JOINT
BUDGET
COMMITTEE

STAFF BUDGET BALANCING
FY 2019-20 & FY 2020-21

DEPARTMENT OF HIGHER EDUCATION

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

PREPARED BY:
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HOW TO USE THIS DOCUMENT

The **first section** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **second section** of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

A **third section** of the document includes additional staff recommendations and options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

DEPARTMENT OF HIGHER EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION						
SB 19-207 (FY 2019-20 Long Bill)	$4,867,932,187	$1,108,869,602	$2,832,661,687	$900,516,058	$25,884,840	26,297.8
Other legislation	8,119,164	3,885,293	3,600,000	683,121	(49,250)	6.2
Long Bill supplemental as of 3/16/20	(13,285,048)	0	(13,285,048)	0	0	0.0
LB Sup - Educator Loan Forgiveness, remove	(500,000)	(500,000)	0	0	0	0.0
LB Sup - Growing Great Teachers grants, remove	(1,125,000)	(1,125,000)	0	0	0	0.0
LB sup - Second Chance Scholarship, remove	(250,000)	(250,000)	0	0	0	0.0
TOTAL	**$4,860,891,303**	**$1,110,879,895**	**$2,822,976,639**	**$901,199,179**	**$25,835,590**	**26,304.0**
FY 2020-21 RECOMMENDED APPROPRIATION						
FY 2019-20 Appropriation	$4,860,891,303	$1,110,879,895	$2,822,976,639	$901,199,179	$25,835,590	26,304.0
R2 Tuition spending authority	76,380,383	0	76,380,383	0	0	0.0
R1 State funding increase for public higher education	130,700,461	73,662,365	0	57,038,096	0	0.0
Indirect cost assessment	7,272,391	0	353,154	6,813,388	105,849	0.0
Higher education fees	5,115,121	0	5,115,121	0	0	0.0
R6 Area technical college grant program	3,171,650	3,171,650	0	0	0	0.0
R11 Colorado Opportunity Scholarship Initiative	3,000,000	3,000,000	0	0	0	6.0
R3 Fort Lewis Native American Tuition Waiver	2,164,552	2,164,552	0	0	0	0.0
HC1 Financial sustainability for historic preservation	3,000,000	3,000,000	0	0	0	0.0
Higher education limited gaming revenue	930,936	0	930,936	0	0	0.0
Lease purchase payment adjustments	641,319	1,003,023	(1,000,698)	638,994	0	0.0
Centrally appropriated line items	573,579	162,141	320,373	71,732	19,333	0.0
Retain appropriation for Wildfire Mitigation Grant Program	1,000,000	1,000,000	0	0	0	0.0
State Assistance for Career and Technical Education	539,919	0	0	539,919	0	0.0
Auraria Higher Education Center Adjustment	469,411	0	0	469,411	0	0.0
History Colorado indirect cost collections	325,000	0	0	325,000	0	0.0
Dependent Tuition Assistance Program	284,000	284,000	0	0	0	0.0
R8 Division of Private Occupational Schools	200,000	0	200,000	0	0	0.0
R7 Chief educational equity officer	124,892	124,892	0	0	0	0.9
R5 Accountability dashboard	123,802	123,802	0	0	0	1.4

DEPARTMENT OF HIGHER EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Inflationary increase for Colorado Geological Survey	81,873	17,016	54,091	1,559	9,207	0.0
HC2 Community museum cash funds for earned revenue	120,000	0	120,000	0	0	0.0
BA2 H.B. 19-1196 Implementation	(58,735)	0	0	(58,735)	0	0.3
COF private stipend enrollment	31,815	31,815	0	0	0	0.0
WICHE fee increase	7,000	0	0	7,000	0	0.0
Governing board employee FTE adjustments	0	0	0	0	0	442.0
Consolidate rural educator line items	0	240,000	0	(240,000)	0	0.0
Veterinary Medicine capital outlay adjustment	0	0	11,118	(11,118)	0	0.0
Indirect cost adjustments	0	(767,844)	(93,174)	861,018	0	0.0
Informational federal FTE adjustment	0	0	0	0	0	(10.0)
Annualize prior year legislation	(192,317)	260,302	(250,970)	(202,264)	615	(0.0)
Tobacco Master Settlement revenue adjustment	(945,107)	0	(945,107)	0	0	0.0
Annualize prior year budget action	(431,947)	(418,293)	30,045	0	(43,699)	0.0
JBC Action as of 3/16/20	**5,095,521,301**	**1,197,939,316**	**2,904,201,911**	**967,453,179**	**25,926,895**	**26,745**
R1 Increase for public higher education	(130,700,461)	(73,662,365)	0	(57,038,096)	0	0.0
R11 CO Opportunity Scholarship Initiative	(3,000,000)	(3,000,000)	0	0	0	(6.0)
R6 Area technical college grant program	(3,171,650)	(3,171,650)	0	0	0	0.0
HC1 Financial sustainability for History Colorado	(2,000,000)	(2,000,000)	0	0	0	0.0
R5 accountability dashboard, remove	(123,802)	(123,802)	0	0	0	(1.4)
R7 Chief Educational Equity Officer	(124,892)	(124,892)	0	0	0	(0.9)
Cumbres & Toltec RR capital construction	(1,146,500)	(1,146,500)	0	0	0	0.0
Wildfire Mitigation Cash Fund	(1,000,000)	(1,000,000)	0	0	0	0.0
Inflationary adjustment for CO Geo Survey	(81,873)	(17,016)	(54,091)	(1,559)	(9,207)	0.0
Depend. Tuition Assistance, offset increase	(284,000)	(284,000)	0	0	0	0.0
Annualize remove Educator Loan Forgiveness funding	(618,016)	(618,016)	0	0	0	(1.5)
Annualize remove Second Chance Scholarship	(60,227)	(60,227)	0	0	0	(1.0)
Annualize remove Growing Great Teacher grants	(49,100)	(49,100)	0	0	0	(0.5)
Rural Teaching Fellowship	(500,000)	(500,000)	0	0	0	0.0
Private COF enrollment increase	(31,815)	(31,815)	0	0	0	0.0
TOTAL	**$4,952,628,965**	**$1,112,149,933**	**$2,904,147,820**	**$910,413,524**	**$25,917,688**	**26,733.3**
INCREASE/(DECREASE)	**$91,737,662**	**$1,270,038**	**$81,171,181**	**$9,214,345**	**$82,098**	**429.3**
Percentage Change	1.9%	0.1%	2.9%	1.0%	0.3%	1.6%

Note: Changes to staff recommendations for common policy items, including salary survey and provider rates, will be addressed in statewide policy packets.

➔ EDUCATOR LOAN FORGIVENESS (LONG BILL SUPPLEMENTAL FOR FY 2019-20 AND ANNUALIZATION FOR FY 20-21)

JBC ACTION AS OF 3/16/20: The Committee approved $1,118,016 General Fund and 1.5 FTE in FY 2020-21 for the Educator Loan Forgiveness Program, consistent with the fiscal note for the authorizing legislation.

RECOMMENDATION: Staff recommends removing the funding for loan forgiveness payments in FY 2019-20 and FY 2020-21, as well as related funding for Department staff in FY 2020-21. This provides savings of $1,618,016 General Fund across the two years ($500,000 in FY 2019-20 and $1,118,016 and 1.5 FTE in FY 2020-21).

ANALYSIS:

Key Considerations: This is a new program that has not yet been fully implemented. Although the Department was preparing to award funds in FY 2019-20, none had been awarded at the time the current crisis began. In light of this, staff requested that the Department hold off on any awards until the General Assembly determined whether it wished to withdraw the related funding. The costs for this program were expected to grow over time to $2.6 million General Fund per year with recipients eligible for loan repayments of $5,000 per year for up to five years. Demand for the program was so high that the Department planned to conduct a lottery, indicating that providing an equitable public benefit (one that could be accessed by all those who wanted it) would cost the state at least five times this amount. Given the state's current financial situation, staff believes stopping the program before it begins would be prudent.

Additional Background: S.B. 19-003 (Zenzinger & Coram/ McLachlan & Wilson) modified and extended an older program which had not been funded in many years. Under the new Educator Loan Forgiveness Program (Section 23-3.9-101 through 104, C.R.S.), eligible educators, including teachers, principals, and special service providers serving in a hard-to-staff position in a rural school district or content shortage area, is eligible to receive up to $5,000 in loan forgiveness for each year of employment in a qualified position, for up to five years. The Colorado Commission on Higher Education (CCHE) must approve up to 100 educators per year for participation in the program. If more than 100 applications are received, CCHE must prioritize applicants who have contracted for a qualified position in a rural school and in a content shortage area, followed by those who have contracted for a qualified position in a rural school, and finally those who have contracted for a qualified position in a content shortage area. The program repeals September 1, 2033.

In response to staff questions in February 2020, the Department reported since the passage of S.B. 19-003, it had hired a program coordinator to administer the program, created an application process, guidelines, and program policy. The program closed for applications on Friday February 21st having received over 2500 inquiries and 500 submitted applications. Department staff were expecting carry out a lottery process to select 100 program participants of the over 500 qualified applicants.

The statutory authority for this program states that it is "subject to available appropriation". Thus, the funding can be removed without new legislation, although this will leave an inactive program in the statutes.

➔ GROWING GREAT TEACHERS GRANT PROGRAM (LONG BILL SUPPLEMENTAL FOR FY 2019-20 AND ANNUALIZATION FOR FY 20-21)

JBC ACTION AS OF 3/16/20: The Committee approved $1,174,100 General Fund and 0.5 FTE in FY 2020-21 for the Growing Great Teachers grant program, consistent with the fiscal note for the authorizing legislation.

RECOMMENDATION: Staff recommends removing the funding for Growing Great Teachers grants in FY 2019-20 and FY 2020-21, as well as related funding for Department staff in FY 2020-21. This provides General Fund savings of $2,299,100 General Fund across the two years ($1,125,000 in FY 2019-20 and $1,174,100 and 0.5 FTE in FY 2020-21).

ANALYSIS:

Key Considerations: This is a new program that has not yet been fully implemented. Although the Department was preparing to award grants in FY 2019-20, none had been awarded at the time the current crisis began. In light of this, staff requested that the Department hold off on any awards until the General Assembly determined whether it wished to withdraw the related funding. Given the state's current financial situation, staff believes stopping the program before it begins would be prudent.

Additional Background:
Senate Bill 19-190 (Todd & Rankin/McLachlan & Wilson) created the Teacher Mentor Grant Program in the Department (Section 23-78-105, C.R.S.) to provide money to partnering local education providers and educator preparation programs to provide training and stipends for teachers who serve as mentors for teacher candidates participating in clinical practice. Grants may be awarded for up to three years. The Department establishes the grant application, review, and award procedures. Grants may only be awarded for programs that recruit teacher mentors with qualifications that include at least three years of experience, are rated highly effective, hold a masters certificate, or are National Board certified. The grant awards each mentor teacher a stipend of at least $2,000 per school year ($2,500 per school year if the mentor teacher holds a masters' degree or is National Board certified). Beginning in FY 2020-21, and no later than January 15, 2021, the DHE must report specified data concerning grant program implementation and any recommendations for legislative changes.

In response to staff questions in February 2020, the Department reported that it had collaborated with the Department of Education to create a new mentor endorsement through the State Board of Education process. These were adopted in November 2019. The Department of Education has opened a window for programs to submit mentor preparation programs (which ends March 27, 2020). Programs must be approved by the State Board of Education in order to be awarded monies for the grant program. DHE planned to post the RFP for the grant program in early March, and awarding funds before the close of this fiscal year.

The statutory authority for this program states that it is "subject to available appropriation". Thus, the funding can be removed without new legislation, although this will leave an inactive program in the statutes.

➔ SECOND CHANCE SCHOLARSHIP (LONG BILL SUPPLEMENTAL FOR FY 2019-20 AND ANNUALIZATION FOR FY 20-21)

JBC ACTION AS OF 3/16/20: The Committee approved $310,227 General Fund and 1.0 FTE for the Second Chance Scholarship Program in FY 2020-21, consistent with the fiscal note for the authorizing legislation.

RECOMMENDATION: Staff recommends removing the funding for Second Chance Scholarships in FY 2019-20 and FY 2020-21, as well as related funding for Department staff in FY 2020-21. This provides General Fund savings of $560,227 General Fund across the two years ($250,000 in FY 2019-20 and $310,227 and 1.0 FTE in FY 2020-21).

ANALYSIS:

Key Considerations: This is a new program that has not yet been fully implemented. Although the Department was preparing to award scholarships in FY 2019-20, none had been awarded at the time the current crisis began. In light of this, staff requested that the Department hold off on any awards until the General Assembly determined whether it wished to withdraw the related funding. Given the state's current financial situation, staff believes stopping the program before it begins would be prudent.

Additional Background: Senate Bill 19-231 (Moreno & Bridges/Exum & Tipper) created the second chance scholarship program in the Department (Section 23-3.3-1201 through 1203, C.R.S.) to assist persons who were previously committed to the Division of Youth Services and are pursuing a postsecondary credential. The Executive Director of the Colorado Commission on Higher Education (CCHE) must appoint a program coordinator to regularly meet with and support scholarship recipients to set employment and education goals, and to connect students with wraparound services.

The bill created a five-member advisory board to review grant applications and make awards based on specified criteria. The board includes representatives from the Division of Youth Services, CCHE, the Department of Human Services, the program coordinator, and an individual previously committed to the Division of Youth Services. The board must meet at least four times per year, and establish application procedures and deadlines for the scholarship program. The advisory board must award scholarships of up to $10,000, with the specific amount based on the applicant's financial need, the cost of attendance, the available funding, and the number of applicants. The program is repealed September 1, 2022, following a sunset review.

In response to staff questions in February 2020, the Department reported that the Second Chance Scholarship program had focused on preparing for the launch of the Scholarship Application period. The Department had hired a program coordinator and formed an Advisory Board as mandated by S.B. 19-231. The Board met several times to develop scholar eligibility criteria, acceptable postsecondary institutions and program types and the application process itself. In addition, a web page and information sheet were created. The program coordinator and Board had expected to open

the scholarship to applications beginning March 1. Spending so far in FY 2019-20 has been limited to one FTE and related benefits for the program coordinator, office and technology setup, and travel reimbursements.

The statutory authority for this program states that it is "subject to available appropriation". Thus, the funding can be removed without new legislation, although this will leave an inactive program in the statutes.

➔ R1 INCREASE FOR PUBLIC HIGHER EDUCATION

JBC ACTION AS OF 3/16/20: The JBC approved a 7.0 percent increase for the governing boards, and an associated increase for financial aid, allocated consistent with an agreement negotiated among the governing boards.

- The fiscal impact was an increase of $73,662,365 General Fund. The Executive Request was for an increase of 2.5 percent ($26,297,478 General Fund), while staff had recommended 3.0 percent ($31,569,584).
- The Committee indicated it wished to include the funds in the Long Bill using the H.B. 14-1319 model in amounts as close as possible to an allocation agreed among the higher education governing boards; these amounts would be slightly modified to align precisely with a new allocation model in a funding allocation model bill to be sponsored by the Committee. (In particular, within the allocations for the University of Colorado and Colorado State University, the share of funding specified as directed to the specialty education programs was expected to change between the H.B. 14-1319 model and the new model.)
- The Committee also requested a bill draft for the new Higher Education Funding Model bill.

COMMITTEE ACTION AS OF 3/16/2020 FOR R1 STATE FUNDING INCREASE FOR PUBLIC HIGHER EDUCATION

DIVISION	LINE ITEM	TOTAL	GF	RF
Colorado Commission on Higher Education Financial Aid	Need Based Grants	$14,011,190	$14,011,190	$0
College Opportunity Fund Program	Stipends for eligible full-time equivalent students attending state institutions	22,138,894	22,138,894	0
College Opportunity Fund Program	Stipends for eligible full-time equivalent students attending participating private institutions	128,520	128,520	0
College Opportunity Fund Program	Fee-for-service Contracts with State Institutions Pursuant to Section 23-18-303, C.R.S.	23,350,320	23,350,320	0
College Opportunity Fund Program	Fee-for-service Contracts with State Institutions for Specialty Education Programs	11,548,882	11,548,882	0
Governing Boards	Trustees of Adams State College	1,420,980	0	1,420,980
Governing Boards	Trustees of Colorado Mesa University	2,916,850	0	2,916,850
Governing Boards	Trustees of Metropolitan State College of Denver	6,112,725	0	6,112,725
Governing Boards	Trustees of Western State College	1,232,234	0	1,232,234
Governing Boards	Board of Governors of the Colorado State University System	10,438,073	0	10,438,073
Governing Boards	Trustees of Fort Lewis College	1,121,638	0	1,121,638

COMMITTEE ACTION AS OF 3/16/2020 FOR R1 STATE FUNDING INCREASE FOR PUBLIC HIGHER EDUCATION				
DIVISION	LINE ITEM	TOTAL	GF	RF
Governing Boards	Regents of the University of Colorado	15,017,249	0	15,017,249
Governing Boards	Trustees of the Colorado School of Mines	1,600,963	0	1,600,963
Governing Boards	University of Northern Colorado	3,187,621	0	3,187,621
Governing Boards	State Board for Community Colleges and Occupational Education State System Community Colleges	13,989,763	0	13,989,763
Local District College Grants Pursuant to Section 23-71-301, C.R.S.	Colorado Mountain College	670,637	670,637	0
Local District College Grants Pursuant to Section 23-71-301, C.R.S.	Aims Community College	789,268	789,268	0
Division of Occupational Education	Area Technical College Operating Support	1,024,654	1,024,654	0
TOTAL		**$130,700,461**	**$73,662,365**	**$57,038,096**

RECOMMENDATION:

- Consistent with the goal for this section of the Budget Balancing documents, staff recommends eliminating any increase for the higher education governing boards and financial aid in FY 2019-20.
- If the funding increase is dropped to $0, staff recommends that this reduction be implemented so that each of the governing boards receives the same level of funding as it received in FY 2019-20.
- As discussed later in this packet, staff recommends that the Committee proceed with the bill related to the funding allocation model, but remove any components of the bill related to FY 2020-21 appropriations, i.e., the Long Bill, would carry all higher education appropriations, and Long Bill funding would be based on the H.B. 14-1319 model, which staff can adjust to meet allocation goals. Consistent with this, in the $0 increase funding scenario, staff would make the necessary adjustments between College Opportunity Fund stipend and fee-for-service amounts for each of the boards so as to meet the requirements of H.B. 14-1319.
- As also discussed later in this packet, staff anticipates that, for most of the boards, a cap of 3.0 percent on increases in tuition would remain in place. Given the economic impacts of the coronavirus pandemic, it will be difficult for families to absorb more, and institutions already anticipate a decrease in enrollment as part of the fall-out of the pandemic. Most institutions assume that further increases will further depress enrollment. However, some of the boards have indicated that under some cut scenarios they would seek to increase tuition more, because their base tuition is not very high and/or because they are in such financial straits that they feel that must risk using this tool to balance their budgets. *In the 0% state funding change scenario, the community college system requests that the General Assembly reflect a resident undergraduate tuition cap of 3.4 percent; the University of Northern Colorado requests reflecting a resident undergraduate tuition cap of 5.0 percent. Staff supports giving these two boards this flexibility.*
- With respect to financial aid, in order to assist the institutions with managing the potential that some of FY 2020-21 may be on-line, staff recommends adding a footnote that allows the Department to transfer funds between Need Based Grants and Work Study during FY 2020-21.

> N Colorado Department of Higher Education, Colorado Commission on Higher Education Need Based Grants and Work Study -- The Department may transfer

General Fund appropriations from the Work Study line item to the Need Based Grants line item in FY 2020-21.

ANALYSIS:

Key Considerations: This is of the few sectors in state government with significant General Fund that is not constrained by Constitutional or federal restrictions. Higher education is therefore always a critical element of any effort to balance the budget, and staff believes reducing funding increases for the boards to $0 is reasonable in the current economic situation.

Additional Background:

- Additional information about staff recommendations for the higher education funding model bill are addressed in Part 3 of this document, along with additional background on the history of higher education funding reductions, the current financial challenges faced by governing boards, federal funding in the CARES Act, and other related information is addressed later in this packet under the option to reduce base funding for the higher education governing boards.
- Financial aid footnote recommendation: There remains uncertainty regarding whether students will be on-campus or off in FY 2020-21. Because of this, the Department has suggested additional flexibility between the Work Study and Need Based Grants line item, since Work Study jobs are likely to be affected if classes are on-line. Staff concurs that such flexibility is appropriate, given the current uncertainty about higher education operations in FY 2020-21.

➔ R11 CO OPPORTUNITY SCHOLARSHIP INITIATIVE

JBC ACTION AS OF 3/16/20: The JBC approved the Department's R11 increase for a $3,000,000 General Fund increase in the appropriation for the Colorado Opportunity Scholarship Initiative (COSI), bringing the total appropriation to $10,000,000.

RECOMMENDATION: Staff recommends removing the $3.0 million General Fund increase for COSI.

ANALYSIS:

Key Considerations: The request would expand an existing initiative that supports scholarships and student support service grants. Given the State's financial situation, such an increase no longer appears feasible.

Additional Background: Additional background on the Colorado Opportunity Scholarship Initiative is included under the option to reduce base funding for COSI.

➔ R6 AREA TECHNICAL COLLEGE GRANT PROGRAM

JBC ACTION AS OF 3/16/20: The JBC approved a one-time appropriation of $3,171,650 General Fund for FY 2020-21 to complete two single-phase capital expansion projects at Technical College of the Rockies (TCR) and Emily Griffith Technical College (EGTC).

RECOMMENDATION: Staff recommends removing the $3,171,650 General Fund appropriation for the Area Technical College Grant Program.

ANALYSIS:

Key Considerations: This is a new, "capital like" program, designed to compensate for the fact that area technical colleges do not have access to state capital construction appropriations. Given the current fiscal crisis, staff anticipates that virtually all capital projects will be removed from the budget and deferred until the state is in a better fiscal position. Consistent with that, staff believes that funding for the Area Technical College Grant Program should also be withdrawn at this time.

