u>0</u>	<u>14,289,937</u>	<u>14,255,211</u>	<u>14,261,775</u>	
General Fund	0	7,204,931	7,249,326	7,261,775	
Cash Funds	0	7,085,006	7,005,885	7,000,000	
Higher Education Federal Mineral Lease Revenues Fund for Lease Purchase of Academic Facilities	<u>0</u>	<u>0</u>	<u>12,125,175</u>	<u>16,996,073</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	12,125,175	16,996,073	

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Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102					
FTE	<u>0</u>	<u>0</u>	<u>17,775,175</u>	<u>17,773,025</u>	
Cash Funds	0.0	0.0	0.0	0.0	
Reappropriated Funds	0	0	5,650,000	776,952	
	0	0	12,125,175	16,996,073	
Enrollment/Tuition and Stipend Contingency					
FTE	<u>0</u>	<u>0</u>	<u>60,000,000</u>	<u>60,000,000</u>	
Cash Funds	0.0	0.0	0.0	0.0	
	0	0	60,000,000	60,000,000	
SUBTOTAL - (C) Special Purpose	10,993,681	26,856,348	116,711,420	121,634,857	4.2%
<i>FTE</i>	<u>45.7</u>	<u>54.6</u>	<u>54.6</u>	<u>54.6</u>	0.0%
General Fund	306,000	7,972,921	20,571,826	25,455,173	23.7%
Cash Funds	3,086,592	11,554,061	77,976,124	73,097,191	(6.3%)
Reappropriated Funds	689,900	734,200	12,870,817	17,789,840	38.2%
Federal Funds	6,911,189	6,595,166	5,292,653	5,292,653	0.0%
TOTAL - (2) Colorado Commission on Higher Education	14,765,447	30,529,638	120,646,597	125,370,034	3.9%
<i>FTE</i>	<u>79.1</u>	<u>92.4</u>	<u>92.7</u>	<u>92.7</u>	0.0%
General Fund	1,092,770	8,299,371	20,585,921	25,469,268	23.7%
Cash Funds	3,930,459	12,305,592	78,880,235	74,001,302	(6.2%)
Reappropriated Funds	2,831,029	3,329,509	15,887,788	20,606,811	29.7%
Federal Funds	6,911,189	6,595,166	5,292,653	5,292,653	0.0%

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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.

(A) Need Based Grants

Need Based Grants	<u>110,399,584</u>	<u>124,935,001</u>	<u>124,570,732</u>	<u>128,364,454</u> *	
General Fund	4,874,528	9,774,030	9,688,067	13,481,789	
General Fund Exempt	105,179,880	115,160,971	114,796,702	114,796,702	
Reappropriated Funds	345,176	0	85,963	85,963	

SUBTOTAL - (A) Need Based Grants	110,399,584	124,935,001	124,570,732	128,364,454	3.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	4,874,528	9,774,030	9,688,067	13,481,789	39.2%
General Fund Exempt	105,179,880	115,160,971	114,796,702	114,796,702	0.0%
Reappropriated Funds	345,176	0	85,963	85,963	0.0%

(B) Work Study

Work Study	<u>20,442,881</u>	<u>20,806,014</u>	<u>21,432,328</u>	<u>21,432,328</u>	
General Fund	0	5,000,000	5,000,000	5,000,000	
General Fund Exempt	20,442,881	15,806,014	16,432,328	16,432,328	

SUBTOTAL - (B) Work Study	20,442,881	20,806,014	21,432,328	21,432,328	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	0	5,000,000	5,000,000	5,000,000	0.0%
General Fund Exempt	20,442,881	15,806,014	16,432,328	16,432,328	0.0%

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(C) Merit Based Grants					
Merit Based Grants	<u>5,010,052</u>	<u>5,181,007</u>	<u>5,000,000</u>	<u>5,000,000</u>	
General Fund	0	5,181,007	5,000,000	5,000,000	
General Fund Exempt	5,010,052	0	0	0	
SUBTOTAL - (C) Merit Based Grants	5,010,052	5,181,007	5,000,000	5,000,000	0.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	0	5,181,007	5,000,000	5,000,000	0.0%
General Fund Exempt	5,010,052	0	0	0	0.0%

(D) Special Purpose

Veterans'/Law Enforcement/POW Tuition Assistance	<u>575,034</u>	<u>629,311</u>	<u>672,000</u>	<u>672,000</u>	
General Fund	575,034	629,311	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>14,841,981</u>	<u>16,157,618</u>	<u>17,364,248</u>	<u>17,452,548</u> *	
General Fund	0	1,315,637	2,522,267	2,610,567	
General Fund Exempt	14,841,981	14,841,981	14,841,981	14,841,981	
Colorado Opportunity Scholarship Initiative Fund	<u>3,321,360</u>	<u>9,572,074</u>	<u>5,000,000</u>	<u>5,000,000</u>	
General Fund	1,000,000	5,000,000	5,000,000	5,000,000	
Cash Funds	2,321,360	4,572,074	0	0	
Tuition Assistance for Career and Technical Education					
Certificate Programs	<u>0</u>	<u>158,044</u>	<u>450,000</u>	<u>450,000</u>	
General Fund	0	158,044	450,000	450,000	

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SUBTOTAL - (D) Special Purpose	19,538,375	27,317,047	24,286,248	24,374,548	0.4%
<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	2,375,034	7,902,992	9,444,267	9,532,567	0.9%
General Fund Exempt	14,841,981	14,841,981	14,841,981	14,841,981	0.0%
Cash Funds	2,321,360	4,572,074	0	0	0.0%
TOTAL - (3) Colorado Commission on Higher Education Financial Aid	155,390,892	178,239,069	175,289,308	179,171,330	2.2%
<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	7,249,562	27,858,029	29,132,334	33,014,356	13.3%
General Fund Exempt	145,474,794	145,808,966	146,071,011	146,071,011	0.0%
Cash Funds	2,321,360	4,572,074	0	0	0.0%
Reappropriated Funds	345,176	0	85,963	85,963	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>289,362,876</u>	<u>283,694,654</u>	<u>289,362,877</u>	<u>291,259,844</u> *	
General Fund	0	28,212,607	0	1,896,967	
General Fund Exempt	289,362,876	255,482,047	289,362,877	289,362,877	

Stipends for eligible full-time equivalent students attending participating private institutions

	<u>1,506,375</u>	<u>1,506,375</u>	<u>1,443,375</u>	<u>1,481,865</u> *	
General Fund	0	0	0	38,490	
General Fund Exempt	1,506,375	1,506,375	1,443,375	1,443,375	

SUBTOTAL - (A) Stipends	290,869,251	285,201,029	290,806,252	292,741,709	0.7%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	0	28,212,607	0	1,935,457	0.0%
General Fund Exempt	290,869,251	256,988,422	290,806,252	290,806,252	0.0%

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

Fee-for-service Contracts with State Institutions Pursuant to Section 23-18-303, C.R.S.

