

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2020-21

DEPARTMENT OF HIGHER EDUCATION

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

PREPARED BY:
AMANDA BICKEL, JBC STAFF
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JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472
<https://leg.colorado.gov/agencies/joint-budget-committee>

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DEPARTMENT OF HIGHER EDUCATION

DEPARTMENT OVERVIEW

RESPONSIBILITIES

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

State General Fund appropriations are provided for:

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

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

Coordinates and establishes statewide policies under CCHE: Establishes policy and provides central coordination for state-supported higher education programs under the authority of the Colorado Commission on Higher Education (CCHE). This includes ensuring institutional degree programs are consistent with institutional missions, establishing statewide enrollment policies and admissions standards, determining allocation of financial aid among institutions, and coordinating statewide higher education operating and capital construction budget requests, including tuition policy requests. CCHE is also responsible for proposing the model for the allocation of higher education operating funds pursuant to H.B. 14-1319.

Data collection, research and reports: Develops reports on the higher education system as needed or directed by the General Assembly, and, as part of this function, provides a central repository for higher education data with links to P-12 and employment data;

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

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

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

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

Federal and private grants administration: Administers various programs supported through federal and private grants. These include, among others, the “CollegeInColorado” program, which disseminates information about planning for college and higher education financing options (off-budget), and the Gear Up program (on-budget), which provides services beginning in middle school that are designed to increase higher education participation for youth who might not otherwise attend college.

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

DEPARTMENT STRUCTURE

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

Department divisions include the Department Administrative Office (centrally-appropriated line items), Colorado Commission on Higher Education, Colorado Commission on Higher Education Financial Aid, College Opportunity Fund Program, Governing Boards, Local District Colleges, the Division of Occupational Education, the Auraria Higher Education Center, and History Colorado, as described below.

Colorado Commission on Higher Education: The executive director of CCHE is also the executive director of the Department. The appropriation for CCHE funds the Commission’s central administrative staff of 30.9 FTE, the Division of Private Occupational Schools, and various special-purpose line items. This section is largely supported through indirect cost recoveries.

College Opportunity Fund Program and Governing Boards: Over 74 percent of state General Fund appropriations to the Department are for the College Opportunity Fund (COF) Program, with amounts reappropriated to each of the governing boards in consolidated line items in the Governing Boards section. The COF Program provides stipends for undergraduate resident students to attend public colleges and participating private colleges in Colorado and also supports fee-for-service contracts with public higher education institutions for educational performance and services not covered by the stipends.

Colorado Commission on Higher Education Financial Aid: State support for higher education financial aid, which comprises nearly 20 percent of General Fund appropriations to the Department, is appropriated to CCHE for allocation to the Governing Boards.

Other Higher Education Divisions: The Division of Occupational Education oversees Colorado Vocational Act programs, the Area Technical Colleges, federal Perkins technical training programs, and resources for the promotion of job development, job training, and job retraining. Separate divisions provide state subsidies for Local District Colleges and reappropriated funds for the Auraria Higher Education Center, which maintains the single shared campus of the Community College of Denver, Metropolitan State College of Denver, and the University of Colorado at Denver.

History Colorado: The Department budget includes appropriations for the Colorado History Museum and regional community museums and facilities, as well as preservation grant programs. Funding is largely comprised of state Limited Gaming revenues deposited to the State Historical Fund. History Colorado is considered a state educational institution. However, it is overseen by its own Board, and CCHE has no administrative authority over the organization.

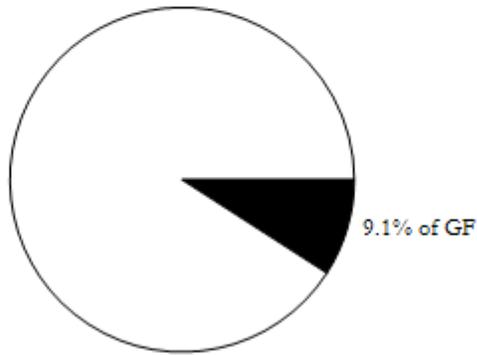
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 *
General Fund	\$894,907,900	\$1,003,593,739	\$1,112,705,645	\$1,167,972,336
Cash Funds	2,637,471,193	2,739,337,662	2,836,261,687	2,930,583,919
Reappropriated Funds	738,374,874	819,590,900	900,986,375	922,729,628
Federal Funds	22,641,490	22,785,619	25,884,840	25,930,694
TOTAL FUNDS	\$4,293,395,457	\$4,585,307,920	\$4,875,838,547	\$5,047,216,577
Full Time Equiv. Staff	25,087.2	26,150.0	26,303.8	26,315.4

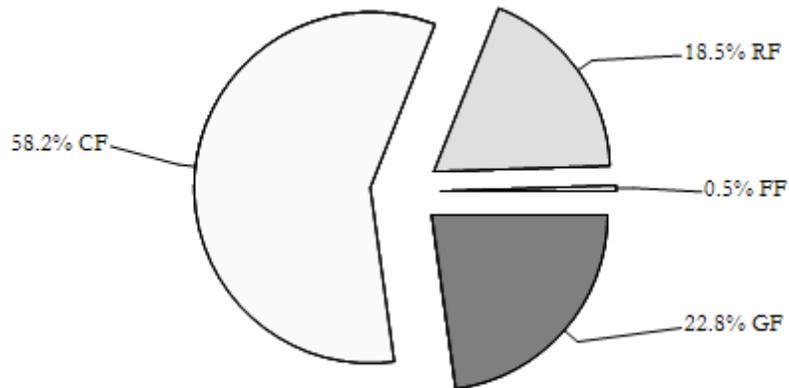
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

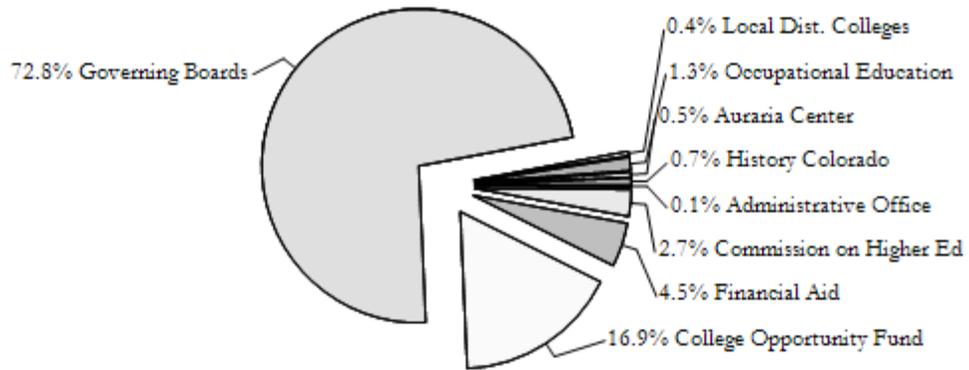


Department Funding Sources

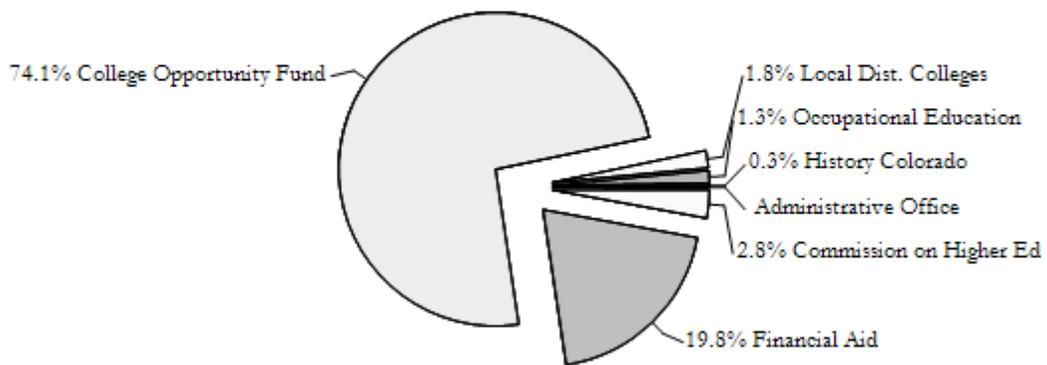


All charts are based on the FY 2019-20 appropriation.

Distribution of Total Funds by Division



Distribution of General Fund by Division



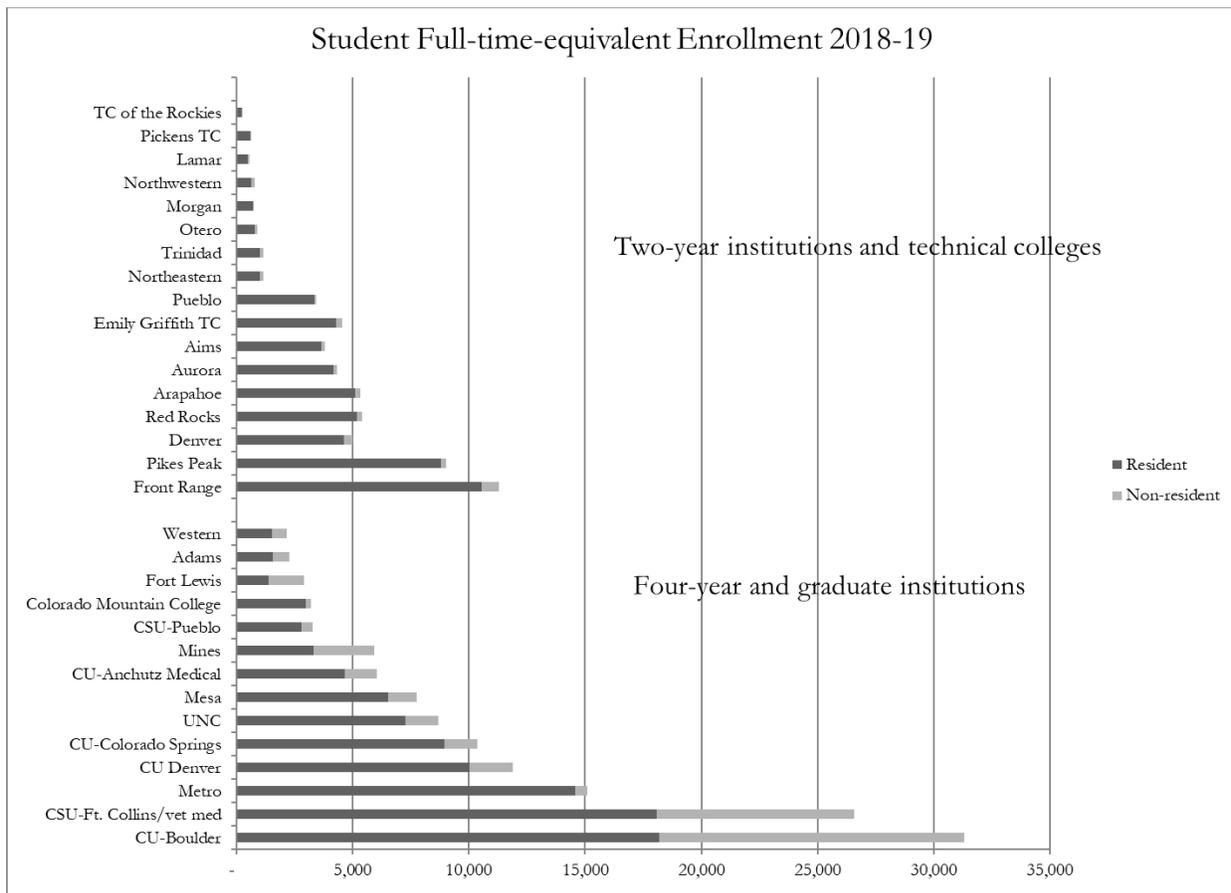
All charts are based on the FY 2019-20 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

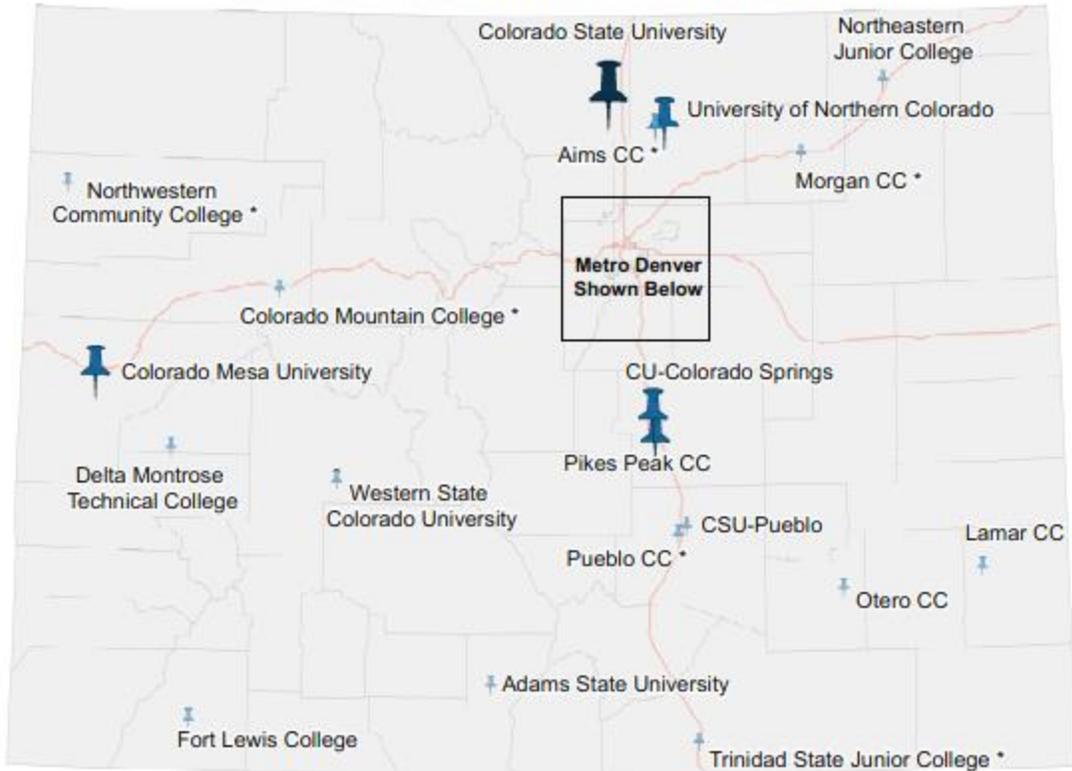
OVERVIEW AND ORGANIZATION

The public higher education system served 195,610 full-time equivalent students (FTE) in FY 2018-19, including 156,953 Colorado residents, in 31 institutions. Of the total, 183,231 students attended one of the 27 institutions overseen by 10 state governing boards. The remaining 12,379 student FTE attended local district colleges, which receive regional property tax revenues in addition to state funding, or area technical colleges (TC), which offer occupational certificates and serve both secondary and post-secondary students. Approximately one-third of student FTE attend two-year and certificate institutions. Students attending institutions that offer baccalaureate and higher degrees are concentrated at the University of Colorado, Colorado State University, and Metropolitan State University of Denver.

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



Colorado Public Higher Education Institutions



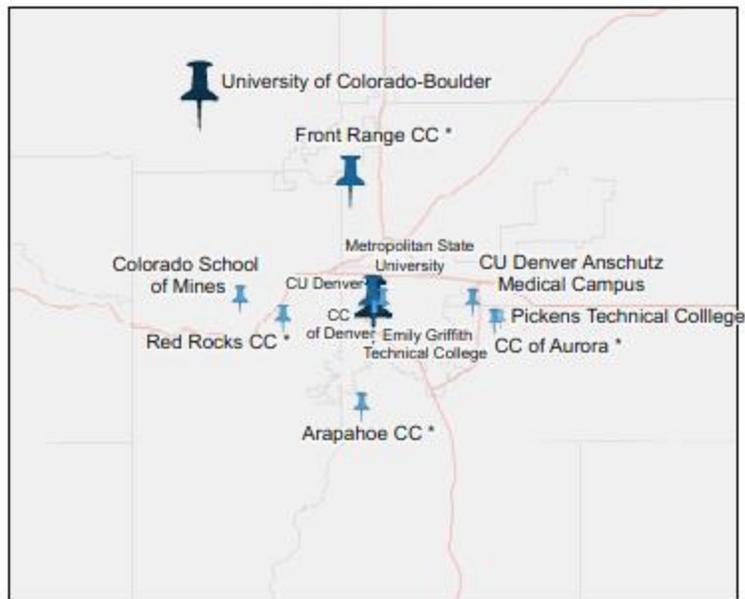
Metro Denver

Student FTE Served, FY 2018-19



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

Source: Joint Budget Committee Staff

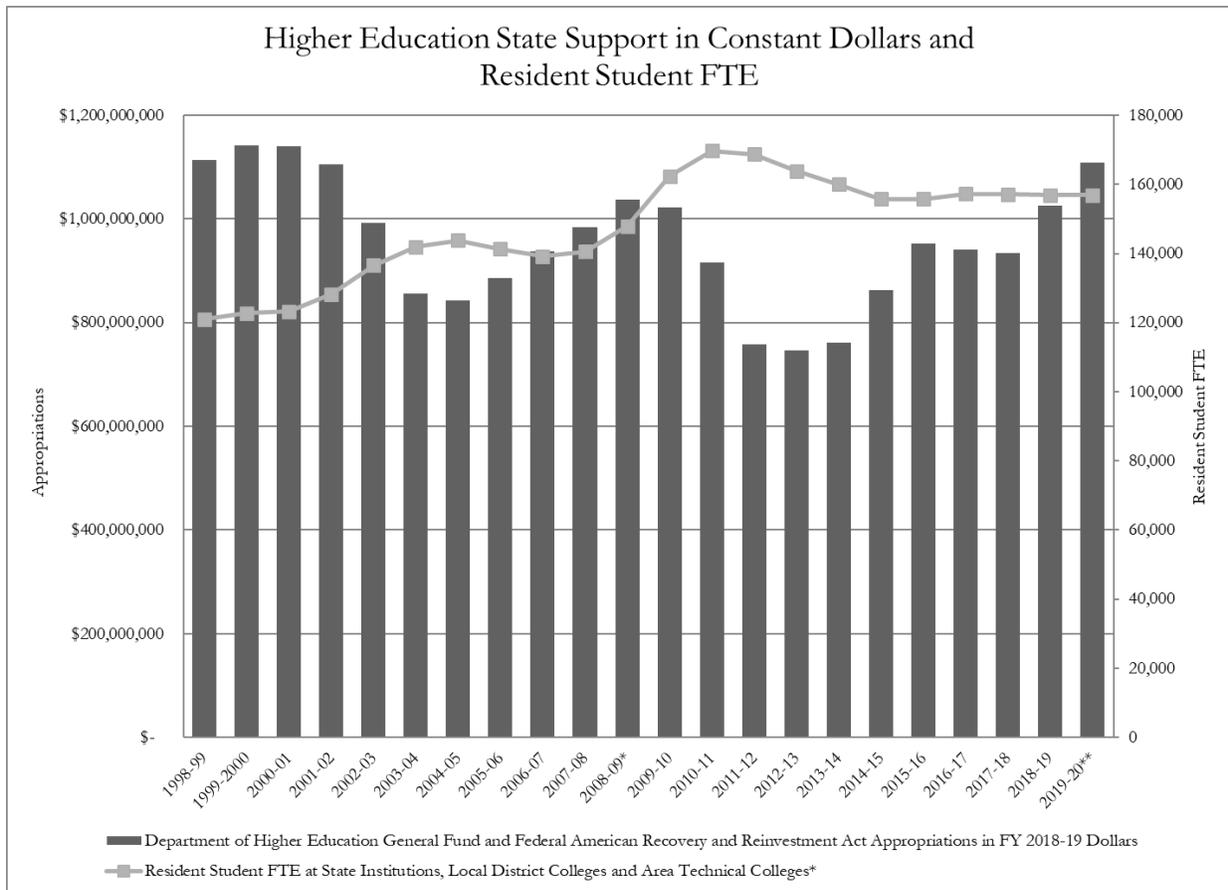


IMPACT OF THE STATEWIDE BUDGET OUTLOOK

The State has historically subsidized higher education at state institutions based on the public benefits of providing educational access to all citizens and promoting a more educated population. An educated population is associated with higher wages, lower unemployment, and lower dependence on public resources. Higher education may also be part of strategies to fill unmet needs in the community, such as nurses or teachers or engineers. Finally, subsidizing higher education is frequently described as a form of economic development for the community, as it attracts business and cultural resources.

While there are many potential benefits to supporting higher education, there are no statutes, constitutional provisions, or federal guidelines requiring specific amounts of state funding per student. As a result, this is one of the budget areas most affected by the availability of state funds.

The chart below shows how statewide General Fund support for higher education has declined during economic downturns and rebounded under stronger economic conditions. General Fund appropriations for higher education were reduced in response to recessions in FY 2002-03 through FY 2004-05 and FY 2008-09 through FY 2011-12. The reductions to higher education were disproportionate compared to reductions to other state agencies. As the economy and state revenues improved, the General Assembly increased funding. As also reflected in the chart, student demand for higher education tends to be higher during recessions and lower as the economy improves.



* Resident student FTE for years prior to FY 2008-09 include only state institution and local district college FTE. Beginning with FY 2008-09, FTE figures also include area technical college FTE.

*Resident student FTE for FY 2019-20 are estimates.

For FY 2018-19, the General Assembly provided a 12.1 percent General Fund increase for higher education, bringing total FY 2018-19 state support above the \$1.0 billion level. For FY 2019-20, the General Assembly provided a 10.9 percent General Fund increase for higher education, bringing funding above the FY 2008-09 peak, even after adjusting for inflation.

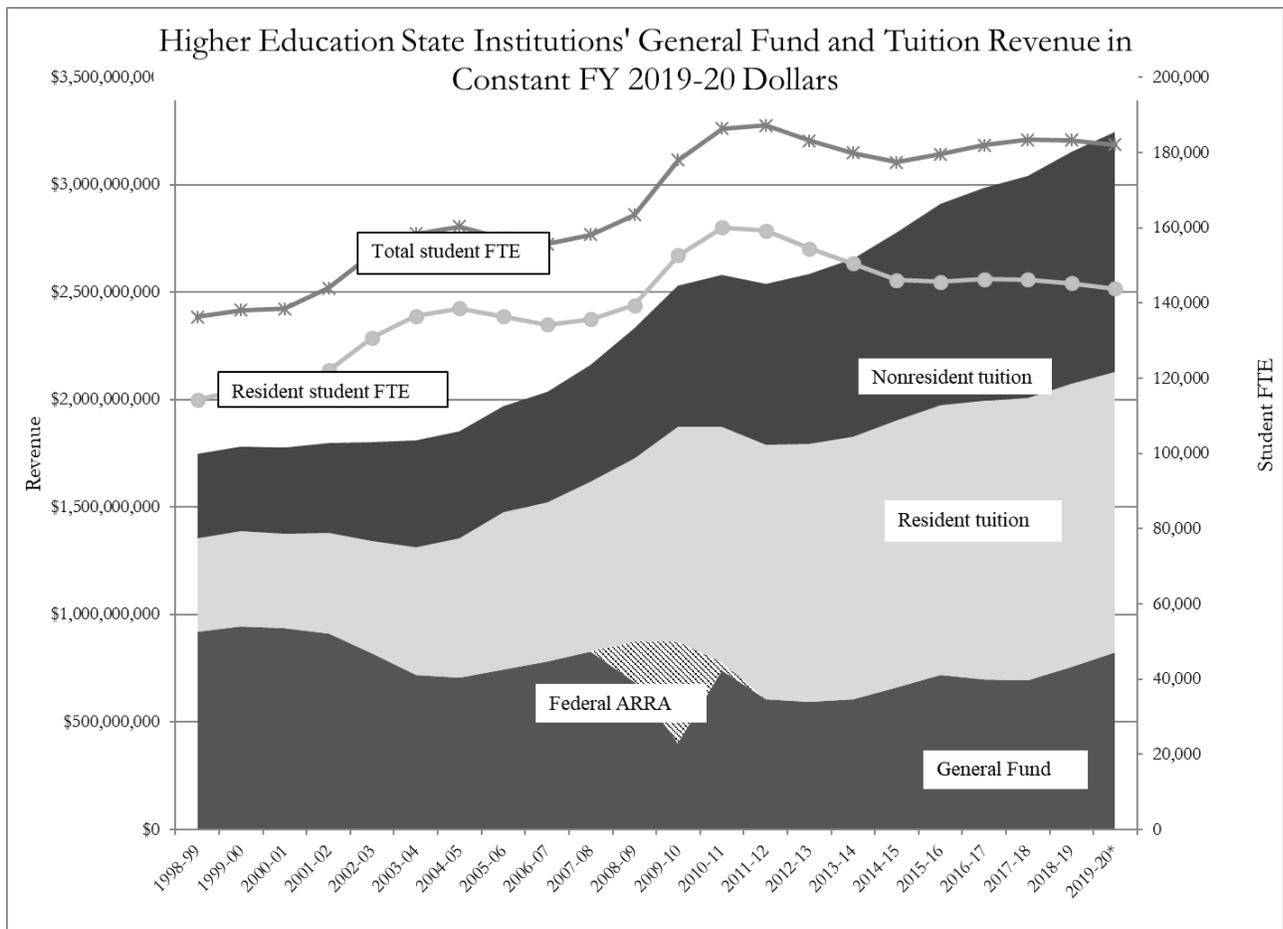
The table below shows the allocation of the overall increase in General Fund support by governing board and funding category.

Department of Higher Education Operating Budget: General Fund Appropriations ¹ Changes by Category and Governing Board FY 2018-19 to FY 2019-20				
	FY 2018-19	FY 2019-20	Amount Change	Percentage Change
Adams State University	\$15,834,361	\$17,280,257	\$1,445,896	9.1%
Colorado Mesa University	29,474,193	32,484,959	3,010,766	10.2%
Metropolitan State University of Denver	58,343,983	63,969,142	5,625,159	9.6%
Western Colorado University	14,043,348	15,235,379	1,192,031	8.5%
Colorado State University System	154,858,072	172,378,536	17,520,464	11.3%
Fort Lewis College	13,053,096	14,136,437	1,083,341	8.3%
University of Colorado System	218,505,019	244,273,926	25,768,907	11.8%
Colorado School of Mines	22,873,493	25,371,265	2,497,772	10.9%
University of Northern Colorado	42,492,726	47,079,464	4,586,738	10.8%
Community College System	172,072,047	190,447,695	18,375,648	10.7%
Colorado Mountain College	8,119,248	9,010,042	890,794	11.0%
Aims Community College	9,615,302	10,653,783	1,038,481	10.8%
Area Technical Colleges	12,311,435	13,910,021	1,598,586	13.0%
Subtotal - Governing Boards/Institutions	\$771,596,323	\$856,230,906	\$84,634,583	11.0%
Financial Aid	196,617,879	219,988,594	23,370,715	11.9%
Lease Purchase Payments/Capital-related for HED Buildings	24,644,511	26,030,291	1,385,780	5.6%
History Colorado	2,720,710	2,830,198	109,488	4.0%
Other	8,014,316	7,625,656	(388,660)	(4.8%)
TOTAL	\$1,003,593,739	\$1,112,705,645	\$109,111,906	10.9%

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

One reason this budget area is more subject to state-funding adjustments than some others is that there is an alternative funding source: individual tuition payments. Colorado has always expected that individuals and families who benefit from higher education will bear at least some portion of the cost. Policymakers differ in the extent to which they believe higher education should be an individual versus a public responsibility. However, because state funds are limited and tuition increases are feasible, Colorado and other states have addressed state budget constraints by increasing the share of higher education costs borne by individuals and families.

The chart below illustrates how tuition, as well as temporary federal American Recovery and Reinvestment Act (ARRA) funds, have augmented and substituted for General Fund revenues for the higher education institutions. As shown, tuition revenue increases have more than compensated for declines in General Fund support.



* FY 2019-20 tuition revenue and student FTE reflect estimates used for budgeting purposes. All figures are for the ten state governing boards and exclude revenue and FTE data for the local district colleges and area technical colleges.