Additional Background: Senate Bill 19-097 (Area Technical College Grant Program; Story & Coram/McCluskie & Soper) added a provision to Section 23-18-304, C.R.S. authorizing the Department to provide up to $4,000,000 in fiscal years FY 2020-21 through FY 2025-26 in grants to area technical colleges for identified capital construction and equipment purposes. These grants are in addition to grants for operating support. The legislation specified that the area technical colleges could submit a request to the Department by July 15, 2019 and each July thereafter using an application form developed by the Department. The CCHE determines whether to include funding for the grant in its annual budget request to the General Assembly. If the General Assembly appropriates funds for the grant, the full amount must be transmitted to the area technical colleges. The colleges are subject to various reporting requirements about the expenditures.

The three area technical colleges (Emily Griffith, Pickens in Aurora, and Technical College of the Rockies in Delta-Montrose) operate under K-12 school district governing boards, and their property is thus school district property, rather than state property. As a result, the area technical colleges have never had access to state capital construction funding support.

The colleges reported that they also have little access to school district support, due to their unique roles serving both secondary and postsecondary students. For example, the Technical College of the Rockies notes that its postsecondary mission encompasses a larger catchment area than the Delta school district under which it operates. The school district is not in a position to direct school district resources to serve postsecondary students from the wider region; only 35-40 percent of students served at the institution are secondary students from the school district.

Enrollment at Emily Griffith Technical College has grown dramatically in recent years, while enrollment at the other two area technical colleges has been flat or even declining, similar to the pattern seen at most institutions that offer technical credentials and certificates (the community college system).

Although the three area technical colleges are independently governed and managed, they do collaborate and have agreed among themselves which projects they wished to put forward as their first priority under this grant program.

Technical College of the Rockies Project

- The Technical College or of the Rockies project was for $3,000,000 General Fund of the total. The project was to renovate a 26,000 square foot vacant building in downtown Delta. The Technical College of the Rockies would relocate their healthcare and emergency medical services programs to the building from their main campus three miles away in Montrose.

- The new building was expected to host the program's licensed practical nurse, certified nursing assistance, medical clinical assistance, and emergent medical technician programs. Professionals with these credentials are in high demand.
- The vacated space on the main campus was expected to allow for the expansion of other high demand programs like welding, cosmetology, and computer aided design and drafting, and will allow for the addition of new programs and expanded concurrent enrollment opportunities.
- The college has already purchased and mitigated asbestos in the building but cannot complete the project without financial assistance. The college expected to be able to match the state investment with over $4.0 million in funds from the city and county of Delta, Delta county Hospital, Delta County School District 50J, and Delta County Economic Development, among other entities.

Emily Griffith Project

- This project was for $171,650 General Fund of the total. The project was to extend the west facing wall of the college's 1205 Osage campus to create an outdoor welding booth space. The program has been severely space-constrained and has a significant wait list. The new space was planned to accommodate eight additional welding booths, reducing the program's wait list. The program has over a 70 percent completion and placement rate. Students, who are often from underserved communities, easily find high wage jobs upon graduation.

➔ HC1 FINANCIAL SUSTAINABILITY FOR HISTORY COLORADO, REDUCE

JBC ACTION AS OF 3/16/20: The JBC approved an increase of $3.0 million General Fund for History Colorado via a new line item entitled History Colorado Strategic Plan Initiatives. Staff understood that the intent was that this would annualize in FY 2020-21 to $3.5 million to address the anticipated increase in History Colorado COP payments. The Committee also approved a bill draft that would allow future appropriations from the General Fund or other funds to support History Colorado's certificate of participation payments effective in FY 2021-22.

RECOMMENDATION: Staff recommends removing $2,000,000 General Fund of the $3,000,000 General Fund approved for History Colorado, appropriating the remaining $1,000,000 in a single line item but entitling it "History Colorado Financial Sustainability" and authorizing transfers from this line item to other line items in the History Colorado budget to help backfill anticipated shortfalls in gaming and earned revenue.

N Colorado Department of Higher Education, History Colorado, Central Administration, History Colorado Financial Sustainability -- History Colorado may transfer amounts in this line item to other line items within the History Colorado section to address shortfalls in gaming and earned revenue that are expected to result from the COVID-19 pandemic.

Staff also recommends:

- The Committee sponsor a bill that will allow up to $2.8 million originating from the Preservation Account of the State Historic Fund to be moved to the Operations Account in FY 2020-21 and FY 2021-22.
- The Committee consider legislation to ensure that History Colorado revenue is not permanently suppressed as a result of the temporary impacts of the pandemic and casino closures, which has affected revenue from limited gaming.

Both of these items are discussed in more detail in Section 2 of this document.

ANALYSIS:

Key Considerations: Due to the closure of casinos, gaming tax revenue received at the end of FY 2019-20 is expected to be greatly decreased. This revenue is the primary funding source for History Colorado operations and will result in a sharp decline in revenue available for History Colorado for FY 2020-21. In addition, most of the agency's earned revenue has been halted in FY 2019-20 due the closure of museums and other facilities. Earned revenue is also likely to be significantly lower in the next year, even if facilities are open, since visits to cultural activities and sites will be affected by health concerns and the economic fallout of the pandemic. The combination of these factors will be catastrophic for History Colorado without some additional state assistance. In light of this, staff is supporting an increase of $1.0 million General Fund for Colorado above the base FY 2019-20 budget, as well as other steps to shore up the agency's finances.

Additional 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.

A discussion of History Colorado's financial situation has been consolidated in Part 2 of this document.

➔ R5 ACCOUNTABILITY DASHBOARD

JBC ACTION AS OF 3/16/20: The JBC approved $123,802 General Fund and 1.4 FTE for a two-year time-limited project to develop an accountability dashboard and support the Department's data analysis capacity.

RECOMMENDATION: Staff recommends removing the funding for the new positions ($123,802 General Fund and 1.4 FTE in FY 2020-21, annualizing to $125,385 and 1.5 FTE for the second and final year of the positions).

ANALYSIS:

Key Considerations: While there is value to improving the data's analysis and presentation capacity, this is not a critical need. Given the state's fiscal situation, staff no longer recommends creating new state FTE positions and adding funding for this purpose.

Additional Background: Currently, the Department annually publishes a performance dashboard tied to the Colorado Commission on Higher Education (CCHE) Master Plan goals. While a few data points are presented at the institutional level, much of the public-facing dashboard is only able to be viewed at the statewide level. Despite having much of the necessary data, the Department does not currently have the capability to provide public-facing information in a holistic or consumer-friendly platform.

This means that neither students nor policymakers have a fast, easy way to access a comprehensive picture of the state's higher education landscape in terms of cost metrics, accountability, or performance.

Staff has noted that the Department is data rich but analysis poor and has been disappointed by errors in some of the data provided by the Department. Staff hoped that these positions would help improve data integrity. Staff hopes that, even without the additional positions, the Department will continue to work on this issue.

➔ R7 CHIEF EDUCATIONAL EQUITY OFFICER

JBC ACTION AS OF 3/16/20: The JBC approved $123,892 General Fund and 0.9 FTE for a new Chief Equity Officer position for the Department.

RECOMMENDATION: Staff recommends removing the funding for the new position, $123,892 General Fund and 0.9 FTE in FY 2020-21, annualizing to $130,120 and 1.0 FTE plus centrally appropriated amounts in FY 2021-22.

ANALYSIS:

Key Considerations: While the State must continue to work on closing educational equity gaps, staff recommends that the Department continue to work on this using its existing staff resources. Given the state's fiscal situation, staff does not recommend a new FTE position at this time.

Additional Background: The gap between the attainment rate for Colorado's white population and its Latinx population, Colorado's largest and fastest growing ethnic population, is the largest of any state. Only 46 percent of Latinx students who graduate high school attend higher education institutions, and only 44 percent complete a college credential within six years. Among Black and African American students, 54 percent pursue college after high school and only 38 percent of those who enroll complete a college credential within six years. For comparison, among non-Hispanic white students, 61 percent attend college upon graduating high school; and 58 percent who enroll complete a credential within six years. Colorado has made relatively little progress in closing equity gaps statewide, despite the focus individual institutions continue to place on this problem.

Staff assumes that promoting more equitable educational access and outcomes will continue to be a Department focus, even if there are insufficient resources currently available to add a new position for this purpose.

➔ CUMBRES-TOLTEC RAILROAD CAPITAL CONSTRUCTION, FLEXIBILITY ON USE OF PRIOR APPROPRIATION

JBC ACTION AS OF 3/16/20: The JBC approved $1,365,000 General Fund for this line item, and included informational notations for an additional $1,301,000 from New Mexico and cash sources. As reflected in a footnote, the General Fund included $218,500 for railroad operations. The balance was for capital type activities.

RECOMMENDATION:

- Staff recommends the capital-related funding for the Cumbres Toltec Railroad, $1,146,500 General Fund, be removed from the FY 2020-21 General Fund appropriation.

- Based on communication with railroad representatives, staff also recommends a change to an FY 2019-20 footnote that would allow the Cumbres and Toltec Railroad to use the carry-forward from unspent prior year capital appropriations for operating expenses during FY 2020-21.

Proposed modification to FY 2019-20 Footnote (Supplemental Change)

29 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 $218,500 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 $218,500 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 2021-22. Amounts in this line item for capital projects remain available for expenditure until the close of the 2020-21 state fiscal year. NOTWITHSTANDING THE PROVISIONS ABOVE, UP TO $1,000,000 OF THE AMOUNT APPROPRIATED FOR CAPITAL PURPOSES MAY BE USED TO ADDRESS OPERATING COSTS ASSOCIATED WITH THE DISRUPTION OF RAILROAD OPERATIONS DUE TO COVID-19, INCLUDING COSTS TO RECOMMENCE OPERATIONS. ANY PORTION OF THIS $1,000,000 THAT HAS NOT BEEN EXPENDED BY THE CLOSE OF THE 2020-21 STATE FISCAL YEAR REMAINS AVAILABLE FOR EXPENDITURE UNTIL THE CLOSE OF THE 2021-22 STATE FISCAL YEAR.

ANALYSIS:

Key Considerations:

- *Recommendation to remove FY 2020-21 appropriation*: This is a "capital like" appropriation that was moved to the operating budget. Given the current fiscal crisis, staff anticipates that virtually all capital projects will be removed from the budget and deferred until the state is in a better fiscal position. Consistent with that, staff believes that funding for Cumbres and Toltec track, building, and railroad car improvements should be deferred.
- *Recommendation for FY 2019-20 footnote change.* The recommendation responds to a request from the Railroad that is designed to keep as much of its local workforce productively employed as possible, despite the fact that it may remain closed for the 2020 summer season, due to COVID-19. Given the extraordinary challenges the pandemic presents for the tourism industry, staff supports the Railroad's efforts to support the local community and keep its skilled workforce in the area.

Additional Background: Colorado has a cooperative agreement with New Mexico to operate the Cumbres and Toltec Scenic Railroad, pursuant to Section 24-60-1901, C.R.S. The Railroad is jointly owned by the two states. The 64-mile track represents the last remaining portion of an 1880 Denver and Rio Grande line from Alamosa to Durango that was called the San Juan Extension. In 1970 Colorado and New Mexico jointly purchased the portion of track between the small towns of Antonito, Colorado and Chama, New Mexico before it was ripped up by the Denver and Rio Grande.

The states set up an interstate commission to operate the railroad that snakes back and forth across the border as a passenger tourism line. The primary sources of operating funds are ticket and gift shop

sales. Both states provide a modest ongoing operating appropriation and have historically provided capital appropriations for larger projects. The railroad is also supported by an associated non-profit, the Friends of the Cumbres and Toltec Scenic Railroad, which coordinates volunteer services focused on equipment and facility maintenance and repair.

History of State Support for the Railroad

The railroad has undergone a variety of management changes but is now successfully operated by an LLC formed by the Railroad Commission.

- In FY 2017-18 40,578 passengers rode the Cumbres and Toltec Railroad, which operates during the tourist season (summer/fall). In the late 1990s, ridership spiked at 70,000; but since 2005, ridership has been in the 30,000 to 40,000 range.
- Operations are funded through passenger tickets, retail sales, and fees. Operating revenue was $5.0 million in FY 2017-18, reflecting revenue that averaged $123 per rider.
- In contrast, the capital budget has historically depended virtually entirely on appropriations from Colorado and New Mexico. Funds have varied from year to year depending upon railroad needs and available state funding. Funds have varied from year to year depending upon railroad needs and available state funding. Revenue for capital improvements since FY 2012-13 through the present has ranged from $1.4 to $2.1 million, supported largely by Colorado appropriations.
- In FY 2012-13, the General Assembly moved capital construction funding for the railroad to the operating budget from the capital construction budget. In FY 2013-14, the General Assembly authorized an appropriation of $1,092,500 General Fund per year for three years, within the state operating budget, to address specified capital construction needs. Footnote 19 to the FY 2013-14 Long Bill, added at the time, explained that amounts above a $202,500 base for capital costs and would be revisited after the three-year period authorized. In FY 2016-17, the General Assembly reauthorized annual funding at the level approved in FY 2013-14, $1,092,000 General Fund and $328,000 cash funds (amounts assumed from the Railroad Commission and the State of New Mexico), for a further period of three years. A similar three-year appropriation was authorized beginning in FY 2019-20.
- The railroad has been in the process of significant capital repairs and upgrades for an extended period. However, as these come to an end, and assuming modest growth in ridership, the railroad is projecting that it will be able to operate largely self-sufficiently and independent of state capital support by FY 2023-24. This date has moved out a year from an earlier projection. The State of New Mexico has provided little or no support in recent years, and this has slowed progress on capital upgrades.

The spreadsheet below, provided by the Railroad, summarizes actual revenue, expenditures, and projections. *Staff anticipates that if the Railroad does not open for the summer due to the virus and Colorado is unable to provide support for the Railroad due to recessionary conditions, the timelines below for self-sufficiency are likely to slip.*

	Actuals							Upgrade Phase Projections				Maintenance Phase Projections					
Key Revenue Drivers	FY13	FY14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Number of Riders	32,081	34,503	35,682	36,170	35,990	40,578	41,870	43,545	45,287	47,098	48,982	49,962	50,961	51,980	53,020	54,080	55,162
Ticket Revenue per rider	$93.08	$96.63	$90.41	$98.15	$104.78	$104.47	$107.60	$110.83	$114.15	$117.58	$121.10	$124.74	$128.48	$132.33	$136.30	$140.39	$144.60
HPA Surcharge per rider	$3.80	$3.65	$4.34	$4.48	$5.00	$7.31	$7.53	$7.76	$7.99	$8.23	$8.48	$8.73	$8.99	$9.26	$9.54	$9.83	$10.12
Retail Sales per rider	$5.95	$5.27	$8.44	$9.90	$11.09	$11.42	$10.76	$11.08	$11.42	$11.76	$12.11	$12.47	$12.85	$13.23	$13.63	$14.04	$14.46
Sources of Funds			[----------								000----------						
From Train Operations																	
Ticket Revenues	$2,986	$3,334	$3,226	$3,550	$3,771	$4,239	$4,754	$4,944	$5,170	$5,538	$5,932	$6,232	$6,547	$6,879	$7,227	$7,592	$7,977
HPA Revenues	$122	$126	$155	$162	$180	$276	$322	$346	$362	$388	$415	$436	$458	$482	$506	$531	$558
Retail Sales (gross)	$191	$182	$301	$358	$399	$443	$458	$483	$517	$554	$593	$623	$655	$688	$723	$759	$798
Interest/Other Rev	$4	$3	$7	$1	$35	$28	$27	$28	$29	$30	$30	$31	$32	$33	$34	$35	$36
From State Appropriations	[----------		Appropriated	----------			]	----------	Projected Requests	----------							
Colorado Genl. Fund - Comm.	$205	$205	$210	$215	$219	$219	224	$240	$240	$240	$275	$283	$292	$300	$310	$319	$328
Colorado Capital	$931	$1,090	$1,085	$1,100	$1,096	$1,096	1091	$1,125	$1,125	$1,125	$1,020	$0	$0	$0	$0	$0	$0
NM Genl. Fund - Comm.	$87	$99	$123	$123	$112	$112	112	$262	$262	$262	$275	$283	$292	$300	$310	$319	$328
NM Capital	$300	$850	$185	$645	$615	$0	750	$1,000	$1,125	$1,125	$1,020	$0	$0	$0	$0	$0	$0
From Other Sources																	
Federal																	
Private Donations	$73	$50	$60	$98	$74	$84	$150	$150									
CO State Historical Fund				$58	$200		$235		$200								
Loco 168 Fund						$432	$68										
Uses of Funds			[----------								000----------						
For Operating Expenses																	
Train Operations - CTO	$3,275	$3,096	$3,207	$3,678	$4,087	$4,222	$4,704	$4,845	$4,990	$5,140	$5,294	$5,453	$5,453	$5,453	$5,453	$5,453	$5,453
Commission Operations	$313	$342	$433	$491	$429	$547	$473	$480	$494	$500	$550	$567	$583	$601	$619	$638	$657
HPA Allocations	$3	$81	$48	$19	$288	$37	$293	$337	$360	$375	$399	$425	$445	$466	$488	$511	$536
Capital Funding Allocations																	
Track	$400	$700	$350	$650	$815	$500	$900	$1,150	$1,150	$1,150	$1,550	$500	$500	$500	$500	$500	$500
Locomotive Fleet	$113	$500	$455	$330	$550	$250	$450	$550	$550	$550	$550	$550	$550	$550	$550	$550	$550
Passenger Cars	$250	$400	$50	$400	$146	$146	$220	$735	$735	$1,050	$985	$310	$209	$213	$213	$213	$213
Historic Car Fleet	$0	$200	$200	$258	$200	$200	$200	$171	$271	$100	$100	$100	$100	$100	$100	$100	$100
Structures/Others	$468	$140	$215	$165	$0	$0	$14	$100	$100	$200	$200	$302	$308	$308	$308	$308	$308
Loco 168 Restoration	-	-	-	-		$432	$68										

Proposed Flexibility for FY 2019-20

According to the Railroad:

> "Many C&TS workers are currently on unemployment as the railroad has been closed for the past month, and C&TS is hoping with this flexibility that they could bring many of local workers back on (in shifts, with distancing, and as appropriate/dictated by public health orders). It's not yet clear if they will be able to operate the train this summer, and if they are not they can repurpose their critical workforce to capital projects. Putting those employees back to work will have a number of significant benefits, for instance 1. Employees will be getting paid! 2. Important capital projects and controlled maintenance will be accomplished, which helps the railroad achieve self-sustainability in the future (repairs/maintenance will get more expensive if they are put off, and C&TS doesn't have a model where they could generate enough operating revenue in the best of times to finish out the capital work needed) and 3. The employees will then still be living in the community when the Railroad is back to full operations."

To accomplish this, the Railroad requests special flexibility in use of its FY 2019-20 Colorado appropriation. As reflected in the spreadsheets below, the Railroad currently has $2.3 million in available capital appropriations from New Mexico and Colorado. It has $927,700 in obligations for capital expenses (e.g., railroad car upgrades). It proposes to use the New Mexico funds for the capital expenses and requests that Colorado allow the Railroad to use up to $1.0 million of the balance of funds more flexibly for both capital and operating costs.

CUMBRES AND TOLTEC RAILROAD REQUEST FOR FLEXIBILITY	
	AMOUNT FROM PRIOR YEAR CAPITAL APPROPRIATIONS
Capital Funds Available	
Colorado	$1,388,800
New Mexico	933,100
Total Capital Funds Available	**$2,321,900**
Obligations for Capital Projects	927,700
Balance: Unobligated Capital Funds	**$1,394,200**
Flexibility Requested to Use Colorado Capital Funds for Operating	
Funds for cash shortfall/non-capital to open railroad for business May 29, **2021**	$825,070
CO capital commitment requested to be available for operating as well as capital (via footnote)	$1,000,000

➔ WILDFIRE MITIGATION CASH FUND

JBC ACTION AS OF 3/16/20: The Forest Restoration and Wildfire Risk Mitigation Grant Program Cash Fund received a one-time appropriation of $1,000,000 General Fund through H.B. 19-1006. The Committee indicated that, rather than eliminating the funding, it wished to continue it in the FY 2020-21 Long Bill and expressed its intent that this appropriation should be ongoing.

RECOMMENDATION: Staff recommends that the Committee reverse its prior decision to continue the $1.0 million General Fund appropriation for this program and instead allow the FY 2019-20 appropriation to annualize out.

ANALYSIS:

Key Considerations: Reducing wildfire risk is an important state need. However, this program did not receive a General Fund appropriation prior to FY 2019-20. Given the need to reduce state General Fund appropriations, staff recommends that further funding for this program be delayed until the State is in a better financial position.

Additional Background: This program supports Colorado State Forest Service cost-share grants for local community groups, government entities, public or private utilities, state agencies, and nonprofits for projects to reduce the risk to people and property in the wildland-urban interface. [Section 23-31-310, C.R.S.] This fund receives annual transfers of Severance Tax funds (Tier 2/Natural Resources and Energy Grant Program Distributions of up to $1,050,000) when these are available. H.B. 19-1006 provided authority for annual appropriations as well. In 2019 JBC hearing responses, the CSFS suggested that approximately $4.0 million for Forest Restoration and Wildfire Risk Mitigation Grants ($2.95 million above the $1.05 million from severance tax Tier 2 received when that is available) and $2.0 million for Healthy Forests and Vibrant Communities ($0.7 million on top of the $1.305 million severance tax transfers received when severance tax is available), would "address forest fuels risk reduction and improve forest resiliency".

➔ INFLATIONARY ADJUSTMENT FOR COLORADO GEOLOGICAL SURVEY

JBC ACTION AS OF 3/16/20: The Committee approved a staff-initiated 3.0 percent inflationary adjustment for the Colorado Geological Survey at the Colorado School of Mines. The increase was for $81,873 total funds, including $17,016 General Fund, for a total appropriation of $2,810,973 for the line item, including $567,208 General Fund and $1,627,932 from the Operational Account of the Severance Tax Trust Fund.