	<u>0</u>	<u>246,756,224</u>	<u>240,810,512</u>	<u>252,068,162</u> *	
General Fund	0	26,059,525	1,131,643	12,389,293	
General Fund Exempt	0	220,696,699	239,678,869	239,678,869	

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Fee-for-service Contracts with State Institutions for Specialty Education Programs	<u>0</u>	<u>116,133,797</u>	<u>116,411,292</u>	<u>119,299,679</u> *	
General Fund	0	11,732,099	9,594	2,897,981	
General Fund Exempt	0	104,401,698	116,401,698	116,401,698	
Limited Purpose Fee-for-Service Contracts with State Institutions	<u>0</u>	<u>86,960</u>	<u>336,960</u>	<u>336,960</u>	
General Fund	0	86,960	336,960	336,960	
Fee-for-service Contracts with State Institutions	<u>292,931,609</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	250,000	0	0	0	
General Fund Exempt	292,681,609	0	0	0	
SUBTOTAL - (B) Fee-for-service Contracts with State Institutions	292,931,609	362,976,981	357,558,764	371,704,801	4.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	250,000	37,878,584	1,478,197	15,624,234	957.0%
General Fund Exempt	292,681,609	325,098,397	356,080,567	356,080,567	0.0%
TOTAL - (4) College Opportunity Fund Program	583,800,860	648,178,010	648,365,016	664,446,510	2.5%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	250,000	66,091,191	1,478,197	17,559,691	1087.9%
General Fund Exempt	583,550,860	582,086,819	646,886,819	646,886,819	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 University

Trustees of Adams State College	<u>32,527,072</u>	<u>39,739,427</u>	<u>40,723,138</u>	<u>42,150,099</u> *	
FTE	319.6	320.8	331.6	331.6	
Cash Funds	19,689,783	25,618,410	26,646,778	27,890,136	
Reappropriated Funds	12,837,289	14,121,017	14,076,360	14,259,963	

SUBTOTAL - (A) Trustees of Adams State University	32,527,072	39,739,427	40,723,138	42,150,099	3.5%
FTE	<u>319.6</u>	<u>320.8</u>	<u>331.6</u>	<u>331.6</u>	0.0%
Cash Funds	19,689,783	25,618,410	26,646,778	27,890,136	4.7%
Reappropriated Funds	12,837,289	14,121,017	14,076,360	14,259,963	1.3%

(B) Trustees of Colorado Mesa University

Trustees of Colorado Mesa University	<u>78,955,368</u>	<u>92,025,821</u>	<u>97,559,817</u>	<u>103,239,896</u> *	
FTE	640.2	666.7	705.8	705.8	
Cash Funds	56,928,117	67,560,465	73,279,088	77,288,735	
Reappropriated Funds	22,027,251	24,465,356	24,280,729	25,951,161	

SUBTOTAL - (B) Trustees of Colorado Mesa University	78,955,368	92,025,821	97,559,817	103,239,896	5.8%
FTE	<u>640.2</u>	<u>666.7</u>	<u>705.8</u>	<u>705.8</u>	0.0%
Cash Funds	56,928,117	67,560,465	73,279,088	77,288,735	5.5%
Reappropriated Funds	22,027,251	24,465,356	24,280,729	25,951,161	6.9%

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(C) Trustees of Metropolitan State College of Denver

Trustees of Metropolitan State College of Denver	<u>145,809,389</u>	<u>166,702,575</u>	<u>172,582,069</u>	<u>179,981,782</u> *	
FTE	1,313.2	1,325.7	1,453.2	1,453.2	
Cash Funds	102,128,196	116,549,176	121,167,068	128,355,179	
Reappropriated Funds	43,681,193	50,153,399	51,415,001	51,626,603	

SUBTOTAL - (C) Trustees of Metropolitan State College of Denver	145,809,389	166,702,575	172,582,069	179,981,782	4.3%
FTE	<u>1,313.2</u>	<u>1,325.7</u>	<u>1,453.2</u>	<u>1,453.2</u>	<u>(0.0%)</u>
Cash Funds	102,128,196	116,549,176	121,167,068	128,355,179	5.9%
Reappropriated Funds	43,681,193	50,153,399	51,415,001	51,626,603	0.4%

(D) Trustees of Western State College

Trustees of Western State College	<u>26,565,226</u>	<u>32,356,791</u>	<u>34,543,650</u>	<u>35,810,937</u> *	
FTE	244.6	248.8	248.1	248.1	
Cash Funds	15,979,779	21,372,696	23,008,723	23,989,040	
Reappropriated Funds	10,585,447	10,984,095	11,534,927	11,821,897	

SUBTOTAL - (D) Trustees of Western State College	26,565,226	32,356,791	34,543,650	35,810,937	3.7%
FTE	<u>244.6</u>	<u>248.8</u>	<u>248.1</u>	<u>248.1</u>	<u>(0.0%)</u>
Cash Funds	15,979,779	21,372,696	23,008,723	23,989,040	4.3%
Reappropriated Funds	10,585,447	10,984,095	11,534,927	11,821,897	2.5%

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

Board of Governors of the Colorado State University System	<u>484,788,862</u>	<u>594,319,942</u>	<u>619,485,003</u>	<u>646,434,413</u>	*
FTE	4,856.1	4,868.8	4,856.2	4,856.2	
Cash Funds	362,810,378	459,659,757	484,966,696	508,023,887	
Reappropriated Funds	121,978,484	134,660,185	134,518,307	138,410,526	

SUBTOTAL - (E) Board of Governors of the Colorado State University System	484,788,862	594,319,942	619,485,003	646,434,413	4.4%
FTE	<u>4,856.1</u>	<u>4,868.8</u>	<u>4,856.2</u>	<u>4,856.2</u>	0.0%
Cash Funds	362,810,378	459,659,757	484,966,696	508,023,887	4.8%
Reappropriated Funds	121,978,484	134,660,185	134,518,307	138,410,526	2.9%

(F) Trustees of Fort Lewis College

Trustees of Fort Lewis College	<u>50,600,826</u>	<u>56,859,423</u>	<u>58,111,091</u>	<u>60,552,481</u>	*
FTE	409.7	415.0	430.4	430.4	
Cash Funds	40,006,222	45,037,000	46,629,891	48,767,542	
Reappropriated Funds	10,594,604	11,822,423	11,481,200	11,784,939	

SUBTOTAL - (F) Trustees of Fort Lewis College	50,600,826	56,859,423	58,111,091	60,552,481	4.2%
FTE	<u>409.7</u>	<u>415.0</u>	<u>430.4</u>	<u>430.4</u>	(0.0%)
Cash Funds	40,006,222	45,037,000	46,629,891	48,767,542	4.6%
Reappropriated Funds	10,594,604	11,822,423	11,481,200	11,784,939	2.6%

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(G) Regents of the University of Colorado

Regents of the University of Colorado	<u>1,055,261,427</u>	<u>1,163,441,655</u>	<u>1,217,564,100</u>	<u>1,263,983,608</u> *	
FTE	7,821.7	8,007.0	7,982.3	7,982.3	
Cash Funds	888,163,616	978,825,988	1,031,031,414	1,069,665,381	
Reappropriated Funds	167,097,811	184,615,667	186,532,686	194,318,227	

SUBTOTAL - (G) Regents of the University of Colorado	1,055,261,427	1,163,441,655	1,217,564,100	1,263,983,608	3.8%
FTE	<u>7,821.7</u>	<u>8,007.0</u>	<u>7,982.3</u>	<u>7,982.3</u>	0.0%
Cash Funds	888,163,616	978,825,988	1,031,031,414	1,069,665,381	3.7%
Reappropriated Funds	167,097,811	184,615,667	186,532,686	194,318,227	4.2%

(H) Trustees of the Colorado School of Mines

Trustees of the Colorado School of Mines	<u>138,966,344</u>	<u>156,078,569</u>	<u>167,618,512</u>	<u>175,156,540</u> *	
FTE	835.2	851.8	896.8	896.8	
Cash Funds	120,296,888	135,531,241	146,979,462	153,671,834	
Reappropriated Funds	18,669,456	20,547,328	20,639,050	21,484,706	

SUBTOTAL - (H) Trustees of the Colorado School of Mines	138,966,344	156,078,569	167,618,512	175,156,540	4.5%
FTE	<u>835.2</u>	<u>851.8</u>	<u>896.8</u>	<u>896.8</u>	(0.0%)
Cash Funds	120,296,888	135,531,241	146,979,462	153,671,834	4.6%
Reappropriated Funds	18,669,456	20,547,328	20,639,050	21,484,706	4.1%