TUITION AND FEES

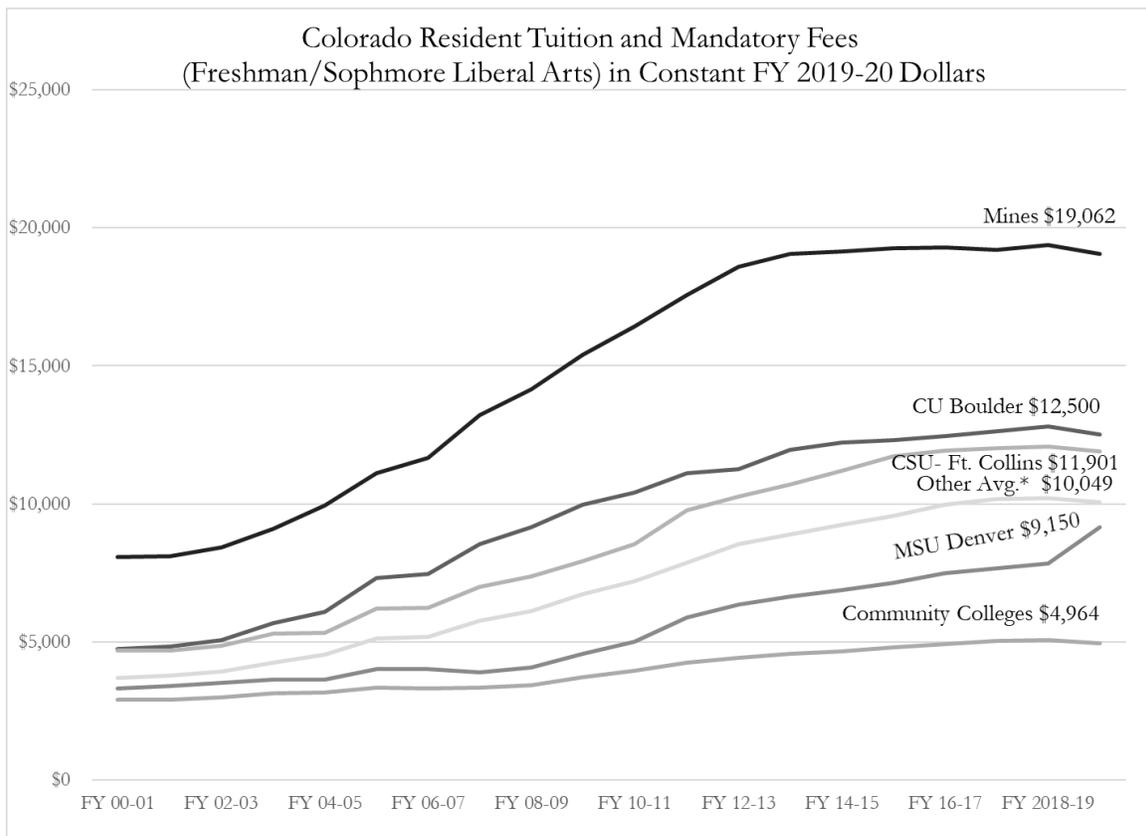
Tuition and fee rates have a significant impact on public access to higher education: high rates may discourage participation or may result in high debt loads for those who do participate. Nonetheless, Colorado and other states have often used tuition increases to substitute for higher education General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

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

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

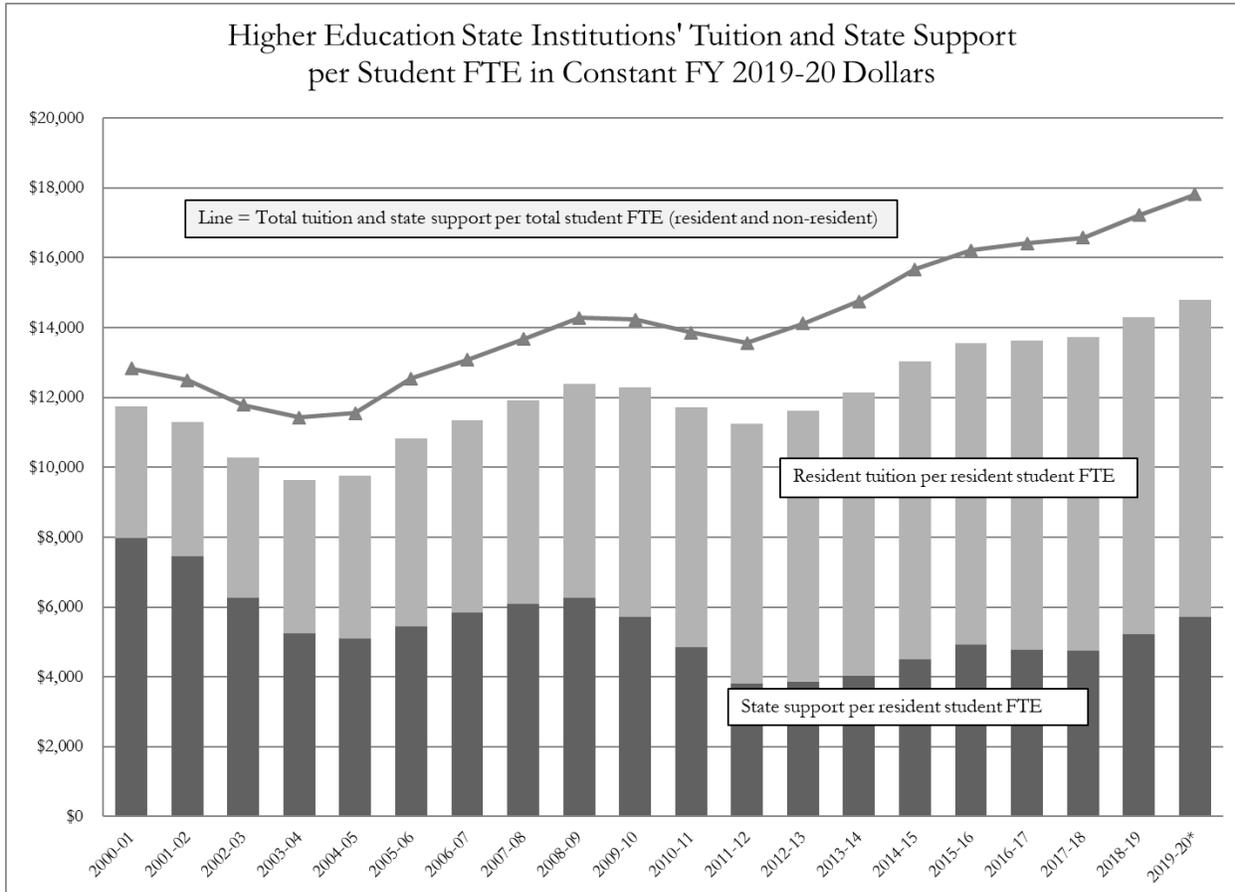
- Beginning in FY 2016-17, the General Assembly again began to appropriate tuition and set limits on tuition through the Long Bill for all institutions except the Colorado School of Mines [Sections 23-1-104 (1)(b) and 23-41-104.6 (5)(c)(I)(A), C.R.S.]. The tuition increases used to derive the total spending authority for each governing board are detailed in a footnote to the Long Bill [Section 23-18-202 (3)(b)(I), C.R.S.]. The General Assembly typically imposes higher or lower limits on resident undergraduate tuition increases based on the General Fund appropriations authorized for the year. Specific limits may differ by institution.
- For FY 2019-20, Long Bill footnotes and tuition spending authority require resident undergraduate tuition to remain flat for most governing boards, in light of the large General Fund increase authorized. (For FY 2018-19, most institutions were restricted to a 3.0 percent increase.)

The chart below shows the growth in tuition and fee rates through FY 2019-20. All rates are for students who are full-time (30 credit hours per year), beginning their studies, Colorado resident, undergraduate, and taking liberal arts and sciences courses. The amounts for prior years are shown *after* adjusting for inflation (FY 2019-20 dollars). Metropolitan State University of Denver was allowed to increase resident undergraduate tuition by up to 3.0 percent per credit hour and to move to a linear tuition model (i.e., charges are now per credit hour and 12 and 15 credit hours are no longer the same cost); as a result, the FY 2019-20 tuition increase for students enrolled in 30 credit hours at MSU Denver was 16.0 percent. With this exception, resident undergraduate tuition rates were held flat. Some institutions chose to raise or lower fees, which are not subject to appropriation, but, as reflected in the chart, tuition and mandatory fees declined slightly in real dollars at most institutions.



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

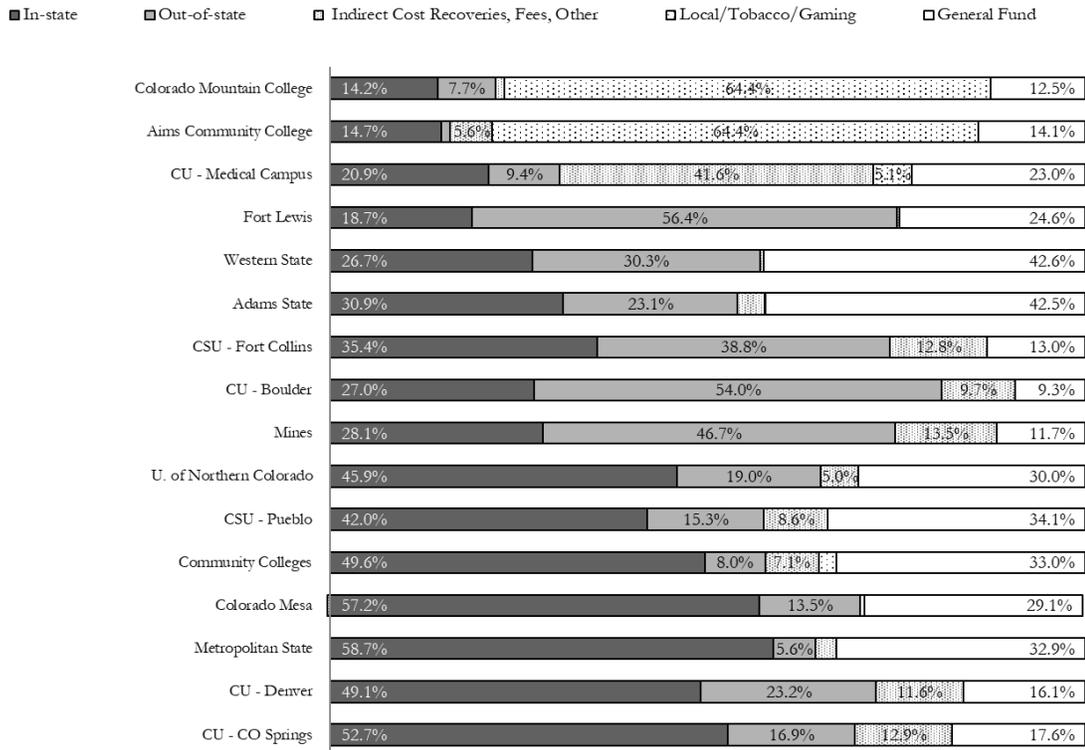
The decline in state support per student FTE over the last two decades explains the majority, but not all, tuition increases. The chart on the following page shows the change in General Fund and tuition revenue to the institutions per student since FY 2000-01 after adjusting for inflation (years prior to FY 2019-20 are reflected in FY 2019-20 dollars, based on the Denver-Aurora-Lakewood consumer price index/CPI).



* FY 2019-20 tuition revenue and student FTE figures reflect estimates used for budgeting purposes.

Institutions have different abilities to bring in out-of-state student tuition revenue or to raise tuition above that of other institutions based upon their individual missions and the populations they serve. The chart below compares the revenue mix at various state institutions for educational expenditures reported to the General Assembly in FY 2018-19. Note that this excludes revenue and expenditures for research grants and auxiliary facilities such as dormitories and dining halls.

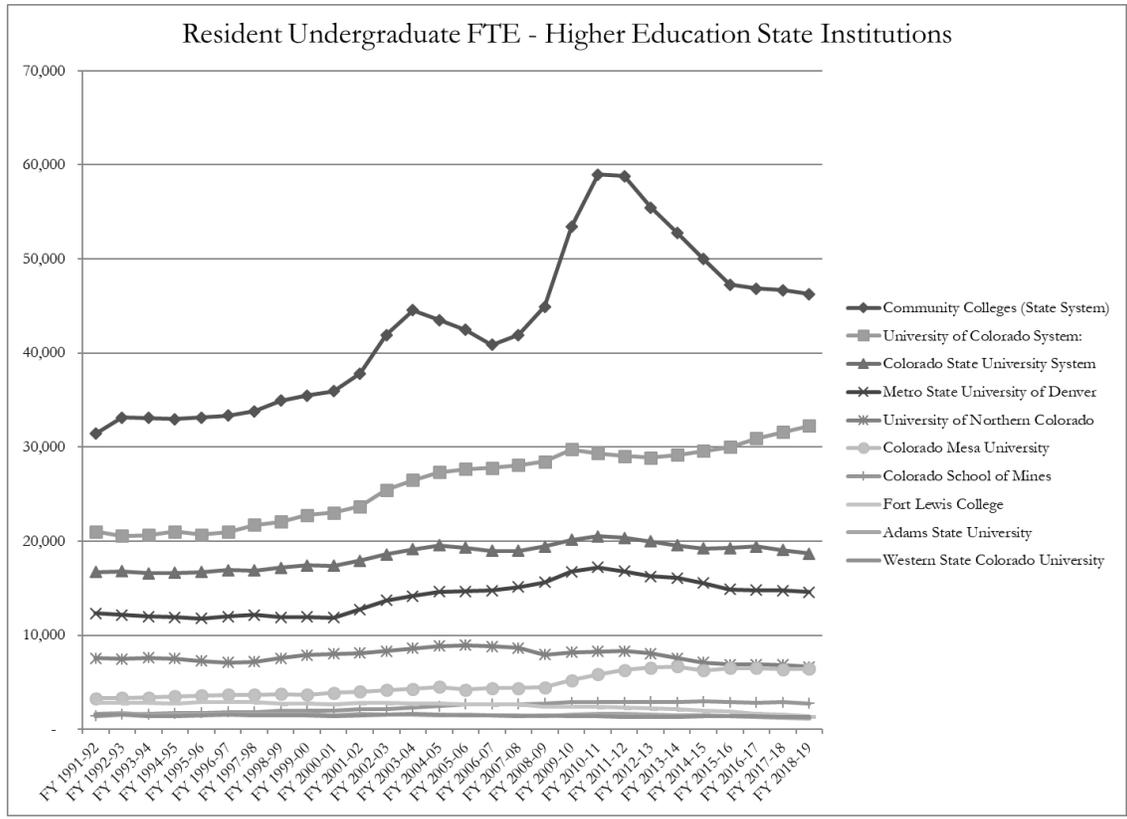
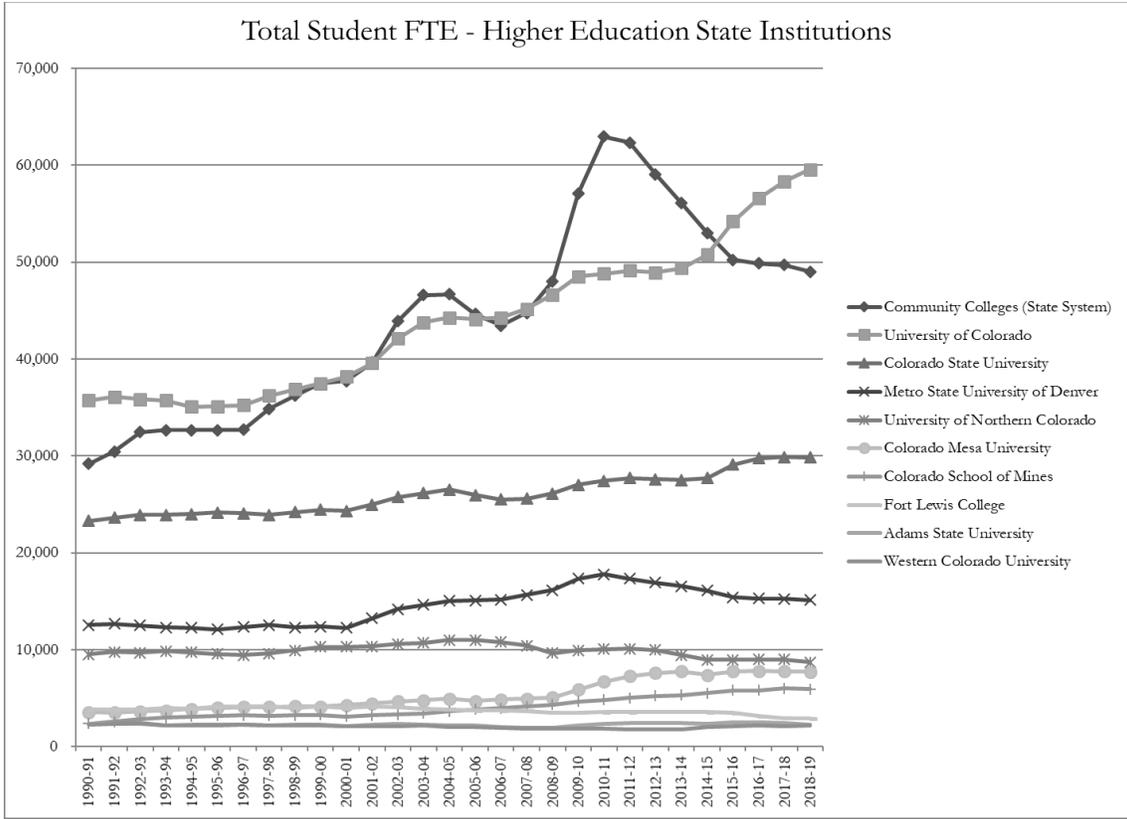
Proportion of Funding from Students vs the State FY 2018-19



ENROLLMENT

Enrollment is both a workload and performance measure for campuses, and it affects tuition and fee revenue, as well as state support. For some institutions, nonresident enrollment is important because nonresident tuition helps subsidize resident education. Increases in enrollment also drive costs for faculty, advising, and general operating.

Enrollment tends to be counter-cyclical: when the economy slows, higher education enrollment grows more rapidly. This affects most institutions to some extent but is particularly notable for the community college system. The following chart reports student FTE since FY 1991-92 (excluding local district college and area technical college data). Thirty credit hours in a year equals one full-time-equivalent student for undergraduates. In FY 2015-16, total student FTE enrollment increased for the first time since FY 2011-12, but there was wide variation in the enrollment trend by institution. The charts below show: (1) total FTE by institution, including residents, non-residents, undergraduate, and graduate students; and (2) resident undergraduate FTE by institution. The University of Colorado System now serves more students in total than any other governing board, but the community college system serves by far the largest share of resident undergraduate students.



PERSONNEL

Higher education governing boards are allowed by statute to determine the number of employees they need, but the Long Bill reflects estimates provided by the governing boards of the numbers of employees at their institutions. In FY 2018-19, the state institutions, including the Auraria Higher Education Center, employed 33,775.5 FTE, excluding employees of self-supporting auxiliary programs such as food services, bookstores, or housing.

Of the amount state-operated institutions spend on education, approximately two-thirds is spent on salaries and benefits, and most of this is spent on instructional faculty. Some higher education FTE such as administrative support and maintenance staff, are classified staff for whom salaries and benefits are defined by the state personnel system and the policies of the General Assembly. However, the majority of FTE and personal services expenditures are for exempt staff such as faculty for whom governing boards have control of compensation.

Increases in benefit costs have been a consistent cost driver at state institutions. Staff salary trends, however, have varied by institution in response to a range of internal and external factors. In general, when institutions faced enrollment increases and state funding declines during the recession, both 4-year and 2-year institutions increased the number of lower-paid, often part-time staff, thus reducing average compensation costs. As the economy and state funding have increased, institutions have faced pressure to improve salaries and have often done so.

Four-year institutions that employ tenure-track faculty in high-demand fields may need to offer compensation to professors competitive with peer institutions in other states and, in some cases, the private sector. However, this pressure is not consistent across all academic fields. At two-year institutions, the vast majority of staff are adjunct faculty who carry part-time teaching loads and receive modest compensation.

THE HIGHER EDUCATION FUNDING MODEL

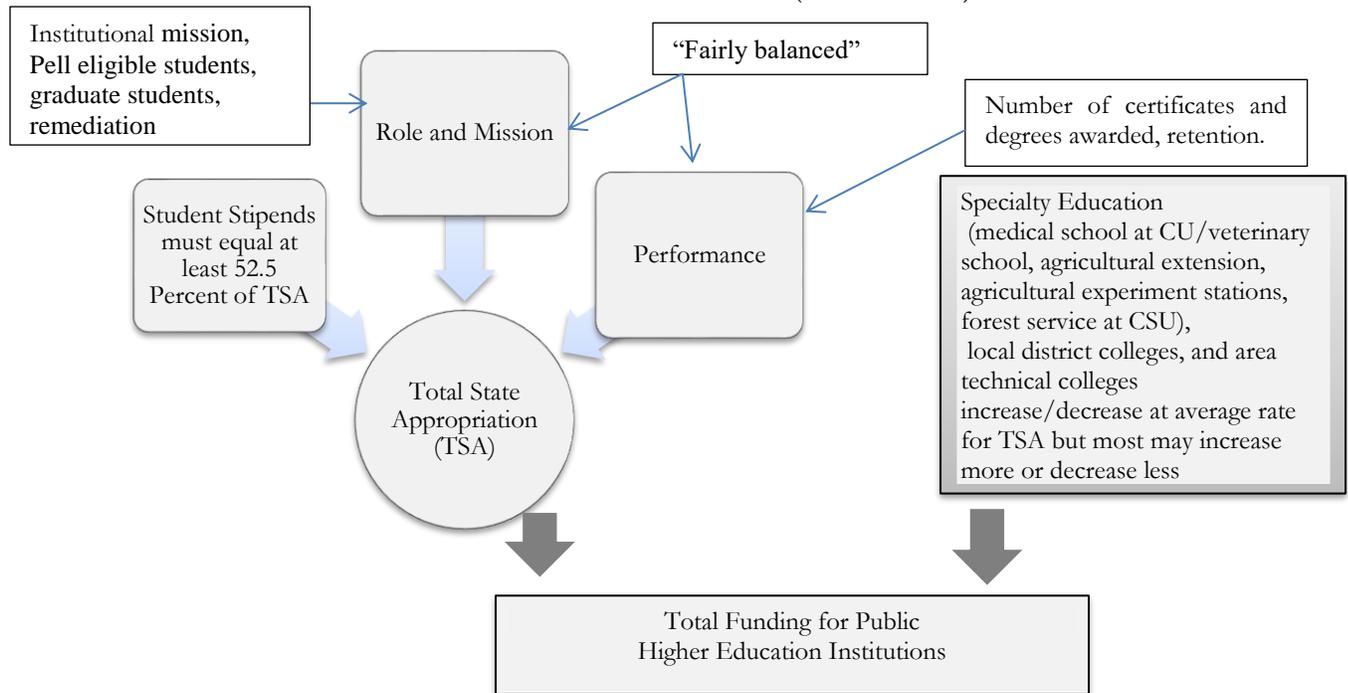
Pursuant to the provisions of H.B. 14-1319 (Outcomes-based Funding for Higher Education), Colorado adopted a new model for allocating funds among the higher education governing boards effective FY 2015-16. The new model includes three major components:

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

The chart below outlines the key components of the model. Each state-operated governing board receives an allocation for role and mission, outcomes, and resident undergraduate student stipends. In addition, the University of Colorado and Colorado State University receive allocations for their specialty education programs (such as the medical and veterinary schools), and local district colleges and area technical colleges also receive allocations. Specialty education programs, local district colleges, and area technical colleges increase and decrease at the same rate as overall funding for the model, with some exceptions.

The General Assembly may authorize funding outside the model when it adopts statutory provisions that require governing boards to fulfill specific new obligations; however, most funding for the governing boards is allocated through the model.

HIGHER EDUCATION FUNDING MODEL (H.B. 14-1319)



For FY 2019-20, model components were adjusted to provide institutions with almost uniform percentage funding increases. Senate Bill 19-095 (Five-year Review Higher Education Funding Formula) required CCHE to review the funding formula and submit a report by November 1, 2019 and every five years thereafter containing changes to the formula and any recommendations for legislative changes.

TABOR Impact: Since 2004, funding for state higher education has been provided through student stipends and fee-for-service contracts with the state institutions. This enables the State to designate qualifying state higher education institutions as enterprises under Section 20 of Article X of the Colorado Constitution (TABOR). Revenue, such as tuition, that is generated by enterprises is exempt from the statewide revenue limits imposed by TABOR and has no impact on any refund that may be due pursuant to TABOR. To achieve enterprise status under TABOR, a program must: (1) be a government-owned business; (2) have authority to issue revenue bonds; and (3) receive less than 10 percent of annual revenue from state and local grants. Stipends and fee-for-service contracts are defined in statute as different from a state grant. All of the institutions are designated as TABOR enterprises, although some smaller institutions may temporarily lose this status in years in which they receive large state capital construction grants.

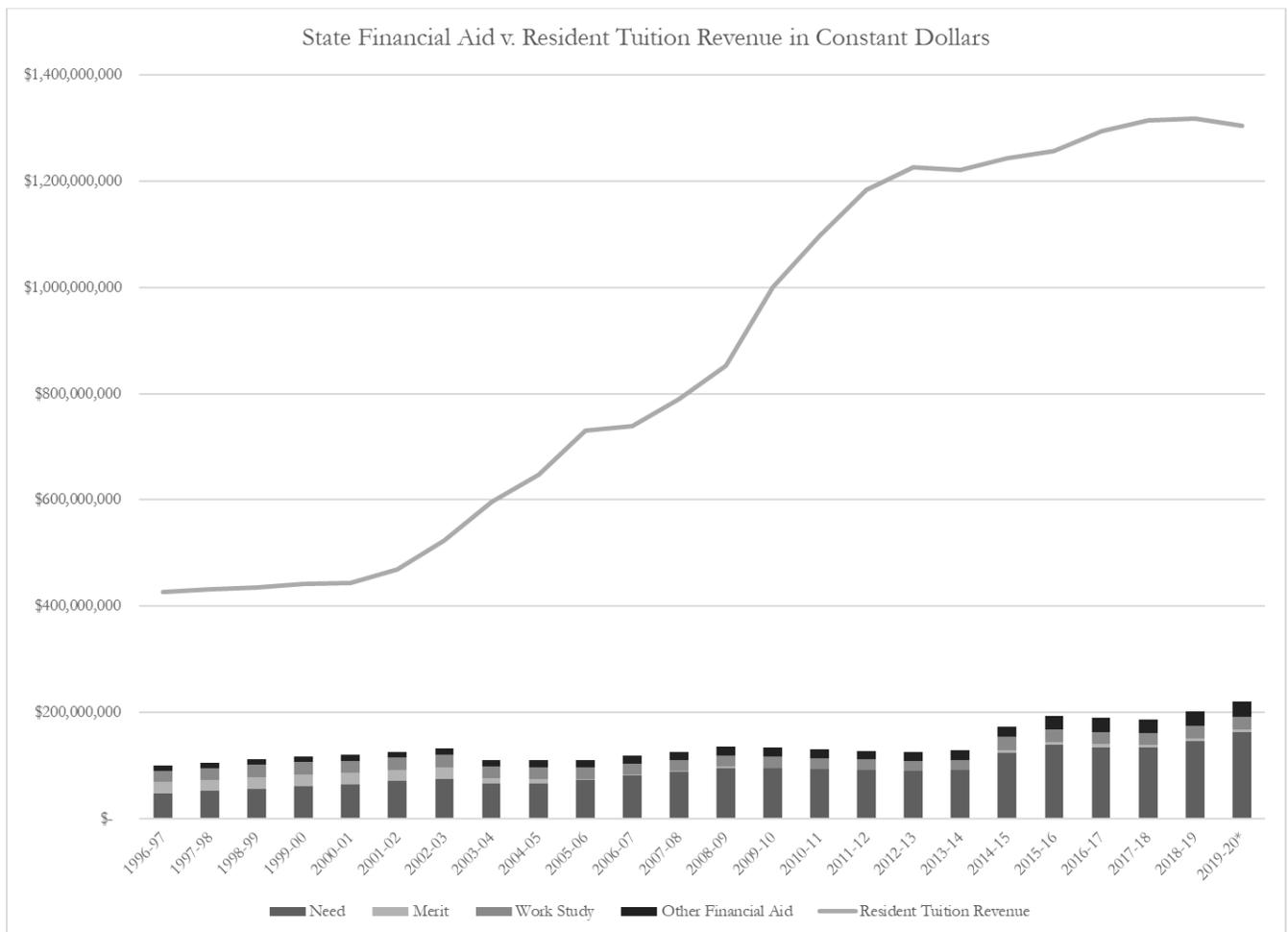
FINANCIAL AID

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. The majority of the money goes for need-based aid and work-study. There are also a number of smaller, special purpose financial aid programs. These include the Fort Lewis College Native American tuition waiver, which covers tuition for any Native American student attending Fort Lewis College pursuant to a treaty obligation, and the Colorado Opportunity

Scholarship Initiative, which funds services and scholarships for high achieving low-income students in collaboration with private funders and agencies.

For most of the financial aid programs, the General Assembly appropriates 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.

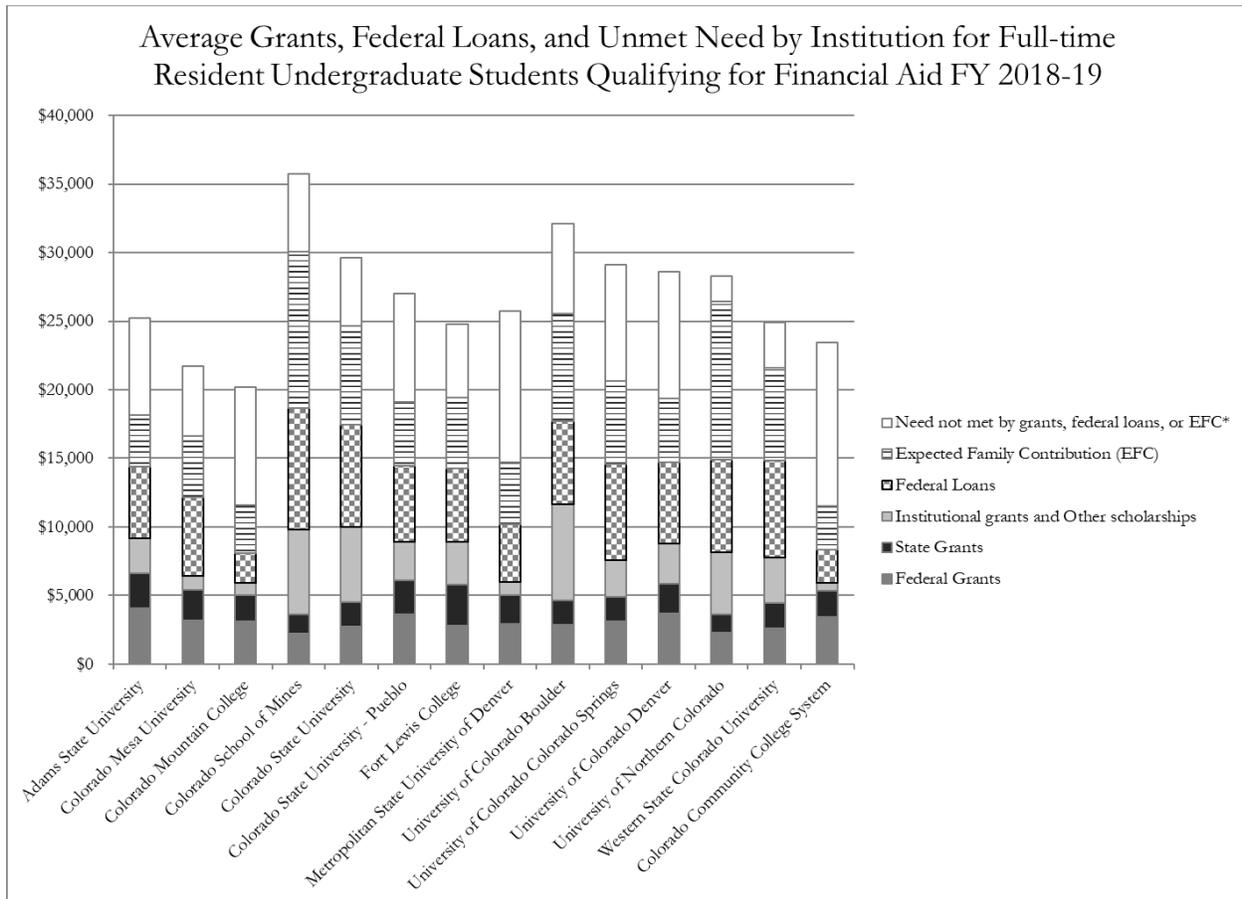
Statute at Section 23-3.3-104, C.R.S., requires that most state-funded financial aid increase at no less than the increase for the governing boards, and there have been significant increases in recent years, including \$19.1 million (10.7 percent) in FY 2018-19 and \$23.4 million (11.9 percent) in FY 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.