RECOMMENDATION: Staff recommends that the Committee remove the previously-approved $81,873 total funds inflationary adjustment.

ANALYSIS:

Key Considerations: At the time staff recommended an inflationary increase, staff anticipated that state staff and public higher education institutions would likely receive increases sufficient to provide for 3.0 percent staff salary increases. Given the economic impacts of the current pandemic, staff anticipates that there will not be salary or provider rate increases in state government or public higher education institutions in FY 2020-21. The recommendation treats this program in a manner consistent with the rest of state government.

Additional Background: Pursuant to H.B. 12-1355 and H.B. 13-1057 and an MOU between the Department of Natural Resources and the Colorado School of Mines, the Colorado Geological Survey (CGS), excluding the Avalanche Information Center, was transferred to the Colorado School of Mines in mid-FY 2012-13.

The transfer was accompanied by budget cuts. The budget for the CGS at the Department of Natural Resources prior to transfer was $4.5 million, including $2.3 million from the Operational Account of the Severance Tax Trust Fund. As part of the transfer, overall appropriations from the Operational Account of the Severance Tax Trust Fund were reduced by 42 percent ($908,000). The JBC subsequently added $300,000 General Fund to the appropriation to retain some functions that were not included in the original transfer plans, and additional $105,494 General Fund and 1.0 FTE was added in FY 2015-16 to help maintain hazard mitigation services.

The CGS is the only entity funded from "Tier I" of the Operational Account of the Severance Tax Trust Fund that is not within the Department of Natural Resources.

Most State funding provided for the Survey is for Geologic Hazard mitigation, consistent with an MOU between the school of Mines and the Department of Natural Resources when the CGS was transferred. However, the General Fund provided by the General Assembly has allowed the Division to retain a nucleus of activities in a broader range of areas.

➔ DEPENDENT TUITION ASSISTANCE (DTAP), OFFSET INCREASE

JBC ACTION AS OF 3/16/20: The Committee approved a staff-initiated recommendation to increase funding for the Veterans'/Law Enforcement/POW Tuition Assistance line item (the Dependent Tuition Assistance Program or DTAP) by $284,000 General Fund to a total of $956,000 General Fund.

RECOMMENDATION: Staff recommends that the Committee approve an offsetting decrease to the line item for Work Study to compensate for the increase for the DTAP program. This will help to ensure that the appropriation with the DTAP program is consistent with anticipated demands while not driving a net budgetary impact.

ANALYSIS:

Key Considerations: Statute requires that the Department prioritize funding for the DTAP program above other financial aid programs. Demand for the program now exceeds the appropriation. In light of this, the Department has used various types of statutory authority to transfer funds to the DTAP program from other financial aid line items, including Need Based Aid and Work Study. Appropriating fund in the line item where they will be spent improves transparency. If the appropriation is larger than required, the Department has existing authority to transfer unneeded funds back to other financial aid line items.

Additional Background: The Veterans'/Law Enforcement/POW Tuition Assistance line item, authorized in Section 23-3.3-204 and 205, C.R.S., pays tuition, room, and board for Colorado dependents of deceased or permanently disabled members of the National Guard, law enforcement, firefighters, prisoners of war and military personnel missing in action. Pursuant to Section 23-3.3-202, C.R.S. this is the first priority of any state financial aid funds. If the appropriation in this line is insufficient to cover costs, CCHE must use money appropriated in other financial aid line items for this purpose.

Qualified dependents are eligible to pursue an undergraduate education leading to a first baccalaureate degree or a certificate of completion. The educational benefits provided vary depending upon the type of school a student attends. Students attending a public in-state institution of higher education receive free tuition, and if the institution has on-campus living, the room and board (half of double-occupancy) is also included. Students attending private in-state institutions receive the average cost of undergraduate instruction calculated for student at a comparable public institution. Students attending an out-of-state institution receive tuition assistance only, up to the average cost of undergraduate tuition at a comparable Colorado state institution.

In FY 2019-20, there were 78 students enrolled in the program at an average cost of approximately $14,000 each.

➔ RURAL TEACHING FELLOWSHIP

JBC ACTION AS OF 3/16/20: The Committee approved an appropriation of $1,209,354 General Fund and 0.8 FTE for the Rural Educator Recruitment, Retention, and Professional Development line item, which combined two previous line items.

RECOMMENDATION: Staff recommends reducing the amount for this line item by $500,000 General Fund to a total of $709,354 General Fund.

ANALYSIS:

Key Considerations: The Rural Teaching Fellowship Program expects a roll-forward of $500,000 into FY 2020-21, eliminating the need for an additional appropriation for the program in FY 2020-21.

Additional Background:
During figure setting for the Department of Higher Education, the Committee approved consolidation of two line items:

- The Rural Teacher Recruitment, Retention, and Professional Development line item supports a number of programs authorized under Sections 23-76-101 through 106, including funding for a rural education coordinator (now housed at the University of Northern Colorado), funding for the high school teacher cadet program in rural schools, stipends for student teachers doing student teaching in rural areas (up to $4,000 per student teacher), stipends for teachers in rural areas pursuing alternative teacher certification, and stipends for rural teachers who are pursuing National Board Certification and teachers pursuing other specified professional development activities (up to $6,000 per teacher).

- The Rural Teaching Fellowship Program line item funds a program authorized under Section 23-78-302 through 307, C.R.S., which provides $10,000 fellowships for student teachers in rural areas that are jointly supported by the state and the higher education institution where the student is studying. The State's contribution is $5,000 per student teacher.

The Rural Teaching Fellowship Program, has been significantly underspent. Of the $500,000 appropriated for this program, $70,000 was spent in FY 2018-19 and $90,000 was projected to be expended in FY 2019-20. Unspent appropriations may be rolled forward up to one year, pursuant to current law.

Consolidating the line items was intended to be consistent with provisions of S.B. 20-158 (Professional Training for Educators; Todd/McLachlan, Wilson; not yet adopted in both houses) which would allow unused funds from the Fellowship Program to be used for the various teacher stipend programs.

In the figure setting packet, staff noted that the Committee had an option to reduce the appropriation for the combined line item by $500,000, because the Fellowship program had $500,000 in roll-forward funds that were expected to be available in FY 2020-21. Staff did not recommend this at the time, anticipating that roll forward could be absorbed by demand for teacher stipends. However, given the current financial situation, staff recommends the $500,000 reduction for the Rural Teaching Fellowship Program.

➔ PRIVATE COF ENROLLMENT INCREASE

JBC ACTION AS OF 3/16/20: The Committee approved an appropriation of $31,815 General Fund to reflect an increase in the anticipated enrollment in the College Opportunity Fund stipend program for students attending eligible private institutions from 1,224 to 1,245.

RECOMMENDATION: Staff recommends removing this increase for $31,815, and making adjustments to the private COF stipend line item for FY 2020-21 based solely on the final amount of the stipend (by statute, this must be 50 percent of whatever is established as the stipend for public institutions).

ANALYSIS:

Key Considerations: The enrollment increase recommended was based on the FY 2018-19 experience. However, there is such uncertainty about enrollment in FY 2020-21 that this adjustment may not be necessary. If additional funds are required, staff anticipates that the Department will seek necessary transfer authority from the Governor's Office.

Additional Background: Pursuant to Section 23-18-202 (2)(e), C.R.S., students who qualify for the federal need-based Pell grant and attend a participating private institution are eligible for a stipend equal to half of the stipend for students attending a state operated institution. Three institutions currently participate in this program: Colorado Christian University, the University of Denver, and Regis University. The FY 2019-20 appropriation for this line item is $1,725,840 General Fund.

ⓘ FUNDING SOURCE ADJUSTMENTS

During figure setting for the Department of Higher Education, staff requested and received permission to adjust funding sources related to indirect cost collection offsets and centrally appropriated items, based on the Committee's final decisions on centrally appropriated costs. The figures in the table above do not incorporate final adjustments, due to pending Committee decisions about centrally appropriated items. Staff will make final fund source adjustments when these are decisions are final.

ⓘ NEW FEDERAL FUNDS TO BE RECEIVED

The CARES Act appropriates $13.95 billion in higher education emergency relief. Funding is provided directly to higher education institutions via a federal formula. The formula includes allocations to public and non-public institutions. Institutions are required to spend 50.0 percent on direct grants to students. In addition to this amount, some institutions could receive a portion of a federal set-aside for severely affected institutions that do not receive much benefit from the federal formula allocation. Colorado public institutions are receiving $139.2 million from this source, as detailed in the table below. The first half of the funds, for allocation to students, has been distributed.

CARES ACT HIGHER EDUCATION ALLOCATIONS

ENTITY	AMOUNT
CSU system	$21,653,573
CU System	$36,842,136
CCS system colleges	$35,143,493
Area Technical Colleges	$2,797,616
Local District Colleges	
CMC	1,694,667
Aims	2,541,187
Independent State Colleges	
Adams	1,568,914
Mesa	7,068,379
Metro	14,390,083
Ft Lewis	3,038,637

CARES Act higher Education Allocations	
Entity	Amount
Western	1,353,339
Independent Universities	
Mines	3,445,115
UNC	7,650,214
Grand Total	$139,187,353

Finally, higher education institutions are eligible for a portion of the funds for education that are subject to allocation by the Governor. The CARES Act provides $3.0 billion to the nation's Governors to allocate at their discretion for "emergency support grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus." The Congressional Research Service anticipated that Colorado would receive $43.9 million from this source. Staff understands that Colorado expects to receive its allocation in the near future but has not yet confirmed the final amount.

Because funds are being distributed directly to higher education institutions or via the Governor's Office, staff does not expect to reflect these amounts in the Long Bill; however, staff anticipates that the Committee will consider this funding when determining appropriations for the higher education governing boards.

Staff has requested information from the governing boards about expenditures that might qualify for use of the state's share of the Coronavirus Relief Fund. There are some expenditures that are likely to qualify, but the amount will vary greatly depending upon specific federal guidance. Staff will provide a follow-up memo when more information is available.

SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

OTHER BUDGET ADJUSTMENTS				
	BILL?	MUSEUM OPERATIONS FUND	OTHER FUNDS	TOTAL FUNDS
History Colorado - Funds Originally Planned for Painting Capitol Dome	Y	$1,740,000	($1,740,000)	0
History Colorado - Changes to Limited Gaming Allocations	Y	TBD		

INCREASE AVAILABLE GENERAL FUND - STATUTORY CHANGE REQUIRED				
	BILL?	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS
CO Higher Education Competitive Research Authority	Y	$2,100,000	($2,100,000)	0
College Kickstarter Program	Y	12,000,000	(12,000,000)	0

➔ HISTORY COLORADO: FUNDS ORIGINALLY PLANNED FOR PAINTING THE CAPITOL DOME AND CHANGES TO LIMITED GAMING ALLOCATIONS

JBC ACTION AS OF 3/16/20: The Committee approved an appropriation of $36,501,870 in the History Colorado section of the Long Bill, including 120.5 FTE. In addition to funding for the Cumbres and Toltec Railroad, this included:

- $18.1 million total funds ($4.0 million from the General Fund) for central administration, museum operations, and preservation operations
- $15.8 million for the State Historical Fund program (statewide grants and allocations to gaming cities)

The $4.0 million General Fund for museum operations included an increase of $3.0 million, added by the JBC, for History Colorado Strategic Plan Initiatives. The executive request had included a $1.0 million reappropriated funds increase for History Colorado Certificate of Participation payments proposed to be delivered through a statutory change to COP payments for the National Western Stock Show.

Approved Long Bill appropriations from limited gaming tax revenue, including for centrally-appropriated amounts, reflected the following amounts, incorporating amounts that roughly approximated the funding History Colorado was expected to receive from its Constitutional share of state gaming revenues.

GAMING REVENUE FOR HISTORY COLORADO REFLECTED IN LONG BILL AS OF 3/16/20	
Historical Fund Preservation Grant Program Account (State Historic Fund statewide grants and administration)	$10,687,078

GAMING REVENUE FOR HISTORY COLORADO REFLECTED IN LONG BILL AS OF 3/16/20	
Historical Fund Operations Account (museum and preservation operations)	10,430,657
Historical Fund (gaming cities Constitutional share)	5,400,000

RECOMMENDATION: As summarized in Part 1 of this document, staff recommends:

- Retaining $1.0 million General Fund of the $3.0 million originally approved by the JBC in the Long Bill for a History Colorado Financial Sustainability appropriation. If federal authorities allow for more flexible use of the federal Coronavirus Relief Funds for the State, this funding could come from that source; however the funds are needed to address a revenue shortfall, as opposed to new expenditures.
- The Committee sponsor a bill that will allow up to $2.8 million originating from the Preservation Account of the State Historic Fund to be moved to the Operations Account in FY 2020-21 and FY 2021-22.
- The Committee consider legislation to ensure that History Colorado revenue is not permanently suppressed as a result of the temporary impacts of the pandemic and casino closures, which has affected revenue from limited gaming. Staff has a preliminary recommendation on this topic but anticipates providing a more comprehensive recommendation associated with the gaming revenue forecast on May 12.

ANALYSIS:

Key Considerations: Due to the closure of casinos, gaming tax revenue received at the end of FY 2019-20 is expected to be greatly decreased. This revenue is the primary funding source for History Colorado operations and will result in a sharp decline in revenue available for History Colorado for FY 2020-21. In addition, most of the agency's earned revenue has been halted in FY 2019-20 due the closure of museums and other facilities. Earned revenue is also likely to be significantly lower in the next year, even if facilities are open, since visits to cultural activities and sites will be affected by health concerns and the economic fallout of the pandemic. The combination of these factors will be catastrophic for History Colorado without some additional state assistance.

Additional Background:

Funding for History Colorado

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.

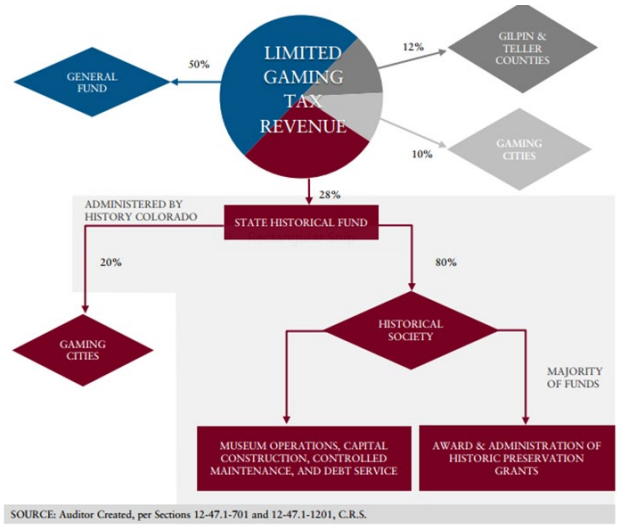
Constitutional Provisions: Article XVIII, Section 9 of the State Constitution, which provides for limited gaming in Central City, Black Hawk, and Cripple Creek, specifies that up to 40 percent of the adjusted gross proceeds from gaming, in addition to license fees, shall be paid by each licensee into the Limited

Gaming Fund. Excluding changes related to Amendment 50 (discussed below), and after deductions for administrative expenses, the Limited Gaming Fund proceeds are distributed as follows:

50 percent to the General Fund or other fund as the General Assembly provides;
28 percent to the State Historical Fund;
12 percent to Gilpin and Teller counties in proportion to the gaming revenues generated in each;
10 percent to the governing bodies of Central City, Black Hawk, and Cripple Creek in proportion to the gaming revenues generated by each.

The Constitution further specifies that, of the amount distributed to the State Historical Fund:

20 percent be used for the preservation and restoration of the three gaming cities; and
80 percent "shall be used for the historic preservation and restoration of historical sites and municipalities throughout the state in a manner to be determined by the general assembly."



Amendment 50 to the Constitution, adopted in 2008 by the voters, provided for larger bets and extended hours of operations for the casinos. The Constitutional provisions specified that the additional revenues received as a result of these extended gaming provisions would be allocated 78.0 percent to public community colleges, in lieu of the allocations to History Colorado and the General Fund, with the remaining 24.0 percent still going to the gaming cities and counties.

The Constitutional provisions implied that separating the revenues associated with "extended" gaming program (new hours, etc.) and the revenues generated under the old gaming rules would be clear cut. It was not. This instead fell to the General Assembly and the implementation of statute by the Division of Gaming. The Constitutional language reflects some effort to ensure the recipients under the old provisions (the General Fund and History Colorado) would receive a share of the growth in gaming revenues anticipated to come from the new provisions but otherwise provided little guidance.

Statutory Provisions: Over the years, the General Assembly has increased its reliance on the State Historical Fund for operation of History Colorado museums and to make various repairs and upgrades to the state Capitol. While consistent with the goals of the State Historical Fund to support historic preservation, these actions have reduced the availability of moneys for statewide historic preservation grants.

As outlined Section 12-47.1-1201, C.R.S., the General Assembly has elected:

- To direct the "minority share" of revenue that does not go to gaming cities to museum operations and to include the costs of grant program administration in the calculation of "majority share". "Majority" is interpreted as 50.1 percent for purposes of the agency's budget.

- To direct a portion of the funds allocated for operations of the State Historical Society (from the "minority share") to construction of the new Colorado history museum and associated Certificate of Participation payments from FY 2011-12 through FY 2045-46.

- To transfer a portion of the moneys for the statewide grant program ("majority share") to the Capitol Dome Restoration Fund and other improvements to the State Capitol building. Between FY 2010-11 and FY 2012-13, nearly $12 million was transferred. Since 2015, $1.0 million has been transferred each year to the Capitol Construction Fund, representing approximately 12% of funds available for statewide preservation grants.

The following table reflects actual gaming revenue receipts by History Colorado over the last few years. Prior year actual receipts are used to fund the next year's activities. Thus, changes in revenue for FY 2019-20 will affect History Colorado operations in FY 2020-21.

STATE HISTORIC FUND LIMITED GAMING RECEIPTS

	FY 2015-16 ACTUAL FOR USE IN FY 2016-17	ACTUAL 16-17 FOR USE IN FY 2017-18	ACTUAL 17-18 FOR USE IN FY 2018-19	ACTUAL FY 18-19 FOR USE IN FY 19-20
Majority Share - Statewide Preservation Grant Program (50.1% of 80%)	$10,226,685	$10,174,496	$10,647,745	$10,532,292
Minority Share - Museum Operations and Capital (49.9% of 80%)	10,185,860	10,133,878	10,605,239	10,490,247
Gaming City Direct Distribution (20.0%)	5,103,136	5,077,093	5,313,246	5,255,635
Total to History Colorado	**$25,515,681**	**$25,385,467**	**$26,566,230**	**$26,278,174**
Growth year-over-year		(0.5%)	4.7%	(1.1%)

Anticipated Revenue Reductions

Due to the closure of casinos as a result of the pandemic, History Colorado expects a sharp decline in revenue it will receive at the end of FY 2019-20 for use in FY 2020-21. *A revised gaming revenue projection from Legislative Council Staff is pending; so the following figures reflect History Colorado's preliminary estimate of these impacts*. The out-years incorporate the impact of current statutory provisions that limit revenue growth for the pre-Amendment 50 gaming revenue recipients to 3.0 percent per year. This is sometimes referred to as the statutory "ratchet" and is incorporated in statutory provisions at Section 44-30-702 (3) and (4)(d), C.R.S.

The chart below reflects History Colorado's estimates of the revenue shortfalls it will face in museum and preservation operations in the coming years based on current law and assuming no additional help from the General Assembly. These projections incorporate the impact of $2.3 million in federal funding from the federal Paycheck Protection Program (History Colorado was able to access this because it is also a nonprofit) and reduction in operating expenses of $1.0 million (9.4 percent)

between FY 2018-19 and FY 2021-22 for expenses other than Certificate of Participation payments. As shown, *even with these adjustments and incorporating assistance from the foundation, History Colorado would expect to end FY 2020-21 with a fund balance of almost $0 and would be insolvent by the end of FY 2021-22*. This is primarily driven by the reduction in anticipated gaming revenue from $10.5 million for FY 2019-20 to $6.4 million projected for FY 2020-21 (an estimated reduction of $4.1 million or 39.3 percent), exacerbated by a decline in earned revenue from $4.6 million in FY 2018-19 to an estimated $2.9 million in FY 2020-21 ($1.8 million or 38.1 percent).