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(I) University of Northern Colorado

University of Northern Colorado	<u>121,696,776</u>	<u>137,479,040</u>	<u>146,156,024</u>	<u>152,343,055</u> *	
FTE	1,110.1	1,196.2	1,136.5	1,136.5	
Cash Funds	84,340,249	96,386,311	107,042,790	112,745,647	
Reappropriated Funds	37,356,527	41,092,729	39,113,234	39,597,408	

SUBTOTAL - (I) University of Northern Colorado	121,696,776	137,479,040	146,156,024	152,343,055	4.2%
FTE	<u>1,110.1</u>	<u>1,196.2</u>	<u>1,136.5</u>	<u>1,136.5</u>	0.0%
Cash Funds	84,340,249	96,386,311	107,042,790	112,745,647	5.3%
Reappropriated Funds	37,356,527	41,092,729	39,113,234	39,597,408	1.2%

(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>414,739,364</u>	<u>429,435,325</u>	<u>447,773,188</u>	<u>466,972,128</u> *	
FTE	5,916.8	5,779.7	6,003.8	6,003.8	
Cash Funds	277,273,440	275,798,824	294,443,041	313,262,913	
Reappropriated Funds	137,465,924	153,636,501	153,330,147	153,709,215	

SUBTOTAL - (J) State Board for Community Colleges and Occupational Education State System Community Colleges	414,739,364	429,435,325	447,773,188	466,972,128	4.3%
FTE	<u>5,916.8</u>	<u>5,779.7</u>	<u>6,003.8</u>	<u>6,003.8</u>	(0.0%)
Cash Funds	277,273,440	275,798,824	294,443,041	313,262,913	6.4%
Reappropriated Funds	137,465,924	153,636,501	153,330,147	153,709,215	0.2%

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TOTAL - (5) Governing Boards	2,549,910,654	2,868,438,568	3,002,116,592	3,126,624,939	4.1%
<i>FTE</i>	<u>23,467.2</u>	<u>23,680.5</u>	<u>24,044.7</u>	<u>24,044.7</u>	<u>0.0%</u>
Cash Funds	1,967,616,668	2,222,339,868	2,355,194,951	2,463,660,294	4.6%
Reappropriated Funds	582,293,986	646,098,700	646,921,641	662,964,645	2.5%

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(6) LOCAL DISTRICT 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.

Colorado Mountain College	<u>0</u>	<u>7,452,827</u>	<u>7,508,926</u>	<u>7,685,371</u> *
General Fund	0	1,102,019	1,102,019	1,278,464
General Fund Exempt	0	6,041,020	6,041,020	6,041,020
Cash Funds	0	309,788	365,887	365,887
 Aims Community College	 <u>0</u>	 <u>8,797,792</u>	 <u>8,859,821</u>	 <u>9,068,455</u> *
General Fund	0	1,836,871	1,836,871	2,045,505
General Fund Exempt	0	6,609,305	6,609,305	6,609,305
Cash Funds	0	351,616	413,645	413,645
 Local District Junior College Grants	 <u>14,705,995</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
General Fund Exempt	14,044,591	0	0	0
Cash Funds	661,404	0	0	0

TOTAL - (6) Local District College Grants Pursuant to Section 23-71-301, C.R.S.	14,705,995	16,250,619	16,368,747	16,753,826	2.4%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	0	2,938,890	2,938,890	3,323,969	13.1%
General Fund Exempt	14,044,591	12,650,325	12,650,325	12,650,325	0.0%
Cash Funds	661,404	661,404	779,532	779,532	0.0%

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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>712,839</u>	<u>715,469</u>	<u>900,000</u>	<u>900,000</u>	
FTE	9.0	9.0	9.0	9.0	
Reappropriated Funds	712,839	715,469	900,000	900,000	

SUBTOTAL - (A) Administrative Costs	712,839	715,469	900,000	900,000	0.0%
<i>FTE</i>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>0.0%</u>
Reappropriated Funds	712,839	715,469	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>25,101,461</u>	<u>25,436,648</u>	<u>25,639,363</u>	<u>25,639,363</u>	
Reappropriated Funds	25,101,461	25,436,648	25,639,363	25,639,363	

SUBTOTAL - (B) Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S.	25,101,461	25,436,648	25,639,363	25,639,363	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>
Reappropriated Funds	25,101,461	25,436,648	25,639,363	25,639,363	0.0%

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(C) Area Technical College Support

Area Technical College Support	<u>8,983,694</u>	<u>9,971,721</u>	<u>9,971,721</u>	<u>10,218,039</u> *	
General Fund	0	1,879,876	1,879,876	2,126,194	
General Fund Exempt	8,983,694	8,091,845	8,091,845	8,091,845	

SUBTOTAL - (C) Area Technical College Support	8,983,694	9,971,721	9,971,721	10,218,039	2.5%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	0	1,879,876	1,879,876	2,126,194	13.1%
General Fund Exempt	8,983,694	8,091,845	8,091,845	8,091,845	0.0%

(D) Sponsored Programs

Administration	<u>2,100,956</u>	<u>2,162,625</u>	<u>2,220,227</u>	<u>2,220,227</u>	
FTE	17.3	23.0	23.0	23.0	
Federal Funds	2,100,956	2,162,625	2,220,227	2,220,227	
Programs	<u>13,143,191</u>	<u>13,562,368</u>	<u>13,353,751</u>	<u>13,353,751</u>	
Federal Funds	13,143,191	13,562,368	13,353,751	13,353,751	

SUBTOTAL - (D) Sponsored Programs	15,244,147	15,724,993	15,573,978	15,573,978	0.0%
<i>FTE</i>	<u>17.3</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	0.0%
Federal Funds	15,244,147	15,724,993	15,573,978	15,573,978	0.0%

(E) Colorado First Customized Job Training

Colorado First Customized Job Training	<u>2,781,733</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	
Reappropriated Funds	2,781,733	4,500,000	4,500,000	4,500,000	

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SUBTOTAL - (E) Colorado First Customized Job					
Training	2,781,733	4,500,000	4,500,000	4,500,000	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>
Reappropriated Funds	2,781,733	4,500,000	4,500,000	4,500,000	0.0%
TOTAL - (7) Division of Occupational Education					
	52,823,874	56,348,831	56,585,062	56,831,380	0.4%
<i>FTE</i>	<u>26.3</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>	<u>0.0%</u>
General Fund	0	1,879,876	1,879,876	2,126,194	13.1%
General Fund Exempt	8,983,694	8,091,845	8,091,845	8,091,845	0.0%
Reappropriated Funds	28,596,033	30,652,117	31,039,363	31,039,363	0.0%
Federal Funds	15,244,147	15,724,993	15,573,978	15,573,978	0.0%

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	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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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>18,376,048</u>	<u>18,852,754</u>	<u>20,276,580</u>	<u>21,493,175</u>	
FTE	181.3	191.0	190.6	190.6	
Reappropriated Funds	18,376,048	18,852,754	20,276,580	21,493,175	

TOTAL - (8) Auraria Higher Education Center	18,376,048	18,852,754	20,276,580	21,493,175	6.0%
FTE	<u>181.3</u>	<u>191.0</u>	<u>190.6</u>	<u>190.6</u>	<u>0.0%</u>
Reappropriated Funds	18,376,048	18,852,754	20,276,580	21,493,175	6.0%

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
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(9) HISTORY COLORADO

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

(A) Central Administration

Central Administration	0	<u>1,128,235</u>	<u>1,234,667</u>	<u>1,234,667</u>	
FTE	0.0	12.0	12.0	12.0	
Cash Funds	0	908,056	1,118,325	1,118,325	
Federal Funds	0	220,179	116,342	116,342	
Facilities Management	0	<u>1,784,346</u>	<u>1,833,925</u>	<u>1,527,450</u>	*
FTE	0.0	7.5	7.5	7.5	
Cash Funds	0	1,784,346	1,833,925	1,527,450	
Lease Purchase of Colorado History Museum	0	<u>3,021,830</u>	<u>3,121,815</u>	<u>3,121,813</u>	
Cash Funds	0	3,021,830	3,121,815	3,121,813	