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: 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. 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.

- Sixty-seven 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.
- Fifty-five 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.

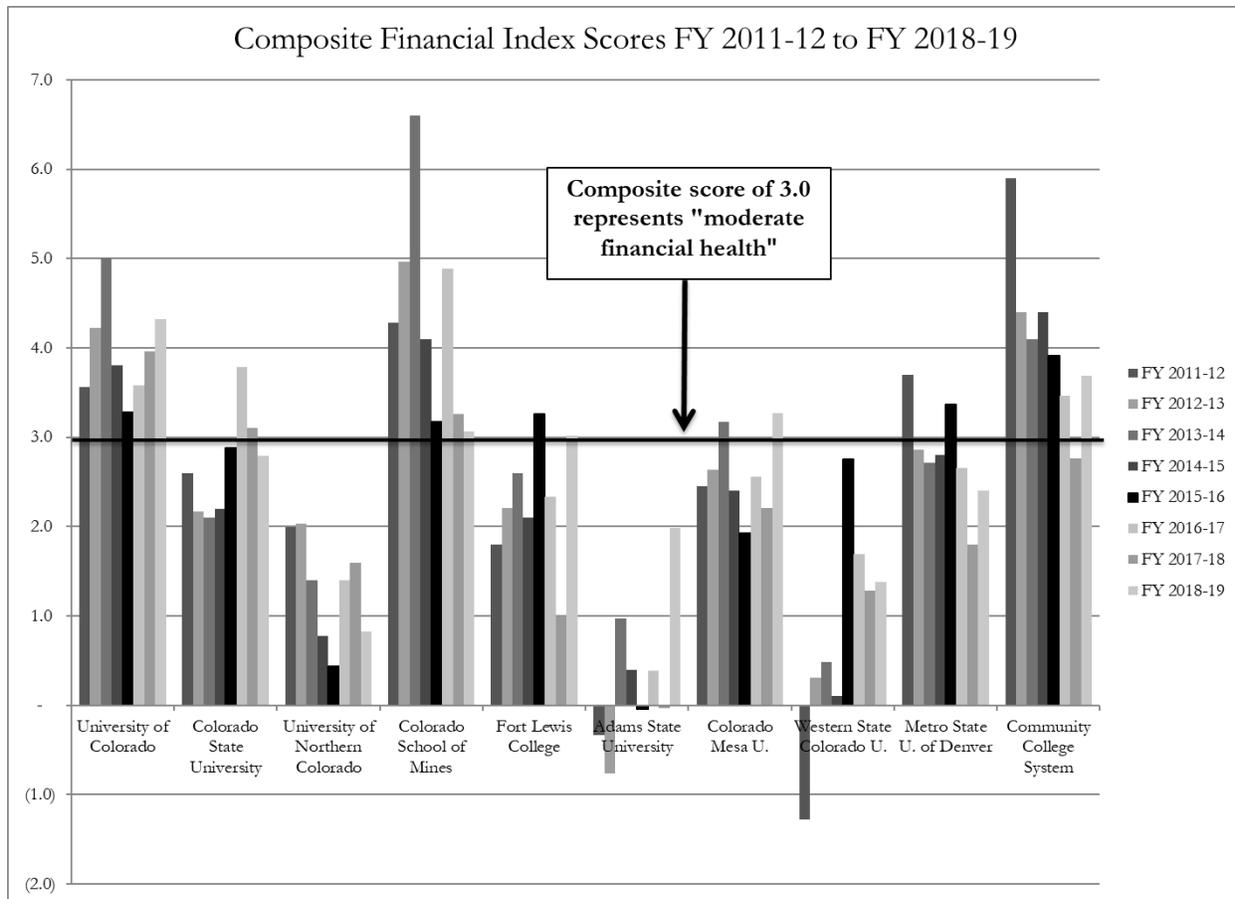
Other Sources: There is a substantial gap between the calculated cost of attendance for students with need and known sources of student support. A portion of this gap may be filled with additional unsubsidized student or family loans, which are not included in these figures.

INSTITUTIONAL FINANCIAL HEALTH

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

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

The Composite Financial Index (CFI) is a tool designed to summarize institutional financial health. It combines four financial ratios (primary reserve ratio, viability ratio, return on net assets, and net operating ratio) to provide an overall indicator of a governing board's financial well-being. The CFI is calculated on a scale from below 0 to 10.0, with a result below 0 indicating that the institution's viability is in question and a score of 3.0 representing the threshold for moderate financial health. The governing boards reflect a mix of financial positions in FY 2018-19, but many look stronger than FY 2017-18, with six of ten close to or above a score of 3.0 (moderate financial health on the CFI scale). Additional state support in FY 2018-19 is an important component of many boards' stronger positions. However, a number of the boards appear very weak, generally due to enrollment declines.



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

Notes: Figures are adjusted to remove the impact of GASB 68 and GASB 75 (pension and post-employment liabilities) and Perkins Loan liquidations.

The Treasurer also prepares an annual report on the debt and financial status of the State Institutions of Higher Education.¹ This incorporates information about total indebtedness, debt backed by the State under the Revenue Bond Intercept program, and reports from credit ratings agencies. The table below shows current credit ratings, which are ranked in the following order from highest to lowest: Aa1, Aa2, Aa3, A1, A2, A3, Baa1. The comment after the ranking indicates whether the rating is stable or at risk of decline (negative). As shown, **the bond ratings agencies also consider Western Colorado University (Baa3), Adams State (A3-negative), and the University of Northern Colorado (A3) to be in the weakest financial positions**, which is broadly consistent with the CFI ratings. All of the state institutions are eligible to participate in the Revenue Bond Intercept program, apart from the Western State Colorado University, due to its low credit rating.

¹ Colorado Treasurer's 4th Annual Report, State Institutions of Higher Education, FY 2019-20, September 1, 2019. https://www.colorado.gov/pacific/sites/default/files/atoms/files/2019%20Annual%20Report%20for%20Higher%20Education_Financial%20v5%20%281%29.pdf

Institution	Moody's	S&P	Fitch
Adams State College	A3 (Negative)	N/A	N/A
Colorado Community College System	Aa3 (Stable)	N/A	N/A
Colorado Mesa University	A2 (Stable)	N/A	N/A
Colorado School of Mines	A1 (Stable)	A+ (Negative)	N/A
Colorado State University	Aa3 (Stable)	A+ (Stable)	N/A
Fort Lewis College	A2 (Negative)	N/A	N/A
Metropolitan State University	A1 (Stable)	A (Negative)	N/A
University of Colorado	Aa1 (Stable)	Withdrawn	AA+ (Stable)
University of Northern Colorado	A3 (Stable)	A- (Stable)	N/A
Western Colorado University	Baa1 (Stable)	Withdrawn	N/A

SUMMARY: FY 2019-20 APPROPRIATION & FY 2020-21 REQUEST

DEPARTMENT OF HIGHER EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION:						
S.B. 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	7,906,360	3,836,043	3,600,000	470,317	0	6.0
TOTAL	\$4,875,838,547	\$1,112,705,645	\$2,836,261,687	\$900,986,375	\$25,884,840	26,303.8
FY 2020-21 REQUESTED APPROPRIATION:						
FY 2019-20 Appropriation	\$4,875,838,547	1,112,705,645	\$2,836,261,687	\$900,986,375	\$25,884,840	26,303.8
R1 State funding increase for public higher education	46,716,223	26,297,478	0	20,418,745	0	0.0
R2 Tuition spending authority	94,223,846	0	94,223,846	0	0	0.0
R3 Fort Lewis Native American Tuition Waiver	1,869,734	1,869,734	0	0	0	0.0
R4 College credit for work experience	204,180	204,180	0	0	0	1.0
R5 Accountability dashboard	165,436	165,436	0	0	0	1.5
R6 Area technical college grant program	3,171,650	3,171,650	0	0	0	0.0
R7 Chief educational equity officer	150,950	150,950	0	0	0	1.0
R8 Division of Private Occupational Schools	200,000	0	200,000	0	0	0.0
R9 Early childhood talent pipeline scholarship	4,311,785	4,311,785	0	0	0	1.0
R10 Loan forgiveness for early childhood educators	544,358	544,358	0	0	0	1.5
R11 Colorado Opportunity Scholarship Initiative	3,000,000	3,000,000	0	0	0	6.0
BA1 Get on Your Feet Colorado	14,076,245	14,076,245	0	0	0	0.0
HC1 Financial sustainability for historic preservation	999,970	0	(30)	1,000,000	0	0.0
HC2 Community museum cash funds for earned revenue	121,895	0	121,895	0	0	0.0
NP1 OIT budget request package	(5,835)	0	(5,495)	(340)	0	0.0
NP2 Paid family leave	1,401,371	1,401,371	0	0	0	0.0
Auraria Higher Education Center Adjustment	469,411	0	0	469,411	0	0.0
Centrally appropriated line items	267,804	142,672	132,889	(44,844)	37,087	0.0
Lease purchase payment adjustments	141,319	103,023	(100,698)	138,994	0	0.0
WICHE fee increase	7,000	0	0	7,000	0	0.0
Annualize prior year budget action	(389,044)	(389,044)	795	0	(795)	(0.4)
Annualize prior year legislation	(270,268)	216,853	(250,970)	(245,713)	9,562	(0.0)
TOTAL	\$5,047,216,577	\$1,167,972,336	\$2,930,583,919	\$922,729,628	\$25,930,694	26,315.4
INCREASE/(DECREASE)	\$171,378,030	\$55,266,691	\$94,322,232	\$21,743,253	\$45,854	11.6
Percentage Change	3.5%	5.0%	3.3%	2.4%	0.2%	0.0%

R1 STATE FUNDING INCREASE FOR PUBLIC HIGHER EDUCATION The request includes an increase of \$26,297,278 General Fund allocated among public institutions of higher education (state governing boards, local district colleges, and area technical colleges) and financial aid. The request includes: (1) an overall increase of \$21,258,091 (2.5 percent) for student stipends, fee-for-service contracts, and grants for the public governing boards, allocated based on the H.B. 14-1319 funding model; and (2) an increase of \$4,996,241 for financial aid, reflecting the statutory requirements that financial aid

increase at the same rate as support for the governing boards. The request also includes \$43,146 to align stipend amounts for students attending private institutions with stipends for students at the public institutions, as required by statute.

As requested, the state-operated boards would receive increases that range from 1.1 percent to 5.8 percent based on the distribution of institutional enrollment and degrees awarded in actual FY 2018-19 and various other adjustments to the model. Specialty education programs (such as the medical school), local district colleges, and area technical colleges receive the average increase. The Department proposes that governing board tuition for resident undergraduates be restricted to an increase of 3.0 percent, associated with this increase (R2).

R2 TUITION SPENDING AUTHORITY: The request holds resident undergraduate tuition to an increase of 3.0 percent for FY 2020-21. The request includes \$94.2 million in cash funds spending authority for state public institutions' tuition revenue for resident and nonresident students. The request proposes that Long Bill footnotes cap undergraduate resident tuition increases, with no restrictions on non-resident or graduate tuition or mandatory fees.

R3 FORT LEWIS NATIVE AMERICAN TUITION WAIVER: The request includes an increase of \$1,869,734 General Fund (9.5 percent) for the Fort Lewis College Native American tuition waiver. This will bring total waiver payments to \$21,498,777 General Fund. Waiver payments are mandated by Section 23-52-105 (1)(b)(I), C.R.S., which requires the General Assembly to fund 100 percent of the tuition obligations for qualifying Native American students attending Fort Lewis College. Funding for the tuition waiver is made one year in arrears and is calculated based on the prior year enrollment estimates.

R4 COLLEGE CREDIT FOR WORK EXPERIENCE: The request includes \$204,180 General Fund in FY 2020-21 and \$144,620 in FY 2021-22 to adopt and implement a plan for awarding academic credit for prior work-based learning experiences. This amount includes a one-time appropriation of \$60,000 to contract with a subject matter expert and \$144,620 in funding for one term-limited program manager FTE (through 2021-22) to coordinate work with the subject matter expert, institutions, and industry representatives. To expand access to prior learning assessment credits, the Department proposes engaging in an in-depth effort to create crosswalks linking a variety of work-based learning experiences to guaranteed transfer course content areas, credits, and credentials. *Staff note: The Interim Committee on Higher Education Attainability has been authorized to introduce a bill on this topic with a similar fiscal note.*

R5 ACCOUNTABILITY DASHBOARD: The request includes \$165,436 General Fund 1.5 FTE in FY 2020-21 and \$156,691 in FY 2021-22 to fund 1.5 term-limited FTE in the Department's data and research division. These FTE will be responsible for developing public-facing data metrics and accompanying tools in order to improve institutional accountability and make higher education data more accessible.

R6 AREA TECHNICAL COLLEGE GRANT PROGRAM: The request includes a one-time appropriation of \$3,171,650 General Fund for FY 2020-21 to complete two single-phase capital expansion projects at the Technical College of the Rockies and Emily Griffith Technical College. State funding will be matched with \$4,267,213 institutional cash funds and federal funds, which do not require spending authority. The investments will fund a Healthcare Education and Innovation Center at the Technical College of the Rockies and Outdoor Welding Space at Emily Griffith Technical College.

R7 CHIEF EDUCATIONAL EQUITY OFFICER: The request includes \$150,950 General Fund and 1.0 FTE in FY 2020-21 and beyond for a new Chief Educational Equity Officer position. The Department indicates that it hopes to onboard the position in March 2020 based on a supplemental appropriation. Colorado has the largest attainment gap between white and Latinx residents of any state. This position will build on momentum created through Lumina grant support and will be responsible for administering a diversity, inclusion, and equity curriculum and mobilizing equity champions at institutions across the state.

R8 DIVISION OF PRIVATE OCCUPATIONAL SCHOOLS: The request includes \$200,000 cash funds spending authority in FY 2020-21, annualizing to \$100,000 cash funds spending authority for the subsequent three fiscal years, to enable the Division of Private Occupational Schools to implement a comprehensive IT solution that will increase the quality and efficiency of the Division's workflow. The Division regulates over 300 private occupational schools and continues to collect school information mostly in paper format, which is then transcribed into outdated databases. In 2016 the Division issued an RFP for a new information and tracking system to manage its workflow processes, but the bids were too high and did not meet the Division's needs. In 2019, all public and private schools wishing to be eligible for tuition dollars through the federal Workforce Innovation and Opportunity Act must provide information and report on outcomes on the state's Eligible Trainer Provider List. DPOS proposes to link to and use the same technology, thereby reducing the burden on participating private businesses. The Division anticipates that with an automated system the time required for a school to seek approval can be reduced up to 50 percent and will likely be reduced by 70 percent once schools are familiar with the process. It currently requires 2 months to 1 year for a school to complete the approval process.

R9 EARLY CHILDHOOD TALENT PIPELINE SCHOLARSHIP: The request includes \$4,311,785 General Fund and 1.0 FTE in FY 2020-21 for early childhood educator scholarships. The request proposes that this amount would *decline* over subsequent years to \$2,873,543 in FY 2024-25 as the amount for Request R10 (early childhood educator loan forgiveness) increases. The request indicates that in FY 2017-18, there were 1,022 students in early childhood educator-related undergraduate credential programs who had a financial aid application on file. The average cost-of-attendance per student outstanding after Pell awards, state need-based awards, and expected family contributions in FY 2017-18 was \$12,898. The Department proposes to allocate the funds to institutions of higher education based on the number of students at each institution who are Pell eligible and pursuing degrees under certain instructional codes (early childhood education and teaching, education/teaching of individuals in early childhood special education programs, teacher assistant/aide, teacher education for multiple levels). Institutions would then package aid for eligible students using their usual practices, reducing or eliminating an amount up to the student's full cost of attendance. Based on the number of individuals reported eligible in 2018, the average grant amount would be \$4,219. The request includes adding 1.0 FTE for a researcher to study the impact of the scholarships. The request would require new legislation.

R10 LOAN FORGIVENESS FOR EARLY CHILDHOOD EDUCATORS: The request includes \$544,358 General Fund in FY 2021 to fund loan forgiveness to address early childhood educator shortages. The Department also requests 1.5 FTE in FY 2020-21 and ongoing to administer the program. 50 early childhood education associate's degree holders and 50 bachelor's degree holders currently employed as early childhood educators will be eligible for up to \$3,000 in loan forgiveness annually for up to four years (associates degree holders) and up to \$5,000 in loan forgiveness annually for up to five years (bachelor degree holders). The request increases to \$937,303 in FY 2021-22 and continues to increase

annually up to up to \$1,987,303 in FY 2024-25 and ongoing. Approximately 70 percent of Colorado child care center directors report that finding qualified educators is a top challenge they face, and the Department of Labor and Employment expects demand to grow 33-43 percent through 2025; yet many professionals in the field indicate that pursuing any type of post-secondary education can be challenge, and 75 percent reported that they would require tuition assistance to pursue higher education. The request would require new legislation.

R11 COLORADO OPPORTUNITY SCHOLARSHIP INITIATIVE: The request includes an increase of \$3.0 million in General Fund in FY 2020-21 and ongoing for the Colorado Opportunity Scholarship Initiative (COSI) to increase state and local community investment in students' higher education attainment and enhance support services to students. The request would increase the total funding for COSI to \$10.0 million per year. The Department is also pursuing a related statutory change that would enable it to increase the share of its funding for support program grants. The request reflects potential increases in expenditures and awards of \$221,640 for administration, \$1.7 million for support program grants, and \$2.1 million for matching scholarships, resulting in total annual outlays of approximately \$13.8 million if the changes are approved. Since these increases would exceed the total annual appropriation, the overall proposal reflects a planned gradual spend-down of COSI reserves. *The Interim Committee on Making Higher Education Attainable has been authorized to introduce a bill on this topic with a related appropriation of \$5.0 million General Fund in the introduced bill.*

BA1 GET ON YOUR FEET COLORADO: The request includes \$14,076,245 General fund and 3.0 FTE in FY 2020-21 to launch a loan repayment program for Colorado residents who complete an undergraduate (associate or bachelor) degree at one of the state's public institutions of higher education and begin their career in Colorado. The one-time appropriation would establish a fund from which loan repayment benefits would be paid to eligible students over three years and would support program administration. The request would enable up to 5,300 eligible Colorado graduates to receive loan repayment for up to two years with an average of \$1,500 annually per recipient. The program is intended to incent degree completion and provide support to recent graduates as they launch their careers. The program would require new legislation (anticipated through non-JBC bill sponsors).

HC1 FINANCIAL SUSTAINABILITY FOR HISTORIC PRESERVATION: The request includes \$1,000,000 reappropriated funds in FY 2020-21, \$930,632 in FY 2021-22, and \$1,000,000 in FY 2022-23 and ongoing to provide relief for History Colorado's annual Certificate of Participation (COP) payments. History Colorado's COP payments are scheduled to increase stepwise from approximately \$3.0 million currently to \$4.9 million by 2040. The original forecast on which History Colorado's COP payment schedule was based in 2009 have not materialized, resulting in a structural imbalance between the agency's revenues and expenses.

The request requires a statutory change to Section 23-31-901, C.R.S. et. seq. that provides for an annual \$20.0 million General Fund transfer to the National Western Center Trust Fund for purposes of making COP payments for the National Western Center and the Capitol Complex Master Plan Implementation Fund. The request proposes to divert \$1.0 million from amounts that would otherwise go to the Capitol Complex Master Plan Implementation Fund, so that, starting in FY 2020-21, funding for the Capitol Complex Master Plan Implementation Fund would be reduced by \$1.0 million, while funding for History Colorado COP payments would be increased by the same amount. The chart below reflects the proposed payment schedule through FY 2023-24. Funding similar to FY 2023-24 would continue through FY 2039.

Fiscal Year	Total Budgeted	NWC Debt Service	Capitol Complex	History Colorado	Total Allocated
FY2020	\$ 20,000,000	\$ 14,047,870	\$ 5,952,130	\$ -	\$ 20,000,000
FY2021	\$ 20,000,000	\$ 18,696,574	\$ 303,426	\$ 1,000,000	\$ 20,000,000
FY2022	\$ 20,000,000	\$ 19,069,368	\$ 0	\$ 930,632	\$ 20,000,000
FY2023	\$ 20,000,000	\$ 18,097,791	\$ 902,209	\$ 1,000,000	\$ 20,000,000
FY2024	\$ 20,000,000	\$ 18,096,915	\$ 903,085	\$ 1,000,000	\$ 20,000,000

HC2 COMMUNITY MUSEUM CASH FUNDS FOR EARNED REVENUE: The request includes an increase of \$121,895 cash funds spending authority in FY 2020-21 for earned revenue at the community museums. The request notes that \$1,589,044 General Fund added in FY 2017-18 annualizes in FY 2020-21 (to \$1,200,000 General Fund) based on the expectation that the Community Museums will have developed more sustainable earned revenue programs that can be used to backfill the reduced General Fund.

NP1 OIT BUDGET REQUEST PACKAGE: The request includes the Department's share of the Governor's Office of Information Technology's budget package adjustments.

NP2 PAID FAMILY LEAVE: The request includes a proposed statewide common policy increase for paid family leave.

AURARIA HIGHER EDUCATION CENTER ADJUSTMENT: The request increases spending authority for the Auraria Higher Education Center by \$469,411 for funds received from the institutions operating on the Auraria campus (University of Colorado – Denver, Metropolitan State University of Denver, and the Community College of Denver).

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

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$315,158	\$21,952	\$200,424	\$51,693	\$41,089	0.0
AED adjustment	75,603	32,079	28,119	(9,211)	24,616	0.0
SAED adjustment	75,603	32,079	28,119	(9,211)	24,616	0.0
CORE adjustment	65,288	0	19,056	46,232	0	0.0
PERA Direct Distribution	60,601	22,632	(27,058)	24,867	40,160	0.0
Health, life, and dental adjustment	25,867	32,922	84,815	2,364	(94,234)	0.0
Legal services adjustment	2,484	0	0	2,484	0	0.0
Short-term disability adjustment	1,800	1,008	224	(272)	840	0.0
Payment to risk management / property funds adjustment	(202,267)	0	(64,969)	(137,298)	0	0.0
Payments to OIT adjustment	(144,425)	0	(136,017)	(8,408)	0	0.0
Workers' compensation adjustment	(7,112)	0	972	(8,084)	0	0.0
ALJ adjustment	(796)	0	(796)	0	0	0.0
TOTAL	\$267,804	\$142,672	\$132,889	(\$44,844)	\$37,087	0.0

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

WICHE FEE INCREASE: The request includes an inflationary adjustment to address fee increases for the Western Interstate Commission on Higher Education, which provides research services and runs inter-state student exchange programs used by the department and public institutions of higher education.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments for the second-year impact of prior year budget actions.

ANNUALIZE PRIOR YEAR BUDGET ACTION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize prior year salary survey	\$0	\$0	\$795	\$0	(\$795)	0.0
DHE-reflected base FTE for AHEC	0	0	0	0	0	(0.4)
FY 2017-18 HC1 Community Museum Revitalization	(389,044)	(389,044)	0	0	0	0.0
TOTAL	(\$389,044)	(\$389,044)	\$795	\$0	(\$795)	(0.4)

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

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
SB 15-211 Depreciation Lease Equivalent Adjustment	\$1,015,354	\$1,015,354	\$0	\$0	\$0	0.0
SB 19-003 Educator Loan Forgiveness	493,443	493,443	0	0	0	0.1
SB 18-200 Eliminate PERA unfunded liability	75,853	5,276	49,030	11,985	9,562	0.0
SB 19-231 Colorado Second Chance Scholarship	4,788	4,788	0	0	0	0.2
HB 19-1006 Wildfire Mitigation Wild and Urban Interface Areas	(1,000,000)	(1,000,000)	0	0	0	0.0
HB 19-1264 Conservation Easement Tax Credit Modifications	(500,000)	(250,000)	0	(250,000)	0	0.0
SB 19-001 Expand Medication-assisted Treatment Pilot Program	(300,000)	0	(300,000)	0	0	0.0
SB 19-190 Growing Great Teachers	(44,310)	(44,310)	0	0	0	(0.4)
HB 19-1294 Apprenticeship credit	(15,000)	0	0	(15,000)	0	0.0
HB 19-1202 Food Systems Advisory Council	(396)	(7,698)	0	7,302	0	0.1
TOTAL	(\$270,268)	\$216,853	(\$250,970)	(\$245,713)	\$9,562	(0.0)

ISSUE: UPDATING THE HIGHER EDUCATION FUNDING MODEL

This issue discusses the Department's response to S.B. 19-095, which required a five year review of the higher education funding formula adopted under H.B. 14-1319.

SUMMARY

- The H.B. 14-1319 higher education funding model was adopted to enable legislators to explain the basis for higher education funding and direct funding based on policy goals, rather than relying on negotiations among the higher education institutions to determine funding allocations.
- The H.B. 14-1319 model as currently operated is commonly critiqued on the following bases: (1) it is too complex, not sufficiently transparent, and difficult to adjust; (2) it fails to adequately support small institutions; and (3) it has directed too much money to research institutions (which have been growing) and not enough to access institutions like community colleges, Metro, and Mesa, which have lost or faced stagnant enrollment.
- In light of these critiques and at the request of the Department, the General Assembly adopted S.B. 19-095, which required a five year review of the higher education funding formula be submitted November 1, 2019 containing changes to the funding formula and any recommendations for legislative changes. The JBC also submitted a Request for Information outlining issues of particular interest.
- The Department submitted its proposed model under S.B. 19-095 November 12, 2019. The Department developed the model as a "base-plus" tool and then modified it to include 10 percent of the base at the behest of OSPB. The model includes components for the distribution of Pell (low-income) and underrepresented minority students, completions (degrees and transfers), and graduation rates. The Department indicates that the intent is that all funding will ultimately flow through the model.

RECOMMENDATION

- Staff recommends that the Committee **not** adopt the model proposed by the Department pursuant to S.B. 19-095. Neither the methodology nor the result seems an improvement over the current model established in H.B. 14-1319.
- The Committee should consider sponsoring legislation to eliminate some of the most prescriptive elements of H.B. 14-1319 and enable the Department and stakeholders to develop a potentially simpler model that includes a clear component of "base" funding for institutions, while retaining the COF stipend, funding for low-income, first generation, and underrepresented minority students, and funding for outcomes/degrees.
- To reduce uncertainty for the governing boards and complexity during the legislative session, staff recommends that the Committee express an intent to: (1) use the H.B. 14-1319 tool for the purpose of setting the FY 2020-21 budget and include adjustments that ensure that no governing

board receives an increase of less than 1.3 percent (if total funding increases 2.5 percent) for a large board and 2.0 percent for a small board.

DISCUSSION

A BRIEF HISTORY OF COLORADO HIGHER EDUCATION FUNDING METHODOLOGIES

Colorado, like other states, needs a mechanism for dividing funds among its higher education governing boards.

Colorado has gone through numerous higher education funding models over the decades. At one time, funding for higher education was determined through more detailed line item decisions similar to the approach used for the rest of the state budget. By the early 1990s, funding had been consolidated into single line items by governing board and the state used a mandated cost model, in which various cost and revenue components were analyzed by governing board. By the mid-1990s, this had changed to an inflation-based model, in which governing boards received increases based on CPI plus enrollment, with additional adjustments addressed through decision items or separate legislation (including a performance-based funding component added in the early 2000s).

From the mid-2000s through the adoption of H.B. 14-1319, funding for Colorado higher education institutions was governed by S.B. 04-189, which dictated the use of student stipends to be provided to resident undergraduates (money follows the student) and fee-for-service contracts with each governing board to address other state needs. However, for practical purposes, funding for each governing board was determined using a “base plus” allocation model. Incremental changes were shaped each year through agreements negotiated among the higher education institutions and approved through legislative action.

By 2014, from the General Assembly’s perspective, it was no longer transparent why any particular governing board received a particular amount of funding, and the funding authorized seemed to have little relationship to the stipends and fee-for-service contracts authorized in statute. Thus, during the 2014 legislative session, the Speaker initiated a bill, with bipartisan sponsorship, to change the model for funding higher education. The General Assembly adopted H.B. 14-1319 (Outcomes-based Funding for Higher Education) to refine the existing funding model to more explicitly address the fee-for-service components of the model and to add components based on student retention and degree attainment.

HOUSE BILL 14-1319 - OUTCOMES-BASED FUNDING FOR HIGHER EDUCATION

The intent of the bill, as reflected in the legislative declaration, included pushing the State toward achieving specific policy goals including increasing the number of high quality postsecondary credentials, providing a mechanism for the General Assembly to direct funding based on policy goals, increasing transparency, and providing greater predictability in higher education funding.

The statute laid out a large number of specific elements to be included in a new funding model. It then required the Department to convene stakeholder groups during the 2014 interim to develop the new model for use in the FY 2015-16 budget request. An initial version of the model was used in FY 2015-16. In FY 2016-17, the Department submitted a modified version, which was altered further by the Joint Budget Committee.

As dictated by the statute, the model allocates all funding for the governing boards based on three major categories:

- Student stipends (undergraduate enrollment),
- Outcomes (graduations, transfers, retention), and
- Role and mission (flat funding by type of institution).