HISTORY COLORADO -- State Historical Fund Support Forecast

Museum Operations (Minority 49.9%)

	Approp/Actual						Forecast				
Funding Source/Revenue	**FY-14**	**FY-15**	**FY-16**	**FY-17**	**FY-18**	**FY-19**	**FY-20**	**FY-21**	**FY-22**	**FY-23**	**FY-24**
Federal Grant (Fund 100) Revenue[1]	$0	$0	$0	$1,700,347	$1,480,086	$1,153,145	$1,715,593	$1,244,822	$1,269,718	$1,295,113	$1,321,015
Combined Earned Revenue from Operations[2]	$3,683,118	$3,751,974	$3,758,482	$3,735,901	$4,405,386	$4,635,265	$3,145,813	$2,870,658	$3,157,724	$3,473,496	$3,820,846
Prior Year Revenue		$12,319	$2,018	$1,987	$0	$0	$0	$0	$0	$0	$0
Majority (SHF) Indirect Costs Transfer[3]	$0	$382,778	$382,778	$382,778	$382,778	$325,734	$325,734	$325,734	$325,734	$325,734	$325,734
Interest	$235,294	$230,040	$292,397	$86,271	$93,840	$131,376	$105,821	$95,239	$71,429	$50,487	$50,890
Gaming Revenue - Minority (49.9%)[4]	$23,475,304	$24,455,998	$9,762,834	$10,185,860	$10,113,879	$10,605,239	$10,490,247	$6,365,889	$7,500,632	$7,719,579	$7,984,159
Current General Fund					$1,305,719	$1,493,806	$1,945,187	$1,738,626	$1,350,626	$1,350,626	$1,350,626
HC01 - $1.8M SHF Funding											
Additional General Fund Support -$1M											
SSB - PPP				$0	$0	$0	$655,651	$1,619,749	$0	$0	$0
Total Revenue	**$ 27,393,715**	**$ 29,400,168**	**$ 14,198,510**	**$16,093,144**	**$17,781,687**	**$18,344,565**	**$18,384,046**	**$14,260,717**	**$13,675,864**	**$14,215,036**	**$14,853,270**
Expenses	**FY-14**	**FY-15**	**FY-16**	**FY-17**	**FY-18**	**FY-19**	**FY-20**	**FY-21**	**FY-22**	**FY-23**	**FY-24**
Combined Operational Budget[5]	$11,065,560	$12,083,288	$9,966,601	$9,809,721	$9,680,538	$11,053,190	$10,598,778	$10,072,022	$10,011,237	$10,311,574	$10,620,921
HCC MCF/COP	$3,021,000	$3,021,718	$3,021,835	$3,021,415	$3,021,835	$3,021,860	$3,018,830	$3,021,605	$3,525,209	$3,525,209	$3,525,208
Regional Museum Preservation (Controlled Maintenance Transfer to Fund 4610)	$528,172	$495,513	$515,041	$508,943	$581,933	$500,000	$358,022	$100,000	$100,000	$150,000	$200,000
Current General Fund Expense					$1,305,514	$1,493,194	$1,603,155	$1,738,626	$1,350,626	$1,350,626	$1,350,626
Higher Education Indirect Costs		$195,404	$164,549	$140,168	$234,000	$216,287	$196,130	$196,130	$202,014	$208,074	$214,316
Unemployment and Contingency Plan			$121,478	$67,599	$0	$0	$0	$0	$0	$0	$0
Common Policies [6]			$632,647	$592,917	$925,771	$682,691	$893,538	711,973	$747,572	$598,057	$508,349
Federal Grant (Fund 1000) Expense	$0		$0	$1,700,347	$1,480,086	$1,153,145	$1,715,593	$1,244,822	$1,269,718	$1,295,113	$1,321,015
Total Expense	**$14,614,732**	**$15,795,923**	**$14,422,151**	**$15,841,110**	**$17,229,677**	**$18,120,367**	**$18,384,046**	**$17,085,178**	**$17,206,376**	**$17,438,653**	**$17,740,435**
Annual Revenue to Expense Surplus /(Shortfall)	**$12,778,983**	**$13,604,245**	**-$223,641**	**$252,034**	**$552,010**	**$224,198**	**$0**	**($2,824,461)**	**($3,530,512)**	**($3,223,618)**	**($2,887,165)**
Beginning Minority Fund Balance - Combined	$39,652,001	$39,320,460	$52,924,705	$2,049,203	$2,301,237	$2,853,247	$3,077,445	$3,077,445	$252,984	($3,277,528)	($6,501,146)
Ending Minority Fund Balance - Combined	**$39,320,460**	**$52,924,705**	**$2,049,203**	**$2,301,237**	**$2,853,247**	**$3,077,445**	**$3,077,445**	**$252,984**	**($3,277,528)**	**($6,501,146)**	**($9,388,311)**
Funding available at the Foundation							$1,600,000	$1,600,000	$1,600,000	$1,600,000	$1,600,000
Total Available Funding							$4,677,445	$1,852,984	($1,677,528)	($4,901,146)	($7,788,311)

[1] Federal and earned revenues include actuals through FY20, period 9, with an estimate for periods 10-12. FY20 and FY21 includes estimated actuals. An assumed 2.0% growth rate for earned and federal revenue begins in FY 2022.

[2] Earned revenues include actuals through FY20, period 9, with an estimate for periods 10-12. FY21 assumes a 2% growth rate. FY22 through FY24 assumes 10.0% growth rate.

[3] Indirect Costs Transfer from Majority includes actuals through FY19 and estimated actuals through FY21. In FY22, a 2.5% increase is assumed and remains flat through FY 2024.

[4] Gaming Revenue includes actuals through FY20. For FY21 and beyond, History Colorado forecasted revenue based on the rachet impact expected for FY20, due to the casino closures. The Department of Revenue-Gaming Commission formula to calculate limited gaming revenues was utilized. (See Gaming Revenue Projection Worksheet.)

[5] Operating expenses include actuals through FY20, period 9, with an estimate for periods 10-12.

[6] Common Policies expenses include actuals through FY 2020, period 9, with an estimate for periods 10-12. FY 2021 includes estimate from figure setting. FY 2022 assumes 5% growth rate for expenses begins in FY 2022, assuming History Colorado slowly moves off OIT support in FY 2022 and the agency's IT costs move to the operational budget.

The agency has put forth a number of solutions to help it address this situation:

- Redirect funds that have been going to renovation of the State Capitol to help shore up the museum's operating budget. History Colorado has specifically requested that $1.0 million appropriated in FY 2019-20 and $800,000 requested in FY 2020-21 for painting the Capitol Dome be redirected to assist program operations and offset some of the impact of the financial crisis. It has also suggested that, if necessary a further $1.0 million (equal to the amounts that have been annually directed to the Capitol building) could be redirected for an additional year in FY 2021-22. However, the agency is concerned about redirecting more on a long-term basis, given what it deems to be the importance of the State Historical Fund programs to communities statewide.
- Provide some General Fund assistance on a temporary or ongoing basis, e.g., $1.0 million per year in FY 2020-21 and FY 2021-22 or ongoing.

- Sponsor legislation to modify the "ratchet" that will otherwise permanently reduce the share of gaming revenue for History Colorado and the General Fund after the pandemic because the pre-Amendment 50 recipients not be able to grow at a rate above 3.0 percent.[1]

The staff recommendation incorporates much of History Colorado's proposals. In the near term, *these additions, in combination with federal Paycheck Protection Program funds, will backfill $4.4 million of the estimated $5.9 million in lost revenue facing the agency in FY 2020-21.*

- Provide a **$1.0 million General Fund appropriation increase** for FY 2020-21. Staff is not certain whether this increase can be retained for an extended period (something History Colorado's analysis supports) but is recommending that this be provided in FY 2020-21 and FY 2021-22, pending recovery of gaming revenue and a clearer picture of the future of the gaming revenue stream. *If the General Assembly is unable to provide this General Fund, staff believes History Colorado can make it through FY 2020-21 with the limited gaming funds described below, but this will make the subsequent years more challenging due to the depletion of any reserves.*

- Consistent with History Colorado's request, staff recommends that the Committee **sponsor legislation to redirect funds planned for Capitol Dome painting to shore-up the finances for museum operations**. This requires the following changes:

    - Strike the FY 2019-20 capital appropriation of $1,000,000 for painting the Capitol dome

    - On July 1, 2020 (or before), transfer $940,000[2] from the Capital Construction Fund to the Museum and Preservation Operations Account of the State Historical Fund created in Section 44-30-1201(5)(c)(I)(B), C.R.S. This transfer would be from the amount originally transferred pursuant to Section 44-30-1201 (12), C.R.S., (S.B. 19-214) from the Preservation Grant Program Account of the State Historical Fund to the Capital Construction Fund for painting the dome, less the approximately $60,000 already expended.

    - Authorize History Colorado to transfer **up to** $1,000,000 in FY 2020-21 and $1,000,000 in FY 2021-22 from the Preservation Grant Program Account of the State Historical Fund to the Operations Account of the State Historical Fund to address the financial crisis the agency faces as a result of COVID 19. Note that this will require some statutory language specifying that this is notwithstanding provisions that require the majority of History Colorado receipts from the State Historical Fund to be used for the preservation grant program based on the General Assembly's interpretation of the Constitution. Staff anticipates that History Colorado will seek to minimize these expenditures because the Preservation Grant Program account will also be severely affected by the decline in gaming revenue. However, as a grant program, it has more flexibility to adjust awards than an ongoing museum operation.

- **Sponsor legislation to address the ratchet for gaming revenue**. At a minimum, staff believes statute should be modified to provide a "time-out", so that the pre-Amendment 50 recipients and

[1] The current formula is complicated and can generate results greater than 3.0 percent if overall revenue grows more than 6.0 percent.

[2] The specific figure may be slightly adjusted. The contract for the painting had been awarded but not executed, with approximately $60,000 expended for planning. The Executive Committee and the Capital Development Committee have been informed about this recommendation, and the Speaker indicated she was comfortable with the change.

post-Amendment 50 recipients receive the same shares of any gaming revenue available that they received at the end of FY 2018-19 (a split of **84.0% for the pre-Amendment recipients and 16.0% for the post-Amendment recipients**), before the impact of the current crisis, until such time as total revenue recovers to at least the level of FY 2018-19. The current statutory provisions drive complex and somewhat unpredictable results, so staff would prefer to see the allocation statute modified on an ongoing basis. However, a permanent change will likely be viewed as problematic for the community college system, since the current allocation model gives them a larger share of growth in gaming revenue. Thus, if interested parties are unable to reach rapid agreement on an ongoing statutory change, staff would recommend the time-out described above and the formation of a committee to study the issue and propose a change to the General Assembly that would take effect once revenues recover. The table below shows the FY 2018-19 allocations.

FY 2018-19 GAMING ALLOCATIONS					
		PRE-AMEND 50 RECIPIENTS	AMENDMENT 50 RECIPIENTS	TOTAL	%
General Fund/statutory allocations to programs		$46,925,310	$0	$46,925,310	42.0%
Historical Society	Preservation Grants Fund	10,530,040	0	10,530,040	9.4%
	Operations Fund	10,492,499	0	10,492,499	9.4%
	Gaming Communities	5,255,635	0	5,255,635	4.7%
Community Colleges			13,962,174	13,962,174	12.5%
Gaming Counties		11,262,075	2,148,027	13,410,101	12.0%
Gaming Communities		9,385,062	1,790,022	11,175,084	10.0%
Total		**$93,850,621**	**$17,900,223**	**$111,750,844**	**100.0%**
Percentage share		84.0%	16.0%		
Gaming administration (off the top)				$15,965,303	
Total Gaming Receipts				**$127,716,147**	

The table below shows the impact of the recommended changes, except that this does not incorporate the impact of changes to the ratchet. Staff is waiting for a better out-year forecast for overall gaming revenues to estimate the impact of this proposed change but anticipates that the increase would provide revenue of $1-$2 million per year above the highlighted figures.

HISTORY COLORADO -- State Historical Fund and 2-Year $1M General Fund Support Forecast
Museum Operations (Minority 49.9%)

	Approp/Actual						Forecast				
Funding Source/Revenue	**FY-14**	**FY-15**	**FY-16**	**FY-17**	**FY-18**	**FY-19**	**FY-20**	**FY-21**	**FY-22**	**FY-23**	**FY-24**
Federal Grant (Fund 100) Revenue[1]	$0	$0	$0	$1,700,347	$1,480,086	$1,153,145	$1,715,593	$1,244,822	$1,269,718	$1,295,113	$1,321,015
Combined Earned Revenue from Operations[2]	$3,683,118	$3,751,974	$3,758,482	$3,735,901	$4,405,386	$4,635,265	$3,145,813	$2,870,658	$3,157,724	$3,473,496	$3,820,846
Prior Year Revenue		$12,319	$2,018	$1,987	$0	$0	$0	$0	$0	$0	$0
Majority (SHF) Indirect Costs Transfer[3]	$0	$382,778	$382,778	$382,778	$382,778	$325,734	$325,734	$325,734	$325,734	$325,734	$325,734
Interest	$235,294	$230,040	$292,397	$86,271	$93,840	$131,376	$105,821	$95,239	$71,429	$50,487	$50,890
Gaming Revenue - Minority (49.9%)[4]	$23,475,304	$24,455,998	$9,762,834	$10,185,860	$10,113,879	$10,605,239	$10,490,247	$6,365,889	$7,500,632	*$7,719,579*	*$7,984,159*
Current General Fund					$1,305,719	$1,493,806	$1,945,187	$1,738,626	$1,350,626	$1,350,626	$1,350,626
HC01 - $1.8M SHF Funding				$0	$0	$0	$0	$1,800,000	$1,000,000	$0	$0
Additional General Fund Support -$1M							$0	$1,000,000	$1,000,000	$0	$0
SSB - PPP				$0	$0	$0	$655,651	$1,619,749	$0	$0	$0
Total Revenue	**$ 27,393,715**	**$ 29,400,168**	**$ 14,198,510**	**$16,093,144**	**$17,781,687**	**$18,344,565**	**$18,384,046**	**$17,060,717**	**$15,675,864**	**$14,215,036**	**$14,853,270**
Expenses	**FY-14**	**FY-15**	**FY-16**	**FY-17**	**FY-18**	**FY-19**	**FY-20**	**FY-21**	**FY-22**	**FY-23**	**FY-24**
Combined Operational Budget[5]	$11,065,560	$12,083,288	$9,966,601	$9,809,721	$9,680,538	$11,053,190	$10,598,778	$10,072,022	$10,011,237	$10,311,574	$10,620,921
HCC MCF/COP	$3,021,000	$3,021,718	$3,021,835	$3,021,415	$3,021,835	$3,021,860	$3,018,830	$3,021,605	$3,525,209	$3,525,209	$3,525,208
Regional Museum Preservation (Controlled Maintenance Transfer to Fund 4610)	$528,172	$495,513	$515,041	$508,943	$581,933	$500,000	$358,022	$100,000	$100,000	$150,000	$200,000
Current General Fund Expense					$1,305,514	$1,493,194	$1,603,155	$1,738,626	$1,350,626	$1,350,626	$1,350,626
Higher Education Indirect Costs		$195,404	$164,549	$140,168	$234,000	$216,287	$196,130	$196,130	$202,014	$208,074	$214,316
Unemployment and Contingency Plan			$121,478	$67,599	$0	$0	$0	$0	$0	$0	$0
Common Policies [6]			$632,647	$592,917	$925,771	$682,691	$893,538	711,973	$747,572	$598,057	$508,349
Federal Grant (Fund 1000) Expense	$0		$0	$1,700,347	$1,480,086	$1,153,145	$1,715,593	$1,244,822	$1,269,718	$1,295,113	$1,321,015
Total Expense	**$14,614,732**	**$15,795,923**	**$14,422,151**	**$15,841,110**	**$17,229,677**	**$18,120,367**	**$18,384,046**	**$17,085,178**	**$17,206,376**	**$17,438,653**	**$17,740,435**
Annual Revenue to Expense Surplus /(Shortfall)	**$12,778,983**	**$13,604,245**	**-$223,641**	**$252,034**	**$552,010**	**$224,198**	**$0**	**($24,461)**	**($1,530,512)**	**($3,223,618)**	**($2,887,165)**
Beginning Minority Fund Balance - Combined	$39,652,001	$39,320,460	$52,924,705	$2,049,203	$2,301,237	$2,853,247	$3,077,445	$3,077,445	$3,052,984	$1,522,472	($1,701,146)
Ending Minority Fund Balance - Combined	**$39,320,460**	**$52,924,705**	**$2,049,203**	**$2,301,237**	**$2,853,247**	**$3,077,445**	**$3,077,445**	**$3,052,984**	**$1,522,472**	**($1,701,146)**	**($4,588,311)**
Funding available at the Foundation							$1,600,000	$1,600,000	$1,600,000	$1,600,000	$1,600,000
Total Available Funding							$4,677,445	$4,652,984	$3,122,472	($101,146)	($2,988,311)

➔ COLORADO HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY, GAMING REVENUE ALLOCATION

JBC ACTION AS OF 3/16/20: The Committee approved a continuation level of spending authority for the program of $2.8 million. This was based on a statutory allocation of $2,100,000 from limited gaming funds for the program and potential expenditure of unexpended reserves.

RECOMMENDATION: Staff recommends changing statute to eliminate gaming revenue deposits to the Colorado Higher Education Competitive Research Authority, beginning with the FY 2019-20 allocation deposited at the end of the year. These funds would instead be deposited in the General Fund, as allowed by the Constitution. Due to anticipated declines in gaming tax revenue, the General Fund impact of eliminating this allocation is likely to be lower than $2,100,000.

ANALYSIS:

Key Considerations: This program supports grants for higher education research proposals, such as those submitted to the National Science Foundation, that require a source of matching funds. Although the resulting research may be valuable, research funding does not have an immediate impact on public health, safety, education, or other core functions of state government.

Additional Background: This program is authorized under Section 23-19.7-102, C.R.S. Active grant awards include a variety of projects, primarily in the engineering field, at Colorado State University, the Colorado School of Mines, and the University of Colorado at Boulder. As of December 31, 2019, there was an available balance of $5,488,850 of unexpended funds that has now grown to $5.8 million. In response to staff questions the Department indicated:

The CHECRA fund currently has a balance of $5.8M. The $5.8M current balance amount does not take into account the $2.1M transfer of gaming revenue that is scheduled to occur at the end of FY 2019-20. At this time, there is $4.4M encumbered/committed for projects that are underway and for projects for which federal funding has been approved. There is one other project with a commitment of $2M in funds ($400K/year for 5 years) that is still awaiting federal approval. CHECRA is expecting a decision on this from the federal government in August or September. Most CHECRA awards are for projects funded over several years, so most projects assume future funding.

➔ COLLEGE KICKSTARTER PROGRAM, REPEAL AND TRANSFER TO GENERAL FUND

RECOMMENDATION: Staff recommends repealing the College Kickstarter Program created in H.B. 19-1280 effective no later than July 1, 2020 and transferring the balance of $12,220,000 moved by CollegeInvest from the CollegeInvest Scholarship Fund in the "Stable Value Plus Kickstarter Master Account", less any amounts committed for the program in FY 2019-20, to the General Fund. The Kickstarter program deposits $100 into a new 529 college savings account for any child born or adopted in Colorado, if the parent applies for the program.

ANALYSIS:

Key Considerations:

- This is a new program. The program opened in January 2020, and the first awards were made on February 18, 2020 and continue as applications are completed by families.
- Depending on uptake for the program, it could quickly exhaust $12.2 million that, at the moment, is available for transfer to the General Fund. The program reports that 9,700 children were born in January and February. It is unknown how many will apply for this program.
- The program creates fiscal obligations for the State (potentially $3.4 million per year) without a clear source of ongoing financial support. Although the fiscal note for the bill indicated that it was expected to be supported by donations, it indicated that "to the extent CollegeInvest is unable to raise sufficient gifts, grants, or donations to support the Kickstarter program, it is assumed that transfers from the Colorado CollegeInvest Scholarship Trust Fund to the Kickstarter master account will increase correspondingly". There have been no donations to date, and CollegeInvest has therefore transferred the full balance of its Scholarship Trust Fund ($12.2 million) to the Kickstarter Program master account, as the statute requires transfers of $6.0 million in FY 2019-20, $10.0 million in FY 2020-21, and $8.0 million per year thereafter.
- The statute is silent on how CollegeInvest will fund this program if gifts, grants, and donations and reserves in the Colorado CollegeInvest Scholarship Trust Fund are insufficient to cover the costs of the program. CollegeInvest has no new revenue flowing to the Scholarship Trust Fund, which has received no additional funding since the state's role in the federal student loan program ended in 2009. The Trust Fund, by law, consists of money deposited into the Fund by CollegeInvest, gifts, grants or donations, and appropriations by the General Assembly.
- If the State will not have sufficient resources to support the program on an ongoing basis, it would be most fair to Coloradans to end it quickly.

Additional Background: Pursuant to Section 23-3.1-306.5 et. seq., beginning February 15, 2020, the Department of Public Health and Environment is required to furnish monthly reports to CollegeInvest providing the name of every child born or adopted in Colorado during the prior month, and the date and location of each child's birth or adoption. CollegeInvest is required to designate Kickstarter funding in the master account for each child. This amount is equal to $100 per child in 2020, adjusted by inflation in the Denver-Aurora-Lakewood consumer price index for each year thereafter.

Designated amounts are required to be invested in the CollegeInvest Stable Value Plus Plan from their date of designation. The designated amount, plus interest earned, is transferred from the master account to a CollegeInvest 529 college savings account that the child's parent(s) or legal guardian(s) open in the child's name, if and when such an account is created. An account must be opened within five years of the child's birth or adoption in order for the Kickstarter amount to be claimed. After five years, designated amounts that are not claimed remain in the master account and may be designated for another eligible child.

The fiscal note assumed an uptake rate for the program ranging from 2.5 percent to 52.5 percent based on a range of experiences in other states, leading to a fiscal note estimate range of $0.2 million to $3.4 million per year.

SUMMARY OF OTHER RECOMMENDATIONS AND OPTIONS IF DEEPER CUTS ARE REQUIRED

The Department's current General Fund appropriation for FY 2019-20 is $1,112,754,895.

- A 10.0 percent reduction would be ($111,275,490)
- A 20.0 percent reduction would be ($222,550,979)

10.0 PERCENT REDUCTION SCENARIO

Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 10.0 percent (or revenue increased by an equivalent amount) in FY 2020-21.

BUDGET BALANCING OPTIONS FOR DEEPER CUT (10.0 PERCENT SCENARIO)				
FY 2020-21 REVENUE	BILL?	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS
Opioid Awareness Campaign (S.B. 19-228)	Y	$750,000	($750,000)	0
Institute for Cannabis Research at CSU Pueblo	N	800,000	(800,000)	0

BUDGET BALANCING OPTIONS FOR DEEPER CUT (10.0 PERCENT SCENARIO)					
FY 2020-21 EXPENDITURE	BILL?	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Financial Aid - Merit Based Grants (all)	N	($5,000,000)	$0	($5,000,000)	0.0
Colorado Opportunity Scholarship Initiative (reduction)	N	(2,000,000)	0	(2,000,000)	0.0
WICHE Optometry (20%)	N	(75,000)	0	(75,000)	0.0
Open Educational Resources (20%)	N	(200,000)	0	(200,000)	0.0

BUDGET BALANCING OPTIONS FOR DEEPER CUT (10.0 PERCENT SCENARIO)					
FY 2020-21 EXPENDITURE	BILL?	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Governing Boards - Cybercoding Cryptology (all)	N	(5,100,000)	0	(5,100,000)	0.0
Governing Boards/Local Districts/ATCs - Base Support (10.0%)	N	(85,032,360)	0	(85,032,360)	0.0
Financial Aid - Need Based Grants - aid for students at for-profit institutions (all)	N	(1,786,736)	0	(1,786,736)	0.0
Financial Aid - Need Based Grants - aid for students at non-profit private institutions (all)	N	(9,797,883)	0	(9,797,883)	0.0
Financial Aid - Need Based Grants - aid for graduate students (20%)	N	(1,984,682)	0	(1,984,682)	0.0
Total		**($110,976,661)**	**$0**	**($110,976,661)**	**0.0**

20.0 PERCENT REDUCTION SCENARIO

Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 20.0 percent (or revenue increased by an equivalent amount) in FY 2020-21. These amounts would be **in addition** to those above.