SUBTOTAL - (A) Central Administration	0	5,934,411	6,190,407	5,883,930	(5.0%)
<i>FTE</i>	<u>0.0</u>	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>	0.0%
Cash Funds	0	5,714,232	6,074,065	5,767,588	(5.0%)
Federal Funds	0	220,179	116,342	116,342	0.0%

(B) History Colorado Museums

History Colorado Center	0	<u>3,986,469</u>	<u>4,711,859</u>	<u>4,711,859</u>	
FTE	0.0	56.4	56.4	56.4	
Cash Funds	0	3,892,211	4,637,882	4,637,882	
Federal Funds	0	94,258	73,977	73,977	

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Community Museums	<u>0</u>	<u>923,257</u>	<u>1,205,725</u>	<u>3,101,244</u> *	
FTE	0.0	14.5	14.5	14.5	
General Fund	0	0	0	1,589,044	
Cash Funds	0	923,257	1,205,725	1,512,200	
Museum Exhibits	<u>0</u>	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Cash Funds	0	0	2,000,000	2,000,000	
SUBTOTAL - (B) History Colorado Museums	0	4,909,726	7,917,584	9,813,103	23.9%
<i>FTE</i>	<u>0.0</u>	<u>70.9</u>	<u>70.9</u>	<u>70.9</u>	<u>0.0%</u>
General Fund	0	0	0	1,589,044	0.0%
Cash Funds	0	4,815,468	7,843,607	8,150,082	3.9%
Federal Funds	0	94,258	73,977	73,977	0.0%

(C) Office of Archeology and Historic Preservation

Program Costs	<u>0</u>	<u>1,641,524</u>	<u>1,628,251</u>	<u>1,628,251</u>	
FTE	0.0	23.0	23.0	23.0	
Cash Funds	0	575,468	844,120	844,120	
Federal Funds	0	1,066,056	784,131	784,131	
SUBTOTAL - (C) Office of Archeology and Historic Preservation	0	1,641,524	1,628,251	1,628,251	0.0%
<i>FTE</i>	<u>0.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>0.0%</u>
Cash Funds	0	575,468	844,120	844,120	0.0%
Federal Funds	0	1,066,056	784,131	784,131	0.0%

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
(D) State Historical Fund Program					
Administration	<u>0</u>	<u>1,656,534</u>	<u>1,703,303</u>	<u>1,703,303</u>	
FTE	0.0	18.0	18.0	18.0	
Cash Funds	0	1,656,534	1,703,303	1,703,303	
Grants	<u>0</u>	<u>7,842,454</u>	<u>7,900,000</u>	<u>7,900,000</u>	
Cash Funds	0	7,842,454	7,900,000	7,900,000	
Gaming Cities Distribution	<u>4,695,061</u>	<u>4,891,200</u>	<u>5,000,000</u>	<u>5,000,000</u>	
Cash Funds	4,695,061	4,891,200	5,000,000	5,000,000	
SUBTOTAL - (D) State Historical Fund Program	4,695,061	14,390,188	14,603,303	14,603,303	0.0%
FTE	<u>0.0</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	<u>0.0%</u>
Cash Funds	4,695,061	14,390,188	14,603,303	14,603,303	0.0%
(E) Cumbres and Toltec Railroad Commission					
Cumbres and Toltec Railroad Commission	<u>548,434</u>	<u>381,646</u>	<u>2,050,000</u>	<u>2,050,000</u>	
General Fund	513,434	361,646	1,295,000	1,295,000	
Cash Funds	35,000	20,000	755,000	755,000	
SUBTOTAL - (E) Cumbres and Toltec Railroad Commission	548,434	381,646	2,050,000	2,050,000	0.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	513,434	361,646	1,295,000	1,295,000	0.0%
Cash Funds	35,000	20,000	755,000	755,000	0.0%

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
Sponsored Programs					
Sponsored Programs	<u>213,055</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	3.5	0.0	0.0	0.0	
Federal Funds	213,055	0	0	0	
SUBTOTAL - Sponsored Programs	213,055	0	0	0	0.0%
FTE	<u>3.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Federal Funds	213,055	0	0	0	0.0%
Auxiliary Programs					
Auxiliary Programs	<u>1,926,563</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	14.5	0.0	0.0	0.0	
Cash Funds	1,926,563	0	0	0	
SUBTOTAL - Auxiliary Programs	1,926,563	0	0	0	0.0%
FTE	<u>14.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	1,926,563	0	0	0	0.0%
Gaming Revenue					
Statewide Preservation Grant Program	<u>8,542,068</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	18.0	0.0	0.0	0.0	
Cash Funds	8,542,068	0	0	0	
Society Museum and Preservation Operations	<u>12,090,144</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	95.4	0.0	0.0	0.0	
Cash Funds	11,286,998	0	0	0	
Federal Funds	803,146	0	0	0	

JBC Staff Budget Briefing: FY 2017-18
Staff Working Document - Does Not Represent Committee Decision

	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2017-18 Request	Request vs. Appropriation
SUBTOTAL - Gaming Revenue	20,632,212	0	0	0	0.0%
<i>FTE</i>	<u>113.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	19,829,066	0	0	0	0.0%
Federal Funds	803,146	0	0	0	0.0%
TOTAL - (9) History Colorado	28,015,325	27,257,495	32,389,545	33,978,587	4.9%
<i>FTE</i>	<u>131.4</u>	<u>131.4</u>	<u>131.4</u>	<u>131.4</u>	<u>0.0%</u>
General Fund	513,434	361,646	1,295,000	2,884,044	122.7%
Cash Funds	26,485,690	25,515,356	30,120,095	30,120,093	0.0%
Federal Funds	1,016,201	1,380,493	974,450	974,450	0.0%
TOTAL - Department of Higher Education	3,421,865,794	3,848,583,650	4,076,057,002	4,229,859,322	3.8%
<i>FTE</i>	<u>23,885.3</u>	<u>24,127.3</u>	<u>24,491.4</u>	<u>24,491.4</u>	<u>0.0%</u>
General Fund	9,223,455	107,429,003	57,334,716	84,447,453	47.3%
General Fund Exempt	752,053,939	748,637,955	813,700,000	813,700,000	0.0%
Cash Funds	2,003,394,537	2,268,148,943	2,467,212,460	2,571,525,777	4.2%
Reappropriated Funds	633,396,309	700,011,519	715,297,309	737,540,965	3.1%
Federal Funds	23,797,554	24,356,230	22,512,517	22,645,127	0.6%

APPENDIX B

RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2015 SESSION BILLS

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

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

S.B. 15-234 (LONG BILL): General appropriations act for FY 2015-16.

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

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

S.B. 15-238 (GENERAL FUND EXEMPT INSTITUTIONS OF HIGHER ED USES): Adds additional appropriation categories to the list of higher education appropriations that may be supported with General Fund Exempt. The General Fund Exempt Account consists of the revenues the state retains and spends under the authority of Referendum C of 2005. Based on existing statute, one-third of the Referendum C revenue that exceeds \$55.0 million must be appropriated for the benefit of students attending institutions of higher education.

S.J.M. 15-001 (FORT LEWIS COLLEGE NATIVE AMERICAN TUITION WAIVER FEDERAL FUNDS): Memorializes the U.S. Congress, requesting that it support federal legislation to provide federal tuition support for Native American students attending Fort Lewis College who are not Colorado residents.