Funding for “specialty education” programs such as the medical school, veterinary school, forest service, and agricultural extension programs, as well as with local district colleges and area technical colleges are funded outside this structure.

An appendix to this issue provides a more detailed description of the current model and its components. However, for purposes of this discussion it is simply worth noting that the statutes dictating the model at 23-18-301 et. seq. are extremely detailed and prescriptive: 52.5 percent of funds (excluding specialty education) must be for student stipends; specialty education programs must increase at the state average; and there must be specific amounts allocated for a wide range of things from students in graduate classes to students in remedial education.

Over the years, staff briefings have highlighted various strengths and weaknesses of the model.

Strengths:

- It provides funding based on actual data: enrollment, degrees awarded, student retention, low-income Pell student enrollment and completion, and STEM completion. These elements are the focus of Colorado’s Higher Education Master Plan and drive about 80 percent of the funding excluding “specialty education” programs.
- The results appear reasonable and provide fairly stable/smooth funding adjustments.
- It IS a model, and one that the General Assembly may choose to adjust based on policy considerations. Previously, the institutions annually negotiated how any new funds or reductions would be allocated. Now, the General Assembly has a tool for allocating or adjusting funding among the institutions based on policy considerations.

Weaknesses:

- Under the post-recession enrollment environment, large research institutions have been growing, while other institutions have not. The community colleges and access institutions such as Metropolitan State University feel that they should benefit more from the model. The model also has difficulty supporting smaller institutions that are size-constrained by their locations and other factors.
- While it is possible to adjust the model, it is not easy. Adding (or subtracting) funds in some parts of the model may have unexpected consequences affecting funding for other parts of the model.
- While the model is supposed to provide incentives for outcomes, it’s not clear whether it can do this, due to the limited amount of funding available, the model’s complexity, and because any institution’s funding is affected by the performance of other institutions.

STATUTORILY-REQUIRED REVIEW OF THE HIGHER EDUCATION FUNDING MODEL

Senate Bill 19-095 (Todd and Holbert/Hansen and McKean) requires a five year review of the higher education funding formula be submitted November 1, 2019 containing changes to the funding formula and any recommendations for legislative changes. The Department is instructed to convene one or more meetings with interested parties, engage directly with the institutions, and strive for consensus among the institutions on any proposed changes.

The Joint Budget Committee also identified, in its Request for Information #1, some specific areas it hoped the Department would address in its review of the model. The request asked the Department to examine a range of issues including:

- Further rationalizing the “mission” and “specialty education” portions of the model ;
- Making the model more transparent and easier to use and understand;
- Aligning the model with the Higher Education Master Plan; and
- Exploring how the model can better address the needs of small institutions.

The text of the request is included in the Request for Information section of this packet (RFI #1)

DEPARTMENT PROPOSAL

Although S.B. 19-095 required the Department to submit a proposal by November 1, 2019, it did not do so. A letter to the General Assembly on November 1, 2019, simply outlined certain core principles sought by Department, the Commission, and stakeholders.

The Department finally submitted a proposal on November 12, 2019 and was able to send staff a copy of its new proposal in Excel format. The proposal provided is similar to the model described by staff during the Committee’s September 2019 meeting. Adopting the proposal would require statutory change and would likely involve rewriting all or most of Section 23-18-303, C.R.S., and related sections.

The model as submitted includes four components. As submitted, the Department proposes that 10 percent of base funding, in addition to an incremental increase of 2.5 percent, will pass through the model. The intention reflected in the submission is that the amount of base funding allocated over time will ultimately reach 100 percent of funding through the new formula.

DEPARTMENT FUNDING ALLOCATION MODEL		
MEASURE	PERCENTAGE OF ALLOCATION INCLUDED IN THE MODEL	DESCRIPTION
Operational Support	40%	Each governing board’s base funding from the prior year is inflated by an equal percentage, then by various multipliers so Adams, Mesa, Metro, Western, FLC, and UNC receive much larger base increases.
Completions	20%	Resident student degrees awarded, with extra weight for each STEM (science & tech) degree, student who is Pell-eligible (low income), and student who is an underrepresented minority. Excludes degrees for non-resident students and retention data used in the past. Distributes funds similar to prior year distribution, even with these changes.
Equity-focused Enrollment	30%	Share of under-represented minority students and Pell-eligible (low income) students served by each governing board, weighted to emphasize the share of students at each governing board who fall in this category. For example, ASU has 1.6 percent of all Pell student enrollments but

DEPARTMENT FUNDING ALLOCATION MODEL		
MEASURE	PERCENTAGE OF ALLOCATION INCLUDED IN THE MODEL	DESCRIPTION
		52 percent of its student population is Pell, so it receives 2.7 percent of the allocation under this component.
Graduation Rates and Improvements	10%	New addition to respond to Governor's Office. Based on a comparison with peers in graduation rates and trends in comparison to peers.
TOTAL	100%	Department proposes that this allocation apply only to incremental increases. It is in discussion with the Governor's Office regarding whether a portion of the base is also included

The Department also proposes that the Colorado School of Mines be removed from the model and be turned into a “Specialty Education Program” that receives automatic increases at the state average.

While staff remains interested in seeing an improved model, staff does not believe the model prepared by the Department is an improvement. *While staff believes the Committee may wish to consider changes to the existing H.B. 14-1319 statute and the current model, staff does not believe the Department's proposal should be adopted as submitted.*

- The model was developed by the Department as a “base plus” model. As described by staff in September, all of the governing boards’ existing appropriations were proposed to become their base funding. The new allocations were proposed to be incremental changes to the base. These incremental changes were anticipated to be very modest for FY 2019-20 (2.5 percent)
- **Early in the summer, staff expressed concerns to the Department about the base-plus approach.** Staff presented these concerns to the JBC in September, when there seemed to be little change to the proposal.
- **Governing boards like stability, and they were supportive of moving to a base-plus approach, so the Department proceeded to promote its base-plus model into the fall.**
- Like JBC staff, **the Governor's Office was also unhappy with a base-plus approach** that affected very little of the total higher education budget.
- The solution reflected in the November 12, 2019 submission was to make some small additional changes to the model AND push ten percent of base funding through the base-plus model originally developed.
- **The end result of this process simply does not make sense.**

WHY A FUNDING MODEL?

Ultimately, **the General Assembly needs a mechanism for allocating funds among governing boards.** From staff's perspective, the key purposes of a funding model at the level being used by the state are:

- To enable the General Assembly and the Governor to direct funds to higher education priorities and sectors consistent with the State’s priorities
- To enable the General Assembly and the Governor to explain why different institutions and sectors receive different amounts
- To highlight what the State believes is important. While staff, legislators, commission members, and executive branch managers are also always interested in incentivizing certain behaviors by the institutions, the state’s ability to do this seems limited by the share of funding from the State versus other revenue sources, the variability of state support available, and the uncertainty that any funding the State provides to a governing board will translate to the funds the governing board provides an individual institution. However, this does not eliminate the value of aligning funding with what the State believes is important.

The **governing boards** also seek predictability in funding. They operate large institutions with significant fixed costs and, internally, budget with a base-plus approach.

CONCERNS ABOUT THE MODEL SUBMITTED

CCHE “CORE PRINCIPLES”

The “Core Principles” outlined in the letter from the Department regarding the new model are sound and are similar to the issues outlined in the RFI from the Joint Budget Committee.

- **Simplicity and transparency** - the formula must be understandable so that policymakers, institutions, and the public can clearly understand what outcomes and activities drive funding changes;
- **Master Plan Alignment** - the formula must be clearly tied to the Master Plan;
- **Outcomes-based** - the formula must provide incentives for institutions to improve their performance over time and lead to stronger outcomes for Colorado students
- **Volume mitigation** - smaller institutions should have the same ability to succeed in the formula based on outcomes as a larger institution

CCHE also noted the need for stability for the institutions.

The model submitted does not achieve all of these goals.

OVERARCHING PROBLEMS

- **THE MODEL IS NOT PARTICULARLY “SIMPLE”.** The Department’s current proposal includes four separate funding elements, many of which are comprised of several smaller elements. For example, “equity focused enrollment” includes both a Pell-element and an underrepresented minority element. The Department’s model is in many respects as complex as the current model, which includes six elements. If all funding passes through the model, it will likely become more complex. The more complex a model, the less useful it is as a communication tool for legislators, the public, or the institutions themselves.
- **THE NEW MODEL DOES NOT CONSISTENTLY “HELP” SMALL OR ACCESS INSTITUTIONS.** Staff thought that the greatest concern about H.B. 14-1319 was that it sent more money to institutions at the University of Colorado that are growing, while not adequately supporting small institutions, and, perhaps, other institutions facing declining enrollment. But *if one purpose of the new model was to help small institutions receive more funding, the new proposal seems in two-of-three cases to treat them less well.*

Meanwhile, the community college system does substantially less well, while CU and CSU do better. Was that the goal?

	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs
FY 2019-20 Funding	17,280,257	32,184,959	63,669,142	15,035,379	170,828,219	14,136,437	241,373,927	25,371,265	47,004,464	189,865,735
HB 14-1319	17,723,969	33,091,653	67,364,216	15,362,036	172,580,541	14,944,761	245,479,006	25,660,511	48,422,312	196,539,523
Nov 1 submission	443,712	906,695	3,695,074	326,657	1,752,321	808,324	4,105,080	289,246	1,417,847	6,673,788
	2.6%	2.8%	5.8%	2.2%	1.0%	5.7%	1.7%	1.1%	3.0%	3.5%
New proposal	17,852,945	33,467,953	67,488,730	15,192,216	173,315,290	14,360,310	246,238,497	26,005,546	48,219,307	195,027,735
Nov 13 submission	572,688	1,282,994	3,819,588	156,837	2,487,071	223,873	4,864,570	634,282	1,214,843	5,162,000
	3.3%	4.0%	6.0%	1.0%	1.5%	1.6%	2.0%	2.5%	2.6%	2.7%

- **THE MODEL DOES NOT SEEM WELL DESIGNED TO ADJUST TO DIFFERENT FUNDING LEVELS OR DIFFERENT LEGISLATIVE PRIORITIES.** The most important function of the State’s funding model is to assist legislators in allocating funds.
 - If the General Assembly decided to provide more money, would it really want to allocate the funds following this new model? With a 10.0 percent (\$85.0 million) increase for the governing boards, Metro would receive an increase of 15.6 percent (\$9.9 million), and Western would receive less than 7.7 percent (\$1.2 million). CSU would receive 8.3 percent, and the community colleges would receive 10.4 percent. These results are not necessarily the wrong direction for funding--but the rationale is far from transparent.
 - The model is apparently designed so that any funding cut simply cuts all entities equally across the board. This is not necessarily the wrong approach--but it’s not necessarily the right one either.
 - Does this model reflect the Governor’s funding priorities in terms of where the Governor’s Office wishes to direct more funds? If the General Assembly does not agree with those priorities, how would it adjust the model to point in a different direction?

SPECIFIC ISSUES AND CONCERNS

BASE FUNDING.

- The key selling point of the Executive Branch’s model, from an institutional perspective, was that it provided predictable base funding tied to the prior year appropriation. This was also the most significant “simplifying” element. However, the Executive Branch proposal indicates that the intent is ultimately to put all funding through the model. If this is the case, why not stick with the current model, which does this?
- So far the Executive Branch has not been able assert any rational basis for why institutions should receive any particular amount in their base, other than to point to the amount appropriated the prior year. The Department has engaged a consulting firm to compare Colorado institutions with peers in other states which may provide some additional insights into the adequacy or reasonableness of institutional operating costs and the level of state funding for one Colorado institution versus another. However, it’s not likely that this will provide a silver bullet: among other issues, who constitutes a “peer” will be subject to endless debate. Regardless, **staff understands the results will not be released in time for the FY 2020-21 budget process.**

“OPERATIONAL SUPPORT”. The Department’s current model includes a component designed to shift funding based on type of institution. Specifically, it places 40 percent of any funding flowing

through the model (currently 10 percent of the base plus the increase) into a category called “operational support”. This component appears designed to address both inflation and differential support by type of institution. It allocates funding based on multipliers such as 1.75 percent for a “remote town” or 1.3 percent for a “large city”, with no related multipliers for the three systems: CSU, CU, and the community college system. While staff certainly agrees that base operational support and inflationary adjustments are needed, no clear justification is provided for these ratios. One of the most common complaints about the H.B. 14-1319 model is that there is insufficient rationale for “role and mission” funding amounts. **This proposal both fails to explain base funding and provides insufficient rationale for adjusting particular institutions.**

COLORADO OPPORTUNITY FUND STIPEND/ENROLLMENT. The significant change in the model is that it eliminates any funding based on the College Opportunity Fund (undergraduate enrollment). The stipend is a flat amount per undergraduate resident student that students must apply to receive to offset their tuition. This has, until now, been 52.5 percent of funding allocated (apart from specialty education programs) and, since H.B. 14-1319, has been based on actual stipends used at institutions in the prior actual fiscal year. As staff understands it, the Department does not propose to actually eliminate the stipend. Instead, *the Department is apparently planning to continue the stipend as an administrative overlay, adding complexity but no content.*

Staff believes that resident undergraduate enrollment should remain a significant part of any funding model. Softening the specific requirement that stipends be 52.5 percent of total state appropriations would make the mechanics of the funding model easier, so staff would support modifying the percentage as a statutory requirement. However:

- In staff’s experience, **the stipend is the only portion of state funding for higher education that has a purpose that is transparent to both students and legislators.** While staff believes institutions have value, staff believes *the primary purpose of state support for higher education is to educate students.* The stipend communicates this in the most direct manner possible.
- An important innovation of H.B. 14-1319 was to tie COF stipend allocations to the real number of stipends used in the prior actual year. The COF stipend plays a role in helping to maintain institutions’ status as enterprises, since it is considered a grant to students, rather than a grant to institutions. **Tying the stipend to real numbers of students receiving the stipend strengthens the argument that higher education institutions are, indeed TABOR enterprises and the funding provided is to benefit students.**²

ADDING THE COLORADO SCHOOL OF MINES AS A “SPECIALTY EDUCATION PROGRAM”. The Department’s draft adds the Colorado School of Mines as a “specialty education program”, *i.e.*, a program that will simply receive an increase at the state average. Since every state institution is special

² From an institutional perspective, the stipend is administratively complex, since students are required to apply for it. The State could consider replacing the stipend with an allocation per undergraduate resident enrolled, and could make all state funding for institutions “fee for service contracts”. This is legally feasible and would not change the Office of the State Auditors’ assessment of whether institutions are “enterprises”. It is unclear whether or not such a change would create greater risk of legal action.

in some way, it's not clear why Mines should receive this separate treatment if others do not. **In general, staff believes that *less* of higher education funding--not more--should be statutorily required to increase or decrease at an "average" rate.** The State's higher education Master Plan indicates that it wants more Colorado residents, particularly low-income and disadvantaged residents, to achieve high quality, high value credentials. Shouldn't the Colorado School of Mines be part of that effort and have at least some of its funding related to its success in recruiting, retaining and graduating Colorado residents who might not otherwise pursue an "elite" education?

PEER COMPARISONS/TIME TO GRADUATION. At the request of the Governor's Office, the Department added time-to-graduation metrics into the funding model. **Staff appreciates the interest on the part of the Governor's staff in incorporating some measure of "efficiency" into the higher education funding model. However, staff does not believe this measure is ready for use.** Peer comparisons are subject to gaming, and many of the peers included at this stage are based in part on peers selected by the institutions in federal databases. The following table demonstrates the challenge. The Department's model scores institutions based on their actual graduation rate, where their rate falls between their peer minimum and maximum, and how their rate has changed compared to their peer minimum and maximum. *According to the peers selected, Mesa is the top performer among all its peers, yielding a much higher score than any other institution receives--despite the fact that its "100 percent of time" (4-year) graduation rates are an abysmal 17.1 percent.*

	SCORING FOR 100 PERCENT OF TIME GRADUATION RATES		
	COLORADO MESA	METRO STATE U.	COMMUNITY COLLEGE SYSTEM
Average graduation rate in 100 percent time	17.1%	6.6%	15.9%
Combined score for graduation rate in 100 percent time based on peer comparisons (out of 100 points)	75.1	43.9	38.2

Staff also notes that adding this type of metric complicates--rather than simplifies--the model. The State may ultimately decide that it wants to include some type of "efficient performance" metric in the funding formula, but **staff suggests that the Department wait until its peer comparison process is completed before it seriously considers this.**

"FIRST GENERATION" STUDENTS. The Committee has been asking the Department to incorporate a metric for "first generation" students for multiple years. While repeatedly promising that it is working on the issue (and staff believes it is), the Department still has not incorporated this in the model. There is strong evidence that being a "first generation" student creates significant barriers to student participation and completion of post-secondary education. If the State wishes to focus on equity, shouldn't this be one element of its approach?

SOME STRENGTHS OF THE PROPOSAL

Simplification of Outcome Metrics. The proposal eliminates funding related to outcomes for nonresident students. The current funding model includes some funding for degrees earned by these students at a discounted rate of 30 percent. Staff would have eliminated this funding long ago if not for statutory constraints. This has little impact on total funding but increases the complexity of the model. The Department also proposes to eliminate metrics related to retention, with the goal of

simplicity. This component has likewise been a small component, so this change will have little funding impact.

Greater Emphasis on Equity Gaps. The proposal includes a process for allocating funds to institutions based both on the number of students in particular groups (low-income Pell, under-represented minorities) **and** the share of such students at an institution. This seems reasonable, given the weight given in the Higher Education Master Plan to closing attainment gaps and the additional expense that may be associated with serving particular student groups. Staff notes that the Department has *also* now added Under Represented Minority metrics back into the H.B. 14-1319 model that would be used under current law.

Eliminating Some Funding Model Elements that Add Complexity or have Little Rationale. The proposal eliminates funding based on weighted credit hours. Given that the distribution of weighted credit hours is very similar to the distribution for completions, staff supports eliminating this component. Staff would have eliminated it long ago if not for statutory constraints. The proposal also eliminates a “productivity” tool which had the primary effect of providing equal distributions by governing board.

WHERE TO FROM HERE?

In staff's opinion, the Department's proposal “throws the baby out with the bath water” and creates a weaker model than the one that now exists.

- **Staff believes that procedurally it may be easiest to use the current H.B. 14-1319 for FY 2020-21.** However, staff believes the Committee may wish to consider some “tweaks” to the model submitted. Specifically:
 - In part because the Department has now added underrepresented minorities into the model, and added funding for Mesa and Metro, it has driven some significant realignment toward the community colleges, Mesa, and Metro and away from other institutions. The CSU system appears to be hard-hit by this, which is compounded by declining COF stipend figures at both CSU-Pueblo and the Fort Collins campus. The Department has attempted to address this by adding “tuition stability” amounts into base funding for other institutions, but the basis for these amounts is not clear to staff. It may be most straight forward to establish a desired adjustment “floor”, which might vary by size of institution so that the policy basis is clear, e.g., 2.0 percent for the smallest institutions and 1.3 percent for larger ones if the average increase is 2.5 percent.
 - Staff believes the increase for Fort Lewis College is too large, particularly in light of the increase it will again receive from the Native American Tuition Waiver.
 - The model version submitted entirely eliminates completion funding for nonresidents and funding for retention. Although staff supports these changes, they do not comport with current law. Staff would therefore add in at least a token amount to these categories unless the Committee wishes to move forward with a bill to change the funding model prior to the Long Bill.
- **The Committee should consider sponsoring legislation in the 2020 session to modify the existing H.B. 14-1319 statute to make it less prescriptive and address some of the complexity.** If the Committee is willing to use the current H.B. 14-1319 model for FY 2020-21,

this bill does not need to pass prior to the Long Bill. *The purpose of the proposed changes would be to enable some simplification of the model, by eliminating certain model requirements, including those that certain components represent fixed percentages or increase at specified rates. This will facilitate some (though not all) the changes sought by the Department, and provide the Department and the General Assembly with greater flexibility in the funding process.*

Some specific statutory changes the Committee might consider to Part 3 of Article 18 of Title 23:

- **Eliminate statutory requirements that “specialty education” programs increase or decrease at the same average rate as all funding for higher education (portions of 23-18-304).** Likewise, eliminate this requirement for funding for local district colleges and area technical colleges. *In most years, staff assumes that the Executive Branch will propose this type of alignment--particularly in years when adjustments are essentially inflationary. However, this kind of statutory straight-jacket seems extreme. There may be years when the General Assembly wants to put more money into the community college system than the medical school or when it wants to provide a special increase for the Forest Service at CSU for wildfire mitigation. It should be able to do so without a statutory adjustment.*
- **Loosen the statutory requirement that the College Opportunity Fund stipend constitutes 52.5 percent of “total state appropriation”** (a figure that is calculated excluding specialty education programs and the other items that currently increase at an average rate) unless the General Assembly declares a fiscal emergency (**portions of Section 23-18-305**). *Continue to require that the stipend be part of the model and that it be calculated based on actual COF enrollment. Consider a stipend floor of 35-40 percent of support overall* for the state-operated governing boards of funds appropriated through the General Appropriations Act (funding is presently 43.0 percent of support for the state-operated boards).
- **Eliminate the statutory requirement that funding for Pell students be “at least equal to ten percent of the amount of the COF stipend” and replace this was a simpler requirement** that funding must include an amount for each governing board to offset the additional costs incurred in supporting students who are underserved, including low-income, **first-generation**, and underrepresented minority students. This funding must be allocated among institutions based on the numbers of students served in these categories and based on consistent definition and data collection methods. *This will allow the Department to use the model component it wishes to add related to underrepresented students and will require it to add a component for first-generation students. Staff is not convinced that the Department’s more elaborate calculations for Pell and URM represent a real improvement, but they are functional.*
- **Eliminate much of the other detail related to “role and mission funding” (portions of 23-18-303 (3)).** Specify that state funding shall include base funding amounts for governing boards to recognize the unique role of each governing board and its constituent institutions. *Eliminate requirements that the State provide “an amount” per graduate student or “an amount” to offset costs for providing basic skills classes. This will enable the Department to eliminate the “weighted credit hour” component of the model.*
- **Modify the requirements for performance funding.** Continue to require performance funding to include amounts for completions but specify that this is for each **resident** completion. (Section 23-18-303(4)(a)). Specify that performance funding **may** include an amount

for **retention**. *This will enable the Department to eliminate retention funding, as it wishes to do in order to simplify the model.*

- Leaving some other existing portions of statute intact will enable the Department to work with the institutions, OSPB, and potentially outside facilitators or consultants to either propose further model changes (e.g., base adjustments or efficiency metrics, based on the ongoing peer-comparison analysis). Existing statutory provisions already allow for the addition of other performance metrics.

THOUGHT EXPERIMENT: HOW WOULD A SIMPLER MODEL WORK?

In order to explore how a truly simpler model might work, staff used the actual data from the funding model for FY 2016-17 to FY 2020-21 and the total funds allocated through the model (including the specialty education programs) in each year and imagined the following:

- Student stipends will represent 40 percent of the total
- Pell-student stipends will represent 5 percent of the total (staff did not use Underrepresented Minorities or First Generation due to lack of data for the prior years)
- Resident completions will represent 20 percent of the total
- “Base” Funding will represent 35 percent of the total and will be allocated among the institutions based on each governing board’s share of the following portions of H.B. 14-1319 funding: Role and Mission + “Institutional Productivity” + Specialty Education as allocated in the FY 2020-21 version of the model. For the smallest institutions, this represents over 60 percent of their funding. For CU and CSU 44.2 percent and 53.2 percent respectively, for the community colleges, 10.3 percent.

In this structure, **staff does not assume that base funding will eventually disappear** and be gradually replaced by performance/completion funding, as is the case in the existing H.B. 14-1319 model. Instead, staff assumes that base funding will simply be inflated annually by the overall increase (or decrease) in state funding, unless the General Assembly makes a deliberate decision to adjust this base funding.

- In this way, all institutions would have a portion of funding that would usually increase or decrease at the same rate as the annual appropriation for all of the governing boards (like current “specialty education programs”), though this would represent more funding for some institutions than others.
- If the Department concluded that Mesa and Metro or small rural institutions were underfunded, (or conversely, that some institution was over-funded in comparison to others), it could submit an analysis and request an adjustment to base funding, unrestricted by statutory proportions or guard rails.

This would at least enable the Governor and the General Assembly to make straight-forward decisions in the following areas: (1) increase or decrease “base” funding across the board, for individual boards, or for types of boards based on factors ranging from promoting institutional efficiency to ensuring institutional survival; (2) devote more or less funding to completions (benefitting

research institutions and institutions that are better at this); or (3) devote more or less funding to student stipends and/or underrepresented groups (benefitting access institutions that serve more of these students).

The General Assembly would need to discourage narrow “decision items”, as institutions always have some activity to sell that is appealing, *but it would be up to the Department, the Governor, and the General Assembly to say “no” and establish clear expectations for the types of adjustments that would be appropriate.*

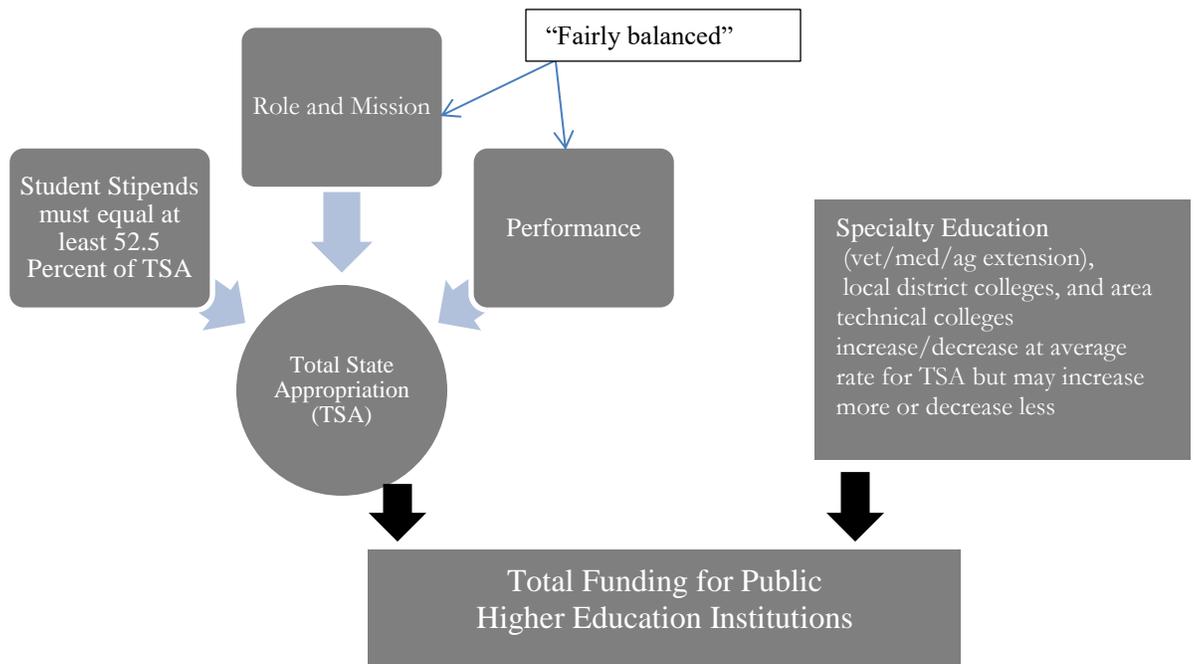
The results of the staff “thought experiment” are attached. If the State had used this model starting in 2017, the funding for each governing board would not be wildly different from the request under the current H.B. 14-1319 model, there would have been opportunity for thoughtful, less contorted adjustments, and model operations would have been simpler and more transparent.

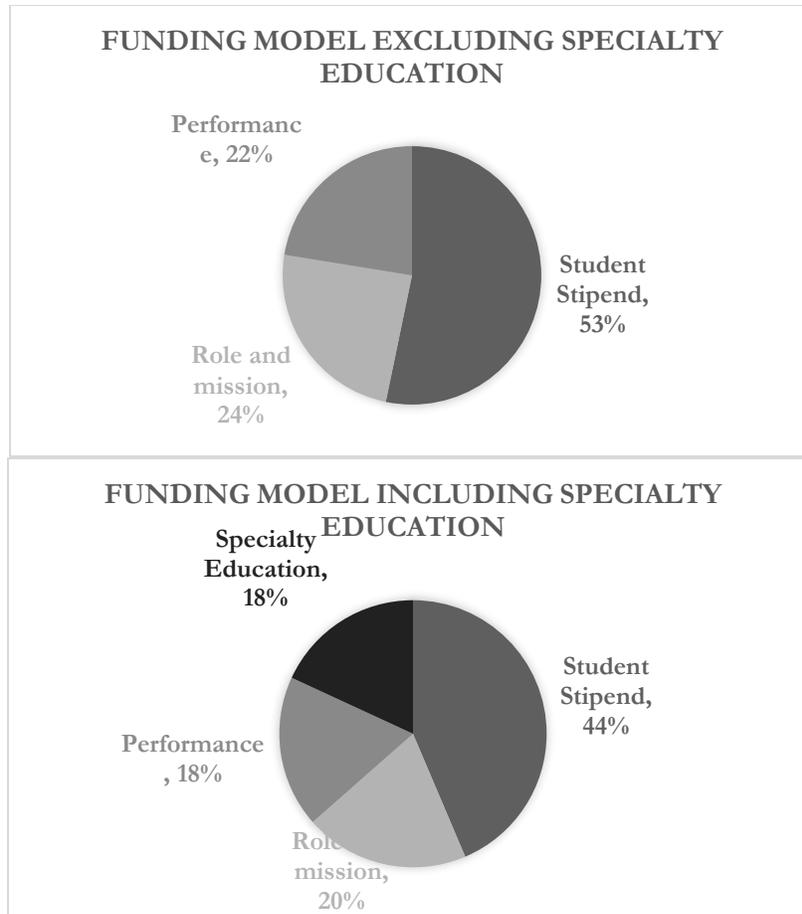
Staff encourages the Committee to discuss with the Department and the governing boards how they would feel about such a simplified version of the model.

		Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCs	TOTAL
2017												
Student Stipends/COF	40%	2,583,654	12,250,625	28,824,110	2,652,165	38,476,247	3,611,952	55,730,988	5,536,702	13,801,128	95,166,302	258,633,873
Pell	5%	534,984	1,738,841	4,366,593	307,214	3,612,446	398,498	6,069,804	442,401	1,695,903	13,162,549	32,329,233
Resident Completions	20%	2,352,160	4,977,062	14,404,904	1,225,866	22,915,677	1,832,558	40,081,408	4,973,130	9,534,454	27,020,217	129,316,936
Base	35%	9,213,537	5,718,069	6,030,580	7,494,502	69,876,640	7,238,186	82,491,330	9,517,584	13,317,207	15,407,003	226,304,638
Total		14,684,335	24,684,597	53,626,187	11,679,747	134,881,010	13,080,694	184,373,530	20,469,817	38,348,692	150,756,071	646,584,680
2018												
Student Stipends/COF	40%	2,577,983	13,345,746	29,101,766	2,821,179	40,168,557	3,579,930	59,106,911	5,760,404	14,103,021	94,835,577	265,401,074
Pell	5%	586,982	1,953,080	4,323,706	312,930	3,862,649	387,192	6,710,264	457,179	1,779,803	12,801,351	33,175,136
Resident Completions	20%	2,349,539	5,436,646	14,357,552	1,128,046	22,641,012	1,902,326	41,150,307	5,279,788	9,251,310	29,204,011	132,700,537
Base	35%	9,454,611	5,867,684	6,188,372	7,690,597	71,704,975	7,427,574	84,649,730	9,766,613	13,665,654	15,810,130	232,225,940
Total		14,969,115	26,603,156	53,971,396	11,952,752	138,377,193	13,297,022	191,617,212	21,263,984	38,799,788	152,651,069	663,502,687
change		1.9%	7.8%	0.6%	2.3%	2.6%	1.7%	3.9%	3.9%	1.2%	1.3%	2.6%
2019												
Student Stipends/COF	40%	2,577,157	14,548,610	31,413,308	3,054,792	44,068,240	3,465,333	65,844,422	6,041,727	15,085,749	103,055,132	289,154,470
Pell	5%	652,181	2,127,891	4,687,569	337,390	4,318,177	389,359	7,664,605	495,070	2,032,593	13,439,474	36,144,309
Resident Completions	20%	2,362,695	6,291,033	16,562,709	1,524,217	24,009,649	1,870,803	44,677,183	5,104,737	9,499,163	32,675,046	144,577,235
Base	35%	10,300,799	6,392,841	6,742,231	8,378,905	78,122,570	8,092,342	92,225,881	10,640,725	14,888,731	17,225,137	253,010,162
Total		15,892,832	29,360,375	59,405,817	13,295,304	150,518,636	13,817,837	210,412,091	22,282,259	41,506,236	166,394,789	722,886,176
change		6.2%	10.4%	10.1%	11.2%	8.8%	3.9%	9.8%	4.8%	7.0%	9.0%	8.9%
2020												
Student Stipends/COF	40%	2,716,467	16,103,909	35,796,473	3,352,194	48,787,572	3,593,537	75,712,353	7,213,960	17,352,338	116,071,110	326,699,913
Pell	5%	672,603	2,271,859	5,436,567	352,170	5,107,476	388,945	9,127,136	599,501	2,295,276	14,585,956	40,837,489
Resident Completions	20%	2,791,516	7,287,123	17,401,138	1,832,712	27,997,554	1,944,002	50,635,370	5,982,890	10,850,385	36,627,266	163,349,956
Base	35%	11,638,312	7,222,924	7,617,680	9,466,869	88,266,444	9,143,097	104,201,009	12,022,377	16,821,967	19,461,745	285,862,424
Total		17,818,898	32,885,815	66,251,858	15,003,945	170,159,046	15,069,581	239,675,868	25,818,728	47,319,966	186,746,077	816,749,782
change		12.1%	12.0%	11.5%	12.9%	13.0%	9.1%	13.9%	15.9%	14.0%	12.2%	13.0%
2021												
Student Stipends/COF	40%	2,593,913	16,675,353	36,490,044	3,514,136	48,917,697	3,446,995	79,033,942	7,506,252	17,419,821	119,269,258	334,867,411
Pell	5%	627,143	2,359,033	5,600,489	388,504	5,300,790	421,265	9,771,916	571,131	2,413,384	14,404,771	41,858,426
Resident Completions (r	20%	2,689,748	6,752,380	17,911,855	1,641,033	27,447,142	1,622,636	53,556,498	5,379,658	12,084,224	38,348,532	167,433,706
Base	35%	11,929,270	7,403,497	7,808,122	9,703,541	90,473,106	9,371,674	106,806,034	12,322,936	17,242,516	19,948,289	293,008,985
Total		17,840,074	33,190,263	67,810,510	15,247,214	172,138,735	14,862,570	249,168,390	25,779,977	49,159,945	191,970,850	837,168,528
change		0.1%	0.9%	2.4%	1.6%	1.2%	-1.4%	4.0%	-0.2%	3.9%	2.8%	2.5%
DHE Request under HB1319		17,748,627	33,053,840	67,490,548	15,355,158	172,576,680	14,956,678	245,324,809	25,618,287	48,614,944	196,428,955	837,168,526
Simple model above/(below) re		91,447	136,423	319,962	(107,944)	(437,945)	(94,108)	3,843,581	161,690	545,001	(4,458,105)	2
Percentage Difference		0.5%	0.4%	0.5%	-0.7%	-0.3%	-0.6%	1.6%	0.6%	1.1%	-2.3%	0.0%

APPENDIX: THE HIGHER EDUCATION FUNDING MODEL - H.B. 14-1319 STATUTORY FRAMEWORK FOR THE MODEL

House Bill 14-1319 details several major funding categories, as reflected in the chart below. The statute is highly prescriptive. However, in practice there is space for the General Assembly to adjust funding based on its policy priorities. The chart shows the basic model components and the pie charts show the share allocated to each component in the FY 2019-20 request.





COLLEGE OPPORTUNITY FUND STUDENT STIPENDS: These are amounts provided for undergraduate resident students. Funding for student stipends must constitute at least 52.5 percent of total state appropriations, as defined by the bill. As shown above, once specialty education is included, the share of funding from stipends falls to 44 percent.

ROLE AND MISSION FUNDING: The role and mission statutory language requires that this component include:

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

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

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

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

Additional factors. Up to two additional factors.

PERFORMANCE FUNDING: The performance funding component includes:

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

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

Additional metrics. Up to four additional performance funding metrics.

GENERAL ROLE AND MISSION AND PERFORMANCE METRIC REQUIREMENTS:

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

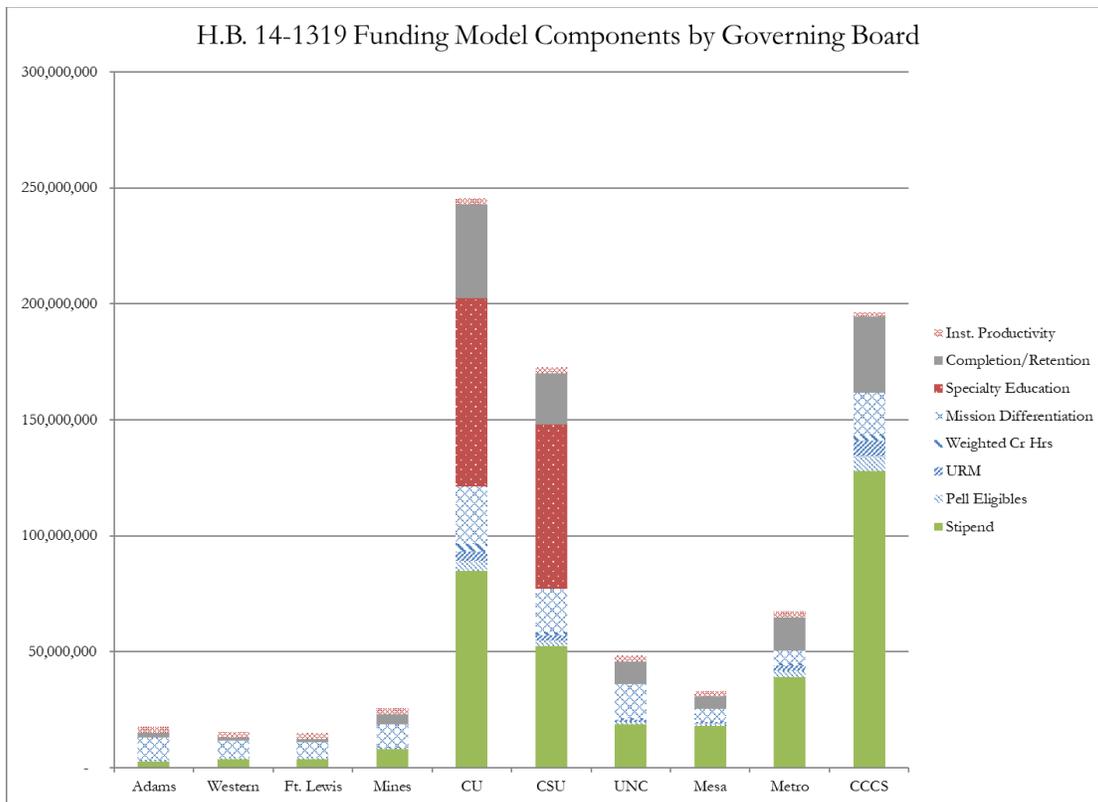
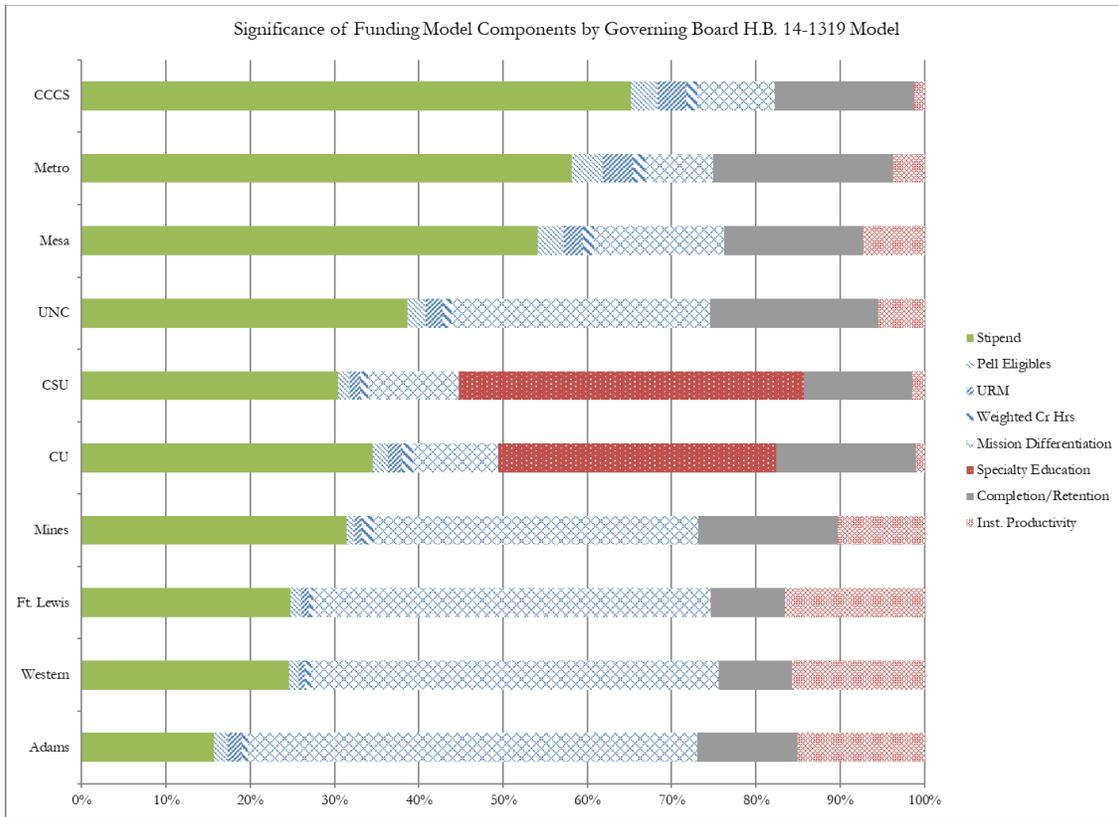
SPECIALTY EDUCATION, LOCAL DISTRICT COLLEGES, AREA TECHNICAL COLLEGES: Specialty education programs (the medical school at the University of Colorado and the veterinary school and various agricultural extension programs at Colorado State University), as well as funding for local district junior colleges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

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

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

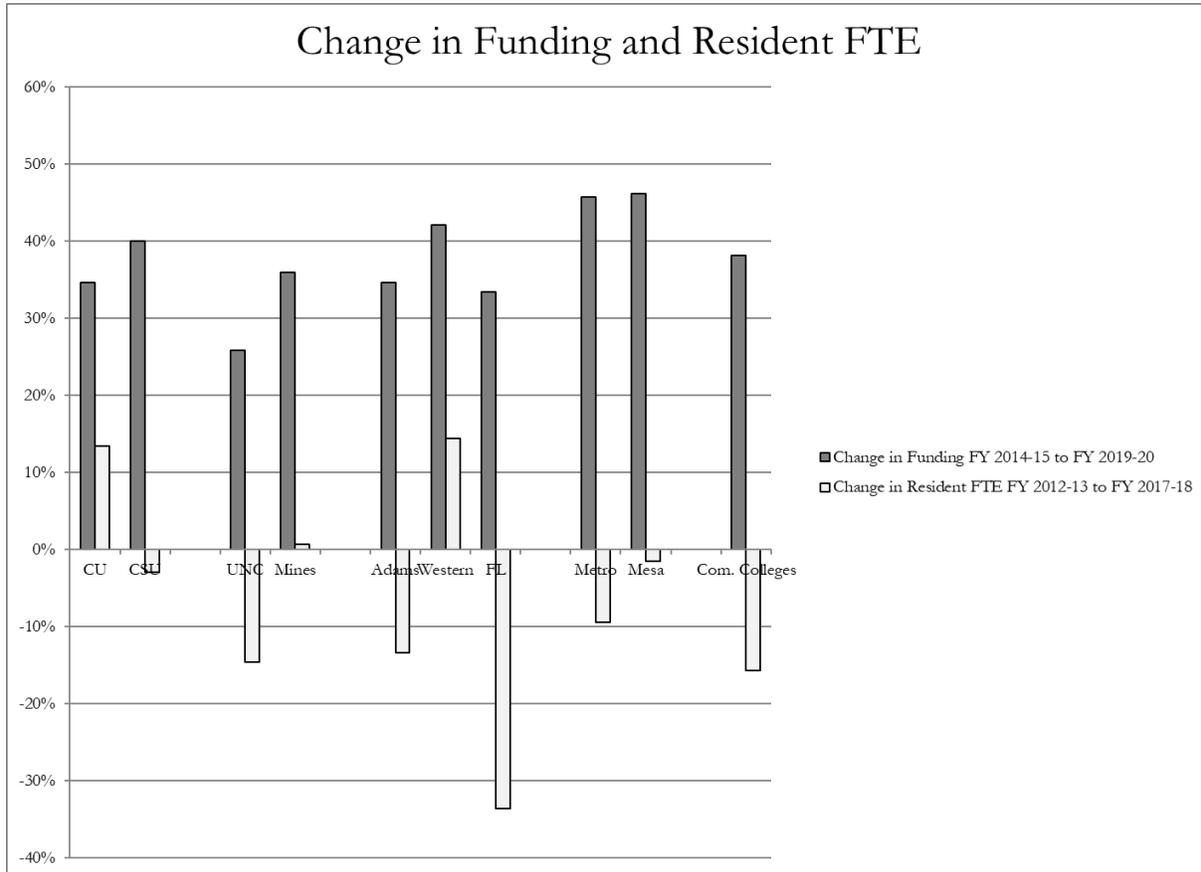
The chart on the following page shows the Department’s **requested allocations under the H.B. 14-1319 model for FY 2020-21.**

Department	Total Funding	Adams	Mesa	Metro	Western	CSU Sys	Ft. Lewis	CU	Mines	UNC	CCS
HB 14-1319 Model											
FY 2019-20 Model											
1319 Model	17,280,257	32,184,959	63,669,142	15,035,379	101,863,784	14,136,437	162,407,320	25,371,265	47,004,464	189,865,735	
SEP	-	-	-	-	68,964,435	-	78,966,607	-	-	-	-
Total	17,280,257	32,184,959	63,669,142	15,035,379	170,828,219	14,136,437	241,373,927	25,371,265	47,004,464	189,865,735	
FY 2020-21 Allocations											
COF stipend											
Amount	2,785,267	17,905,495	39,181,918	3,773,374	52,526,359	3,701,280	84,864,282	8,059,989	18,704,882	128,067,760	
Credit hours 2019	29,013	186,516	408,145	39,306	547,150	38,555	884,003	83,958	194,843	1,334,039	
Gov board's share of category	0.8%	5.0%	10.9%	1.0%	14.6%	1.0%	23.6%	2.2%	5.2%	35.6%	
Share of gov board's funding	15.7%	54.1%	58.2%	24.6%	51.6%	24.8%	51.6%	31.4%	38.6%	65.2%	
Pell Stipend											
Amount	277,315	1,043,136	2,476,469	171,792	2,343,946	186,278	4,321,024	252,547	1,067,170	6,369,617	
Credit hours 2019	19,258	72,440	171,977	11,930	162,774	12,936	300,071	17,538	74,109	442,335	
Gov board's share of category	1.5%	5.6%	13.4%	0.9%	12.7%	1.0%	23.3%	1.4%	5.8%	34.4%	
Share of gov board's funding	1.6%	3.2%	3.7%	1.1%	2.3%	1.2%	2.6%	1.0%	2.2%	3.2%	
Underrepresented Minority (URM) Stipend											
Amount	306,115	716,731	2,424,744	124,330	2,089,706	141,077	4,030,805	213,566	942,883	6,654,309	
Credit hours 2019	21,258	49,773	168,385	8,634	145,119	9,797	279,917	14,831	65,478	462,105	
Gov board's share of category	1.7%	4.1%	13.7%	0.7%	11.8%	0.8%	22.8%	1.2%	5.3%	37.7%	
Share of gov board's funding	1.7%	2.2%	3.6%	0.8%	2.1%	0.9%	2.4%	0.8%	1.9%	3.4%	
Weighted Credit Hours											
Weighted Credit Hours	133,045	445,618	948,557	106,601	1,655,169	86,364	3,188,082	360,491	529,315	2,546,759	
Gov board's share of category	96,880	324,488	690,715	77,625	1,205,252	62,888	2,321,481	262,501	385,434	1,854,485	
Share of gov board's funding	1.3%	4.5%	9.5%	1.1%	16.6%	0.9%	31.9%	3.6%	5.3%	25.5%	
Gov board's share of category	0.8%	1.3%	1.4%	0.7%	1.6%	0.6%	1.9%	1.4%	1.1%	1.3%	
Share of gov board's funding											
Mission											
Amount	9,443,250	5,125,000	5,427,500	7,433,250	18,608,250	7,039,500	24,948,750	9,872,500	14,852,500	18,031,100	
Gov board's share of category	7.8%	4.2%	4.5%	6.2%	15.4%	5.8%	20.7%	8.2%	12.3%	14.9%	
Share of gov board's funding	53.3%	15.5%	8.1%	48.4%	18.3%	47.1%	15.2%	38.5%	30.7%	9.2%	
Completion and Retention											
Amount	2,113,741	5,465,952	14,407,103	1,336,620	22,133,059	1,317,295	40,664,211	4,265,851	9,676,508	32,653,102	
Gov board's share of category	980	2,535	6,681	620	10,264	611	18,859	1,978	4,488	15,143	
Share of gov board's funding	1.6%	4.1%	10.7%	1.0%	16.5%	1.0%	30.3%	3.2%	7.2%	24.4%	
Gov board's share of category	11.9%	16.5%	21.4%	8.7%	21.7%	8.8%	24.7%	16.6%	20.0%	16.6%	
Institutional Productivity											
Amount	2,665,236	2,389,721	2,497,925	2,416,069	2,535,505	2,472,967	2,521,080	2,635,566	2,649,054	2,216,876	
Gov board's share of category	10.7%	9.6%	10.0%	9.7%	10.1%	9.9%	10.1%	10.5%	10.6%	8.9%	
Share of gov board's funding	15.0%	7.2%	3.7%	15.7%	2.5%	16.5%	1.5%	10.3%	5.5%	1.1%	
Subtotal											
Amount	17,723,969	33,091,653	67,364,216	15,362,036	101,891,994	14,944,761	164,538,234	25,660,510	48,422,312	196,539,523	
Gov board's share of category	2.6%	4.8%	9.8%	2.2%	14.9%	2.2%	24.0%	3.7%	7.1%	28.7%	
SEP Amounts											
Amount	17,723,969	33,091,653	67,364,216	15,362,036	172,580,540	14,944,761	245,479,006	25,660,510	48,422,312	196,539,523	
Change from prior year	2.5%	2.7%	5.5%	2.1%	1.0%	5.4%	1.7%	1.1%	2.9%	3.4%	

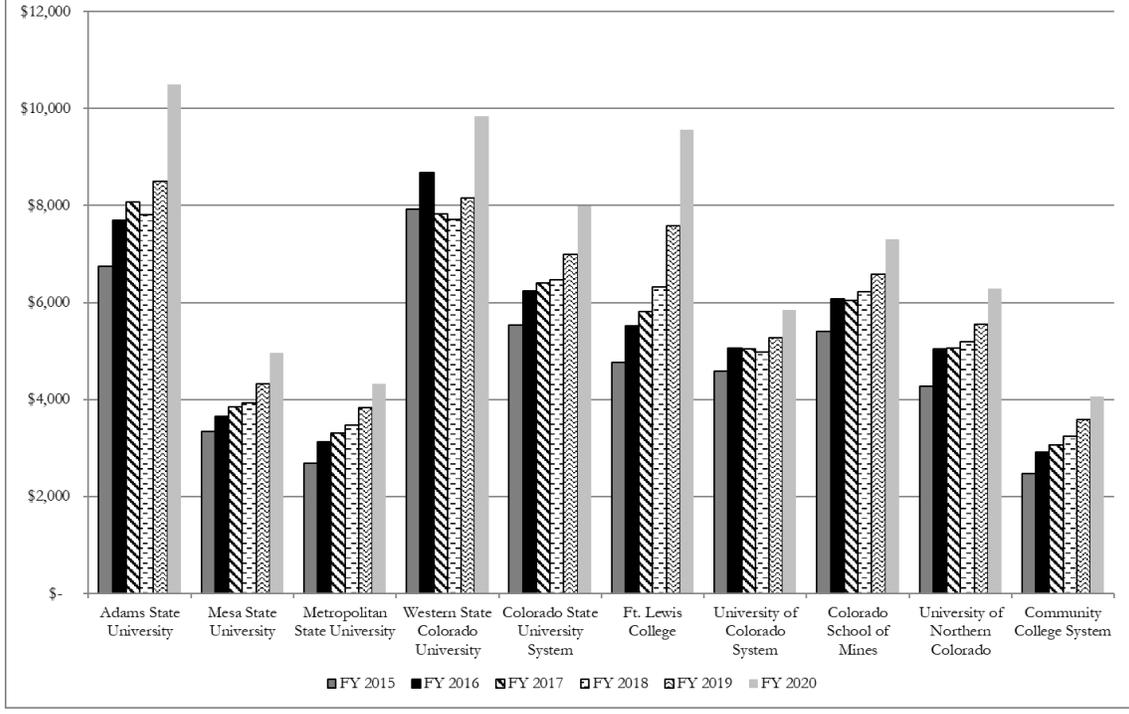


RESULTS OF THE FUNDING MODEL OVER TIME

As reflected in the charts below, as state funding has increased over the last six years, all of the institutions have benefitted. Total funding has *partially* tracked enrollment trends. Thus, funding for an institution has increased less rapidly if the institution's student population has been shrinking and more rapidly if it has been growing. However, these volume adjustments have always been mitigated by a significant amount of funding in other categories, as well as adjustments requested and adopted to help offset the resulting funding trends.



State Funding from H.B. 14-1319 Model per Resident FTE*



ISSUE: REQUESTS R1 AND R2 AND THE RISING COST OF HIGHER EDUCATION

SUMMARY

- The Department's Request R-1 provides a 2.5 percent increase for governing boards. Its R-2 request proposes that resident undergraduate tuition increases be capped at 3.0 percent. This is a lower figure than the Department would have proposed in the past, given the modest request for state funding increases.
- At the governing board level, staff believes a resident tuition increase of 3.0 percent or less, combined with General Fund increases averaging 2.5 percent, should allow most governing boards to cover minimum inflationary increases on General Fund plus resident tuition. However, this is well below the total increase allowed in the past with a General Fund increase of this scale. Governing boards may well seek adjustments to increase General Fund outlays or adjust their tuition caps related to particular circumstances.
- Posted tuition and fees, as well as revenue per student, continue to increase. There are multiple higher education cost drivers, and costs and drivers vary by institution. The Department is currently conducting a study to see what can be learned about institutional costs and efficiency from comparing Colorado institutions to their peers.
- Staff believes rising costs in the higher education sector are a problem but also believes that the State needs to continue to focus not only on cost per credit hour or student FTE, but the cost to students and the state of producing high quality degrees that provide real value.

RECOMMENDATION

- Staff believes the 3.0 percent tuition increase proposed is a reasonable target combined with a General Fund increase of 2.5 percent but anticipates that figures will need to be further refined to address particular governing board circumstances. *Adjustments to tuition caps and/or General Fund appropriations may be appropriate for some institutions to help address fixed costs.*
- To the extent feasible, the Committee could also consider increasing the total General Fund allocation, which could make the tuition cap proposed easier for governing boards to manage.
- The Committee should discuss with the Department and the institutions what they and/or the State can do to reduce the cost to a student for attaining a high quality degree or certificate. This may include strategies to promote degree completions, as well as strategies to reduce credit-hour costs.

DISCUSSION

DEPARTMENT REQUESTS R1 AND R2

Request R1 includes \$26,297,278 General Fund in FY 2020-21 and ongoing to provide operating support for state-funded institutions of higher education (\$21.3 million) and the statutorily required financial aid increase (\$5.0 million). The request reflects a 2.5 percent increase in General Fund support to higher education institutions. Along with the companion request, R-2 tuition spending authority, this increase is intended to cover the statewide increase in institutions' core operating costs for FY 2020-21.

The table below summarizes the request. The request on November 1 emphasized that the amounts included for the state governing boards, generated under the H.B. 14-1319 funding model, represented a “temporary” request that the Department hoped to replace with amounts derived under its new funding model (described in a separate issue) that was submitted November 12.

SUMMARY REQUEST R1 AND OTHER DEPARTMENT GENERAL FUND REQUESTS				
	FY 2019-20	FY 2020-21	CHANGE	PERCENTAGE CHANGE
Adams State University	\$17,280,257	\$17,723,970	\$443,713	2.6%
Colorado Mesa University	32,484,959	33,391,653	906,694	2.8%
Metropolitan State University of Denver	63,969,142	67,664,216	3,695,074	5.8%
Western Colorado University	15,235,379	15,562,036	326,657	2.1%
Colorado State University System	172,378,536	174,130,858	1,752,322	1.0%
Fort Lewis College	14,136,437	14,944,761	808,324	5.7%
University of Colorado System	244,273,926	248,379,006	4,105,080	1.7%
Colorado School of Mines	25,371,265	25,660,511	289,246	1.1%
University of Northern Colorado	47,079,464	48,497,311	1,417,847	3.0%
Community College System	190,447,695	197,121,483	6,673,788	3.5%
Colorado Mountain College	9,010,042	9,235,293	225,251	2.5%
Aims Community College	10,653,783	10,920,128	266,345	2.5%
Area Technical Colleges	<u>13,910,021</u>	<u>14,257,771</u>	<u>347,750</u>	2.5%
Subtotal - Governing Boards/Institutions	856,230,906	877,488,997	21,258,091	2.5%
Need Based Grants	163,314,446	168,310,687	4,996,241	3.1%
Private COF Stipend	1,768,386	1,811,532	<u>43,146</u>	2.4%
Subtotal R1			\$26,297,478	
All other Department GF Appropriations/Requests	91,391,907	120,361,120	28,969,213	31.7%
Total	\$1,112,705,645	\$1,167,972,336	\$55,266,691	5.0%

Request R2 is for \$94,223,846 million in cash funds spending authority to reflect public institutions' increased tuition revenue from all students for FY 2020-21 and ongoing. This includes an increase of \$29.0 million for undergraduate resident students and is made in conjunction with Department request R1 for a 2.5 percent increase in General Fund support for the governing boards.

The request proposes to cap resident undergraduate tuition growth to 3.0 percent statewide, on average. The request indicates, that, along with R1, the total increase in tuition revenue would cover the statewide increase in institutions' core operating costs. The request highlights the 12.9 percent General Fund increase provided for FY 2019-20 and notes that, coupled with FY 2020-21 request R1, Request R2 seeks to ensure affordability and value for students.

The request figures below are built on the following assumptions:

- 3.0 percent increase in resident undergraduate tuition; and
- 5.0 percent increase in nonresident tuition.

These are preliminary numbers, as FY 2019-20 tuition revenue estimates will be refined in February 2020.