BUDGET BALANCING OPTIONS FOR DEEPER CUT (20.0 PERCENT SCENARIO)					
FY 2020-21 EXPENDITURE	BILL?	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Colorado Student Leaders Institute (all)	Y	($218,000)	$0	($218,000)	(1.0)
Governing Boards/Local Districts/ATCs - Base Support (10.0%)	N	(85,032,360)	0	(85,032,360)	0.0
Colorado Opportunity Scholarship Initiative (suspend)	N	(5,000,000)	0	(5,000,000)	0.0
Financial Aid - Need Based Grants - aid for graduate students (additional 20%)	N	(1,984,682)	0	(1,984,682)	0.0
Open Educational Resources (additional 20%)	N	(200,000)	0	(200,000)	0.0
Financial Aid - Work Study - reduce 10.0%	N	(2,341,320)	0	(2,341,320)	0.0
Financial Aid - aid for resident undergraduate students (10.0%)	N	(17,489,910)	0	(17,489,910)	0.0
Total		**($112,266,272)**	**$0**	**($112,266,272)**	**(1.0)**

➔ OPIOID AWARENESS CAMPAIGN (S.B. 19-228)

JBC ACTION AS OF 3/16/20: Long Bill amounts include $750,000 from the Marijuana Tax Fund as part of the appropriation to the Regents of the University of Colorado. This is consistent with the statutory requirements in S.B. 19-228 (27-80-118 (5)(a), C.R.S.), which requires appropriations of $750,000 per year from FY 2019-20 to FY 2023-24, with a review prior to repeal.

RECOMMENDATION: Staff recommends a statutory change to eliminate a required appropriation for an opioid awareness campaign, pursuant to S.B. 19-228. This will provide annual savings of $750,000 from the Marijuana Tax Cash Fund, which could instead be transferred to the General Fund.

ANALYSIS:

Key Considerations: This program began in FY 2019-20. Improving public awareness about safe use, storage, and disposal of opioids is likely to offer real public benefits. However, in the current financial crisis, there may be more urgent needs for state funds than conducting a public awareness campaign.

Additional Background: The statutory requirement for $750,000 per year is for the Center for Research into Substance Use Disorder Prevention, Treatment, and Recovery Support Strategies to develop and implement a program to increase public awareness concerning the safe use, storage, and disposal of opioids and the availability of naloxone and other drugs designed to block the effect of an overdose.

➔ INSTITUTE FOR CANNABIS RESEARCH AT CSU PUEBLO

JBC ACTION AS OF 3/16/20: JBC action to-date includes an appropriation of $1,800,000 from the Marijuana Tax Cash Fund for the Institute for Cannabis Research at CSU Pueblo

RECOMMENDATION: Staff recommends reducing the appropriation for the Institute for Cannabis Research by $800,000 and transferring this amount to the General Fund. The $800,000 amount represents the funds distributed for research grants, and does not necessarily eliminate funding for Institute staff. However, staff anticipates that, if this cut is implemented, the institute will readjust funding as appropriate to retain those portions of its mission it believes are most important. Note that the program was increased by $900,000 beginning in FY 2017-18.

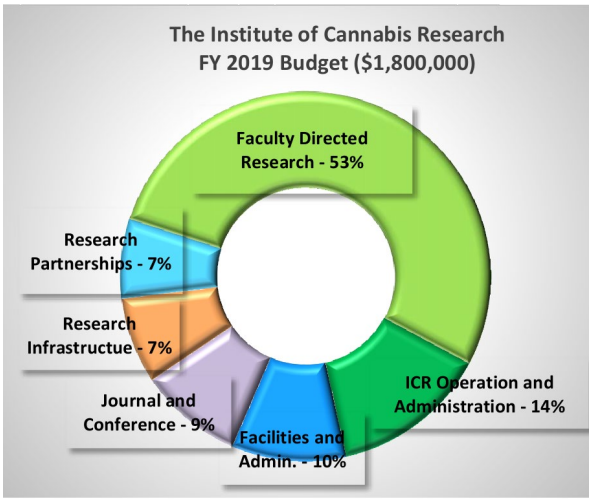
ANALYSIS:

Key Considerations: The recommendation eliminates funding for research grants, which, though potentially valuable, are not a core state function.

Additional Background: Senate Bill 16-191 authorized 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 (Sections 23-31.5-112, C.R.S.). The appropriation was initially provided at the $900,000 level and was increased to $1,800,000 MTCF in FY 2017-18. House Bill 19-1311 (Institute of Cannabis Research Role and Mission by Singer/Bridges made changes to the program. The changes include, among others, creating a new 9-member board to oversee the program, approve the budget, and oversee grant awards through an open process.

CSU reported that in 2019, the institute supported 16 research projects led by 20 CSU-Pueblo faculty and staff. CSU-P consults with the Department of Public Health and Environment to avoid any funding overlap. Studies have explored issues such as the effects of medicinal cannabinoids on seizures in those with epilepsy, a study of use of industrial hemp fibers as reinforcing agents, and study for an enhanced method for extracting cannabinol from cannabis leaves and flowers using pressurized liquid extraction. The Institute also hosts conferences and a journal, the Journal of Cannabis Research, launched in partnership with Springer Nature. The Institute employs five staff, including researchers and support staff.

In response to staff questions, the Institute provided the following graphic indicating how it is using the funds provided by the General Assembly.



➔ FINANCIAL AID - MERIT BASED GRANTS

JBC ACTION AS OF 3/16/20: The JBC voted to provide a continuation appropriation of $5,000,000 General Fund for Merit Based Grants.

RECOMMENDATION/OPTION: Staff recommends eliminating the $5,000,000 General Fund appropriation for Merit Based Grants.

ANALYSIS:

Key Considerations: The state appropriation for Merit Based Grants is relatively insignificant and is not clearly related to any particular state goal outlined in the Higher Education Master Plan. In addition, higher education institutions provide a large share of the financial aid they provide to students in the form of merit based aid, because of their interest in attracting particular students. Institutional financial aid grants significantly exceed state financial aid grants. Given the restrictions on state funding, staff recommends focusing state financial aid for students in Need Based Grants.

Additional Background: Prior to FY 2009-10 merit based grants provided awards to both undergraduate and graduate students attending eligible institutions in Colorado, which include some private institutions. The awards were used to recognize and encourage outstanding achievement in academic and other talent areas. In FY 2009-10 funding was eliminated to address the budget shortfall. It was restored in S.B. 14-001. In FY 2018-19, the program served 3,986 students with an average award of $1,331.

➔ COLORADO OPPORTUNITY SCHOLARSHIP INITIATIVE

JBC ACTION AS OF 3/16/20: The JBC voted to provide an appropriation of $10,000,000 General Fund for the Colorado Opportunity Scholarship Initiative Program, including an increase of $3,000,000 General Fund pursuant to R11.

RECOMMENDATION/OPTION: As reflected in Part 1 of this document, staff recommends eliminating the $3.0 million increase for COSI. In addition, staff recommends reducing the base appropriation for

COSI by $2,000,000 General Fund. Depending upon the depth of cut needed, the Committee could also provide no appropriation for the program for up to two years, while the program operates on its reserves.

ANALYSIS:

Key Considerations: The program has indicated for several years that it seeks to maintain a substantial balance so that it can continue to operate if the General Assembly must reduce its appropriation in response to a recession. This is precisely the situation the General Assembly now faces.

Additional Background:
Program Background
Pursuant to Sections 23-3.3-1001 through 1005, C.R.S., the College Opportunity Scholarship Initiative (COSI) promotes public/private partnerships to fund scholarships and support services for gifted low-income students who might not otherwise pursue or complete higher education. Created in H.B. 14-1384, it was initially seeded with a transfer of $33.4 million from the CollegeInvest Financial Need Scholarship Fund and a $1.0 million appropriation. In FY 2015-16 and FY 2016-17, the General Assembly appropriated $5.0 million General Fund to the COSI Fund, from which the Department has continuous spending authority. In FY 2018-19, the Long Bill appropriation was increased to $7.0 million.

Senate Bill 20-006 (Amend Colorado Opportunity Scholarship Initiative by Zenzinger & Story/Kipp and Baisley] has been sent to the Governor for signature. As COSI is amended that bill, includes the following provisions.

Student Support Services: A portion of money in the Fund "may be awarded to state agencies and nonprofit organizations to assist such agencies and organizations with ensuring that student-success, precollegiate, postsecondary student support services are available to students who are classified as Colorado residents for tuition purposes; increasing the capacity for student support services at postsecondary institutions; and developing connections between local employers, public schools, precollegiate organizations, and postsecondary institutions…"

Administration: Up to 7.5 percent of amounts expended in the prior fiscal year may be used for direct and indirect administrative costs. A larger percentage may be authorized by a footnote in the Long Bill.

Scholarships: Moneys not used for the purposes above must be used to build a financial corpus capable of providing tuition assistance to eligible Colorado students attending eligible Colorado higher education institutions. Such assistance may include direct awards; matching incentives to create or increase other scholarships; loans, or any combination of these.

Eligible Students: To the extent practicable, tuition assistance must be awarded to students representing rural and urban areas and students attending all types of higher education institutions (vocational schools, community colleges, 4-year institutions, research institutions). Also, to the extent practicable, tuition assistance must be equitably distributed between students with an expected family contribution (EFC) of less than 100 percent of the annual federal PELL grant award and students with an EFC between 100% and 250% of the annual federal PELL grant award.

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

The program has typically awarded over $3.0 million in community partner program grants and $7.0-$7.5 million in matching scholarship grants each year. These programs are described below.

Community Partner Program (CPP) Grants: The program funds over community partner grants for student support programs. This includes non-profits, K-12 and higher education institutions with pre-collegiate, collegiate, and bridge programs to support student participation and success in higher education. Based on FY 2017-18 costs and students served, the cost per student served has been approximately $250 per year.

- For programs at the K-12 level, it supports a 'future center" model. This program is a collaborative approach between partner organizations and/or a school district that is embedded in a school's counseling department. The hub serves all students at the school with curriculum and activities that address career and college options and pathways, provide academic support (e.g. tutoring), assist students with FAFSA completion, offer classes dedicated to precollegiate curriculum, provide summer bridge programming, and support other wrap-around services. The program enriches existing high school counseling resources.

- For programs at the postsecondary level, programs must provide intrusive advising, wrap-around student support services to assist students in overcoming academic and other barriers to success. The grantee must use the Colorado Challenge model and curriculum, which includes a collaborative approach between the institution and a peer coach. The Department describes the services provided as "TRIO-like" as the program closely resembles a federal grant program that provides targeted services on college campuses for low-income and minority students who face obstacles to persistence and success.

Matching Student Scholarship (MSS) Grants: The program offers grants to counties, higher education institutions, and workforce programs for 1:1 matching scholarship grants. The most recent allocation is shown below. The department reports that disbursements will vary between one and four years.

- $5.0 million allocated to counties based on free and reduced lunch populations;
- $1.5 million made available to public institutions of higher education; and
- $1.0 for workforce development scholarships.

State grants are matched by scholarship funds from state and philanthropic sources. State higher education institutions and institutional foundations operating on behalf of county governments provide matching funds. These entities will then distribute the grants (state funds and matching funds) to income-eligible students. Based on further program evaluations, it has taken steps to simplify some processes.

Responses to Staff Questions about Budget Reductions

In response to staff questions, COSI provided two funding scenarios demonstrating the impact of funding reductions on program operations. All scenarios assume matching scholarships (MSS awards) will be reduced by at least 25.0 percent. In order to preserve program operations in the near term, cuts are largely backfilled with reserves.

Scenario 1: $2.0 million per year appropriation reduction for two years. This scenario is preferred by the program as it would have a lesser impact on program services. This scenario reduces annual appropriations by $2 million and assumes a 25% decrease in MSS awards. In order to maintain current program operation with a funding reduction, some reserve spending is required. The chart below reflects the project impact. COSI indicates that it would not move forward exactly as demonstrated (because the fund balance cannot exceed encumbrances).

Scenario 2: Appropriation entirely eliminated for two year period and then restored. This scenario requires that new scholarship awards be suspended for one year in order to preserve fund balance in the absence of annual appropriations.

Under both scenarios, COSI maintains a minimum a $2.5 million allocation to community partner program awards through FY 24. By maintaining a minimum of $2.5 million for CPP allocations, COSI ensures the provision of student support services for COSI scholars at 20 institutions and 40 of the lowest college attaining rural high schools. This includes a new carve out of $450,000-$750,k000 over the next two years to support a position at a community non-profit or community college to connect displaced workers to meaningful programs for retraining and guide them to completion.

Scenario 1

assumes 25% voluntary reduction in MSS amounts accessed and reduces annual appropriation to $5 mil in FY21 & FY22 and resumes $7 mil appropriation in FY 23

COSI Scenario 1 - Maintains annual CPP awards and $7.5 million annual allocations for MSS (assumes 25% voluntary reduction in amounts accessed) - Decreases annual allocation to $5 million for 2 years	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Fund Balance (as of July 1)	$ 35,191,437	$ 38,794,603	$ 38,834,584	$ 36,850,928	$ 38,090,770	$ 36,234,770	$ 31,572,509	$ 26,125,138	$ 22,956,840	$ 21,117,886	$ 19,776,846	$ 17,356,096
Encumbrances					$ 10,000,000	$ 10,000,000	$ 15,527,042	$ 10,872,744	$ 7,532,040	$ 22,037,250	$ 6,946,500	$ 13,100,000
Expenses												
Salary & Benefits	$ 98,236	$ 186,605	$ 234,162	$ 250,967	$ 368,000	$ 368,000	$ 597,000	$ 597,000	$ 597,000	$ 575,000	$ 597,000	$ 597,000
Operating	$ 47,395	$ 64,697	$ 80,146	$ 74,366	$ 70,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000
Support program grants (CPP)	$ 2,175,608	$ 3,527,608	$ 3,535,656	$ 3,160,664	$ 3,310,000	$ 3,396,000	$ 3,250,000	$ 3,250,000	$ 2,500,000	$ 2,500,000	$ 4,500,000	$ 4,500,000
Scholarship grants (MSS) - encumbered by end of FY 20		$ 974,214	$ 3,586,024	$ 4,260,680	$ 5,500,000	$ 6,210,261	$ 6,334,871	$ 3,850,799	$ 2,431,453	$ 994,790		
Scholarship grants (MSS) - expected encumbrances with new MSS grants FY21							$ 577,500	$ 2,205,000	$ 840,000	$ 960,750	$ 630,000	$ 15,750
Scholarship grants (MSS) - expected encumbrances with new MSS grants FY 22								$ 577,500	$ 2,205,000	$ 840,000	$ 960,750	$ 630,000
Scholarship grants (MSS) - expected encumbrances with new MSS grants FY 23									$ 577,500	$ 2,205,000	$ 840,000	$ 960,750
Scholarship grants (MSS) - expected encumbrances with new MSS grants FY24										$ 577,500	$ 2,205,000	$ 840,000
Total Expenses	$ 2,321,239	$ 4,753,124	$ 7,435,988	$ 7,746,677	$ 9,248,000	$ 10,054,261	$ 10,839,371	$ 10,560,299	$ 9,230,953	$ 8,733,040	$ 9,812,750	$ 7,623,500
Revenue Interest	$ 270,344	336,261	392,422	$ 458,199	$ 392,000	$ 392,000	$ 392,000	$ 392,000	$ 392,000	$ 392,000	$ 392,000	$ 392,000
Revenue General Fund (for the current FY)		$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 8,500,000	$ 7,000,000	$ 5,000,000	$ 5,000,000	$ 7,000,000	$ 7,000,000	$ 7,000,000	$ 7,000,000

Scenario 2

Eliminates annual appropriation in FY21 & FY22

Eliminates MSS awards in 2020-2021 to account for appropriation loss and resumes $7 mil appropriation in FY 23

COSI Scenario 2 - Maintains annual CPP awards - eliminates MSS awards in 21 - resumes $7.5 million annual allocations in 22 - Eliminates annual allocation for 2 years	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Fund Balance (as of July 1)	$ 35,191,437	$ 38,794,603	$ 38,834,584	$ 36,850,928	$ 38,090,770	$ 36,234,770	$ 26,572,509	$ 16,702,638	$ 15,739,340	$ 14,740,386	$ 14,360,096	$ 12,569,346
Encumbrances					$ 10,000,000	$ 10,000,000	$ 15,527,042	$ 8,426,244	$ 5,925,540	$ 21,391,500	$ 6,930,750	$ 13,100,000
Expenses												
Salary & Benefits	$ 98,236	$ 186,605	$ 234,162	$ 250,967	$ 368,000	$ 368,000	$ 597,000	$ 597,000	$ 597,000	$ 575,000	$ 597,000	$ 597,000
Operating	$ 47,395	$ 64,697	$ 80,146	$ 74,366	$ 70,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000
Support program grants (CPP)	$ 2,175,608	$ 3,527,608	$ 3,535,656	$ 3,160,664	$ 3,310,000	$ 3,396,000	$ 3,250,000	$ 3,250,000	$ 2,500,000	$ 2,500,000	$ 4,500,000	$ 4,500,000
Scholarship grants (MSS) - encumbered by end of FY 20		$ 974,214	$ 3,586,024	$ 4,260,680	$ 5,500,000	$ 6,210,261	$ 6,334,871	$ 3,850,799	$ 2,431,453	$ 994,790		
Scholarship grants (MSS) - expected encumbrances with new MSS grants FY21							$ -	$ -	$ -	$ -	$ -	$ -
Scholarship grants (MSS) - expected encumbrances with new MSS grants FY 22								$ 577,500	$ 2,205,000	$ 840,000	$ 960,750	$ 630,000
Scholarship grants (MSS) - expected encumbrances with new MSS grants FY 23									$ 577,500	$ 2,205,000	$ 840,000	$ 960,750
Scholarship grants (MSS) - expected encumbrances with new MSS grants FY24										$ 577,500	$ 2,205,000	$ 840,000
Total Expenses	$ 2,321,239	$ 4,753,124	$ 7,435,988	$ 7,746,677	$ 9,248,000	$ 10,054,261	$ 10,261,871	$ 8,355,299	$ 8,390,953	$ 7,772,290	$ 9,182,750	$ 7,607,750
Revenue Interest	$ 270,344	336,261	392,422	$ 458,199	$ 392,000	$ 392,000	$ 392,000	$ 392,000	$ 392,000	$ 392,000	$ 392,000	$ 392,000
Revenue General Fund (for the current FY)		$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 8,500,000	$ 7,000,000	$ -	$ -	$ 7,000,000	$ 7,000,000	$ 7,000,000	$ 7,000,000

➔ WICHE OPTOMETRY

JBC ACTION AS OF 3/16/20: The Committee approved $450,625 General Fund (indirect cost recoveries that replaced General Fund otherwise required) for FY 2020-21.

RECOMMENDATION/OPTION: The Committee could consider reducing the appropriation for this program by $75,000, annualizing to $150,000 in FY 2021-22. This would be based on the expectation that the program will hold 4 positions vacant in FY 2020-21 and an additional 4 positions vacant in FY 2021-22.

ANALYSIS:

Key Considerations: The program supports graduate students who attend professional optometry programs in other states. There is not strong evidence that, in the absence of this program, Colorado would lack optometrists.

Additional Background:

This program provides funding for Colorado students to enroll in out-of-state institutions with optometry programs, including private institutions, at subsidized rates through an exchange set up by WICHE. The exchange offers an alternative to establishing such a program in Colorado, as there is currently no optometry school in the State. In return for discounted tuition, participating students agree to return to Colorado to practice optometry for the same number of years as they were

supported, or to repay the state for its investment inflated by the federal PLUS student loan rate. As of FY 2015-16, 87 percent of graduates returned to the State.

The program typically serves about 25 students at any given time. The FY 2017-18 state support fee (paid by all states per student) was $17,725 per year, or about half of typical optometry school tuition. Since FY 2004-05, from 2 to 12 new students have been added to the program each year. Students are funded for their entire time in the multi-year program, so there are only a few students added each year, while others graduate (an O.D. program is typically 4 years).

Fiscal Year 2012-13 request BRI 7 proposed to phase out the program, but the General Assembly did not approve this request. Between FY 2017-18 and FY 2018-19, the Department requested, and the Committee approved, an increase of $51,625 for the program. In response to an FY 2017-18 RFI, the Department expressed its continued support for the program but did not support adding additional professional exchange programs.

The program is supported by General Fund that is offset by departmental and state indirect cost recoveries.

➔ OPEN EDUCATIONAL RESOURCES

JBC ACTION AS OF 3/16/20: The Committee approved $1,160,877 General Fund for FY 2020-21, the third and final year of the Open Educational Resources program pending reauthorization.

RECOMMENDATION/OPTION: The Committee could consider reducing funding for the grant program by $200,000, in alignment with the reductions being taken in other parts of the budget.

ANALYSIS:

Key Considerations: The program is designed to save students money by supporting faculty in redesigning classes and materials to use open educational resources. These are materials that students may access free or at very low cost. Given the increase in the use of on-line resource in the current crises and the financial challenges facing students, a program to assist faculty in lowering the cost of their classes seems timely; thus, *staff does not recommend this reduction*. Nonetheless, this is an option, if the Committee wishes to align reductions to the program with those in other parts of the budget.