H.B. 15-1224 (STATE MONEYS RECEIVED BY LOCAL DISTRICT JUNIOR COLLEGES): Requires that the State's two local district junior colleges, Colorado Mountain College and Aims Community College, receive separate appropriations in the Long Bill, rather than having their state support combined in a single line item.

H.B. 15-1254 (HIGHER EDUCATION FUNDING APPROPRIATIONS CLEAN UP): Clarifies a definition used in the description of higher education funding allocation formulas, modifying statutory language added in H.B. 14-1319 (Outcomes-based Funding for Higher Education).

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

H.B. 15-1274 (CREATION OF CAREER PATHWAYS FOR STUDENTS): Requires the Colorado Workforce Development Council in the Department of Labor and Employment, in collaboration and consultation with partners including the Department of Higher Education and the community college system, the Department of Education, the Governor's Office of Economic Development and International Trade, and partner industries and local educational institutions, design integrated career pathways within identified growth industries. A career pathway is a series of connected education and training strategies and support services that enable students to secure industry-relevant skills and certification, where applicable, to obtain employment within an occupational area, and to advance to higher levels of future education and employment. At least one career pathway is to be ready for implementation by or before the 2016-17 academic year, and at least two additional career pathways must be ready for implementation at the beginning of each subsequent academic year. Following design and implementation of a new career pathway, the Departments of Higher Education and Labor and Employment must collaborate to promote information concerning the program and provide online student support services. For FY 2015-16 provides appropriations of \$485,043 General Fund and 2.5 FTE to the Department of Labor and Employment for the Workforce Development Council. Provides appropriations to the Department of Higher Education

of: (1) \$86,960 General Fund, which is reappropriated to the community college system; and (2) \$200,000 reappropriated funds, from the amount initially appropriated to the Department of Labor and Employment, for an on-line resource publicizing the new career pathways. The bill's General Fund impact is expected to annualize to \$585,217 and 2.5 FTE in FY 2016-17.

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

2016 SESSION BILLS

S.B. 16-073 (STATE AUDITOR AUDIT HISTORIC FUND DISTRIBUTION): Requires the State Auditor to conduct postaudits and performance audits of the limited gaming funds that are transferred to the State Historical Fund for the preservation and restoration of the gaming cities of Central, Black Hawk, and Cripple Creek. The State Auditor must conduct three audits, no later than September 1, 2017, September 1, 2022, and September 1, 2027.

S.B. 16-104 (INCENTIVES TO BUILD NUMBER OF RURAL TEACHERS): Creates several new programs to provide incentives for individuals to become teachers in rural school districts, and to support the needs of professional educators in rural school districts: provides funding for a rural education coordinator (\$145,000); provides financial stipends for student teachers who agree to teach in rural areas (\$112,000), provides support for teacher cadet programs to support high school students interested in pursuing teaching careers in rural schools (\$50,000); provides funds for national board certification, concurrent enrollment certification, and other professional development for rural teachers (\$120,000); and provides support to the Department of Higher Education to oversee these programs. Provides an appropriation of \$441,095 General Fund and 0.3 FTE to the Department of Higher Education for the new programs and related administrative costs for FY 2016-17; and (2) adjusts FY 2016-17 appropriations in the Department of Education for the State Share of Districts' Total Program Funding to increase funding from the State Public School Fund by \$441,095 cash funds and decrease funding from the General Fund by the same amount.

S.B. 16-121 (HIGHER EDUCATION REVENUE PLEDGED FOR BONDING): Allows the governing board of a higher education institution or institutions to pledge up to 100 percent of tuition revenues, excluding any General Fund appropriations, when it issues bonds to pay the costs of a capital project. Institutions that participate in the Higher Education Revenue Bond Intercept Program (intercept program) are only allowed to pledge up to 10 percent of tuition revenues, which is the amount permitted in current law.

S.B. 16-191 (MARIJUANA RESEARCH MARIJUANA TAX CASH FUND): Authorizes the General Assembly to appropriate money from the Marijuana Tax Cash Fund (MTCF) to the Board of

Governors of the Colorado State University System (CSU) to fund scientific and social science research at CSU-Pueblo concerning marijuana and other matters that impact the state and its regions. Appropriates \$900,000 cash funds from the MTCF to CSU-Pueblo for FY 2016-17 for this purpose. Continues ongoing study in the Department of Public Safety (DPS) of law enforcement's costs related to legalization of marijuana. Appropriates \$79,992 cash funds from the MTCF for this purpose for FY 2016-17. Also requires the Governor's Office of Marijuana Coordination facilitate data sharing and address data gaps related to the impact of marijuana legalization on public health, safety, or economic issues.

S.B. 16-196 (INCLUSIVE HIGHER EDUCATION PILOT PROGRAM): Creates an inclusive higher education pilot program aimed at establishing higher education programs for students with intellectual and developmental disabilities. The program will operate from FY 2016-17 through FY 2020-21 at three institutions: the University of Northern Colorado, the University of Colorado-Colorado Springs, and Arapahoe Community College. Appropriates \$250,000 General Fund to the Department of Higher Education and reappropriates this amount, within the Department, to the participating governing boards for FY 2016-17. Transfers \$250,000 cash funds from the Intellectual and Development Disabilities Services (IDD) Cash Fund to the General Fund to support FY 2016-17 and FY 2017-18 General Fund appropriations for this program.

S.B. 16-204 (HIGHER EDUCATION REVENUE BOND INTERCEPT PROGRAM): Makes various changes to the higher education revenue bond intercept program. This program enables higher education institutions to issue debt under the State's credit rating. Changes include expanding legislative review and approval process for intercept debt so that the Capital Development Committee and the Joint Budget Committee must explicitly approve expansion of all intercept debt for all participating governing boards. Also caps the program based on General Fund appropriations to each governing board, and changes how the debt coverage ratio test that a governing board must pass to qualify for the program is calculated. Requires an annual report on the program from the Treasurer's Office, requires Treasurer pre-approval of new intercept debt, and authorizes the Treasurer to authorize refinance of existing intercept debt under certain circumstances.

SUMMARY PREVIOUS PROVISIONS FOR QUALIFYING FOR HIGHER EDUCATION REVENUE BOND INTERCEPT PROGRAM VERSUS S.B. 16-204 REQUIREMENTS FOR NEW BONDS ISSUED		
	PREVIOUS	S.B. 16-204
Coverage ratio (Funds Available for Debt Service/Debt Service)		
Intercept debt only	150%	n/a
All debt	n/a	150%
Credit Rating	In 3 highest categories/ A-rated	In 3 highest categories/ A-rated
Annual payments for all bonds issued under the intercept program as a percent of annual governing board General Fund appropriation (at time of issuance)	n/a	75%
Pre-certification by Treasurer for intercept debt increase	n/a	Yes
CDC/JBC approval for intercept debt increase	Some	All
Treasurer approval for refinance existing intercept debt	Some	All

S.B. 16-209 (AUTHORIZE SCHOOL DISTRICT PROPERTY LEASE TO HIGHER ED INSTITUTION): Authorizes a school district board of education to lease school district property to a state institution of higher education and to accept in-kind services (such as tuition reduction or scholarships for their students) from the institution as all or part of the lease payments. The bill clarifies that a school district may issue bonds to construct a building for lease to a state institution of higher education.

H.B. 16-1083 (WESTERN STATE COLORADO ROLE AND MISSION): Changes the admission standard for Western State Colorado University to "selective" from "moderately selective".