	FY 2019-20 Tuition Revenue Estimate	FY 2020-21 Requested Tuition Spending Authority Increase Based on Rate Assumption	FY 2020-21 Total Tuition Revenue Estimate Based on Rate Assumption
ASU	20,230,385	775,524	21,005,909
CMU	73,257,086	2,487,671	75,744,757
MSU	114,596,033	3,625,785	118,221,818
WSCU	19,363,743	786,558	20,150,301
CSU	501,157,843	19,989,857	521,147,700
Ft. Lewis	41,545,266	1,852,659	43,397,925
CU	1,133,343,699	45,991,739	1,179,335,438
Mines**	152,799,763	6,449,441	159,249,204
UNC	91,859,771	3,309,578	95,169,349
CCCOES	273,251,338	8,955,033	282,206,371
Total	2,421,404,927	94,223,846	2,515,628,773

**Shown for informational purposes only.

COMBINED IMPACT OF REQUESTS R1 AND R2 ON GOVERNING BOARD REVENUE -MINIMUM COSTS

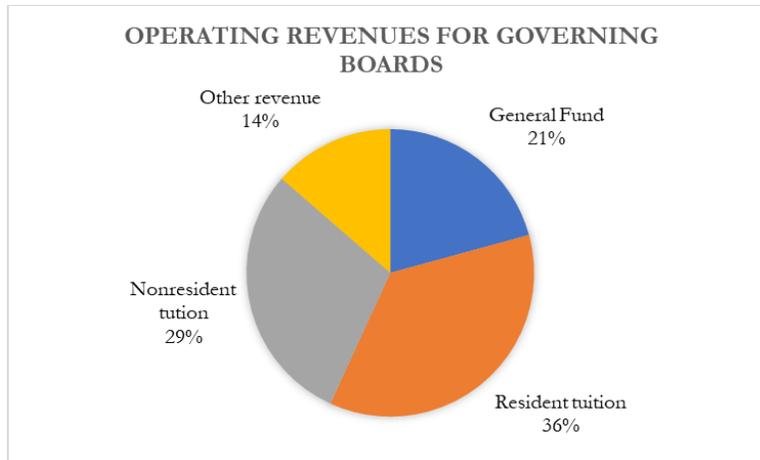
The primary rationale provided for both R1 and R2 is the need to cover inflationary increases. The institutions have costs that they must cover to keep their organizations functioning, including annual salary and benefits increases. According to prior year Department requests, the U.S. Census Bureau report on State Government employment and payroll data for 2016 showed that 50,472 FTE worked in higher education in 2016, representing 59.0 percent of all State of Colorado government FTE. Many of these are “off budget” and work for the institutions in research and auxiliary services, but the Long Bill includes an estimate of 25,862.6 FTE responsible for “education and general” functions at the ten state governing boards.

Unlike other parts of state government, the General Assembly does not appropriate funds to the governing boards based on common policy salary and benefits calculations. Instead, institutions are expected to use General Fund, tuition revenue and other sources of support to cover these costs. This is true even for those institutional staff whose salary and benefits are determined by state personnel system rules (classified staff). Nonetheless, the General Assembly typically considers basic inflationary cost drivers when establishing funding levels for the governing boards.

The Department coordinates an annual submission from the institutions that provides detail on education and general revenues and expenditures. The table below, shows the Department’s estimate of the minimum education and general cost increases faced by the governing boards for FY 2020-21, assuming FY 2020 inflation of 2.1 percent and other specific healthcare and PERA cost increases. As shown, this calculation indicates that the ten state governing boards will require \$85.6 million to cover minimum cost increases of 2.4 percent.

2021 MINIMUM COST INCREASES SUMMARY						
GOVERNING BOARD	FY 2020 E&G TOTAL	INFLATIONARY INCREASE	HEALTHCARE BENEFITS INCREASE	PERA EMPLOYER COST INCREASES	TOTAL FY 2021 INCREASE	E&G % INCREASE NEEDED
Adams	34,977,893	734,536	94,761	\$50,561	\$879,858	2.5%
Mesa	102,647,718	2,155,602	175,705	66,703	2,398,010	2.3%
Metro	174,090,997	3,655,911	328,587	208,470	4,192,968	2.4%
Western	33,105,041	695,206	98,073	25,517	818,796	2.5%
CSU	767,649,619	16,120,642	1,412,489	371,747	17,904,878	2.3%
Ft. Lewis	56,042,365	1,176,890	144,420	38,039	1,359,348	2.4%
CU	1,555,149,902	32,658,148	3,045,533	555,519	36,259,199	2.3%
Mines	194,413,277	4,082,679	452,305	328,495	4,863,479	2.5%
UNC	166,200,903	3,490,219	363,693	142,330	3,996,242	2.4%
CCC	498,510,956	10,468,730	1,108,361	1,352,863	12,929,955	2.6%
TOTAL	\$3,582,788,670	\$75,238,562	\$7,223,927	\$3,140,245	\$85,602,734	2.4%

The revenue sources for this amount include General Fund, resident tuition, nonresident tuition, and various other sources such as indirect cost recoveries and student fees. The chart below shows the break-down of funding sources across the boards in actual year FY 2018-19.



As reflected in the chart above, statewide, about 21 percent of education and general revenue is from the General Fund, and about 36 percent is from resident tuition, including both undergraduate and graduate tuition.

Historically, the Department’s requests implied that either the General Fund or resident undergraduate tuition had to cover all inflationary increases for the governing boards. This year, **the request appears to instead focus more narrowly on the share of education and general costs covered by the General Fund and resident tuition.**

The table below summarizes the fund-source break down for each governing board of its education and general expenditures as reported for actual year FY 2018-19 in the budget data books.

FY 2018-19 Education and General Revenue Sources				
Total	State General Fund	Resident Tuition	Nonresident Tuition	Indirect Cost Recoveries, Fees, Other
Adams State University	44.0%	32.0%	23.9%	0.1%
Colorado Mesa University	29.1%	57.2%	13.5%	0.2%
Metropolitan State University	32.9%	58.7%	5.6%	2.8%
Western Colorado University	42.6%	26.7%	30.3%	0.4%
Colorado State University System	20.2%	30.6%	32.2%	16.9%
Fort Lewis College	24.6%	18.7%	56.4%	0.3%
University of Colorado System	13.8%	31.7%	36.9%	17.6%
Colorado School of Mines	11.7%	28.1%	46.7%	13.5%
University of Northern Colorado	30.0%	45.9%	19.0%	5.0%
Community College System	34.8%	49.1%	7.2%	8.9%

The table below summarizes the combined impact of the requested increases in **resident tuition (including undergraduate and graduate) and General Fund** for the governing boards, based on the General Fund request in H.B. 14-1319 and the estimated impact of a 3.0 percent increase in revenue tuition (based on the resident tuition estimates included in the FY 2019-20 Long Bill). As shown below, with the exception of revenue to the Colorado State University System, **this preliminary analysis suggests that a 3.0 percent tuition increase plus the request included in**

the H.B. 14-1319 model would be sufficient to cover each governing board’s mandated cost increases for FY 2020-21.

Estimated FY 2020-21 Revenue from Request (General Fund + Tuition) versus Minimum Increase Required From These Sources								
	R1 Request (General Fund)	3.0% Tuition Increase on Resident Tuition*	Subtotal Increase	Percentage Change over Base	Total E&G Increase Needed	Portion attributed to General Fund and Resident Tuition	Minimum Increase Required from GF or Resident Tuition	Request Above/(Below) Minimum Need
Adams State University	\$443,713	\$340,551	\$784,264	2.7%	\$879,858	76.0%	\$668,692	\$115,572
Colorado Mesa University	906,694	1,762,945	2,669,639	2.9%	2,398,010	86.3%	2,069,483	600,156
Metropolitan State University of Denver	3,695,074	3,143,034	6,838,108	4.1%	4,192,968	91.6%	3,840,759	2,997,349
Western Colorado University	326,657	263,033	589,690	2.5%	818,796	69.3%	567,426	22,264
Colorado State University System	1,752,322	7,010,414	8,762,736	2.2%	17,904,878	50.8%	9,095,678	(332,942)
Fort Lewis College	808,324	292,434	1,100,758	4.6%	1,359,348	43.3%	588,598	512,160
University of Colorado System	4,105,080	15,668,628	19,773,708	2.6%	36,259,199	45.5%	16,497,936	3,275,772
Colorado School of Mines	289,246	1,678,034	1,967,280	2.4%	4,863,479	39.8%	1,935,665	31,615
University of Northern Colorado	1,417,847	1,904,289	3,322,136	3.0%	3,996,242	75.9%	3,033,148	288,988
Community College System	6,673,788	7,097,883	13,771,671	3.2%	12,929,955	83.9%	10,848,232	2,923,439
Total	\$20,418,745	\$39,161,245	\$59,579,990	2.8%	\$85,602,734		\$49,145,615	\$10,434,375

*Reflects a 3.0 percent increase on the resident tuition increases reflected in the FY 2019-20 Long Bill

This analysis is *preliminary*. The November 1 request indicates that the FY 2020-21 request amounts are subject to change. As described in a separate briefing issue, staff (1) does not support the Department’s proposal for new model allocations; and (2) staff believes the figures from the H.B. 14-1319 model will require some further “tweaks”. Furthermore, base tuition estimates for FY 2019-20 will be revised, as will actual and projected enrollment for FY 2020-21. *With these caveats in mind, it is still helpful to examine the combined impact of these two components of the request.*

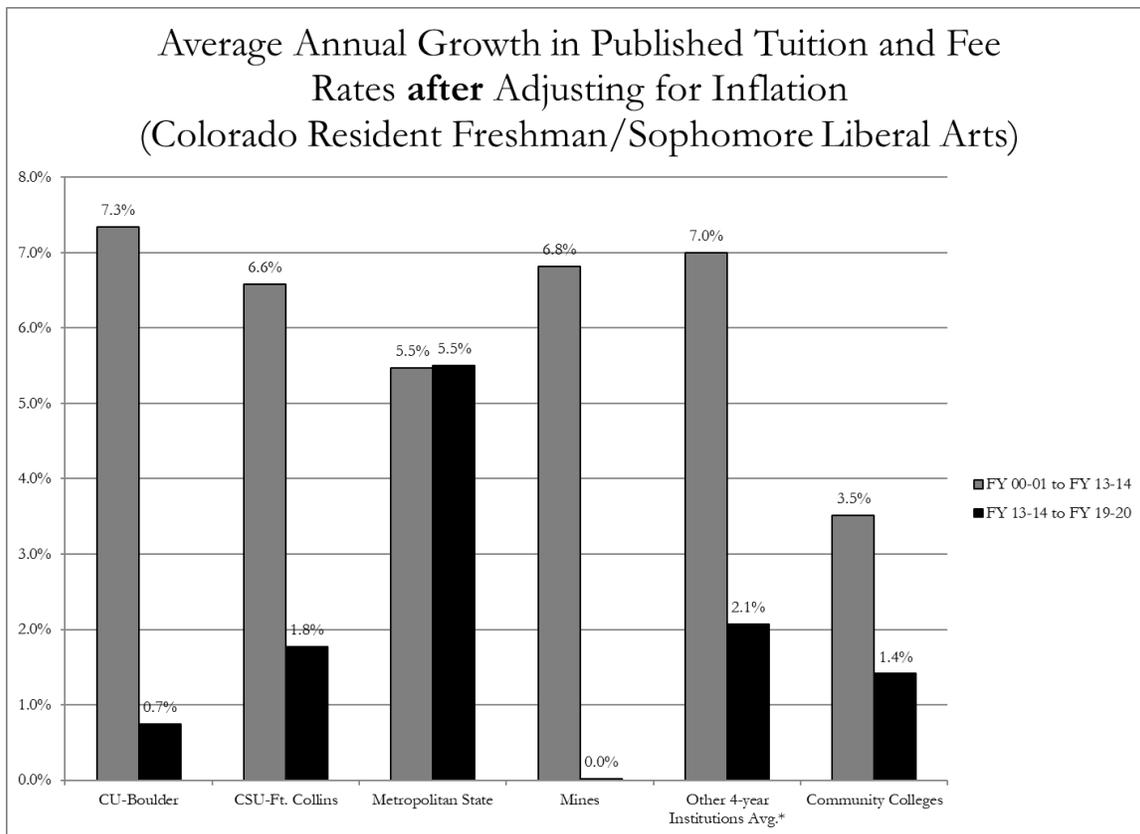
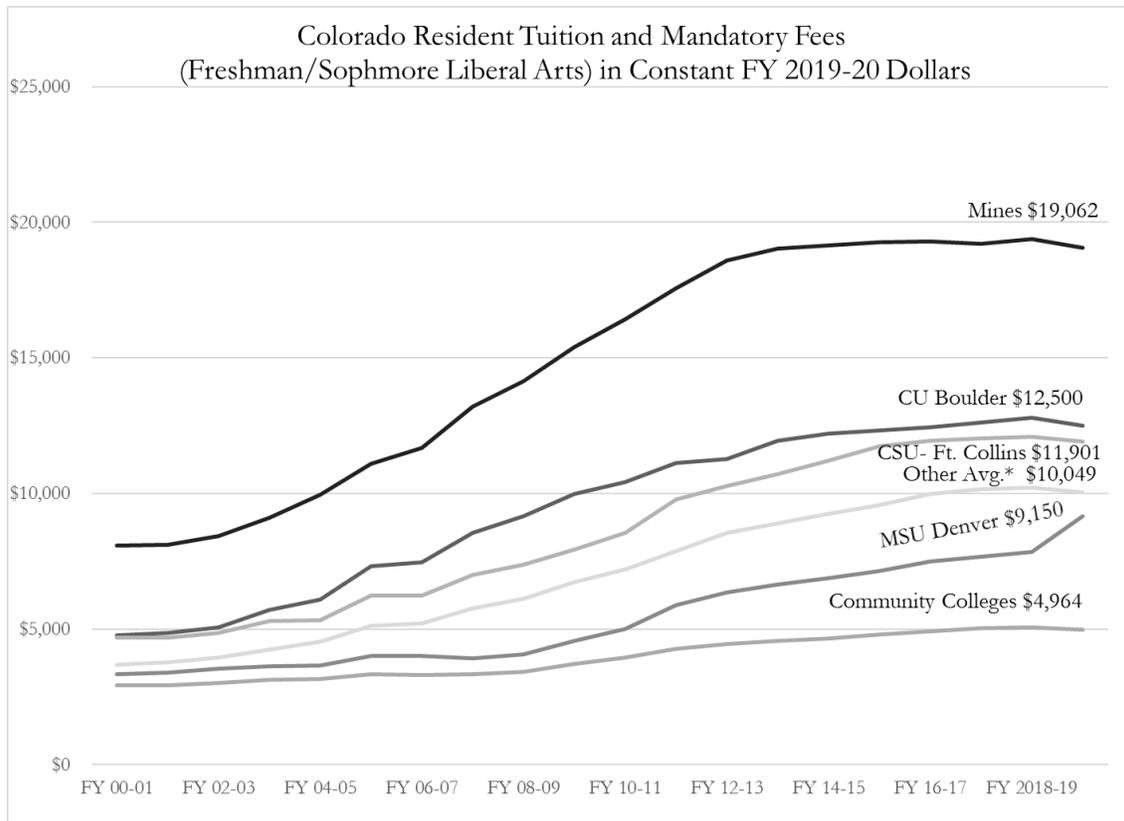
- **Staff welcomes the Executive Branch’s revised approach to analyzing the amount required to cover inflationary costs at the governing boards.** If the General Assembly follows this path, it will be constraining institutional revenue growth far more than it has done in the past. This seems appropriate given large recent increases in state support and years of significant tuition increases.
- **Staff also anticipates that some institutions will find these changes problematic** and that this will therefore be an important topic of conversation between the governing boards and the JBC.

As shown in the table below, the last time the General Assembly restricted tuition to a 3.0 percent increase (FY 2018-19), this was accompanied by a General Fund increase of 9.0 percent in the Long Bill.

General Fund and Tuition Policy History		
	State Governing Board Support	Tuition Policy - maximum increase allowed for undergraduate resident students**
FY 2010-11	(8.7%)	9.0%
FY 2011-12	(17.6 %)General Fund/(19.6%) after annualize ARRA revenue	9.0% (higher with CCHE permission)
FY 2012-13	(1.2%) before supplemental/0.3% after supplemental	9.0% (higher with CCHE permission)
FY 2013-14	5.8% after annualize prior year 1x appropriations/4.5% overall	9.0% (higher with CCHE permission)
FY 2014-15	11.0%	6.0%
FY 2015-16	11.0%	6.0%
FY 2016-17	0.0%	5-9%
FY 2017-18	2.5%	5-8%
FY 2018-19	9.0% in Long Bill/11.7% overall	3.0%
FY 2019-20	13.0% after annualize prior year 1x appropriations/ 10.9% overall	0.0%
FY 2020-21 (request)	2.5%	3.0%
*Where two figures are shown, the first represents the increase used where considering tuition policy in the Long Bill; the second figure represents the actual General Fund increase for the year, including supplementals and other legislation		
**These reflect general policies; but in most years some exceptions were allowed.		
The G.A. has not restricted growth in nonresident student tuition or graduate resident tuition.		
In addition, it is no longer appropriating fees.		

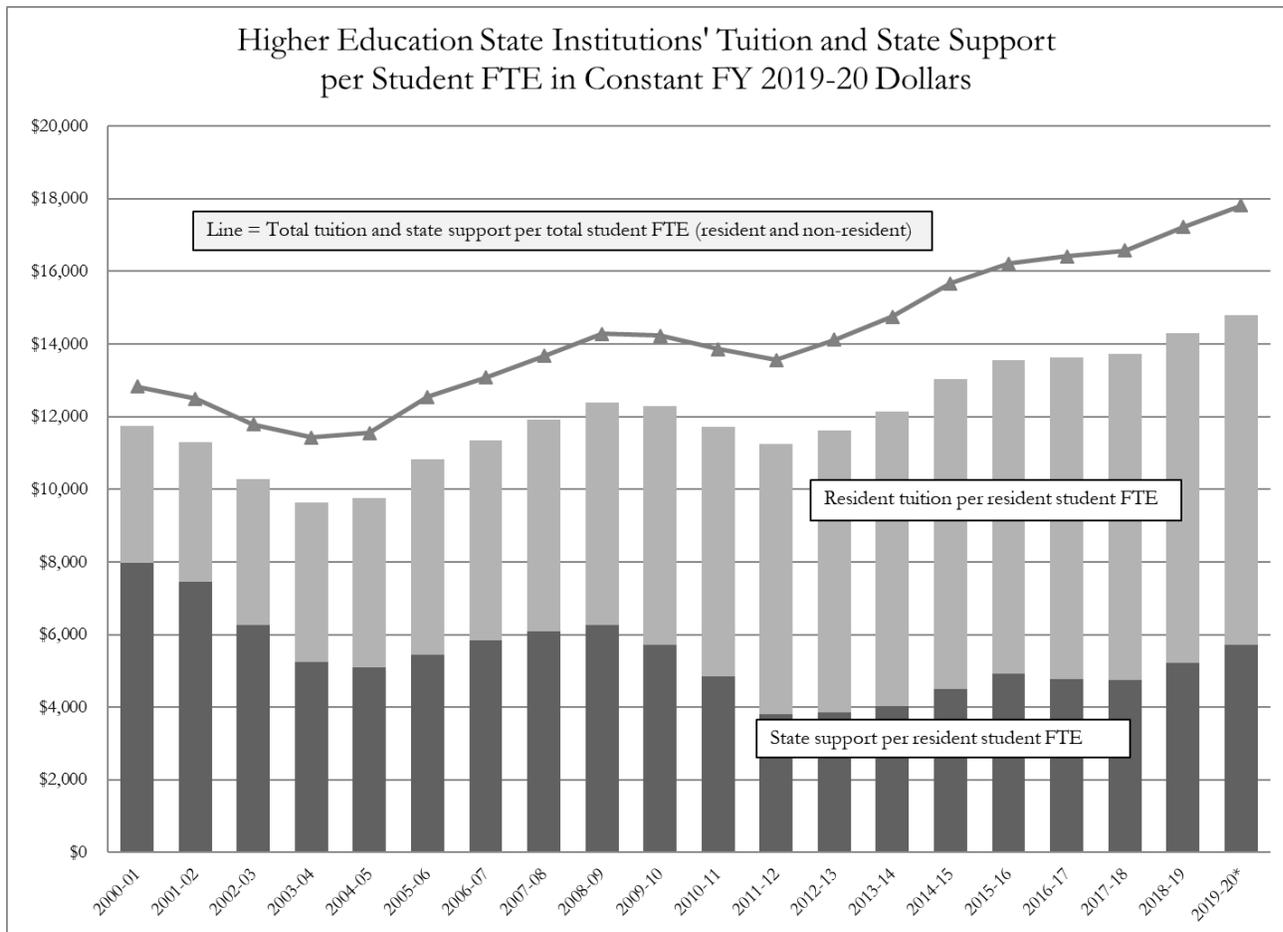
THE RISING COST OF HIGHER EDUCATION POSTED TUITION

Posted tuition and fees have consistently increased well above the rate of inflation. As state General Fund has been restored, the rate of increase has slowed, but still remains above inflation at most institutions.



EDUCATIONAL REVENUE PER STUDENT

The increase in higher education tuition and fees is driven in part by declining state support. However, this is not the sole driver. *Revenue* per student FTE has been increasing well above the rate of inflation since FY 2000-01. Since the end of the recession, **these increases have been sufficient to move Colorado's position from relatively low cost per student state to a middle-of-the pack position.**



*Tuition figures for FY 2019-20 reflect estimates in the Long Bill.

Inflation-adjusted average annual rate of growth	FY 00-01 to FY 19-20			
	FY 00-01 to FY 04-05	FY 04-05 to FY 08-09	FY 08-09 to FY 11-12	FY 11-12 to FY 19-20
State support/Resident SFTE	-10.6%	5.3%	-15.3%	5.2%
Resident Tuition/Resident SFTE	5.5%	6.9%	6.7%	2.5%
Revenue per resident	-4.5%	6.1%	-3.2%	3.5%
Total revenue/total SFTE	-2.6%	5.4%	-1.7%	3.5%

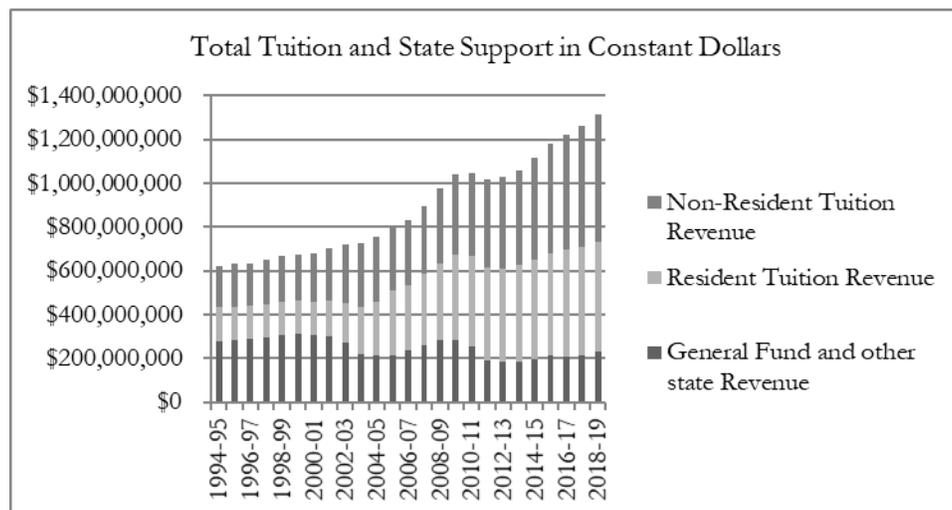
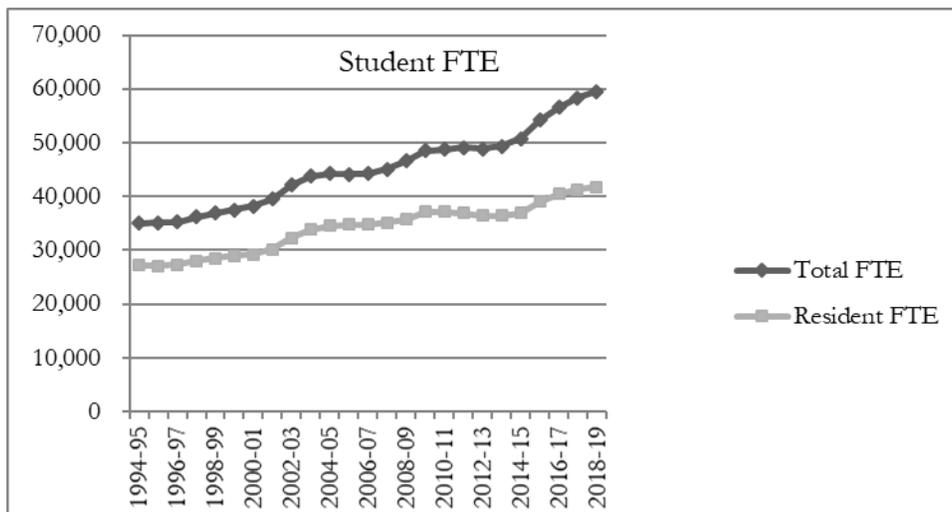
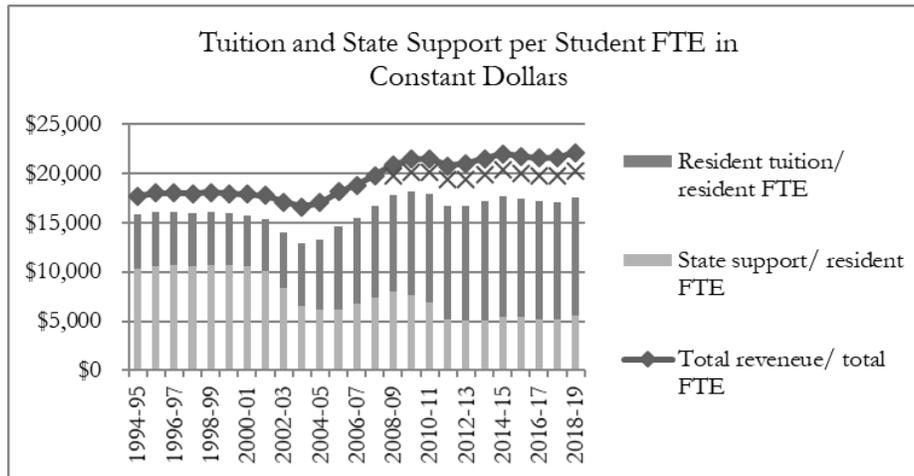
COMPOUND AVG. ANNUAL RATE OF GROWTH AFTER ADJUSTING FOR INFLATION FY 00-01 TO FY 19-20	
State support/Resident SFTE	-1.7%
Resident Tuition/Resident SFTE	4.7%
Revenue per resident	1.2%
Total revenue/total SFTE	1.7%

Examples from the University of Colorado System and the Community College System follow on the next page. An appendix includes detailed charts for all of the governing boards. As can be seen from these charts, the reasons for this trend are complex.

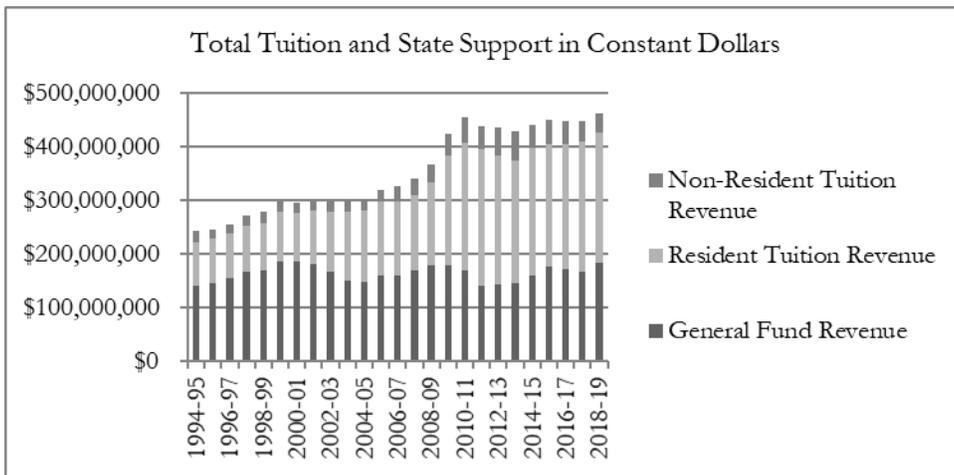
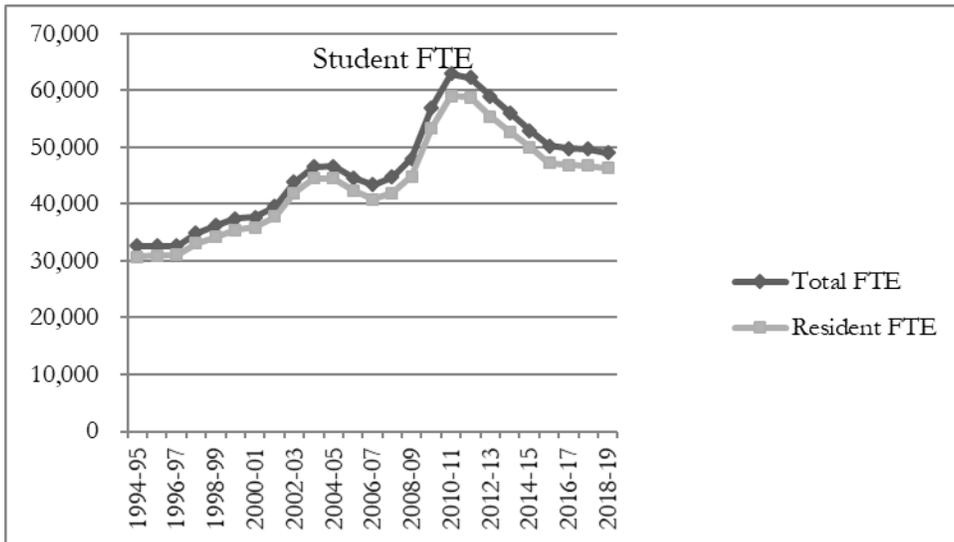
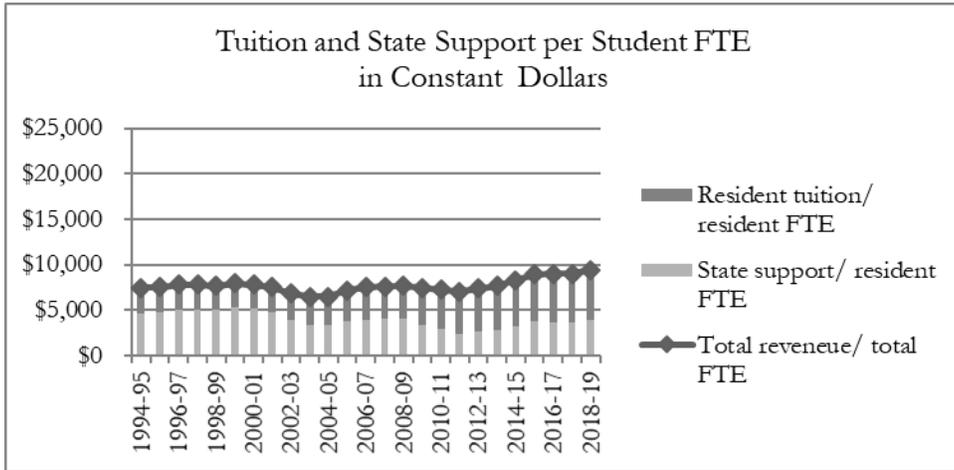
- Those institutions able to attract non-residents--particularly CU Boulder and CSU Fort Collins--have sharply increased the number of these students. FY 2018-19, non-resident students comprised 41.9 percent of CU-Boulder's student population and 31.2 percent of CSU-Fort Collin's population. This has been a major driver in the overall increase in average revenue per student statewide, though the benefits are concentrated in just a few institutions
- Institutions with declining student populations, such as the community colleges, have stabilized their budgets in recent years but not decreased costs, so the cost per student who remains at these institutions has grown.
- Most four-year institutions have increased the share of their revenue they devote to scholarships. This can drive an apparent increase in cost-per-student, even though the additional revenue is not available to address faculty salaries or other costs.
- Since the end of the recession, institutions with a higher cost-per-student (research institutions) have grown their populations, while institutions with a low cost-per-student (community colleges) have faced declining populations. This contributes to a statewide increase in educational costs-per-student.