Additional Background: House Bill 18-1331 created the Colorado Open Educational Resources (OER) Council and grant program in the Department of Higher Education (DHE). Open educational resources are high-quality teaching, learning, and research resources that reside in the public domain or have been released under an intellectual property license that permits their free use and repurposing by others. Establishes requirements for appointments to the Council by the Executive Director of DHE and the Commissioner of Education. Council responsibilities include:

- Recommending statewide policies for promoting adaptation, creation, and use of OER at Colorado public institutions of higher education;
- Facilitating professional development and sharing of knowledge about OER;
- Implementing the OER grant program that is created in the bill; and

- Submitting an annual report to the Colorado Commission on Higher Education and the General Assembly on the use of OER and the impact of the grant program.

The OER grant program provides grants to public institutions of higher education to promote the use of OER at the institutions and to faculty and staff, individually or in groups, to create and adapt open educational resources. It also directs the Colorado Commission on Higher Education to adopt guidelines to require public institutions of higher education to ensure that, beginning in the fall of 2021, students are informed prior to course registration concerning which courses and sections use OER or other low-cost materials.

➔ GOVERNING BOARDS - CYBERCODING CRYPTOLOGY PROGRAM

JBC ACTION AS OF 3/16/20: The JBC voted to provide a continuing appropriation of $5,100,000 General Fund for a limited purpose fee-for-service contract for Cyber Coding Cryptology pursuant to S.B. 18-086. Five of the ten governing boards receive appropriations for this program, as reflected in the table below.

OPTION: The Committee could consider eliminating or reducing appropriations for this program, which are distributed as follows.

LIMITED PURPOSE FEE-FOR-SERVICE CONTRACTS							
FY 2019-20 Appropriation	MESA	METRO	WESTERN	CSU SYSTEM	CU SYSTEM	CC SYSTEM	TOTAL
Cyber Coding Cryptology (S.B. 18-086)	300,000	300,000	200,000	1,200,000	2,800,000	300,000	5,100,000

ANALYSIS:
Key Considerations: In general, the governing boards indicate that they prefer appropriations with fewer constraints or requirements. From that perspective, eliminating this program may be preferable to other percentage-based reductions for the boards. Staff recognizes that cybersecurity is a significant national and state concern and does not have sufficient information to determine the importance of this program to the State.

Additional Background: The funds are used pursuant to Section 24-33.5-1904 and 1905 which specifies that the University of Colorado at Colorado Springs may partner with other institutions of higher education and a nonprofit organization to establish and expand cyber higher education programs and establish needed by higher education and training laboratories. Requirements at Section 24-33.5-1905 (4)(a) and (b) include provisions requiring distribution of funds to institutions "participating in activities related to cybersecurity and distributed ledger technologies, such as blockchain" and requiring that a portion of the funds be allocated for scholarships. A report submitted in October 2019 included the following summary of activities funded by the program.

Table 2 summarizes activities funded by SB 18-086 funding.

	Faculty and Adjuncts Hired	Internships Created	Degrees and Certificates Awarded	Scholarships Awarded	Presentations and Seminars Given	Amount of Other Funding Raised
Colorado Mesa University	1.6	21	7	23	67	$0
Metropolitan State University of Denver	3	10	0	15	1	$45,703
Western Colorado University	1.4	0	0	5	1	$0
Colorado State University System	2	29	14	76	73	$0
University of Colorado System	6	18	141	488	50	$3,984,642
Colorado Community College System	1	1	16	24	4	$50,000

➔ PUBLIC INSTITUTIONS OF HIGHER EDUCATION: BASE SUPPORT, TUITION CAPS, HIGHER EDUCATION FUNDING MODEL BILL

JBC ACTION AS OF 3/16/20:

- The JBC approved a 7.0 percent increase for the governing boards and an associated increase for financial aid, allocated consistent with an agreement negotiated among the governing boards. The fiscal impact was an increase of $73,662,365 General Fund. The Executive Request was for an increase of 2.5 percent ($26,297,478 General Fund), while staff had recommended 3.0 percent ($31,569,584).

- The Committee indicated it wished to include the funds in the Long Bill using the H.B. 14-1319 model in amounts as close as possible to an allocation agreed among the higher education governing boards; these amounts would be slightly modified to align precisely with a new allocation model in a funding allocation model bill to be sponsored by the Committee. (In particular, within the allocations for the University of Colorado and Colorado State University, the share of funding specified as directed to the specialty education programs was expected to change between the H.B. 14-1319 model and the new model.)

- The Committee also requested a bill draft for the new Higher Education Funding Model bill.

RECOMMENDATION:

- **In part 1 of this document, staff recommended eliminating the 7.0 percent increase approved by the JBC due to budget constraints. Beyond this, staff recommends that the Committee take a reduction for the higher education governing boards proportionate to the overall reduction required for state government and ensure that there are either state-funded or federally-funded adjustments for some of the smallest and most vulnerable institutions to cut them less.** As discussed further below, historically, the General Assembly has used higher education to balance the budget during times of economic crisis, knowing that the higher education institutions could expect both increases in enrollment and increases in tuition to limit the depth of impact on their institutions. In the immediate term, however, significant tuition increases are not likely to be a viable option for most institutions, and most institutions expect to

face significant reductions in enrollment and other loss of revenue associated with COVID-19. *To the extent feasible, the JBC should pursue lower near-term cuts for higher education, with the expectation that deeper cuts will be required in out-years. This may be feasible if additional federal resources can be accessed for this purpose for FY 2020-21 (i.e., the Coronavirus Relief Fund).*

- The governing boards have generally agreed that each governing board's share of reductions should be taken proportional to their current share of funding. **In light of the direct federal allocations, which significantly favor access institutions, staff believes this is reasonable <u>except</u> that staff believes additional support of at least $1.5 million is likely to be needed for some of the small institutions** to keep their overall reductions from General Fund and federal funds comparable to that of other institutions. It is possible that this could come in the form of additional funding from federal sources (a flexible education "pot" that will be allocated by the Governor), but this will need to be negotiated with the Executive Branch.

- With respect to the funding allocation model bill, staff recommends that the Committee proceed with the bill, but remove any components of the bill related to FY 2020-21 appropriations, i.e., the Long Bill, rather than this bill, would carry all higher education appropriations, and Long Bill funding would be based on the H.B. 14-1319 model, which staff can adjust to meet allocation goals. As part of this, *the bill could specify that the allocation among the governing boards used for calculating the new model in FY 2021-22 be based on the proportions in the FY 2019-20 appropriation, rather than the FY 2020-21 appropriation, if the two are different, so that any decisions related to providing specific assistance to one institution or another in FY 2020-21, either in the Long Bill or, if necessary, in an FY 2020-21 supplemental bill, do not become entangled with the future of this bill.*

- With respect to tuition, staff recommends that the Committee approve the highlighted figures below, depending upon which scenario is selected. As can be seen, for most of the boards, the undergraduate resident tuition cap would remain at 3.0 percent for FY 2020-21. For context, the boards have also identified the tuition rate that would be required to offset the lower General Fund Support, but this is different from the increase they actually believe is reasonable or feasible.

Tuition Anticipated/Proposed for FY 2020-21 - Recommended Tuition Caps Under Various Scenarios									
	0% State Funding Change FY 2019-20 to FY 2020-21			-10% State Funding Change FY 2019-20 to FY 2020-21			-20% State Funding Change FY 2019-20 to FY 2020-21		
Public IHEs	Resident (All UG + Grad) Tuition Rate Increase Needed to Fully Offset 0% state funding change	Resident UG Tuition Rate Increase Recommended by Staff for Long Bill based on Board Proposal	Dollar amount of state funding change not offset by recommended tuition rate increase	Resident (All UG + Grad) Tuition Rate Increase Needed to Fully Offset -10% state funding change	Resident UG Tuition Rate Increase Recommended by Staff for Long Bill based on Board Proposal	Dollar amount of state funding change not offset by recommended tuition rate increase	Resident (All UG + Grad) Tuition Rate Increase Needed to Fully Offset -20% state funding change	Resident UG Tuition Rate Increase Recommended by Staff for Long Bill based on Board Proposal	Dollar amount of state funding change not offset by recommended tuition rate increase
CU System			($15,016,336)			($39,153,729)			($63,291,121)
Boulder	6.00%	**3.00%**	($5,674,767)	14.00%	**3.00%**	($14,796,439)	22.00%	**3.00%**	($23,918,110)
Denver	5.80%	**3.00%**	($2,396,981)	10.30%	**3.00%**	($6,249,909)	14.50%	**3.00%**	($10,102,837)
UCCS	7.50%	**3.00%**	($1,939,947)	10.50%	**3.00%**	($5,058,235)	13.50%	**3.00%**	($8,176,524)
Anschutz	7.30%	**3.00%**	($5,004,641)	19.00%	**3.00%**	($13,049,146)	30.70%	**3.00%**	($21,093,651)
CSU System*		**3.00%**	($10,437,428)		**3.00%**	($27,520,250)		**3.00%**	($44,603,072)
Ft. Collins	8.40%	**3.00%**	($9,184,937)	22.00%	**3.00%**	($24,217,820)	35.50%	**3.00%**	($39,250,703)
Pueblo	6.98%	**3.00%**	($1,252,491)	18.40%	**3.00%**	($3,302,430)	29.80%	**3.00%**	($5,352,369)
CCCS	8.80%	**3.40%**	($13,009,454)	16.50%	**5.60%**	($26,608,319)	24.30%	**5.60%**	($45,594,892)
UNC	8.20%	**5.00%**	($2,132,351)	15.90%	**5.00%**	($6,832,797)	23.70%	**5.00%**	($11,533,244)
Mines	6.00%	**3.00%**	($1,600,867)	10.20%	**3.00%**	($4,137,993)	14.50%	**3.00%**	($6,675,120)
CMU	5.50%	**3.00%**	($2,916,725)	11.00%	**3.00%**	($6,135,221)	17.00%	**3.00%**	($9,353,717)
MSU-Denver	8%	**3.00%**	($6,112,477)	14%	**5.00%**	($10,175,794)	19%	**5.00%**	($16,542,708)
Western	9.00%	**3.00%**	($1,237,239)	20.00%	**3.00%**	($2,740,777)	31.00%	**3.00%**	($4,244,314)
Ft. Lewis	12.60%	**3.00%**	($1,121,583)	28.40%	**3.00%**	($2,535,227)	44.30%	**3.00%**	($3,948,871)
Adams	12.90%	**3.00%**	($1,420,914)	28.60%	**3.00%**	($3,148,940)	44.30%	**3.00%**	($4,876,965)

ANALYSIS:

Key Considerations:

- This is of the few sectors in state government with significant General Fund that is not constrained by Constitutional or federal restrictions. Higher education is therefore always a critical element of any effort to balance the budget.
- Particularly for FY 2020-21, higher education faces substantial uncertainty, as COVID-19 impacts may significantly reduce enrollment revenue and revenue from on-campus facilities.
- Although the federal CARES Act includes direct support for the governing boards, the portion available to shore up state governing boards' operations is only about $66.1 million. which will only partially offset the impact of even a10.0 percent General Fund reduction of $82.3 million for the state operated boards.
- Public higher education is a large industry, and the state-operated governing boards have total revenues exceeding $8.0 billion. Those that are most financially healthy (particularly the University of Colorado, but also the other systems), have large reserves that will help them weather this type of situation. However, other institutions are quite financially vulnerable, with few reserves and limited liquid resources.

Additional Background:

History of Balancing Reductions and Revenue in Higher Education

FY 2001-02 to FY 2003-04: From FY 2001-02 to FY 2003-04, the total General Fund operating budget fell and then increased slightly, for a net increase of 0.5 percent. Higher education played an important role in making this possible, as the **total General Fund appropriation for higher education fell 23.1 percent** ($158.6 million).

As a share of total General Fund appropriations, **Higher Education fell from 13.4 percent of the state General Fund operating budget to 10.6 percent of the state General Fund operating budget**.

- General Fund appropriations for the governing boards and local district colleges fell 11.2 percent
- General Fund appropriations for financial aid fell 5.5 percent
- Most special programs were eliminated, e.g., Programs of Excellence ($4.4 million) and Advanced Technology Grants ($2.2 million)
- Commission administration was reduced 9.3 percent
- General Fund support for the historical society (History Colorado) was eliminated and replaced with limited gaming revenues ($2.7 million reduction)

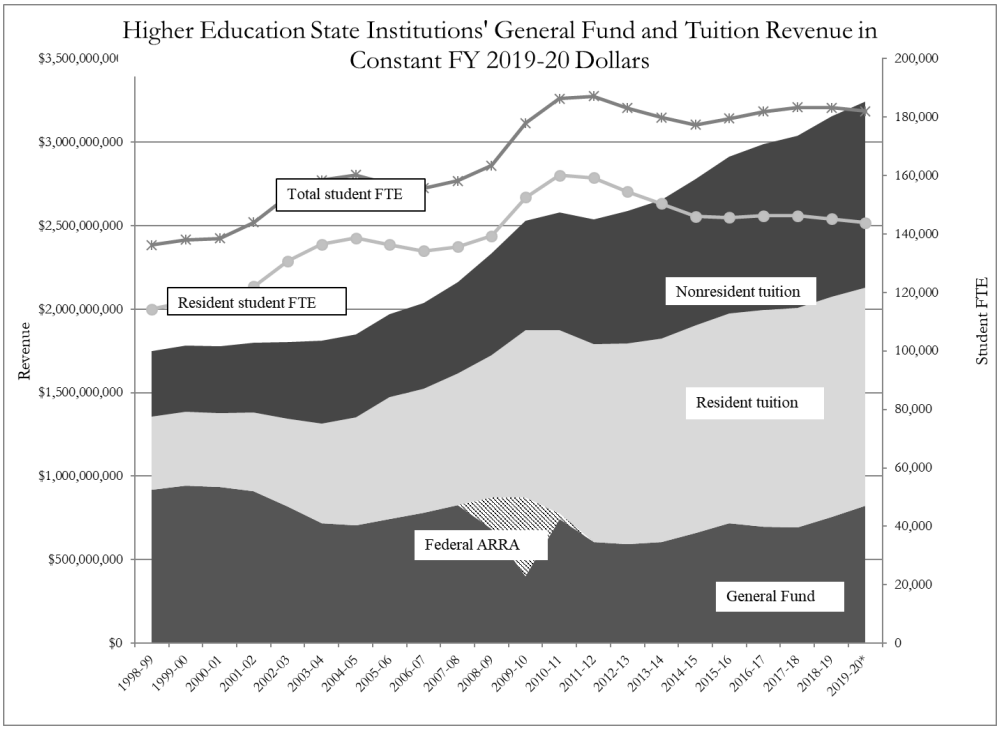
FY 2007-08 to FY 2011-12: In this period, the total state General Fund operating budget fell 2.7 percent, having fallen more steeply and then recovered somewhat. **General Fund appropriations for higher education fell by 16.6 percent**. During FY 2008-09, FY 2009-10, and FY 2010-11, General Fund was cut more deeply (FY 2009-10 was 42.7 percent lower than the FY 2007-08 appropriation), but the these deeper cuts were backfilled with federal funds from the American Recovery and Reinvestment act. With the inclusion of these federal ARRA funds, total state funding

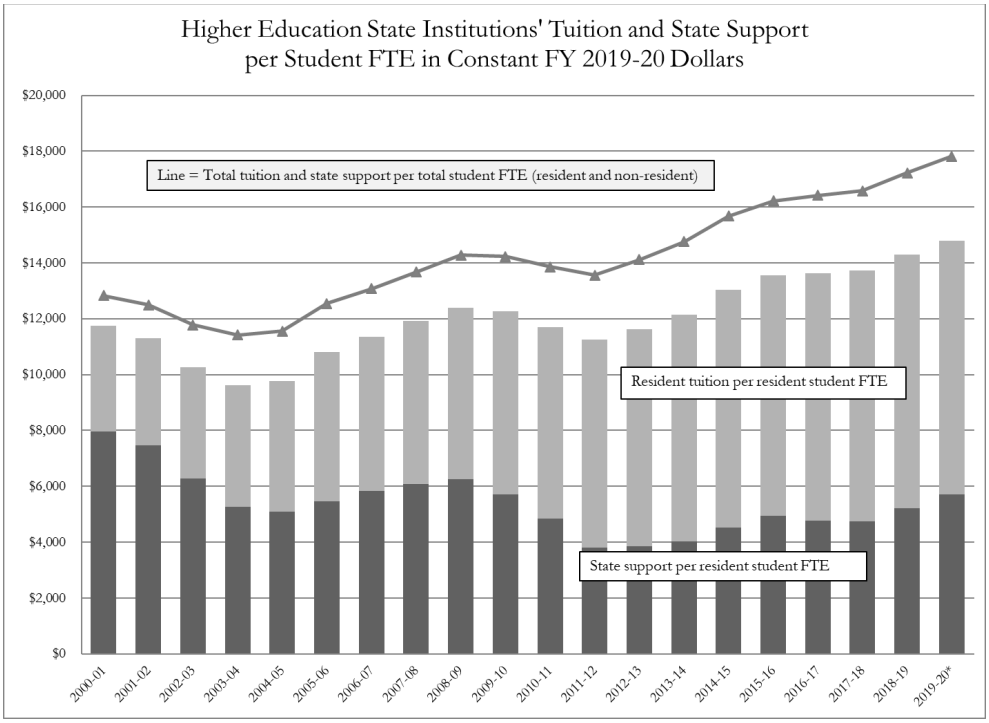
for higher education peaked in FY 2008-09 (the high point often cited by the governing boards), as federal maintenance of effort requirements limited the scope of General Fund reductions in that year.

HIGHER EDUCATION GENERAL FUND AND FEDERAL AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS				
	GENERAL FUND	FEDERAL FUNDS	TOTAL FUNDS	% CHANGE TOTAL
2007-08	$747,717,300	$0	$747,717,300	
2008-09	661,973,800	150,676,055	812,649,855	8.7%
2009-10	428,761,033	382,008,243	810,769,276	(0.2%)
2010-11	705,108,145	31,591,634	736,699,779	(9.1%)
2011-12	623,962,700	0	623,962,700	(15.3%)
Total Federal ARRA Funds		$564,275,932		

As a share of total General Fund appropriations, **Higher Education fell from 10.3 percent of the state General Fund operating budget to 8.8 percent of the state General Fund operating budget**. (In FY 2019-20 as currently enacted, Higher Education is 9.1 percent of the state General Fund operating budget.)

- Funding allocated to governing boards fell 20.7 percent ($135.8 million) from FY 2007-08 to FY 2011-12
- Financial aid appropriations, though a smaller part of the overall budget) were more protected during this period. Financial aid appropriations (excluding federal funds) *increased* by 9.5 percent ($9.0 million) over this same time period and increased from 12.8 percent to 16.6 percent of the Higher Education General Fund budget. (Financial aid was 19.8 percent of the Higher Education budget as enacted for FY 2019-20.)
- Various smaller programs were eliminated.
- The General Assembly used higher education-related cash funds to shore up appropriations. In FY 2010-11, one-time cash funds from CollegeInvest were used to replace $15.4 million in Need Based Grants, and $44.3 million from the Colorado CollegeInvest Scholarship Trust Fund and $41.3 million from federal mineral lease revenues deposited to higher education-related funds were transferred to the General Fund.
- **The General Assembly provided significant tuition flexibility, contributing to large increases in tuition revenue that have more than compensated for declines in General Fund.** Even when General Fund has increased, tuition rates and overall revenue per student has generally increased significantly faster than inflation, as reflected in the charts below. For additional detail on the factors driving these trends at the governing board level, see the appendix to the staff briefing document.





General Observations

- Because there are no Constitutional or federal restrictions related to funding for higher education, and given the *lack* of flexibility in much of the rest of the budget, higher education has historically taken a disproportionate share of state General Fund reductions during economic downturns.
- If the current health crisis turns into a significant recession lasting several years, as most economists now seem to predict, **staff assumes that higher education will again need to take a disproportionately large share of state funding reductions**.
- **However, in the near term (for FY 2020-21) staff hopes that the General Assembly will be able to keep higher education reductions from exceeding the cuts in other parts of the budget**, as the current phase of the crisis threatens higher education in ways that differ from prior recessions.
- Institutions have already experienced significant financial damage and expect to suffer more.
    - Those with residential programs face losses due to the closure of dorms and auxiliary facilities for the spring 2020 term and costs incurred in taking all classes on line.
    - They expect to lose revenue from summer programs, including enrollment declines for summer terms and loss of other revenue-generating summer uses of their facilities (camps, conferences, etc.).
    - They are even more deeply concerned about likely enrollment declines for the 2020-21 academic year. They do not know whether they will be able to offer on-campus programs in FY 2020-21 or whether some or all of the year will be on-line. Even if campuses are reopened for the Fall 2020 term, it seems likely that the "traditional" college experience will be significantly affected by social distancing and similar health-related precautions. Families are also likely to be under financial stress. This combination of factors seems likely to lead to a reduction in enrollment at all but the most online programs (i.e., CSU's Global Campus).
- In a "traditional" recession, higher education enrollment increases, particularly at the community colleges and other institutions with more of an access mission, as unemployed workers return for more education. Institutions have generally been able to sustain state funding cuts in part due to these enrollment increases.
- In the past, the General Assembly has allowed the institutions to increase tuition rates substantially during recessions. However, current higher education tuition rates are already stretching household resources, driving student debt, and likely discouraging many low income students from attendance. Given the ways in which the current health crisis is likely to affect the college experience and enrollment, most institutions believe they will not increase tuition more than 3.0 percent in FY 2020-21, even if the General Assembly gives them the flexibility to do so.
- In FY 2021-22 and subsequent years--once the virus is effectively contained and/or a vaccine developed--the situation for the higher education institutions may look more like a "normal" recession, and the General Assembly may need to use the same higher education budget cutting approaches as in the past. If the State is slow to recover from the economic damage from the coronavirus, it's possible that institutions and the General Assembly will need to confront more drastic options, such as school closures and consolidations.
- Staff does not expect that higher education can be spared from cuts; the question is whether higher education's General Fund cuts will need to be deeper than other departments immediately or only longer term. This, in turn, will depend in part on how much additional help may be available from

federal sources, including the Coronavirus Relief Fund and the Governor's discretionary share of the Higher Education Emergency Relief funds.