H.B. 16-1229 (HIGHER ED FINANCIAL OBLIGATION REPAYMENT): Effective FY 2015-16, transfers federal mineral lease (FML) revenues in the Higher Education Maintenance and Reserve Fund (reserve fund) into the Higher Education Federal Mineral Lease Revenues Fund (revenues fund). The revenues fund pays for lease purchase agreements (certificates of participation/COPs) to fund capital construction projects at state institutions of higher education. The bill then eliminates the reserve fund and directs all FML money previously deposited to the reserve fund to the revenues fund. The bill also prohibits the state from entering into any additional lease-purchase agreements to be funded from the revenues fund. Finally, the bill clarifies that annual appropriations for these higher education COP payments are made to the Department of Higher Education for transfer to the State Treasurer.

H.B. 16-1241 (HIGHER EDUCATION SUPPLEMENTAL): Makes supplemental adjustments to FY 2015-16 and FY 2014-15 appropriations to the Department of Higher Education.

H.B. 16-1350 (HIGHER EDUCATION TRANSFERS FEE-FOR-SERVICE CONTRACT): Makes a technical adjustment to the Department of Higher Education's authority to make certain year-end transfers. Expands the Department's authority to make year-end transfers between College Opportunity Fund Program student stipends and fee-for-service appropriations to include fee-for-service appropriations for specialty education programs such as the medical school at the University of Colorado Health Sciences Center.

H.B. 16-1352 (HISTORY COLORADO CASH FUND): Allows money in the State Museum Cash Fund to be appropriated for exhibit planning, development, and build-out at all State Historical Society facilities, instead of limiting use of these funds to development of the new state history museum. For FY 2016-17, appropriates \$2.0 million from the State Museum Cash Fund for exhibit planning, development, and build-out at state facilities. The State Historical Society has four years to spend the appropriation. Also requires that \$3.0 million, plus interest earned on that amount beginning on July 1, 2015, must be retained in the cash fund as a controlled maintenance reserve for the new museum. This amount is available for appropriation beginning in FY 2027-28.

H.B. 16-1405 (LONG BILL): General appropriations act for FY 2016-17. Also includes supplemental adjustments to FY 2015-16 appropriations for the Department of Higher Education.

H.B. 16-1408 (CASH FUND ALLOCATIONS FOR HEALTH-RELATED PROGRAMS): Establishes a new formula for the allocation of the annual payment received by the state as part of the Tobacco Master Settlement Agreement (Tobacco MSA). Increases annual allocations to most programs receiving funding under the current distribution, while eliminating dedicated funding for six purposes and replacing five of them with appropriations from the Marijuana Tax Cash Fund. Also modifies statute concerning higher education fee-for-service contracts paid to the University of Colorado for specialty education services, specifying that these contracts include care provided by faculty of the University of Colorado Health Sciences Center that are eligible for payment under the state's Medicaid provider reimbursement. Among other appropriations, appropriates an additional \$2,972,504 cash funds to the Department of Higher Education in FY 2016-17 for use by the University of Colorado Health Sciences. Of this amount, \$1,751,471 is designated for cancer

research. For additional information see the recent legislation section at the end of the Department of Public Health and Environment.

H.B. 16-1453 (COLORADO CYBERSECURITY INITIATIVE): Creates the Colorado Cybersecurity Council in the Department of Public Safety (DPS). The council operates as a steering group to develop cybersecurity policy guidance for the Governor, establish related goals and initiatives, and coordinate with the General Assembly and the judicial branch regarding cybersecurity. Specifies that the University of Colorado at Colorado Springs (UCCS), in partnership with a nonprofit organization, may establish and expand higher education programs in cybersecurity and establish needed cyber education and training laboratories in specified subject areas. UCCS and the nonprofit organization also may establish a secure environment for research and development, initial operational testing and evaluation, and expedited contracting for production for industrial cyber products and techniques. Creates the Cybersecurity Cash Fund (Fund) in the state treasury. Subject to annual appropriation, the Regents of the University of Colorado may expend money from the Fund for the purposes of the bill. For FY 2016-17, the bill transfers \$7,932,020 from the General Fund to the Fund, to be reappropriated to the Department of Higher Education for use by the Regents of the University of Colorado. Also creates in the Fund a cybersecurity gifts, grants, and donations account for use by the Regents of the University of Colorado. Appropriates \$67,980 General Fund to the Department of Public Safety for FY 2016-17 for use by the Office of Prevention and Security.

APPENDIX C FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

FOOTNOTES OTHER THAN TUITION FOOTNOTES

20 Department of Higher Education, Colorado Commission on Higher Education, Special Purpose, Tuition/Enrollment Contingency -- The Colorado Commission on Higher Education may transfer spending authority from this line item to the Governing Boards in the event that tuition revenues increase beyond appropriated levels. The spending authority for this line item is in addition to the funds appropriated directly to the Governing Boards. It is the intent of the General Assembly that the Colorado Commission on Higher Education not authorize transfers of spending authority from this line item to support tuition increases.

COMMENT: The full impact of this new footnote will not be known until the end of FY 2016-17. Staff anticipates that initial adjustments to the FY 2016-17 appropriation will occur in spring 2017, as part of a supplemental “add on” to the FY 2017-18 Long Bill. Staff anticipates that this footnote will only be invoked to the extent there is a need for further “true up” between actual expenditures and the modified FY 2016-17 appropriation at the end of the fiscal year.

21 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: 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. The Department rolled forward \$99,668 of the FY 2015-16 appropriation in this line item to FY 2016-17.

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

COMMENT: This footnote added flexibility in the History Colorado budget to assist in a smooth transition to a new budget structure beginning in FY 2015-16. Budget schedules indicate that History Colorado used this authority to transfer \$72,000 cash funds from the History Colorado Center line item to the Facilities Management line item in FY 2015-16.

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

COMMENT: This footnote added flexibility in the History Colorado budget to assist in a smooth transition to a new budget structure beginning in FY 2015-16. The Department did not use this flexibility in FY 2015-16.

- 34 Department of Higher Education, History Colorado, Cumbres and Toltec Railroad Commission --The amount in this line item is calculated based on the following assumptions: (1) This line item includes \$202,500 for annual Commission operating expenses and other routine ongoing costs including controlled maintenance; (2) the balance of this appropriation is for capital projects including locomotive boiler repair, passenger car upgrades, and track, bridge, and tunnel upgrades; and (3) amounts above the \$202,500 ongoing operating support are based on an analysis of the Railroad's capital outlay needs over a three year period and are not assumed to continue after FY 2018-19. Amounts in this line item that are not expended by June 30, 2017 may be rolled forward for expenditure in FY 2017-18.

COMMENT: This footnote provides a record of legislative intent, given that this line item is “quasi-capital” in nature. Staff notes that actual expenditures for the Cumbres and Toltec Railroad have remained well below appropriations as funds are rolled forward to future years.

TUITION FOOTNOTES

The footnotes below all reflect the General Assembly's assumptions on governing board tuition. Comments for all these footnotes are grouped at the end of this section.

- 22 Department of Higher Education, Governing Boards, Trustees of Adams State University -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2016-17 than six percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study. This amount is also calculated based on the assumption that the governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.
- 23 Department of Higher Education, Governing Boards, Trustees of Colorado Mesa University -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2016-17 than eight percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study. This amount is also calculated based on the assumption that the governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.
- 24 Department of Higher Education, Governing Boards, Trustees of Metropolitan State University of Denver -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2016-17

than nine percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study, except that the increase for students taking more than twelve credit hours per semester will not increase by more than six percent. This amount is also calculated based on the assumption that the governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.