While all of the above is true, it is also true that **total revenue per student after adjusting for inflation has increased at all institutions since FY 2000-01, whether community college or research institution, by 20 percent or more (over 40 percent for the CSU system and the Colorado School of Mines)**. Since FY 2012-13, all institutions have received significant increases in General Fund per student, but most have continued to increase tuition above the rate of inflation, as they have done in prior periods of General Fund increases. Howard Bowen (1908-1969), an economist and president of the University of Iowa, found that colleges of similar size and reputation had substantially different costs per student. He posited that at any given time, a college's costs per student was best explained by the revenue available, i.e., **higher education revenue may drive expenses more than required expenses drive revenue**.

UNIVERSITY OF COLORADO SYSTEM



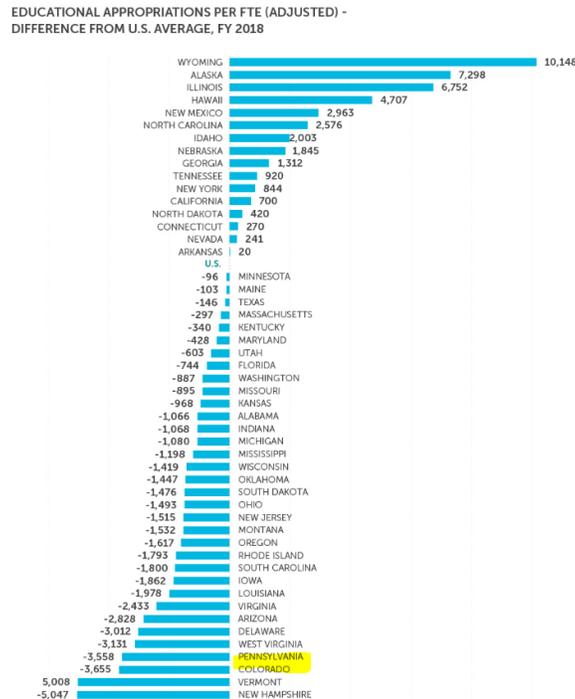
COLORADO COMMUNITY COLLEGE SYSTEM



COMPARISON TO OTHER STATES

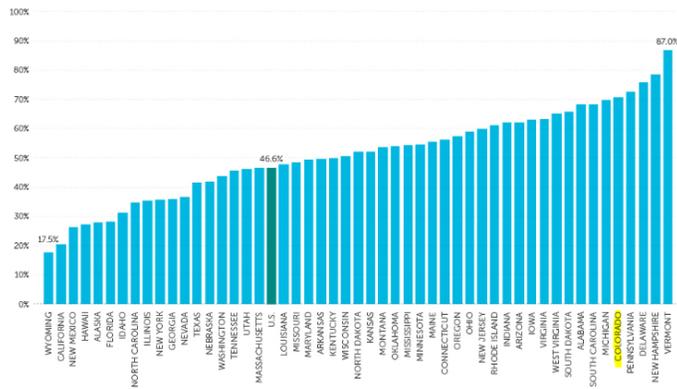
The following charts are from the State Higher Education Executive Officer’s Association (SHEEO), a respected source for comparative information on state higher education finance.

The chart below compares 2018 average appropriations per student FTE nationally with Colorado appropriations per student FTE, excluding some specialty education programs. As of 2018, **Colorado ranked fourth from the bottom in state and local funding per student FTE.**



Colorado is far more reliant on tuition revenue than other states. Even after adjusting for “net” tuition revenue (tuition after state and institutional financial aid), about 70 percent of Colorado funding for higher education is from tuition.

NET TUITION AS A PERCENT OF TOTAL EDUCATIONAL REVENUE, FY 2018

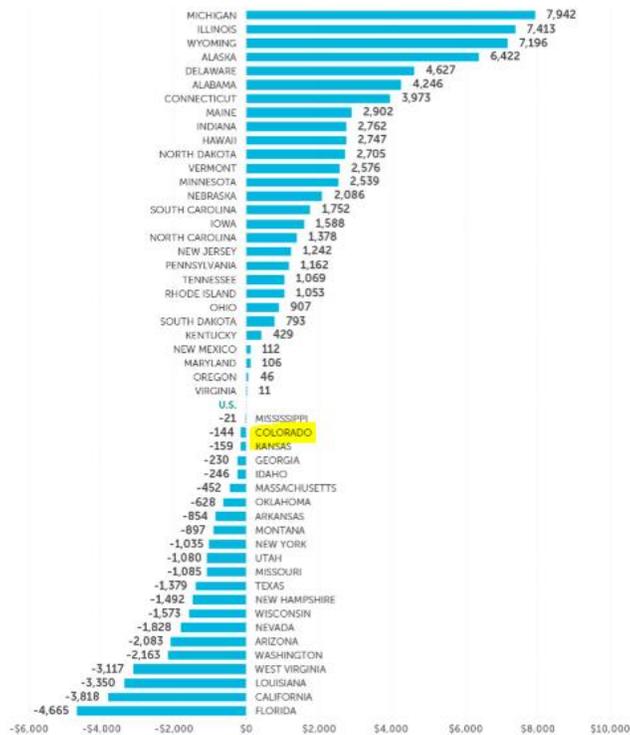


NOTES: 1. Net tuition revenue is calculated by taking the gross amount of tuition and fees, less state and institutional financial aid, tuition waivers or discounts, and medical student tuition and fees. Net tuition revenue used for capital debt service is included in the net tuition revenue figures above.
 2. Adjustment factors to arrive at constant dollar figures include Cost of Living Index (COLI), Enrollment Mix Index (EMI), and Higher Education Cost Adjustment (HECA). The COLI is not a measure of inflation over time.

SOURCE: State Higher Education Executive Officers Association

However, while Colorado has historically ranked as a relatively *efficient* state, from the perspective of total expenditures per student statewide, that no longer appears to be the case. In 2013, Colorado ranked 8th from the bottom in total educational costs per student, according to the SHEEO report from that year. By 2018, Colorado was almost at the national average, and revenue per student FTE had increased significantly.

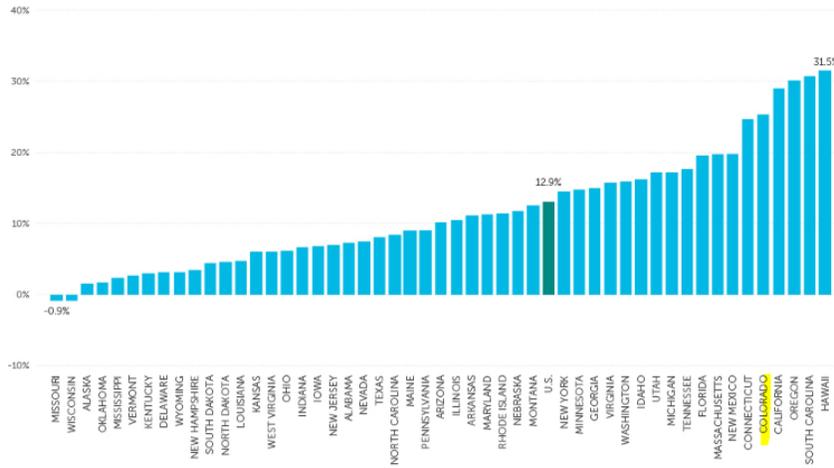
TABLE 2
TOTAL EDUCATIONAL REVENUE PER FTE (ADJUSTED) -
DIFFERENCE FROM U.S. AVERAGE, FY 2018



NOTES: 1. Total Educational Revenue is the sum of educational appropriations and net tuition, excluding net tuition revenue used for capital debt service.
 2. Adjustment factors to arrive at constant dollar figures include Cost of Living Index (COLI), Enrollment Mix Index (EMI), and Higher Education Cost Adjustment (HECA). The COLI is not a measure of inflation over time.

SOURCE: State Higher Education Executive Officers Association

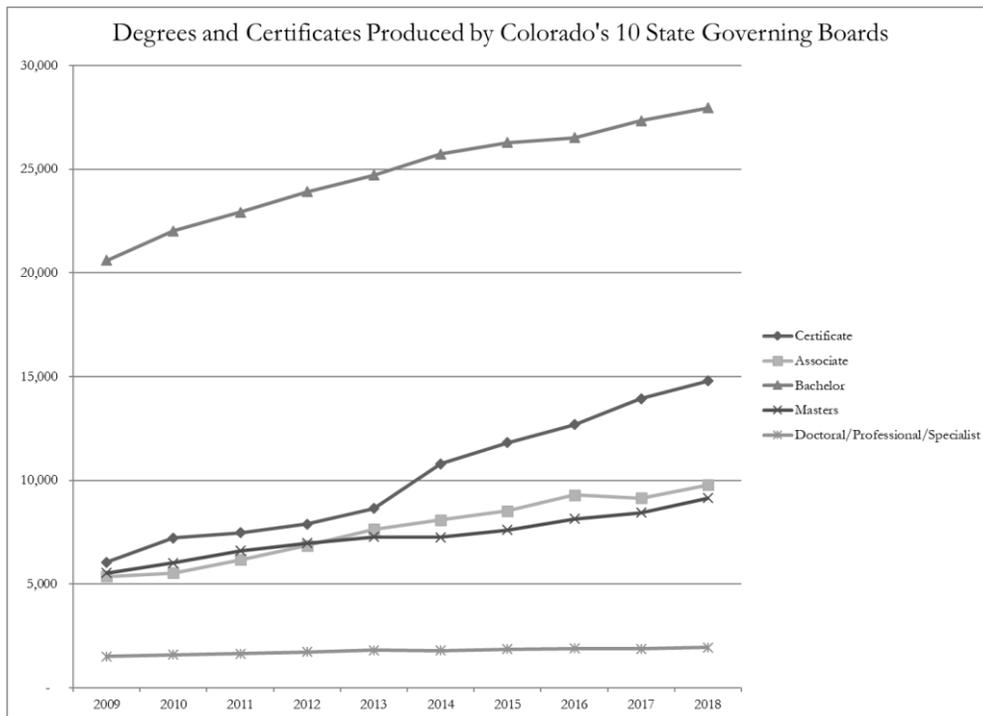
TOTAL EDUCATIONAL REVENUE PER FTE: PERCENT CHANGE, FY 2013-2018



NOTES: 1. Total Educational Revenue is the sum of educational appropriations and net tuition, excluding net tuition revenue used for capital debt service.
 2. Adjustment factors to arrive at constant dollar figures include Cost of Living Index (COLI), Enrollment Mix Index (EMI), and Higher Education Cost Adjustment (HECA). The COLI is not a measure of inflation over time.
 SOURCE: State Higher Education Executive Officers Association

OTHER WAYS TO LOOK AT HIGHER EDUCATION COSTS

DEGREE COMPLETION. Colorado has been increasing the number of degrees produced for the funds spent. For example, using a crude model that applies weights to degrees like those in the higher education funding model: certificate=.25, associate's=.5 bachelor's=1.0, masters and above=1.25, Colorado's cost per bachelor-equivalent degree produced per year has actually been declining.



State Governing Board Annual Revenue per Weighted Bachelor-Equivalent Degree Produced			
	General Fund and Tuition Revenue in 2018 Dollars	Weighted Bachelor-equivalent Degrees	Annual Revenue per Degree Produced
FY 08-09	\$2,425,860,880	33,616	\$72,164
FY 09-10	2,538,855,605	36,139	70,253
FY 10-11	2,500,342,425	38,168	65,508
FY 11-12	2,533,974,164	40,198	63,038
FY 12-13	2,613,478,685	42,051	62,150
FY 13-14	2,716,284,134	43,790	62,030
FY 14-15	2,841,659,949	45,337	62,679
FY 15-16	2,941,299,886	46,870	62,754
FY 16-17	3,011,058,712	48,271	62,378
FY 17-18	3,087,746,729	50,384	61,285

*Generated by using SURDS data and weighting as follows: bachelor's degree=1.0, certificate=0.25, associates=0.5, graduate degree=1.25

This trend is *primarily driven by an increase in certificates and degrees produced by the community colleges*. Because community colleges have historically produced so **few** degrees and certificates for funds spent, they have a very high cost per degree/certificate. Increasing their degree production can thus have a large impact on state averages.

Degree completion is one of the most serious challenges in the higher education sector. Comprehensive data from the National Student Clearinghouse Research Center³, that takes into account students who start at one institution and complete at another, as well as those who graduate where they started, indicates that:

- **64.7 percent of students who start their educations at a Colorado public four-year institution complete within six years.** An additional 10.9 percent are still enrolled at that point. This is slightly below the national average of 65.7 percent and far below high performers like Iowa (81.4 percent) or Virginia (79.8 percent).
- **37.4 percent of students who start at a Colorado public two year institution complete somewhere within six years**, including 15.78 percent who complete a four-year degree. This is slightly below the national average of 39.2 percent and well below high performers like South Dakota (65.3 percent).
- **Full-time students are far more likely to complete.** 82.3 percent of exclusively full-time students who start at a four-year Colorado institution complete in six years, compared to 19.7 percent who attend part-time. Likewise, 55.5 percent of exclusively full-time students who start at a two-year Colorado institution complete in six years, compared to just 24.2 percent who attend part-time.

Much of the national performance data tracks students who start and complete at the same institution. From this perspective, many Colorado institutions look particularly weak, with *graduation rates after 6 years of just 22.4 percent for full-time first time students at Colorado Mesa University and 24.9 percent at Metropolitan*

³ National Student Clearinghouse Research Center, Completing College - State - 2019 <https://nscresearchcenter.org/signature-report-16-state-supplement-completing-college-a-state-level-view-of-student-completion-rates/>

State University of Denver. An appendix to this issue includes detailed information for the four year institutions for students in various categories.

Students who never complete or who take an excessively long time to complete represent an enormous inefficiency in the higher education system that is costly to students and the state. While some students attending community college may not really be seeking a degree, the vast majority indicate that they are seeking degrees. They simply are not attaining them.

STUDENT OUTLAYS PER DEGREE. While the number of degrees being produced is increasing, it also remains unclear how this relates to the outlays of individual students over the course of their educational career. Higher education pricing, even in Colorado’s public sector, is extremely complex. Students pay different amounts for the same education. Institutions offer merit scholarships to attract students they consider desirable. They offer need-based aid which varies based on federal evaluation tools (the FAFSA) but also based on factors such as when the student submits their application to the school and how much institutional aid the school has left to award. Nationally, about two-thirds of students receive financial aid. Data collected by staff last year confirmed that the majority of students at Colorado public institutions receive some type of aid, be it need or merit.

The chart below, which shows the average *net* price for students who received grant aid at state four-year institutions. As shown, average net price in real dollars has increased at some locations and decreased at others.

Average Net Price for Attendance - Students Receiving Grant Aid				
	Average net price- students receiving grant or scholarship aid 2008-09 in FY 2017-18 dollars	Average net price- students awarded grant or scholarship aid 2017-18	Change	Percentage Change
Adams State University	\$11,682	\$13,314	\$1,632	14.0%
Colorado Mesa University	17,868	14,403	(3,465)	(19.4%)
Colorado School of Mines	20,540	25,767	5,227	25.5%
Colorado State University-Fort Collins	14,929	17,914	2,985	20.0%
Colorado State University-Pueblo	16,410	12,243	(4,167)	(25.4%)
Fort Lewis College	12,657	18,522	5,865	46.3%
Metropolitan State University of Denver	14,557	15,248	691	4.8%
University of Colorado Boulder	22,063	21,466	(597)	(2.7%)
U. of Colorado, Colorado Springs	15,379	15,645	266	1.7%
U. of Colorado Denver/Anschutz Medical Campus	17,906	14,477	(3,429)	(19.2%)
University of Northern Colorado	16,650	14,641	(2,009)	(12.1%)
Western State Colorado University	17,601	17,230	(371)	(2.1%)

Source: IPEDS Data

The biggest cost to students is not tuition and fees but the cost of housing and eating while they attend college. **Students’ time-to-degree has become longer and longer, driving very significant costs per student.** *The Department’s new Return on Investment Report indicates that the median time to a certificate credential at a Colorado public institution is 2.0 years, the median time for an associates is 3.94 years, and the median time for a bachelor’s degree is 4.66 years.*

VALUE OF DEGREES PRODUCED. The final piece of the puzzle is the value of the degrees produced. It is well documented that people with postsecondary credentials have higher earnings over their lifetimes and are less likely to be unemployed. There is also increasingly good data about the vast differentials in earnings that come from different degrees. The new federal College Scorecard site <https://collegescorecard.ed.gov/> includes a wealth of information by institution on both student debt and earnings by degree, as well as related information like completion rates. The State also recently produced a “return on investment” report that draws from multiple sources to address both the costs and earnings associated with degrees. https://higher.ed.colorado.gov/Publications/Reports/Legislative/ROI/201907_ROI.pdf.

These data demonstrate that many four-year degrees in liberal arts fields yield poor financial returns for participating students, while some certificate programs, which are far less expensive, provide similar incomes ten years after completing the degree. While degrees have value to students and society beyond their pure financial “return on investment”, most students pursue postsecondary education with a goal of future employment and earnings.

Certificate	1-YEAR	5-YEAR	10-YEAR
	Median wage outcome	Median wage outcome	Median wage outcome
Time to Credential 2.04 YEARS Credits at Credential 25.29	\$32,111	\$41,763	\$50,130

 Median Wage Outcomes by Program			
Bachelor's	1-YEAR	5-YEAR	10-YEAR
Time to Credential 4.66 YEARS Credits at Credential 134.67	Median wage outcome	Median wage outcome	Median wage outcome
	\$37,364	\$49,351	\$60,370
Earnings by Credential Type and Program Grouping			
Arts, Humanities and Communication	\$29,634	\$42,507	\$50,092
Business	\$43,363	\$57,101	72,448
Education	\$34,218	\$40,320	\$45,152
Health	\$55,231	\$59,954	\$66,651
Science, Technology, Engineering and Math	\$43,420	\$60,049	\$76,054
Social and Behavioral Sciences and Human Services	\$29,988	\$44,389	\$52,926
Trades	\$37,723	\$50,489	\$60,156

Given the data that is now available, the State should be in an increasingly strong position to address head-on the question of what both students and the state are paying for the credentials that are being produced, and the value of those credentials. **Staff believes the right question for both the State, the institutions, and the higher education sector nationally, is how to produce more high value degrees for more students, at lower cost.**

ATTACHMENT - SELECT DEGREE COMPLETION DATA

Graduation rates (150% of normal time) and transfer-out rates						
Institution name	Cohort year	Adjusted cohort	Number of completers	Graduation rate (%)	Transfer-out number	Transfer-out rate (%)
Adams State University	2011	517	138	26.7%	106	20.5%
University of Colorado Denver/Anschutz Medical Campus	2011	959	461	48.1%	256	26.7%
University of Colorado Colorado Springs	2011	1330	593	44.6%	463	34.8%
University of Colorado Boulder	2011	5416	3833	70.8%	987	18.2%
Colorado School of Mines	2011	949	761	80.2%	62	6.5%
Colorado State University-Fort Collins	2011	4395	3127	71.1%	365	8.3%
Fort Lewis College	2011	837	366	43.7%	313	37.4%
Colorado Mesa University	2011	1931	690	35.7%	563	29.2%
Metropolitan State University of Denver	2011	1616	455	28.2%	488	30.2%
University of Northern Colorado	2011	2188	1035	47.3%	830	37.9%
Colorado State University-Pueblo	2011	864	279	32.3%	492	56.9%
Western State Colorado University	2011	450	216	48.0%	67	14.9%

Graduation rates (150% of normal time) and transfer-out rates (select community colleges)						
Institution name	Cohort year	Adjusted cohort	Number of completers	Graduation rate (%)	Transfer-out number	Transfer-out rate (%)
Community College of Aurora	2014	244	65	26.6%	50	20.5%
Front Range Community College	2014	1037	267	25.7%	241	23.2%
Lamar Community College	2014	122	47	38.5%	36	29.5%
Morgan Community College	2014	81	46	56.8%	11	13.6%

Source: National Center for Education Statistics (IPEDS)

ISSUE: EARLY CHILDHOOD EDUCATOR INITIATIVES

Requests R9 and R10 would provide \$4.9 million General Fund for new scholarships and a loan forgiveness program for early childhood educators.

SUMMARY

- Request R9 is for \$4,311,785 General Fund and 1.0 FTE for FY 2020-21 to fund scholarships to address early childhood educator workforce shortages. Request R10 is for \$544,358 General Fund and 1.5 FTE to fund a loan forgiveness program to address early childhood educator shortages. The two proposals are presented as working in tandem, as scholarships would decrease as the loan forgiveness program ramps up.
- This is one of a number of requests included in the Departments of Education, Higher Education, Labor and Employment, and Human Services related to the need for additional early childhood educators in the state.
- Early childhood providers do not require a postsecondary education. While postsecondary educational institutions offer degrees in early childhood education and classes that can be counted toward credentialing, a degree in early childhood education is not necessary to work in the field.
- The proposal to fund scholarships for students pursuing degrees in early childhood education seems a particularly expensive and inefficient mechanism for attempting to increase the number of early childhood educators. Loan forgiveness for those working in the field seems more likely to yield positive results but would benefit relatively few educators at a relatively high cost per person.

RECOMMENDATION

- Staff does not recommend that the Committee set aside funds for Requests R9 or R10.
- Staff believes a bill developed by the Early Childhood and School Readiness Legislative Commission offers more promising options for supporting the early childhood workforce. This includes creating a structure that offers scholarship funding for select early childhood classes (rather than degrees) and providing state funding to expand a system of early childhood educator apprenticeships.

DISCUSSION

Request R9 is for \$4,311,785 General Fund and 1.0 FTE for FY 2020-21 to fund scholarships to address early childhood educator workforce shortages. Request R10 is for \$544,358 General Fund and 1.5 FTE to fund a loan forgiveness program to address early childhood educator shortages.

The two proposals are presented as working in tandem, as scholarships would decrease as the loan forgiveness program ramps up. The combined General Fund impact of the two proposals is shown below. The Executive Request recognizes that new legislation would be required to implement R-10.

The request did not reflect a need for new legislation for R-9, but the Department has more recently indicated that this was an oversight.

	<i>FY21</i>	<i>FY22</i>	<i>FY23</i>	<i>FY24</i>	<i>FY25</i>
R-09	\$4,311,785	\$3,923,543	\$3,523,543	\$3,123,543	\$2,873,543
R-10	\$544,358	\$937,303	\$1,337,303	\$1,737,303	\$1,987,303
Total	\$4,856,143	\$4,860,846	\$4,860,846	\$4,860,846	\$4,860,846

ADDRESSING THE SHORTAGE OF EARLY CHILDHOOD EDUCATORS

This is one of a number of requests included in the Departments of Education, Higher Education, Labor and Employment, and Human Services related to the need for additional early childhood educators in the state. The initiatives of which staff is aware are summarized below.

DEPARTMENT	REQUEST	AMOUNT
Education	R5 - Concurrent Enrollment for Educators	\$539,190 GF
Labor and Employment	R1-Work-Based Learning (Early Childhood Educators portion)	200,000 CF
Higher Education	R9-Scholarships for Early Childhood Professionals	4,311,785 GF
Higher Education	R10 - Loan Forgiveness for Early Childhood Educators	544,358 GF
Human Services	R8- Scholarships for Early Childhood Professionals	500,000 GF/100,00 FF
Total Funds		\$6,195,333

Like the requests in the other departments, requests R9 and R10 highlight the shortage of early childcare workers. The requests highlight directors’ difficulties in finding staff and Department of Labor and Employment projections for a 33-43 percent increase in demand for childcare educators through 2025.

The shortage of early childhood educators is tied to compensation. The average hourly pay for an early childhood educator in Denver is \$14.52, according to Payscale, and the Colorado mean annual wage for preschool teachers is \$33,143, according to the Department of Labor LMI database.⁴ Incomes in this range are close to the federal poverty level for anyone with dependents. Data presented to the Early Childhood and School Readiness Leadership Commission indicated that pay improves with education, but a person with graduate education can expect to earn just \$17.10 per hour.⁵

While low compensation is a serious problem for attracting and retaining high quality workers, the cost of early childhood care is already a significant burden for Colorado families⁶, and worker pay cannot be meaningfully increased without further raising these costs.

The requests notes that while low compensation may be the primary driver behind high turnover in the field, a 2017 study that found that early childhood educators often cite lack of preparation as a

⁴ [https://www.payscale.com/research/US/Job=Early_Childhood_Educator_\(ECE\)/Hourly_Rate/3e93d9f4/Denver-CO](https://www.payscale.com/research/US/Job=Early_Childhood_Educator_(ECE)/Hourly_Rate/3e93d9f4/Denver-CO)
and
<https://www.colmigateway.com/>

⁵ http://coga.prod.acquia-sites.com/sites/default/files/html-attachments/4bb02a8df2e7a23d87258440006bbd2a_hearing_summary/190723%20AttachG.pdf

⁶ A recent study by the Economic Policy Institute cites an average cost of \$15,325 per year for an infant, among the highest in the nation. <https://www.epi.org/child-care-costs-in-the-united-states/#/CO>

reason for leaving the profession. However, 75 percent also reported that they would require tuition assistance to pursue higher education.⁷

COLORADO EARLY CHILDHOOD EDUCATOR EDUCATION AND CREDENTIALING

Early childhood providers do not require a postsecondary education. While postsecondary educational institutions offer degrees in early childhood education and classes that can be counted toward credentialing, a degree in early childhood education is not necessary to work in the field.

Credentialing for early childhood educators in Colorado is designed to provide multiple pathways to a credential by focusing on competencies. The current system awards “points” for different levels of early childhood professionals. An early childhood professional 1 must have at least 10 points, but must demonstrate experience as well as academic training. Points are awarded for formal education, ongoing professional development, experience, and demonstration of competencies. A significant portion of required professional development coursework is available free of charge through the Department of Human Services SHINES PDIS (on-line professional development) system.

Department of Human Services staff report that legal responsibility for licensing and credentialing rests with the Colorado Department of Human Services, but the Colorado Department of Education is responsible for scoring credential applications. According to staff at the Department of Human Services, there are efforts underway to examine and potentially streamline credentialing. However, *the basic approach of offering multiple pathways to an early childhood credential, involving a combination of experience and coursework, is not expected to change.*

R9 EARLY CHILDHOOD TALENT PIPELINE SCHOLARSHIP

The Department request \$4.3 million General Fund in FY 2020-21. As described above, this amount would *decline* over time as a separate program for loan forgiveness ramped up. The request proposes:

- The scholarship would target students pursuing degrees associated with certain program codes, known as Classification of Instructional Programs or CIP codes, in the early childhood education field. This includes codes for certificates, associates and bachelor’s degrees.
- The scholarship would provide additional support to students based on need. The calculations are based on the 1,022 students in FY 2017-18 who were enrolled in the above programs and had been determined to have need through the federal system (the FAFSA). On this basis **it appears that the State would be offering an average of \$4,218 per student per year to approximately 1,022 students.** The Department’s calculations indicate that the average student pursuing these degrees has a gap of \$12,898 between their cost-of-attendance and state and federal grant aid.
- Following current practice, the Department would allocate the funds to institutions of higher education based on the current number of Pell-eligible student full-time equivalents enrolled in the specified CIP codes. The institutions of higher education would then be responsible for packaging aid in accordance with current financial aid law, policy, and practice.
- The Department also requests funding for 1.0 FTE for a Ph.D.-level researcher to study the program’s impact.

⁷ Diana Schaack & Vi-Nhuan Le, “Supporting the Educational Attainment and Professional Development Needs of Colorado’s Early Educator Workforce”. Colorado Early Childhood Workforce Survey 2017. https://earlymilestones.org/wp-content/uploads/2017/09/Brief_2_CO_EC_Workforce_Survey.pdf

STAFF CONCERNS

- Given that a postsecondary degree is not required to become an early childhood educator, why is the State focusing on providing large grants for students pursuing an early childhood credential? *Staff believes there are more efficient ways to increase the pool of high quality early childhood providers.*
- For how many years does the State anticipate that an individual student will receive a grant? Does the State plan to invest \$8,400 per student? Over \$12,600 per student?
- What happens if students leave without a degree, as occurs for the majority of community college students? What happens if the student changes his or her major?
- Given how poorly early childhood education pays, how much confidence does the State have that someone who completes an early childhood credential (with state support) will remain in the field?
- Is this grant supposed to provide an incentive to students to pursue a degree in early childhood education? If so, is it responsible to incentivize students to pursue a degree in field that is paid so poorly? *Even the substantial grant proposed will not cover the average student's full cost of attendance. Should the State encourage students to take on debt for a job that pays \$14.00 per hour?*
- Typically the demand for programs increases over time, but this request indicates that funds would be reduced in the out-years. Could the amount requested be appropriately used in the first year? How would students be affected by funds being reduced over time?