- As discussed further below, the institutions are currently taking the position that cuts should be proportionately allocated among them. This does not seem reasonable to staff, given the far more robust financial position of some institutions as opposed to others. However, staff also recognizes that there is a great deal of uncertainty on many fronts, from the impact of the current situation on finances to the level of additional support that may be available from federal sources, which makes it more difficult to determine both what is fair and what is necessary. *Staff believes that Adams State University and Western State University cannot reasonably sustain a cut of even a 10.0 percent General Fund magnitude unless such General Fund cut is backfilled with federal funds. Staff suggests that OSPB be asked to comment on whether it intends to make such funds available. If not, the JBC should* ***not*** *apply General Fund cuts proportionately to these institutions.* **If $1.5 million were added back to assist these two institutions, they would at least not be in a notably *worse*** situation than other institutions after the application of a General Fund cut and the CARES Act federal funds.
- Staff is also very concerned about the liquidity of the University of Northern Colorado. However, at the high range of impacts, the scale of support required to assist UNC in a meaningful way is likely beyond the capacity of the General Fund in a recessionary environment.

Projected Impact of the Current Crisis on Higher Education Finances

In response to staff questions, the institutions developed several different scenarios and reflected the range of enrollment and other impacts they anticipated. Staff understands that the range of enrollment impacts shown below were developed collaboratively by all of the chief financial officers. The cost implications of each of these enrollment changes and other institution-specific impacts were then filled out by all of the boards on a shared spreadsheet. The scenarios and related assumptions are described below. As shown, in Scenario #1, the institutions assume that they are back to in-person education in Fall 2020. The "best case" (low) version of this scenario assumes some loss of nonresident enrollment and related revenue, but no impact on resident enrollment and tuition; the "worst case" (high) version of this scenario assumes 10.0 percent loss in resident tuition, 15.0 percent loss in domestic nonresident tuition, and 50.0 percent loss in international nonresident tuition, with auxiliary housing and dining impacts as great as 40.0 percent. The spreadsheets also incorporate:

- Research revenue impacts
- Costs related to remote learning
- Expense avoidance

PROJECTED RANGE OF IMPACTS ON HIGHER EDUCATION OPERATIONS AND REVENUE FROM CORONAVIRUS RESPONSE IN FY 2020-21

		SCENARIO #1 SUMMER - REMOTE FALL AND SPRING - IN PERSON	SCENARIO #2 SUMMER REMOTE, FALL REMOTE SPRING IN-PERSON	SCENARIO #3 SUMMER REMOTE FALL AND SPRING - REMOTE
Resident Tuition Revenue (Undergrad and Grad)	Low	0.0%	-5.0%	-15.0%
	High	-10.0%	-20.0%	-30.0%
Domestic Non-Resident Tuition Revenue (Undergrad and Grad)	Low	-7.0%	-15.0%	-25.0%
	High	-15.0%	-30.0%	-40.0%
	Low	-15.0%	-25.0%	-35.0%

PROJECTED RANGE OF IMPACTS ON HIGHER EDUCATION OPERATIONS AND REVENUE FROM CORONAVIRUS RESPONSE IN FY 2020-21				
		SCENARIO #1 SUMMER - REMOTE FALL AND SPRING - IN PERSON	SCENARIO #2 SUMMER REMOTE, FALL REMOTE SPRING IN-PERSON	SCENARIO #3 SUMMER REMOTE FALL AND SPRING - REMOTE
International Non-Resident Tuition Revenue (Undergrad and Grad)	High	-50.0%	-60.0%	-70.0%
Education & General Fee Revenue Impact	Low	0.0%	-20.0%	-30.0%
	High	-15.0%	-50.0%	-60.0%
Auxiliary Revenue Impact (housing, dining, bookstore, facility rentals; excludes athletics)	Low	-20.0%	-50.0%	-60.0%
	High	-40.0%	-80.0%	-90.0%

As shown below, the higher education institutions project impacts that range from significant but manageable to devastating.

- At the low end of possible outcomes, under the most optimistic assumptions for Scenario #1 (in-person learning resumes in Fall 2020, limited enrollment impacts), the statewide impact on public institutions would be under $96.9 million for Education and General revenue (the educational portion typically included in the state budget) and $368.3 million for total revenue, including revenue from housing, dining, research, and other auxiliary activities.
- At the high end of possible outcomes, under the most pessimistic assumptions for Scenario #3 (no in-person learning throughout FY 2020-21), the impact on statewide institutions would be $1.0 billion in Education and General Revenue and $2.1 billion for total revenue.

PROJECTED IMPACT FROM CORONAVIRUS RESPONSE TOTAL - COLORADO PUBLIC HIGHER EDUCATION INSTITUTIONS						
	SCENARIO #1 IMPACTS		SCENARIO #2 IMPACTS		SCENARIO #3 IMPACTS	
ESTIMATE RANGE	EDUCATION & GENERAL REVENUE	TOTAL REVENUE	EDUCATION & GENERAL REVENUE	TOTAL REVENUE	EDUCATION & GENERAL REVENUE	TOTAL REVENUE
Low Estimate	($96,873,338)	($368,307,615)	($291,536,427)	($744,206,754)	($562,026,988)	($1,438,866,104)
High Estimate	(394,968,779)	(839,746,346)	(930,681,275)	(1,634,146,055)	(1,016,306,814)	(2,141,061,127)

Capacity of the Higher Education Governing Boards to Sustain these Impacts

To better understand the impact of these potential reductions on institutions, several other tables are included below. The first table shows the overall scale of higher education budgets. It is important to remember that, as an industry, the state boards overall are a set of businesses with operating revenues over $8.0 billion.

STATE HIGHER EDUCATIONS INSTITUTIONS - EDUCATION & GENERAL BUDGETS, TOTAL BUDGETS, AND EXPENDABLE ASSETS				
	FY 2019-20 GENERAL FUND OPERATING APPROPRIATIONS	ESTIMATED E&G BUDGETS FOR FY 2019-20[1]	ESTIMATED TOTAL REVENUE FOR FY 2019-20[2]	EXPENDABLE ASSETS FROM FY 2018-19 FINANCIAL STATEMENTS, ADJUSTED[3]
University of Colorado	$244,273,926	$1,628,361,094	$4,627,071,579	3,150,741,000
Colorado State University	172,378,536	787,443,788	1,660,688,742	900,970,000
University of Northern Colorado	47,329,464	147,144,931	237,417,352	62,748,000
Colorado School of Mines	25,371,265	201,777,564	325,807,885	247,777,356
Fort Lewis College	14,136,437	54,640,955	83,679,660	51,971,000
Adams State University	17,280,257	33,243,850	57,682,754	30,664,000
Colorado Mesa U.	32,484,959	104,151,315	164,869,403	81,200,468
Western State Colorado U.	15,235,379	34,034,148	66,158,497	19,584,997
Metro State U. of Denver	63,969,142	182,438,819	215,734,251	91,542,121
Community College System	190,447,695	510,454,978	746,360,893	335,218,000
TOTAL	**$822,907,060**	**$3,683,691,442**	**$8,185,471,016**	**$4,972,416,942**

[1] *Source:* Data provided by the Department of Higher Education in February 2020 for purposes of estimating the governing boards' core minimum costs.

[2] *Source:* Office of the State Auditor, Higher Education TABOR Enterprise Status Memo, Fiscal Year 2019 (October 2019) http://leg.colorado.gov/audits/higher-education-tabor-enterprise-status-memo-fiscal-year-2019

[3] *Source:* Governing board submissions to JBC staff in November and December 2019 for purposes of compiling Composite Financial Index figures for each board. These figures exclude pension liabilities. At a meeting with the Boards on 4/20/20 about the proposed cuts, the boards emphasized that a significant share of these funds are not truly unrestricted. For example, some of the funds shown reflect reserves in institutional foundations, to which institutions may not have access. The institutions have not thus far provided alternative figures that they feel are more accurate.

The table below considers two other key issues.

- The impact of a 10.0 percent cut in General Fund support for the Governing Boards; and
- The impact of the federal CARES Act on the boards. Allotments have been determined by federal formula, and the federal rules require 50 percent of the funds be used for direct grants to students. As a result, staff assumes only 50 percent of the total that has now been allocated is available to assist in stabilizing institutional finances.

As shown the federal assistance would come close to covering a General Fund cut at most of the higher education institutions, but there are some exceptions that are highlighted.

IMPACT OF A 10.0 PERCENT GENERAL FUND CUT AND THE INSTITUTIONAL SUPPORT SHARE OF FEDERAL FUNDS PROVIDED UNDER CARES ACT				
	10.0% GF REDUCTION IF ACROSS THE BOARD	FF CARES ACT INSTITUTIONAL 50.0% SHARE	TOTAL	TOTAL AS A SHARE OF EDUCATION AND GENERAL REVENUE
University of Colorado	($24,427,393)	$18,421,068	($6,006,325)	-0.4%
Colorado State University	(17,237,854)	10,826,787	(6,411,067)	-0.8%
University of Northern Colorado	(4,732,946)	3,825,107	(907,839)	-0.6%
Colorado School of Mines	(2,537,127)	1,722,558	(814,569)	-0.4%
Fort Lewis College	(1,413,644)	1,519,319	105,675	0.2%
Adams State University	(1,728,026)	784,457	(943,569)	-2.8%
Colorado Mesa U.	(3,248,496)	3,534,190	285,694	0.3%
Western State Colorado U.	(1,523,538)	676,670	(846,868)	-2.5%
Metro State U. of Denver	(6,396,914)	7,195,042	798,128	0.4%
Community College System	(19,044,770)	17,571,747	(1,473,023)	-0.3%
Total	**($82,290,708)**	**$66,076,945**	**($16,213,763)**	**-0.4%**

Institutions note that **losses from enrollment declines could far outstrip impacts from either federal CARES assistance or General Fund reductions.**

IMPACT OF 10.0 PERCENT ENROLLMENT DECLINE	
	AMOUNT
University of Colorado	($112,458,984)
Colorado State University	(53,307,934)
University of Northern Colorado	(8,592,026)
Colorado School of Mines	(15,643,333)
Fort Lewis College	(4,029,687)
Adams State University	(2,030,000)
Colorado Mesa U.	(7,148,983)
Western State Colorado U.	(2,342,606)
Metro State U. of Denver	(12,793,773)
Community College System	(28,022,567)
Total	**($246,369,893)**

Under the institutions' scenarios, the "high range impact" incorporates reductions in resident student enrollment and associated revenue declines that may exceed 10.0 percent. The risks presented by the "high range", even in a scenario in which institutions are open for in-person learning during the regular academic year, are substantial.

COMBINED IMPACT - GENERAL FUND 10.0% CUT, CARES ACT INSTITUTIONAL FUNDS, AND SCENARIO #1 IMPACTS ON EDUCATION AND GENERAL AND TOTAL REVENUE AT STATE OPERATED BOARDS				
	LOW RANGE IMPACT		HIGH RANGE IMPACT	
	EDUCATION & GENERAL FUNDS	TOTAL FUNDS	EDUCATION & GENERAL FUNDS	TOTAL FUNDS
University of Colorado	($59,283,221)	($232,799,568)	($197,237,426)	($457,696,611)
Colorado State University	(27,118,467)	(91,345,467)	(88,746,067)	(198,500,067)
University of Northern Colorado	(3,446,565)	(11,737,019)	(16,410,287)	(36,266,486)
Colorado School of Mines*	(10,114,569)	(9,314,569)	(30,814,569)	(35,014,569)
Fort Lewis College	(2,200,825)	(5,034,925)	(5,865,725)	(11,546,425)
Adams State University	(1,759,569)	(4,521,569)	(3,873,569)	(9,447,569)
Colorado Mesa U.	(1,214,399)	(7,546,498)	(8,178,102)	(14,510,201)
Western State Colorado U.	(1,652,489)	(6,802,610)	(3,868,400)	(12,991,490)
Metro State U. of Denver	(999,965)	(2,059,865)	(18,275,267)	(21,024,667)
Community College System	(4,375,983)	(13,546,468)	(32,001,199)	(47,111,099)
Total	**($112,166,052)**	**($384,708,558)**	**($405,270,611)**	**($844,109,184)**

*Updated information from the School of Mines reflects E&G impacts approximately $6.0 million lower; total funds impacts do not change.

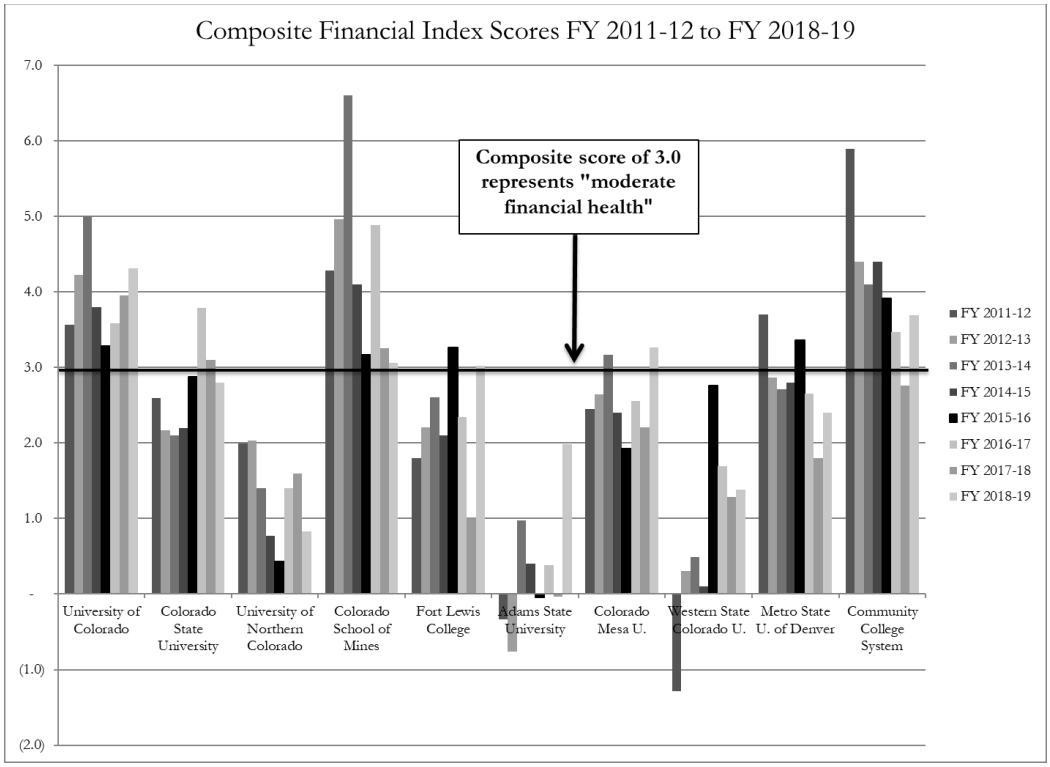
The last table shows the combination of these various impacts (General Fund, Federal Funds and Scenario Impacts) as percentages for each of the state boards for Scenario #1. It also shows statewide totals for the state operated governing boards for Scenarios #1, #2, and #3.

COMBINED GF, FF, AND SCENARIO REDUCTIONS (TUITION, AUXILIARIES, ETC.) AS A SHARE OF INSTITUTIONAL RESOURCES						
	EDUCATION & GENERAL REDUCTION AS A % EDUCATIONAL AND GENERAL BUDGET		TOTAL REVENUE REDUCTION AS % OF TOTAL REVENUE (INCLUDES AUXILIARIES)		TOTAL REVENUE REDUCTION AS % EXPENDABLE ASSETS	
	LOW RANGE	HIGH RANGE	LOW RANGE	HIGH RANGE	LOW RANGE	HIGH RANGE
Scenario #1 (In-person learning resumes in Fall)						
University of Colorado	-3.6%	-12.1%	-5.0%	-9.9%	-7.4%	-14.5%
Colorado State University	-3.4%	-11.3%	-5.5%	-12.0%	-10.1%	-22.0%
U. of Northern Colorado	-2.3%	-11.2%	-4.9%	-15.3%	-18.7%	-57.8%
Colorado School of Mines	-5.0%	-15.3%	-2.9%	-10.7%	-3.8%	-14.1%
Fort Lewis College	-4.0%	-10.7%	-6.0%	-13.8%	-9.7%	-22.2%
Adams State University	-5.3%	-11.7%	-7.8%	-16.4%	-14.7%	-30.8%
Colorado Mesa U.	-1.2%	-7.9%	-4.6%	-8.8%	-9.3%	-17.9%
Western State Colorado U.	-4.9%	-11.4%	-10.3%	-19.6%	-34.7%	-66.3%
Metro State U. of Denver	-0.5%	-10.0%	-1.0%	-9.7%	-2.3%	-23.0%
Community College System	-0.9%	-6.3%	-1.8%	-6.3%	-4.0%	-14.1%
Statewide Averages for 3 Scenarios						
Scenario #1 State Governing Boards Weighted Average	-3.0%	-11.0%	-4.7%	-10.3%	-7.7%	-17.0%
Scenario #2 State Governing Boards Weighted Average	-10.0%	-12.3%	-22.1%	-20.6%	-20.2%	-34.0%
Scenario #3 State Governing Boards Weighted Average	-17.2%	-27.1%	-18.4%	-26.7%	-30.3%	-44.0%

How will the institutions manage these revenue declines? The institutions emphasize that, even for those with significant fund balances, they will rely on these balances as little as possible due to the substantial uncertainty about the ongoing fallout from the COVID-19 crisis. Thus, in response to questions about how they will manage potentially large revenue reductions, most highlight cuts to the operating budget, hiring freezes, no compensation increases, deferred maintenance, and workforce reductions of both faculty and staff positions. The School of Mines indicated that it had already taken cost-cutting measures, through steps such as not filling vacancies, that would provide $7.3 million in expense avoidance and offset most projected losses, so long as these losses fell into the low range of Scenario 1 (the "best case" scenario). Looking at the issue from solely a budget cuts scenario, the institutions indicate that Scenario 1 would drive staff FTE reductions ranging from 3,366 to 9,021 **if** no other tools were employed to reduce costs or cover balances.

Nonetheless, fund balances are an important indicator of institutional resilience, as they can be used to soften and stage painful reductions. As reflected in this table, under Scenario #1, the average institutional reduction would be 3.0-11.0 percent of Education and General Revenue and 4.7-10.3 percent of total revenue. However, some of the state's most financially vulnerable institutions could be facing cuts as high as 15.0 to 20.0 percent of total revenue at the high range of Scenario #1. Furthermore, **for some of these institutions, cuts of this magnitude would represent 58-66 percent of their expendable assets. In Scenario #2 for these same institutions, the cuts would**

exceed their expendable assets. While staff assumes that institutions will use budget reductions and not just reserves to manage this situation, institutions with such paltry reserves will face particular challenges. Conversely, the University of Colorado has a bond rating that exceeds the State's and, though reductions will be painful, none of the reduction scenarios are likely to threaten its viability.



➔ FINANCIAL AID - NEED BASED GRANTS: AID FOR STUDENTS AT FOR-PROFIT INSTITUTIONS/ AID FOR STUDENTS AT NON-PROFIT PRIVATE INSTITUTIONS/ AID FOR GRADUATE STUDENTS/ AID FOR RESIDENT UNDERGRADUATE STUDENTS

JBC ACTION AS OF 3/16/20: The JBC approved $177,325,636 for Need Based Grants, consisting of General Fund and some indirect cost recoveries that offset General Fund otherwise required. This included an increase of $14,011,190 General Fund pursuant to R1.

RECOMMENDATION/OPTION: As addressed in Part 1 of this document, staff recommends eliminating the increase for R1, given the fiscal constraints facing the State. In addition:

- Staff recommends eliminating state appropriations for financial aid for students attending for-profit private institutions ($1,786,736)
- Staff recommends eliminating or reducing state appropriations for financial aid for students attending non-profit private institutions ($9,797,883)
- Staff recommends reducing financial aid for graduate students at public institutions by 20.0 percent ($1,984,682)

- Staff recommends protecting resident undergraduate student need based aid as much as possible. However, if reductions must be taken in this area, note that a 1.0 percent reduction yields savings of $1,748,991.

ANALYSIS:

Key Considerations:

- Colorado's Higher Education Master Plan goals focus on increasing postsecondary attainment. Cost is an important obstacle to achieving this goal, and Need Based Grants are one of the state's key tools for addressing this challenge.
- National data suggests that for-profit institutions have, in general, a poorer record for student completions than public institutions.
- State financial aid dollars may go farther and serve more students per dollar at public institutions, where resident tuition is already subsidized through direct support to the governing boards, than at non-profit private institutions.
- While CCHE attempts to target "high priority" fields in allocating financial aid for graduate students, given the insufficient support for undergraduate students, staff recommends prioritizing undergraduate aid above graduate aid.

Additional Background: Because appropriations for Need Based Grants are made to a single line item, reductions applied are not guaranteed to be applied by the Colorado Commission on Higher Education to the same institutions or programs anticipated by the General Assembly. That said, staff assumes the Commission will take the General Assembly's intent into consideration. The amounts shown as recommendations or options are based on Commission allocations of financial aid for FY 2019-20, shown below. Distributions for undergraduate aid are based primarily on numbers of Pell-eligible students and these students' progress toward completion (i.e., whether they are in their 1st or 4th year).