- 25 Department of Higher Education, Governing Boards, Trustees of Western State Colorado University -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2016-17 than eight percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study. This amount is also calculated based on the assumption that the governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.
- 26 Department of Higher Education, Governing Boards, Board of Governors of the Colorado State University System -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2016-17 than six percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study, except that the increase for some students at Colorado State University at Pueblo is assumed to exceed this due to an anticipated change to a linear tuition structure for students taking between twelve and eighteen credit hours. This amount is also calculated based on the assumption that the governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.
- 27 Department of Higher Education, Governing Boards, Trustees of Fort Lewis College -- The amount in this line item is calculated based on the assumptions that no undergraduate student with in-state classification will pay more tuition in FY 2016-17 than nine percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study. This amount is also calculated based on the assumption that the governing board will increase tuition rates for nonresident students consistent with the decision of the governing board and will increase tuition rates for graduate students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.
- 28 Department of Higher Education, Governing Boards, Regents of the University of Colorado -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2016-17 than five percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study, except that: (1) tuition for undergraduate students with in state classification at the

University of Colorado Denver who are enrolled in the School of Engineering and Applied Sciences or the Business School is assumed to increase by up to 12.0 percent; and tuition for students enrolled in the College of Nursing at the University of Colorado Health Sciences Center is assumed to increase by up to 5.1 percent . This amount is also calculated based on the assumption that the governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.

- 29 Department of Higher Education, Governing Boards, Trustees of the Colorado School of Mines – The cash funds appropriation from tuition in this line item is for informational purposes only. Pursuant to the provisions of 23-41-104.6 (5) (c), C.R.S., the Board of Trustees has authority to establish resident and non-resident tuition rates for the Colorado School of Mines. The amount shown is based on the Colorado School of Mines' February 2016 tuition forecast. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.
- 30 Department of Higher Education, Governing Boards, University of Northern Colorado -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2016-17 than nine percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study. This amount is also calculated based on the assumption that the governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.
- 31 Department of Higher Education, Governing Boards, State Board for Community Colleges and Occupational Education State System Community Colleges -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2016-17 than six and one-half percent over what a student would have paid in FY 2015-16 for the same credit hours and course of study. This amount is also calculated based on the assumption that the governing board will increase tuition rates for nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2016-17 based on updated enrollment estimates and tuition rate information.

COMMENTS ON TUITION FOOTNOTES: All governing boards appear to be in compliance with these footnotes with respect to undergraduate tuition rate increases. Additional information on FY 2016-17 tuition and fees is included in a separate briefing issue.

UPDATE ON REQUESTS FOR INFORMATION

1. Department of Higher Education, Colorado Commission on Higher Education, Administration -- As part of its FY 2017-18 budget request, the Department is requested to consider including mandatory fees, as well as tuition, in any proposed restrictions on institutional rate increases.

COMMENT: In an email to staff, the Department responded: “As discussed in the Department’s November 1, 2015 response to FY 2015-16 Request for Information DHE-26, we do not recommend a change in fee policies or the that mandatory fees be included in tuition rate restrictions. We continue to feel that current statute and policy is appropriate and provides a rational, transparent process that is inclusive of student input and is in line with the General Assembly’s goal of greater transparency and accountability in cost to students and families for higher education.” Thus, it appears that if the Committee wishes to ensure that policies related to tuition also take fees into account, new legislation would be required.

2. Department of Higher Education, Colorado Commission on Higher Education, Special Purpose, Tuition/Enrollment Contingency -- The Department is requested to provide information on the amount of Tuition Enrollment Contingency funds distributed to any governing board and whether the governing board complied with Colorado Commission on Higher Education tuition policy and intended limits on undergraduate rates expressed in Long Bill footnotes. This information, as it applies to actual expenditures in FY 2016-17, should be provided by November 1, 2017.

COMMENT: The response to this request will not be available until 2017.

3. Colorado Department of Higher Education, Colorado Commission on Higher Education, Administration; and Governing Boards -- The Department is requested to coordinate the following annual data submissions to the Joint Budget Committee and Legislative Council Staff to support tuition, fee, and stipend revenue estimates used for appropriations and informational amounts included in the Long Bill.

By November 1, 2016: Submit budget data books for each of the governing boards that provide detail on education and general revenue and expenditures for each institution for the most recent actual year (FY 2015-16) and the current estimate year (FY 2016-17). In a change from prior years:

- Include estimate-year FY 2016-17 full time equivalent (FTE) enrollment data for resident undergraduate and graduate students and non-resident undergraduate and graduate students, in addition to actual year FY 2015-16 student FTE data. The FY 2016-17 student FTE estimates should be those used to develop the FY 2016-17 revenue and expenditure estimates in the data books.
- Identify actual FY 2015-16 and budgeted FY 2016-17 student FTE eligible for the College Opportunity Fund (COF) stipend in the budget data book submission.
- Include actual and estimated revenue from mandatory fees using the definitions established by the Department of Higher Education for mandatory fees.

By December 15, 2016: Submit fall 2016 student FTE census data. This should include resident undergraduate and graduate and non-resident undergraduate and graduate FTE figures for each governing board and institutional break-outs for those governing boards that oversee multiple institutions. Also include actual year-to-date COF FTE from the most recent accounting records by governing board and institution.

By February 15, 2017: Submit revised estimate year FY 2016-17 and request year FY 2017-18 revenue and enrollment data for each governing board, along with the comparable FY 2015-16 actual data for context. If available, also include data at the institutional level for the University of Colorado and Colorado State University Systems.

- For each year, include FTE enrollment for resident undergraduate and graduate students and non-resident undergraduate and graduate students.
- Include annotations explaining assumptions, including tuition and fee rate and enrollment assumptions for the FY 2017-18 request year.
- Consistent with the requirements of Section 23-18-202 (2) (a) (I), C.R.S., also include an update on the number of student FTE estimated to be eligible for COF stipends in FY 2016-17 based on the most recent data available (different from the figures used to establish initial stipend appropriations).
- Include actual and estimated revenue from mandatory fees using the definitions established by the Department of Higher Education for mandatory fees.

COMMENT: The Governor instructed the Department to comply to the extent feasible, with the following specific adjustments, based on when certain data is available:

- Because some mandatory fees are not considered “education and general” revenue, these amounts are not currently reported to the Department. Within existing resources, the Department will endeavor to collect this information and report on it.
- Because actual year-to-date COF FTE data is not available on December 15, the Department is instead instructed to submit estimates on December 15, 2016, with an explanation of how these are calculated, and to submit a separate report with actual COF FTE data on February 15, 2017.

The Department is complying with the request and has submitted the budget data books and mandatory fee report as requested.

4. 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 December 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. The Department is requested to provide more in-depth data on the financial aid awarded at the state's public institutions, by institution. To the extent feasible, this should include further information on the use of institutional aid, including the extent to which such aid is awarded to residents versus non-residents, for financial need versus merit, and the extent to which

merit-based aid is awarded to students who qualify on the basis of need, whether or not the aid was classified as merit-based.

COMMENT: The Department submitted an early version of its report. While the report generally complies with the request, staff continues to seek additional information on institutional aid. Based on the draft version of the report:

- A total of \$2.2 billion in financial aid (including need-based grants, merit-based grants, and federal loans) was distributed to Colorado students at public and private institutions in FY 2015-16. Of this amount, 45 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 2015-16, federal grant aid accounted for 32 percent of all grant aid in Colorado. State aid comprised nearly 14 percent of all grant aid, and institutional aid accounted for 49 percent of all grant aid.
- In FY 2015-16, 87,161 students received federal Pell grants in Colorado. This includes students attending private institutions. Eligibility for Pell grants is need-based. The average Pell grant was \$3,439; the maximum grant was \$5,775.
- A total of 77,801 students received state-funded aid in FY 2015-16, including 63,318 who received need-based aid, 8,911 who received work-study funds, 3,929 who received merit aid, and 1,497 who received categorical aid. Total state aid distributed was \$170,194,622, representing an increase of 64.6 percent since FY 2010-11. The average need-based grant was \$1,963, the average merit-based award was 1,310, the average work study award was \$2,512, and the average categorical award was \$12,154.
- During the Great Recession, the number of students requiring need-based aid increased; however, it declined from FY 2012-13 through FY 2015-16, reflecting enrollment decreases associated with an improved economy. Between FY 2011 and 2016: the number of students receiving a federal Pell grant declined by 22 percent and average funding per student remained virtually flat (less than 2 percent); the number of students receiving state need-based aid declined 11.7 percent, while the need-based aid per student increased 92.4 percent, as there were more dollars to spread among fewer students.
- The chart below shows total grant aid received by resident undergraduates attending public institutions in 2015-16 who were enrolled at least half time.

INSTITUTION NAME/TYPE	FEDERAL AWARDS	STATE AWARDS	INSTITUTIONAL AWARDS	OTHER SCHOLARSHIPS	TOTAL GRANT AID (INCLUDES WORK-STUDY)
Four Year Public	\$145,083,198	\$83,431,120	\$133,399,885	\$25,831,917	\$387,746,120
Adams State University	\$4,306,097	\$2,194,208	\$2,227,429	\$594,186	\$9,321,920
Colorado Mesa University	\$13,171,823	\$7,076,098	\$4,693,853	\$161,736	\$25,103,510

INSTITUTION NAME/TYPE	FEDERAL AWARDS	STATE AWARDS	INSTITUTIONAL AWARDS	OTHER SCHOLARSHIPS	TOTAL GRANT AID (INCLUDES WORK-STUDY)
Colorado Mountain College	\$3,194,715	\$1,769,423	\$504,536	\$129,920	\$5,598,594
Colorado School of Mines	\$2,856,683	\$1,771,027	\$5,787,803	\$1,749,807	\$12,165,320
Colorado State University	\$20,433,839	\$12,030,075	\$34,024,920	\$7,166,568	\$73,655,402
Colorado State University - Pueblo	\$7,855,046	\$4,386,746	\$955,694	\$686,491	\$13,883,977
Fort Lewis College	\$2,520,234	\$2,598,625	\$2,453,921	\$413,299	\$7,986,079
Metropolitan State University of Denver	\$29,125,177	\$19,302,173	\$8,169,917	\$1,868,662	\$58,465,929
University of Colorado Boulder	\$17,871,197	\$10,042,912	\$40,143,167	\$5,267,174	\$73,324,450
University of Colorado Colorado Springs	\$13,486,577	\$6,148,775	\$6,489,552	\$2,483,557	\$28,608,461
University of Colorado Denver	\$16,855,992	\$8,425,901	\$10,108,041	\$2,463,308	\$37,853,242
University of Northern Colorado	\$11,247,850	\$6,402,580	\$15,873,486	\$2,537,309	\$36,061,225
Western State Colorado University	\$2,157,968	\$1,282,577	\$1,967,566	\$309,900	\$5,718,011
Two Year Public	\$98,451,117	\$49,275,357	\$5,788,126	\$4,153,431	\$157,668,031
Aims Community College	\$6,279,403	\$3,119,263	\$1,010,322	\$269,353	\$10,678,341
Arapahoe Community College	\$5,918,985	\$3,399,457	\$350,275	\$257,610	\$9,926,327
Colorado Northwestern Community College	\$763,499	\$406,346	\$245,440	\$2,750	\$1,418,035
Community College of Aurora	\$7,608,035	\$3,628,728	\$148,064	\$377,019	\$11,761,846
Community College of Denver	\$12,067,426	\$5,813,282	\$474,908	\$498,972	\$18,854,588
Front Range Community College	\$19,149,567	\$9,818,714	\$1,047,918	\$643,021	\$30,659,220
Lamar Community College	\$928,458	\$529,927	\$412,632	\$153,998	\$2,025,015
Morgan Community College	\$1,236,189	\$622,268	\$97,433	\$118,219	\$2,074,109
Northeastern Junior College	\$1,765,361	\$983,661	\$514,749	\$422,453	\$3,686,224
Otero Junior College	\$2,409,475	\$1,121,539	\$476,286	\$188,998	\$4,196,298
Pikes Peak Community College	\$19,383,520	\$9,438,006	\$238,895	\$657,476	\$29,717,897
Pueblo Community College	\$10,873,369	\$5,125,612	\$95,294	\$1,500	\$16,095,775
Red Rocks Community College	\$7,447,196	\$3,814,262	\$125,170	\$416,899	\$11,803,527
Trinidad State Junior College	\$2,620,634	\$1,454,292	\$550,740	\$145,163	\$4,770,829
Public Technical	\$2,374,859	\$925,293	\$119,092	\$30,593	\$3,449,837
Delta Montrose Technical College	\$277,560	\$106,050	\$0	\$7,800	\$391,410
Emily Griffith Technical College	\$1,142,523	\$428,658	\$119,092	\$19,000	\$1,709,273
Pickens Technical College	\$954,776	\$390,585	\$0	\$3,793	\$1,349,154
Grand Total	\$270,631,609	\$120,337,707	\$131,861,118	\$28,316,175	\$551,146,609

5. Department of Higher Education, Colorado Commission on Higher Education, Administration -- The Department is requested to submit, as part of the annual request for

common policy benefits adjustments, templates that reflect the benefit selection for each member of the Department's staff in a manner that will enable health benefits for these staff to be calculated consistent with common policy. The templates are expected to contain July 2016 data on health benefits actually selected by Department staff.

COMMENT: The Department has complied with the request.

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

History Colorado

Pursuant to Section 2-7-205 (1) (a) (I), C.R.S., the Office of State Planning and Budgeting is required to publish an Annual Performance Report for History Colorado by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. While a separate report does not appear to have been posted to the OSPB website, some actual performance metrics from FY 2014-15 are included in the FY 2016-17 plan, described below

Pursuant to Section 2-7-204 (3) (a) (I), C.R.S., History Colorado is required to develop a performance plan and submit that plan to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year. For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2016-17 plan, dated July 1, 2016 can be found at the following link:

<https://drive.google.com/file/d/0B-yDiMcBmTmhVDNWSWFRaXZQUXM/view>

Department of Higher Education:

Pursuant to Section 2-7-205 (1) (a) (II), C.R.S., the Office of State Planning and Budgeting shall prepare the section of the annual performance report for the Department of Higher Education by reviewing the institutions of higher education's progress towards the goals set forth in the performance contracts (required pursuant to S.B. 11-052) and the outcomes of the recommended performance funding plan. Due to changes in the higher education funding model, the Department has interpreted this provision as requiring it to examine progress toward the Higher Education Master Plan goals as measured through the metrics adopted in H.B. 14-1319 (Outcomes-based Funding for Higher Education). For consideration by the Joint Budget Committee in prioritizing the Department's budget request, the FY 2014-15 report dated October 30, 2015 may be found at the following link. ***No updates have been posted to the OSPB website since 2015.***

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

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

http://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://higherred.colorado.gov/Academics/PerformanceContracts/>

The Department is initiating a process to update Master Plan goals.

APPENDIX – COMPOSITE FINANCIAL INDEX METHODOLOGY

The method used follows the approach outlined in *Strategic Financial Analysis for Higher Education (Seventh Edition)* by KPMG, Praeger, Sealy and Co., KPMG, and Attain, 2010 and the sixth edition, which includes the same calculations.¹ 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.

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</i> without relying on additional net assets generated by operations.” (p. 56)
Viability Ratio	Debt Management	expendable assets/ debt	“The Viability Ratio measures one of the most basic determinants of clear financial health: the <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)

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.

¹ <http://www.praeger.com/FinancialAdvisory/StrategicFinancialAnalysis>

	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

The CFI calculations were developed before GASB 68, which requires pension liabilities be reflected on institutional financial statements. As a result, for both FY 2014-15 and FY 2015-16 staff relied on figures provided by the higher education institutions for CFI figures. Figures provided by the institutions include adjustments that show ratios as though without GASB 68.