COLORADO COMMISSION ON HIGHER EDUCATION FINANCIAL AID ALLOCATIONS FY 2019-20

	UG NEED	GRAD NEED	WORK-STUDY	MERIT	CTE	TOTAL
Public Four-Year Institutions						
Adams State University	$2,259,818		$451,522	$60,687		$2,772,027.83
Colorado Mesa University	$8,358,127	$6,261	$981,736	$268,823	$4,648	$9,619,595.24
Colorado School of Mines	$1,618,343	$451,202	$509,691	$84,204		$2,663,439.77
Colorado State University	$13,125,938	$1,531,028	$2,313,550	$581,186		$17,551,702.22
Colorado State University - Pueblo	$4,579,037	$62,655	$869,832	$128,010		$5,639,534.60
Fort Lewis College	$1,497,559		$353,591	$54,066		$1,905,216.12
Metropolitan State University of Denver	$20,913,437	$42,945	$2,708,394	$609,680		$24,274,456.48
University of Colorado - Boulder	$10,546,316	$750,347	$2,005,880	$454,058		$13,756,600.71
University of Colorado - Colorado Springs	$8,941,951	$239,475	$883,751	$293,560		$10,358,737.15
University of Colorado - Denver	$11,286,802	$6,495,551	$1,105,773	$338,779		$19,226,904.18
University of Northern Colorado	$7,280,013	$287,811	$1,282,609	$271,882		$9,122,315.67
Western State Colorado University	$1,310,195	$6,526	$281,161	$49,431		$1,647,313.07

COLORADO COMMISSION ON HIGHER EDUCATION FINANCIAL AID ALLOCATIONS FY 2019-20						
	UG NEED	GRAD NEED	WORK-STUDY	MERIT	CTE	TOTAL
Public Two-Year Institutions						
Arapahoe Community College	$3,004,148		$457,439	$102,904	$35,497	$3,599,987.69
Colorado Northwestern Community College	$476,475		$88,647	$18,514	$2,536	$586,171.09
Community College of Aurora	$3,851,839		$403,345	$113,041	$15,794	$4,384,018.88
Community College of Denver	$5,340,274		$939,170	$153,339	$14,843	$6,447,625.83
Front Range Community College	$8,960,400		$1,205,947	$288,892	$88,056	$10,543,294.81
Lamar Community College	$534,912		$129,860	$16,644	$1,849	$683,265.11
Morgan Community College	$657,553		$143,531	$17,350	$7,395	$825,829.77
Northeastern Junior College	$866,153		$200,387	$35,252	$7,712	$1,109,504.32
Otero Junior College	$1,026,685		$230,328	$30,869	$9,138	$1,297,020.09
Pikes Peak Community College	$9,993,071		$1,161,612	$288,367	$50,657	$11,493,706.64
Pueblo Community College	$4,756,617		$824,538	$121,397	$68,564	$5,771,116.18
Red Rocks Community College	$3,816,273	$49,609	$477,356	$117,150	$59,109	$4,519,498.29
Trinidad State Junior College	$1,172,874		$372,722	$30,526	$8,927	$1,585,048.86
Local Districts						
Aims Community College	$3,621,278		$405,166	$112,196	$20,865	$4,159,504.69
Colorado Mountain College	$2,203,668		$189,928	$67,560	$16,639	$2,477,794.73
						$0.00
Non-Profit Private Institutions						$0.00
Colorado Christian University	$2,167,621	$6,430	$250,214	$74,226		$2,498,491.60
Colorado College	$158,879		$157,050	$8,946		$324,874.71
Naropa University	$126,850		$33,026	$1,766		$161,642.21
Regis University	$2,410,209	$1,526,999	$541,133	$88,971		$4,567,311.65
University of Denver	$1,460,713	$181,638	$539,077	$64,135		$2,245,562.69
Technical Colleges						
Technical College of the Rockies	$151,048		$5,862	$4,484	$9,719	$171,114.11
Emily Griffith Technical College	$717,977		$60,895	$18,494	$12,096	$809,461.62
Pickens Technical College	$542,250		$30,224	$16,462	$15,953	$604,888.49
	$149,735,304					
Private For Profit Institutions						
Colorado Technical Univ	$490,594					
ConCorde Career Inst	$278,283					
Devry (Denver Technical)	$388,326					
Intellitec Coll--CS	$158,651					
Intellitec Coll--GJ	$97,272					
International Bty	$71,825					
IBMC	$80,284					

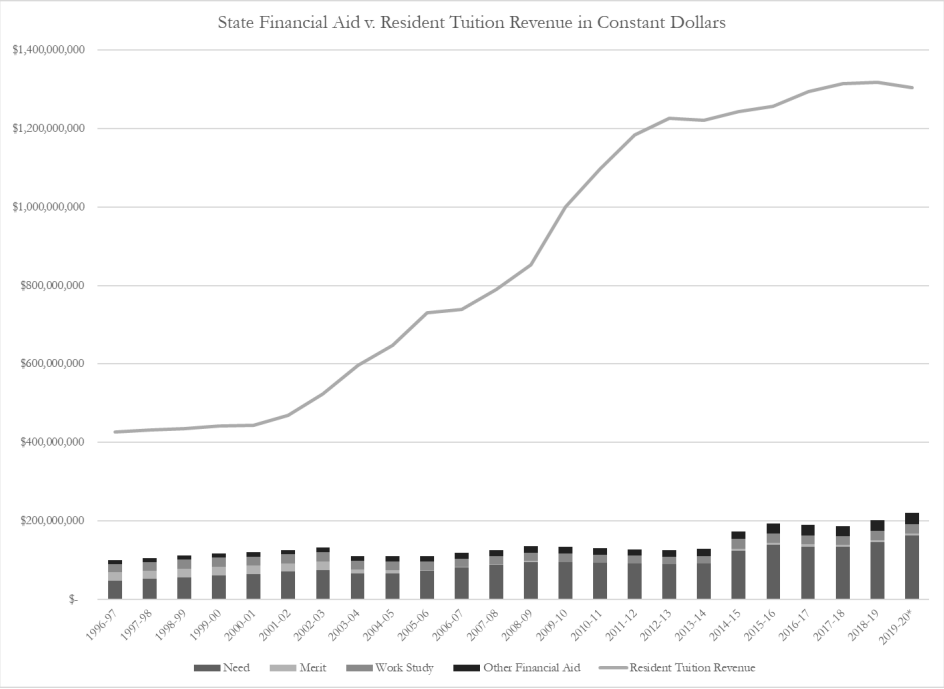
COLORADO COMMISSION ON HIGHER EDUCATION FINANCIAL AID ALLOCATIONS FY 2019-20						
	UG NEED	GRAD NEED	WORK-STUDY	MERIT	CTE	TOTAL
Rocky Mtn Col A&D	$104,384		$117,119			
	$1,669,617					
	$151,404,920	$11,638,477	$22,712,068	$4,985,850	$449,997	$189,404,577.12

General Background on Financial Aid

Of state appropriations for higher education in FY 2019-20, $220.3 million total funds, including $220.0 million General Fund, is for financial aid. This represents 19.8 percent of all the state General Fund appropriations for higher education.

State financial aid: For most of the financial aid programs, the General Assembly appropriates state 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 74,044 students received state-supported financial aid in FY 2017-18. The average state need-based award was $2,080 and the average state work-study award was $2,013.

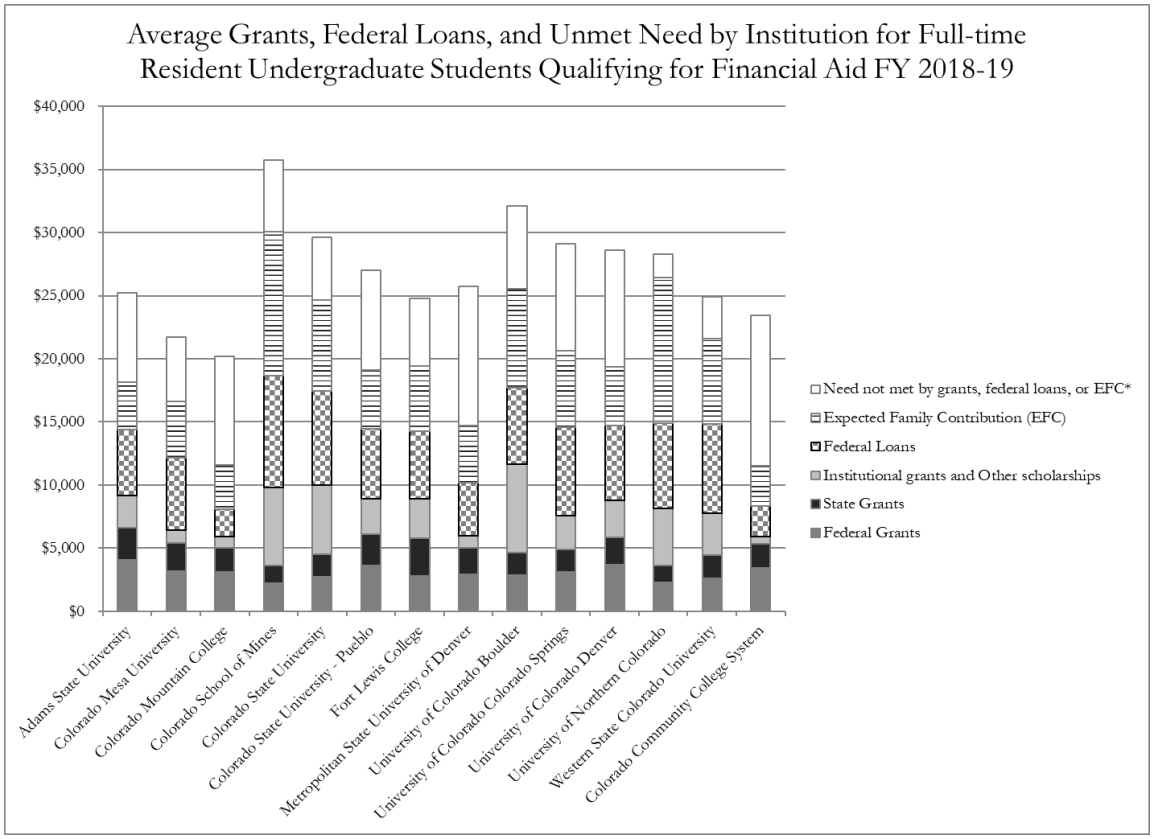
There have been significant financial aid increases in recent years, including $19.1 million (10.7 percent) in FY 2018-19 and $23.4 million (11.9 percent) in FY 2019-20. However, overall demand for aid continues to outstrip available funding. In FY 2001-02, total state financial aid disbursements equaled 26.8 percent of resident tuition revenue at state institutions; in FY 2019-20 this figure is estimated to be 16.9 percent.



*Tuition revenue reflects estimates used for budgeting purposes for FY 2019-20.

Statutory Guidance on State Financial Aid Funding: Section 23-3.3-103, C.R.S. requires that the annual appropriations for student financial assistance (need-based, merit-based, work-study, and assistance to national guard members and to dependents of deceased or disabled national guard members and first-responders), and the Colorado Opportunity Scholarship Initiative, increase, in total, by at least the same percentage as the aggregate percentage increase of all General Fund appropriations to institutions of higher education.

Student Need and Other Sources of Support: Most sources of student financial aid are not reflected in the state budget. Yet 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 2018-19 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. The average cost of attendance includes the cost of room, board, transportation, and learning materials, in addition to tuition and fees. 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 2018-19 ranged from $15,779 at Aims Community College to $35,704 at the Colorado School of Mines.



*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.

Federal Grants: 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. The federal Pell grant program provided up to $6,095 per eligible student in FY 2018-19, with an average grant of $3,792. Students with a very low household income (typically under $30,000 - "Expected Family Contribution of $0 in financial aid parlance) qualify for a "full" Pell, while students with household incomes up to approximately $50,000 may qualify for a "partial" Pell (some fraction of the maximum). Among undergraduate resident students attending Colorado public institutions of higher education, about 30 percent qualified for the Pell grant in FY 2018-19.

Institutional Grants: Students may also receive grants from the higher education institutions they attend. About 36.5 percent of all the aid students receive at public Colorado institutions is institutional aid. Some institutions make significant funds available from their operating budgets and donated funds, based on money 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.

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

- Approximately 52 percent of students completing a bachelor's degree from a public institution graduated with federal student debt in FY 2018-19, and the average federal student loan debt at graduation was $26,505.
- Approximately 42 percent of students completing an associate's degree from a public institution graduated with federal student debt in FY 2018-19, and the average federal student loan debt at graduation was $13,463.

Other Sources: 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.

Program Administration: The state financial aid structure is built around the federal financial aid structure. It nonetheless gives institutions a high level of autonomy in managing their financial aid programs. State financial aid statutes, in Article 3.3, 3.5, and 3.7 of Title 23 generally date back to 1977 or 1979 and provides little guidance around program structure. Historically, the Colorado Commission on Higher Education established state financial aid policies. However, in 2010, the General Assembly adopted changes in S.B. 10-003 specifying that "each state institution shall administer a financial assistance program according to the policies and procedures established by the governing board of the institution" (Section 23-3.3-102 (3), C.R.S. As a result, the Department now *allocates* funds among the governing boards, but the governing boards are able to adopt their own administrative policies.

Because institutions must comply with *federal* rules to obtain federal need-based financial aid for their students, they still all follow certain procedures and comply with certain reporting requirements. For example, any student applying for federal financial aid, whether a grant or loan, must complete the "FAFSA" or free application for federal student assistance., a detailed questionnaire that considers a family's income and size, number of students attending college, and various other factors to identify an amount that the student's household should be able to contribute to the student's higher education.

This is the "expected family contribution". Some public higher education institutions may ask students and families to complete an additional questionnaire to determine if the family has other assets that may help cover a student's educational costs, even if the FAFSA indicates that the student is eligible for financial aid. Students not eligible for federal financial aid who are eligible for state financial based on living and graduating from a Colorado high school complete a FAFSA-like application.

The Colorado Department of Higher Education distributes funds to the higher education institutions based on the number of students eligible for the federal Pell grant at each institution. Institutions predominantly use the state funds to support students on the lower-end of the income range (particularly students who are eligible for the Pell grant but not the full Pell grant). However, they may also choose to use the state funds to serve students higher up the income scale, so long as the student has a gap between the calculated cost of attendance and the student's expected family contribution. For resident full-time students with need in FY 2017-18, 12 percent of state grant funds for full-time resident students were directed to students who did not qualify for the Pell grant but who qualified as having need.

Higher Education Affordability: Because institutions "package" both institutional and state financial aid following their own policies, it can be difficult to predict what any particular student will pay at any particular higher education institution. At state public institutions, approximately 60 percent of all students receive need-based aid, with the percentage is as high as 94 percent at some institutions; approximately 42 percent receive merit based aid, with as many as 82 percent receiving aid at some institutions. A student with the same economic profile may receive a different level of funding at the same institution depending upon factors such as when he or she applies.

The charts below are built to show the affordability of college for students from families with various percentages of the median family income. They assume families with incomes above 200 percent of the poverty level will be able to save a portion of their income for college, that students will work 500 hours per year, and that "affordable" debt is debt that can be paid by the student by paying ten percent of their income for ten years after college. Anything above that is considered unaffordable. While a viewer may differ with (and choose to adjust) some assumptions, the approach makes it easier to visualize how affordable college is or is not.

The model is active, and viewers may adjust it at:
https://college-affordability.css.uwb.edu/

The line in the middle of the model represents tuition. The top of the rectangle represents costs associated with the full cost of attendance. While some of the data in the model could be refined, it provides a useful tool for understanding some of the financial barriers students face before and after college.

As shown:

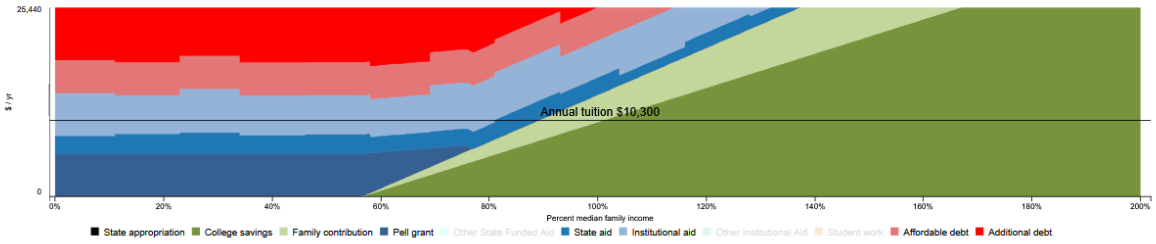
- As of 2016, **tuition was consistently covered by grants for students at all types of institutions who were eligible for a full Pell grant.** This was still true in FY 2017-18 at all institutions except the Colorado School of Mines. However, grant aid did not cover the full cost of attendance for these students.

- **Families with incomes below the median family income of $86,000 are likely to face unaffordable debt at <u>all</u> types of institutions in the State if the student is not living with his or her family.**

- **Students who attend comprehensive regional institutions may face larger financial challenges than students who attend research institutions,** which have more resources to subsidize students at the lower end of the income scale. *This burden is likely to fall most heavily on students in the middle-low income range* whose income is too high for a full Pell grant.

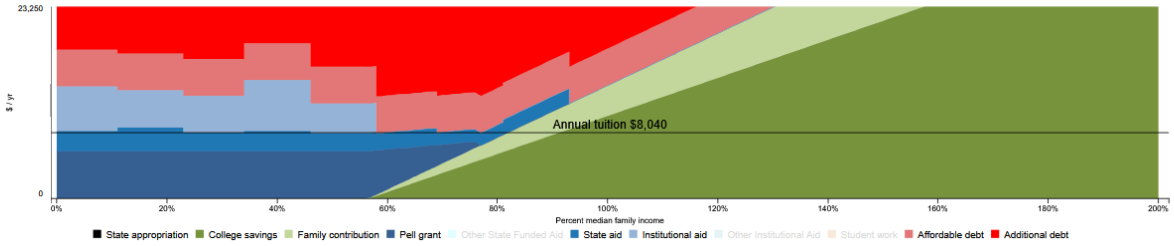
College Affordability Model

Total cost of attending a Public Research College or University in the state of Colorado for 4 years, based on AY2015 - 2016 costs and policies, is $101,760



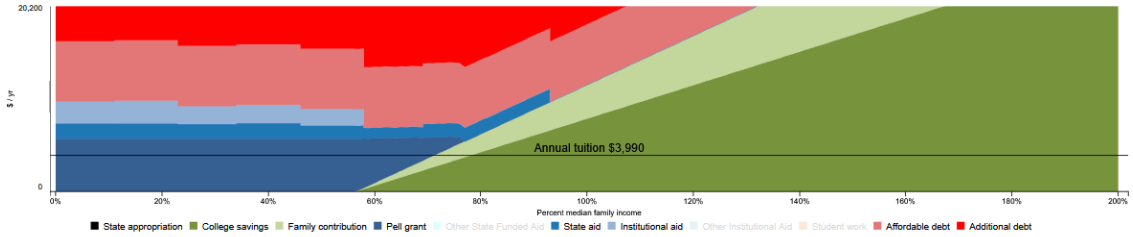
College Affordability Model

Total cost of attending a Public Regional College or University in the state of Colorado for 4 years, based on AY2015 - 2016 costs and policies, is $93,020



College Affordability Model

Total cost of attending a Community or technical college College or University in the state of Colorado for 2 years, based on AY2015 - 2016 costs and policies, is $40,400



The snapshots above are built on the following data and assumptions (Lumina benchmarks)

- Median Colorado family income of $85,920;
- Students considered "dependent" on their families but living away from home;
- Families saving 10 percent of discretionary income (amounts over 200 percent of poverty) for ten years;
- Students working 500 hours per year during college;
- "Affordable" debt consisting of student paying 10 percent of his/her post-college income for ten years;
- Students assumed to earn 20 percent of the median income in the years post-college ($24,080 for a student completing a 2-year degree to $32,510 for a student completing a 4-year degree at a research institution).

➔ FINANCIAL AID - WORK STUDY

JBC ACTION AS OF 3/16/20: The Committee approved continuation funding of $23,413,178 General Fund for Work Study.

RECOMMENDATION/OPTION: If deeper cuts are required, the Committee could consider a reduction of 10.0% or more to this program. A 10.0 percent reduction would be $2,341,320.

ANALYSIS:

Key Considerations: The Department has indicated in the past that students receiving work study have better achievement and retention rates than both students who don't work and students who find work on their own, speculating that work study creates a sense of investment, while the regulated hours and locations ensure that employment doesn't interfere with study. Of the students served, only 70 percent must qualify on the basis of financial need, so the program is less narrowly targeted to students with need than Need Based Grants.

Additional Background: In FY 2018-19, the program served 8,281 students with an average amount of $2,888 per student. Colorado has one of the largest state-sponsored Work Study programs in the country. For FY 2020-21, staff has recommended flexibility between the Work Study and Need Based Grants line item because of uncertainty about how the pandemic will impact on-campus operations during FY 2020-21.

➔ COLORADO STUDENT LEADERS INSTITUTE

JBC ACTION AS OF 3/16/20: The Committee approved a continuation amount of $218,825 General Fund for the Colorado Student leaders Institute.

RECOMMENDATION/OPTION: The Committee could consider eliminating funding for this program. At a minimum, it should consider reducing the appropriation for the program by the amount that will not be expended because the program is not able to operate in the summer of 2020. According to the Department, at least $80,000 may be available, although this amount is subject to adjustment.

ANALYSIS:

Key Considerations: The program offers a positive experience, but benefits only a small number of high school students.

Additional Background: The institute, created in Section 23-77-103, C.R.S., is a competitive residential summer academic program for students who are entering tenth or eleventh grade in the coming fall semester. The institute operates for four weeks each summer during which time participating students attend college level classes and enrichment activities. The program is overseen by an eleven-member board, appointed by the Governor and confirmed by the Senate, which is responsible for selecting students for the program. The program was created in 2015, moved to the Department of Higher Education in FY 2017-18, and reauthorized during the 2019 session through S.B. 19-137. The statute does not indicate that provisions are "subject to available appropriation".

ⓘ OTHER OPTIONS TO CONSIDER: TAX DEDUCTION FOR 529 ACCOUNTS

Staff wished to bring to the Committee's attention an item that is not typically within the JBC's purview and that is an unlikely candidate for a JBC bill, but that is nonetheless worth the General Assembly's consideration in the context of the significant and painful budget choices facing the state.

Colorado currently allows residents to fully deduct from their state taxable income any contribution to a Colorado 529 college savings account managed by CollegeInvest. This is true regardless of the income of the person making the contribution, regardless of the scale of the contribution, and with no consideration as to whether the amount deducted was saved for any period of time or merely passed through the account for purposes of obtaining the tax deduction.

Preliminary estimates developed by Legislative Council Staff indicate that disallowing the deduction for those with incomes over $250,000 per year would generate additional tax revenue exceeding $10.0 million per year.