R10 Loan Forgiveness for Early Childhood Educators

The Department requests \$544,358 General Fund in FY 2020-21, annualizing to \$937,303 in FY 2021-22 and further increasing in subsequent years to provide loan forgiveness for early childhood educators. The Department anticipates new legislation, similar to last year's S.B. 19-003 (Educator Loan Forgiveness). The proposal is based on adding funding each year for:

- 50 early childhood education associate's degree holders, currently employed as early childhood educators, will be eligible for up to \$3,000 in loan forgiveness annually for up to four years. The average debt of an associate's degree graduate was \$13,848 in 2018.
- 50 early childhood bachelor's degree holders, currently employed as early childhood educators, will be eligible for up to \$5,000 in loan forgiveness annually for up to five years. The average debt of a bachelor's degree holder was \$26,278 in 2018.

The Department anticipates that, to be eligible, an educator would need to serve in one of three program types:

- A program with fiscal agreements with the Colorado Child Care Assistance Program (CCCAP);
- A program that meets the federal Early Head Start or Head Start standards;
- A program funded as part of the Colorado Preschool Program.

Given the high need and potentially large pool of eligible candidates, additional selection priority will be granted to candidates who are culturally and/or linguistically diverse, seeking positions in high-need geographic areas, or pursuing licensure in early childhood special education.

STAFF CONCERNS

- A loan forgiveness program may help encourage more qualified individuals to stay in the early childhood field, so this portion of the request seems better designed than R1. However, *given that a postsecondary degree is not required to become an early childhood educator, aren't there more efficient ways to support participation and retention in this field?*
- There are more than 9,000 preschool teachers in Colorado. This initiative would provide a very significant benefit for a very small share of these teachers. *If the goal is to attract and retain more teachers in the field, could appropriate benefits be spread to more workers?*
- The request proposes to add another 1.5 FTE to the Department, which represents a significant administrative investment in relation to the number of individuals benefiting, particularly in the initial years.

ALTERNATIVES TO CONSIDER

- **A more limited pool of scholarships to help current early childhood educators, including current college students working in the field, pay for one or two community college courses in early childhood education.** There are a few courses typically offered by community colleges (e.g., early childhood education 101) that are commonly used as part of credentialing and licensing for early childhood educators. These could be supported through scholarships. Funding for such scholarships could be distributed in a variety of ways. The Department of Human Services proposed funneling the funds through the entity managing TEACH scholarships; a bill from the Early Childhood and School Readiness Commission proposes distribution through a wider array of entities. Regardless, providing funding for scholarships for individual courses that cost about \$500 each would allow any funds allocated to benefit far more early childhood educators and the young children they serve.
- **Provide support to expand early childhood educator apprenticeship programs.** In an apprenticeship, students work and get paid for their work immediately, at the same time they are being supervised, mentored, and improving their skills. They are required to take some coursework, but this requirement is far more limited than the coursework associated with receiving a formal degree. This enables a student to enter the field immediately, helping to address shortages in the workforce, while also enabling the student to earn a living and avoid indebtedness. There is presently a small federally-registered apprenticeship program associated with Red Rocks Community College that, according to its organizers, is expanding rapidly in response to interest from counties across the state. The program is currently being supported through grants and through counties and other organizations that hope to use it to increase their early childhood workforce. The marginal cost of the program per apprentice is \$2,800. Significant amounts are likely to be required to help build the necessary administrative infrastructure. Nonetheless, this model appears on its face to offer a far more direct and efficient way to rapidly expand a capable early childhood workforce.

The Early Childhood and School Readiness Legislative Commission has been authorized to introduce a bill on Supports for the Early Childhood Educator Workforce (Bill 1/A).⁸ The initial fiscal note for the bill includes scholarships to be distributed through the Department of Human Services

⁸ <http://leg.colorado.gov/node/1652016/>

(\$180,000 for scholarships) and funding for apprenticeships through the Department of Labor and Employment. (\$1.1 million), among other components. The initial fiscal note for the bill--prior to amendments adopted by the Commission--also included one-time information technology costs, but staff understands that many of these costs have been eliminated through Commission amendments, so **the total cost of that bill is likely in the \$2.0-\$2.5 million General Fund range.** *The bill may still undergo refinement, but this seems a preferable place to start than the initiatives included in the Department's Requests R9 and R10.*

If the General Assembly is not interested in directing all of the funds proposed in these initiatives into supporting the early childhood educator workforce, staff would support directing money toward financial aid for a broader array of students and other higher education priorities.

ISSUE: STUDENT DEBT AND BA1 GET ON YOUR FEET COLORADO

Request BA1 includes \$14.1 million for a student loan repayment program entitled Get on Your Feet Colorado. The proposed initiative would subsidize loan repayments for two-years for new graduates of public higher education institutions who are enrolled in a federal income-based repayment loan program.

SUMMARY

- At Colorado public four-year institutions, 67 percent of students graduated with student debt and the average debt was \$26,505. Approximately 55 percent of students who earned an associate's degree used loans to cover their costs, and their average loan debt was \$13,343.
- Request BA1 includes \$14.1 million for a student loan repayment program entitled Get on Your Feet Colorado. The proposed initiative would subsidize loan repayments for two-years for new graduates of public higher education institutions who are enrolled in a federal income-based repayment loan program.

RECOMMENDATION

Based on information currently available, staff would not recommend setting aside funds for this program. As alternatives, the Committee could consider: (1) using these funds for existing financial aid or work-study programs, thus helping students to limit the need for loans; (2) adding additional funds for the Colorado Opportunity Scholarship Initiative, which provides student scholarships and support services to assist students in completing; or (3) assuming these funds are only available on a temporary basis, either fund specific new time-limited experiments (e.g., the work-study initiative recommended last year by staff, which is attached) or support a new "innovation fund" to assist institutions in launching or expanding programs intended to assist students in efficiently completing degrees and moving into the workforce. One of the bills authorized by the Making Higher Education Attainable Interim Committee would create such a fund.

DISCUSSION

REQUEST BA1 GET ON YOUR FEET COLORADO

The Department's Request BA1 is for \$14,076,245 General fund and 3.0 FTE in FY 2020-21 to launch a loan repayment program for Colorado residents who complete an undergraduate (associate or bachelor) degree at one of the state's public institutions of higher education and begin their career in Colorado.

The request was submitted as a budget amendment, after Referendum CC failed to pass. This was one of the initiatives that the Governor's Office had suggested funding if Referendum CC had passed. The program would require new legislation.

Funding would enable up to 5,300 eligible new Colorado graduates to receive loan repayment for up to two years with an average of \$1,500 annually per recipient. The one-time appropriation would

establish a fund from which loan repayment benefits would be paid to eligible students over three years and would support program administration.

To qualify, a student would need to be a legal resident of Colorado who has resided in the state for at least 12 months, have graduated from a Colorado high school, have earned an undergraduate degree from a Colorado state college or university on or after the FY 2020-21 academic year, apply for the program within two years, be current on federal loans, and enroll in one of the federal income-based repayment plans in which students pay up to 10 percent of their discretionary income (amounts over 150 percent of the federal poverty level). Under the current suite of federal income based loan repayment programs, payments are usually limited to 20 to 25 years, after which remaining debt is forgiven.

The table below compares the number of graduates to those estimated to be eligible for the program.

2018 resident graduates...	31,250
...with federal loan debt...	20,012
...enrolled in an IBR plan.	5,803

The program is modeled after a program in New York that was launched in FY 2016-17. The New York program uses the same eligibility criteria but also requires that applicants have an adjusted gross income of less than \$50,000. The analysis notes that limiting the Colorado program by income would make an estimated 5,106 individuals eligible for the program, instead of 5,803 without an income limit.

Based on New York's experience, the request includes 3.0 FTE in FY 2020-21 and FY 2021-22, decreasing to 1.5 FTE in FY 2022-23, for a program manager, accounting staff, and a person to help raise program awareness.

The request is intended to assist the state in achieving its ambitious Master Plan goal of statewide postsecondary attainment of 66 percent by 2025. Goals include:

- Incenting degree completion
- Providing support to recent graduates as they launch their careers
- Improving awareness of income based repayment programs

WHY A LOAN REPAYMENT PROGRAM?

There has been considerable national focus on the growth in student debt, which exceeded \$1.5 trillion in the third quarter of 2019 and continues to grow. According to the Federal Reserve Bank of New York, among the various forms of household debt, student loan debt is second only to mortgages (\$9.4 trillion).⁹ Default rates are high: more than 15 percent of borrowers in the second quarter of

⁹ Federal Reserve Bank of New York, Center for Microeconomic Data, Quarterly Report on Household Debt and Credit, November 2019.

https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2019Q3.pdf

2019 were 90 or more days past due or in default. Researchers from the Federal Reserve Bank of New York have also demonstrated that higher levels of student loan debt dampen homeownership rates.¹⁰

As indicated by the request, new college graduates are typically at the lowest earning point in their careers and thus may feel particularly burdened by loan repayments. As reflected by the Department’s new Return on Investment report, **the median wage outcome in the first year for a student graduating with a bachelor’s degree in arts, humanities, and communications is \$29,634.**¹¹

The majority of students graduating from Colorado public institutions have student loan debt. As reflected in the request, among the 31,250 resident graduates in 2018, 20,012 (64.0 percent) graduated with federal student loan debt. According to the Department’s annual Financial Aid Report¹², the average student loan debt among graduates of Colorado’s colleges and universities has risen in recent years, although the share of students with debt has declined. At four year institutions, **52** percent of students (including resident and nonresident students) graduated with student debt, and the average debt was \$26,505. Approximately **42** percent of students who earned an associate’s degree used loans to cover their costs, and the average loan debt was \$13,343, based on the Department’s calculation method.¹³

INSTITUTION NAME	% OF STUDENTS WITH LOANS	AVERAGE LOAN DEBT OF LOAN RECIPIENTS
Adams State University	59.52%	\$25,956
Colorado Mesa University	64.05%	\$25,183
Colorado Mountain College	43.66%	\$15,406
Colorado School of Mines	50.30%	\$31,502
Colorado State University	54.31%	\$28,374
Colorado State University - Pueblo	68.53%	\$24,952
Fort Lewis College	57.12%	\$20,108
Metropolitan State University of Denver	61.37%	\$25,119
University of Colorado Boulder	40.44%	\$28,224
University of Colorado Springs	60.56%	\$25,079
University of Colorado Denver	57.00%	\$28,111
University of Northern Colorado	64.16%	\$23,962
Western Colorado University	64.90%	\$26,602

¹⁰ <https://www.newyorkfed.org/press/pressbriefings/household-borrowing-student-loans-homeownership>

¹¹ <https://highered.colorado.gov/Data/Workforce/ROI.html>

¹² https://highered.colorado.gov/Publications/Reports/FinancialAid/FY2019/201819_FARReport_rel11272019.pdf

¹³ After this document was presented, the Department notified staff that its Financial Aid report had mis-reported the percentage of all students graduating with debt. Highlighted figures show the corrected numbers, and the Department has reposted its report. For statewide changes over time see:

<http://masterplan.highered.colorado.gov/dashboard/#masterplan>

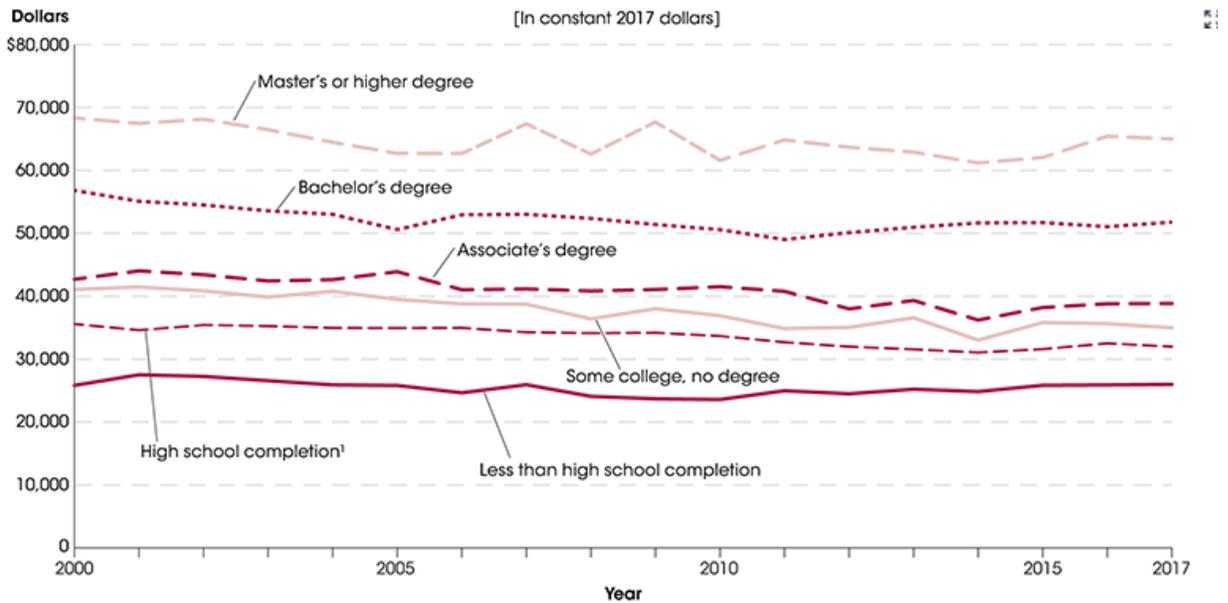
INSTITUTION NAME	% OF STUDENTS WITH LOANS	AVERAGE LOAN DEBT OF LOAN RECIPIENTS (STUDENT IN FA FILE)
Adams State University	67.06%	\$15,531
Aims Community College	33.76%	\$10,415
Arapahoe Community College	61.89%	\$14,835
Colorado Mesa University	66.88%	\$15,734
Colorado Mountain College	44.08%	\$10,288
Colorado Northwestern Community College	75.26%	\$15,164
Community College of Aurora	47.37%	\$15,240
Community College of Denver	53.10%	\$13,904
Front Range Community College	58.15%	\$15,628
Lamar Community College	34.69%	\$12,136
Morgan Community College	47.27%	\$10,726
Northeastern Junior College	49.80%	\$12,389
Otero Junior College	50.91%	\$10,905
Pikes Peak Community College	51.16%	\$11,149
Pueblo Community College	66.99%	\$13,145
Red Rocks Community College	53.47%	\$13,188
Trinidad State Junior College	34.55%	\$12,859

The Department is not “anti-debt”. Both the Department and the institutions like to emphasize that student loan debt is a good investment, given the increased earnings a degree provides over a student’s lifetime. In the Department’s annual Financial Aid Report, as well as in its recent Return on Investment Report¹⁴, the Department has emphasized the value of and importance of student debt in enabling students to complete their degrees more quickly and thus reduce their total costs of education. Postsecondary degrees deliver significant economic benefits, as reflected in data from the National Center on Education Statistics and many other sources.¹⁵ The Department’s Return on Investment report emphasizes that the value of student loan debt “appreciates 8% every year for the first four years after graduation [and] 4% each year after”.

¹⁴ <https://highered.colorado.gov/Data/Workforce/ROI.html>

¹⁵ National Center for Education Statistics, the Condition of Education, 2019. <https://nces.ed.gov/programs/coe/>

Figure 3. Median annual earnings of full-time, year-round workers ages 25–34, by educational attainment: 2000–2017



National Center for Education Statistics, *The Condition of Education*, 2019.

JBC STAFF CONCERNS

WILL THIS ACHIEVE STATE GOALS?

While staff can see the benefits of assisting new college completers with their loan debt, it appears to staff that the bigger problem facing students and the higher education system is the failure of students to complete their degrees in a reasonable amount of time or at all.

- As highlighted in the staff issue about Requests R1 and R2, completion rates at Colorado institutions remain poor. Students who begin at a two year public institution in Colorado have a less than 40 percent chance of completing any degree in six years. As reflected in federal data and analyzed by College Board researchers, noncompleters are far less likely to repay their loans than students who complete their degrees.¹⁶
- Financial issues are an important element of why many students never complete or take an exceptionally long time to complete. For example a recent survey of over 6,000 community college students across the country indicated that their top obstacles to success were work obligations and paying expenses.¹⁷
- There is some evidence that low-income students are debt-averse.¹⁸ This is perhaps understandable, given that student loan default rates among low-income and minority borrowers (as well as students who attend for-profit institutions) are high. The default rate among those with

¹⁶ College Board Research, Trends in Higher Education. <https://research.collegeboard.org/trends/student-aid/figures-tables/federal-student-loan-repayment-rates-over-time-and-completion-status>

¹⁷ RISC, “What Challenges Do Community College Students Face?”. January 2019. https://www.risc.college/sites/default/files/2019-01/RISC_2019_report_natl.pdf

¹⁸ Boatman et. al., “Understanding Loan Aversion in Education: Evidence from High School Seniors, Community College Students, and Adults, American Educational Research Association, January 2017. <https://journals.sagepub.com/doi/full/10.1177/2332858416683649>

small amounts of debt, which often include those who leave college without a degree, is particularly high.^{19 20}

- An enduring program that promised students that they would receive loan-repayment assistance for a couple of years *might* encourage some students to take out loans and thus complete their degree more quickly; however, staff is dubious that a short-term program as proposed in this initiative is likely to incentivize student behavior.
- **Financial aid grants and effective counseling seem on their face to be a better tool for encouraging students to complete and complete more quickly.** For example, the City University of New York operates a well-evaluated and widely acclaimed program known as the Accelerated Study in Associate Programs (ASAP) that has been able to double completion rates for community college students through a combination of additional student financial aid and other student supports.²¹

ADMINISTRATIVE CHALLENGES

“Get On Your Feet” appears to be an **administratively complex program**. It will take time to effectively build a program like this, and it will take time for students to become aware of it. Staff understands that the intent of the Executive Branch is that if the program is successful, it will be continued. However, this is not guaranteed. Does the State want to set aside one-time funds and administrative effort to build a temporary program?

- Data from the State of New York (shown below) indicates that the first year of the program there were a large number of applicants (9,125), with only 644 approved, reflecting the challenges of communicating the details of a new program, including which loans are eligible for repayment.
- The New York program reached its most recent peak in FY 2017-18, with 1,968 applications and 2,209 recipients, including those from the prior year. However, *by FY 2018-19, there were only 1,024 applications, apparently because the program did not receive much publicity.*

Get on Your Feet Loan Forgiveness Program			
Academic Year	Applications	Recipients	Awards (\$ Millions)
2015 -16	9,125	644	\$0.236
2016-17	3,520	1,855	\$1.683
2017-18	1,968	2,209	\$2.503
2018-19	1,024	1,925	\$2.080

←--3 months only

Annual Avg. Award	Monthly Avg. Award
n/a	n/a
\$907	\$76
\$1,133	\$94
\$1,081	\$90

¹⁹ Judith Scott-Clayton, “The Looming Student Loan Default Crisis is Worse than We Thought”, Brookings Institution. January 2018. <https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>

²⁰ Chakrabarti et. al., “The Changing Role of Community-College and For-Profit-College Borrowers in the Student Loan Market”, Federal Reserve Bank of New York. 2016. <https://libertystreeteconomics.newyorkfed.org/2016/09/the-changing-role-of-the-community-college-and-for-profit-college-borrowers.html>

²¹ City University of New York, “CUNY’s Associate Degree-Completion Program Huge Cost-Saver over Traditional Approach, Independent Study Finds”. May 23, 2017. <https://www1.cuny.edu/mu/forum/2017/05/23/cunys-associate-degree-completion-program-huge-cost-saver-over-traditional-approach-independent-study-finds/>

- **Without extensive publicity, actual utilization for this program is likely to be far below the estimates included in the request. With extensive publicity, it could potentially be higher.** The request is constructed based on reasonable estimates of the number of students *eligible* to participate (5,803 or 18.6 percent of new graduates from public institutions). However, the share of those who *do* participate--estimated at 1,741 or 30 percent of those eligible--is a far rougher estimate. The population of the state of New York is 19.5 million, compared to Colorado's 5.7 million (Colorado's population is about 30 percent of New York's), yet, at its highest utilization so far, New York's program served 2,209 students while the Colorado participation assumed in this request is 1,741 (80 percent of New York's).
- Based on New York's experience, it appears that State contributions will probably be considered part of students' taxable income, reducing the value of the benefit to the student.

APPENDIX - ADDITIONAL BACKGROUND ON STUDENT DEBT NATIONWIDE

According to researchers from the Federal Reserve Bank of New York:

- There are approximately 43 million borrowers with an average balance of \$33,500. The number of borrowers has nearly doubled and balances have nearly tripled since 2003.
- Between 2008 and 2018 the average balance per student loan borrower grew at about five percent per year.
- Default rates are high: more than 15 percent of borrowers in the second quarter of 2019 were 90 or more days past due or in default.
- Repayment is slow, contributing to growing aggregate balances: 2005 graduates had repaid less than 40 percent of their outstanding balances ten years after leaving school.²²
- A major component of the growth in student loan debt is related to the rapid growth in the for-profit school sector since 2000: across all institutions, 9 percent of students are enrolled at for-profit schools, yet these students account for 17 percent of all loan dollars originated. Nonetheless, the majority of students attend public institutions, and the majority of debt still originates from students attending public sector institutions, including two-year institutions. Those with student loan debt who live in low income areas have similar balances to others with debt--but much less ability to repay their loans and thus much higher delinquency rates, even when their balances are low. Individuals living in majority-minority zip codes are also far more likely to be in default.²³

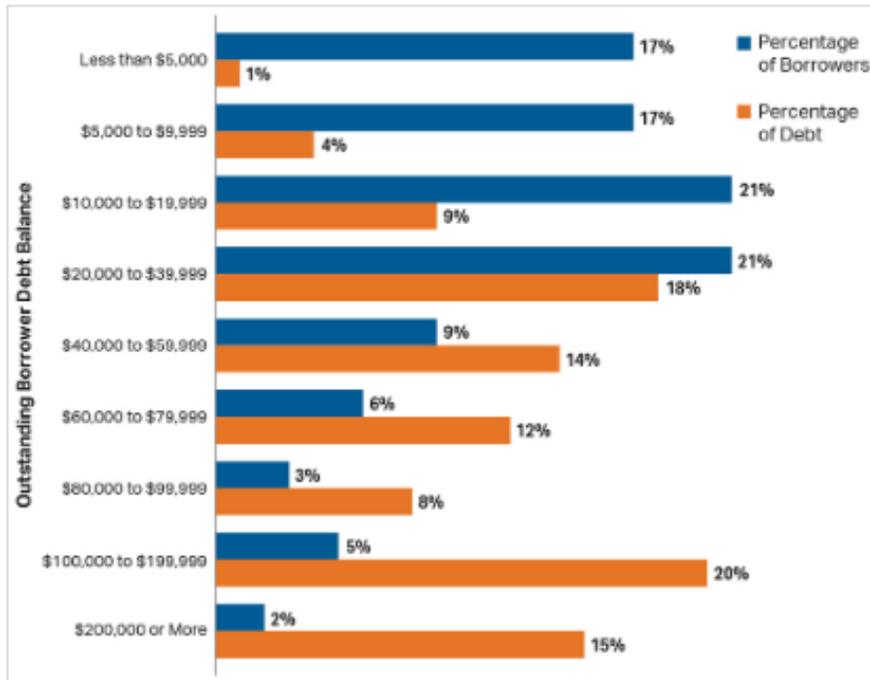
According to research by the College Board that draws from federal data, over one-third of total national student debt is concentrated among a small number of borrowers, as reflected in the graphic on the following page.²⁴

²² Haughwout et. al., "Who Borrows for College--and Who Repays?", Liberty Street Economics, Federal Reserve Bank of New York. <https://libertystreeteconomics.newyorkfed.org/2019/10/who-borrows-for-collegeand-who-repays.html>

²³ Chakrabarti et. al., "The Changing Role of Community-College and For-Profit-College Borrowers in the Student Loan Market", Federal Reserve Bank of New York. <https://libertystreeteconomics.newyorkfed.org/2016/09/the-changing-role-of-the-community-college-and-for-profit-college-borrowers.html>

²⁴ <https://research.collegeboard.org/trends/student-aid/figures-tables/distribution-borrowers-and-debt-outstanding-balance>

Distribution of Borrowers and Debt by Outstanding Balance



NOTES: Includes both loans made under the Federal Direct Loan Program (FDLP) and loans made under the Federal Family Education Loan (FFEL) Program, which ended in 2009-10. Data were as of March 31, 2019, the end of the second quarter of FY19.

SOURCES: U.S. Department of Education, Federal Student Aid Center, Federal Student Loan Portfolio.

Borrowers who have attended public community colleges are among those with the highest default rates, due to higher risk of unemployment and low earnings. In 2011, about 28 percent of borrowers who had attended 2-year institutions (including both those who had completed and not) were in default.²⁵

²⁵ Looney and Yannelis, “A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributed to Rising Loan Defaults”, Brookings Papers on Economic Activity, Fall 2015. <https://www.brookings.edu/wp-content/uploads/2015/09/LooneyTextFall15BPEA.pdf>

ISSUE: HISTORY COLORADO AND REQUEST HC1

History Colorado remains in a tenuous financial position. The Executive Request includes a request for \$1.0 million to help support its annual certificate of participation payments for the History Colorado Center.

SUMMARY

- 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. The organization operates the History Colorado Center in Denver, as well as nine community museums and attractions across the state.
- History Colorado’s operating appropriation for FY 2019-20 is \$36.4 million, of which 70 percent is derived from limited gaming revenue deposited to the State Historical Fund. Of total revenue, \$18.0 million is appropriated for museum operations and related preservation activities.
- The organization had a structural deficit in FY 2013-14 and FY 2014-15. Changes initiated in 2015 have addressed the deficit. However, as noted in a recent Strategic Plan: *“The Board of Directors and leadership have stabilized the finances on a year-to-year basis. However, any negative impact from an economic downturn, shift in gaming revenue, increasing State costs that are out of the organization’s control, or urgent construction projects that impact operational revenue could bankrupt the organization.”*
- The organization’s 2019 Strategic Plan emphasizes the need for additional state support and relief from History Colorado’s annual \$3.0 million-plus Certificate of Participation (COP) payments for the History Colorado Center. The Plan also focuses on growing History Colorado’s visitation, programs, and impact.
- The Executive Request includes \$1.0 million for COP payments to be generated by statutorily diverting revenue that would otherwise be directed to Capitol Complex Master Plan Implementation Fund.

RECOMMENDATION

- Staff recommends working with History Colorado to identify an appropriate legal structure for removing most of its earned revenue from under the state’s TABOR cap. The General Assembly needs History Colorado to operate profitable gift shops and similar earned revenue activities unconstrained by concerns about the impact on the state’s General Fund revenue. *Staff recommends that the Committee place a related bill title on its list of potential bills.*
- Staff recommends the Committee ask History Colorado to present 5-year projections demonstrating the estimated impact on its visitation, earned revenue, and overall financial viability under the following scenarios: (1) no “relief” for certificate of participation payments; (2) the requested \$1.0 million shift to the General Fund/reappropriated funds of certificate of participation payments; (3) \$3.0 million shift to the General Fund of certificate of participation

payments (i.e., the entire FY 2020-21 payment; though the \$500,000 increase in FY 2021-22 and future increases would be absorbed by the organization).

- If the Committee chooses to provide support to backfill some or all of History Colorado's certificate of participation payments, staff recommends it consider a direct General Fund appropriation, rather than a statutory change to redirect National Western COP funding previously designated for the Capitol Complex. The General Assembly will need to weigh the relative needs for Capitol Complex maintenance as opposed to History Colorado support. However, if reducing the Capitol Complex revenue stream will simply lead to additional future-year Capitol Complex requests, there seems little value to redirecting revenue from the Capitol Complex to assist History Colorado.

DISCUSSION

BACKGROUND

The State Historical Society, now known as History Colorado, is simultaneously a non-profit charitable "501 (c) (3)" organization and an institution of higher education authorized pursuant to Section 24-80-201, C.R.S. Founded in 1879, the agency operates the History Colorado Center in Denver and eight other history museums, archeological and historic sites throughout the State, including the El Pueblo Museum in Pueblo and the Ute Indian Museum in Montrose. It also owns the Georgetown Loop railroad. It is charged with preserving the state's history and documenting it for the benefit of its citizens and it provides a wide variety of services related to this mission.

History Colorado's operating appropriation for FY 2019-20 is \$33.1 million or \$36.4 million when centrally-appropriated amounts are included. Of this, over 70 percent is derived from limited gaming revenue deposited to the State Historical Fund. The 1990 Constitutional amendment that legalized limited stakes gaming in three cities specified that 28 percent of state gaming revenue after administrative expenses would be used for statewide historic preservation efforts. The General Assembly has authorized History Colorado to administer these funds, subject to annual appropriation.

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

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

The table below shows actual FY 2018-19 gaming receipts deposited to the State Historic Fund which will be used to support History Colorado activities in FY 2019-20.

STATE HISTORIC FUND LIMITED GAMING RECEIPTS (FY 19 USED IN FY 20)	FY 2019-20
Majority Share - Statewide Preservation Grant Program (50.1% of 80%)	\$10,532,292
Minority Share - Museum Operations and Capital (49.9% of 80%)	10,490,247
Gaming City Direct Distribution (20.0%)	<u>5,255,635</u>
Total to History Colorado	\$26,278,174

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

The FY 2019-20 Long Bill includes \$18.0 million appropriated for History Colorado’s museum and preservation operations, while the balance of the History Colorado budget is for the preservation grant program, distribution to gaming cities, and the Cumbres and Toltec Railroad. The museum and preservation operations are the most complex and challenging part of History Colorado’s operation from a financial perspective and are the focus of this issue.

RECENT HISTORY

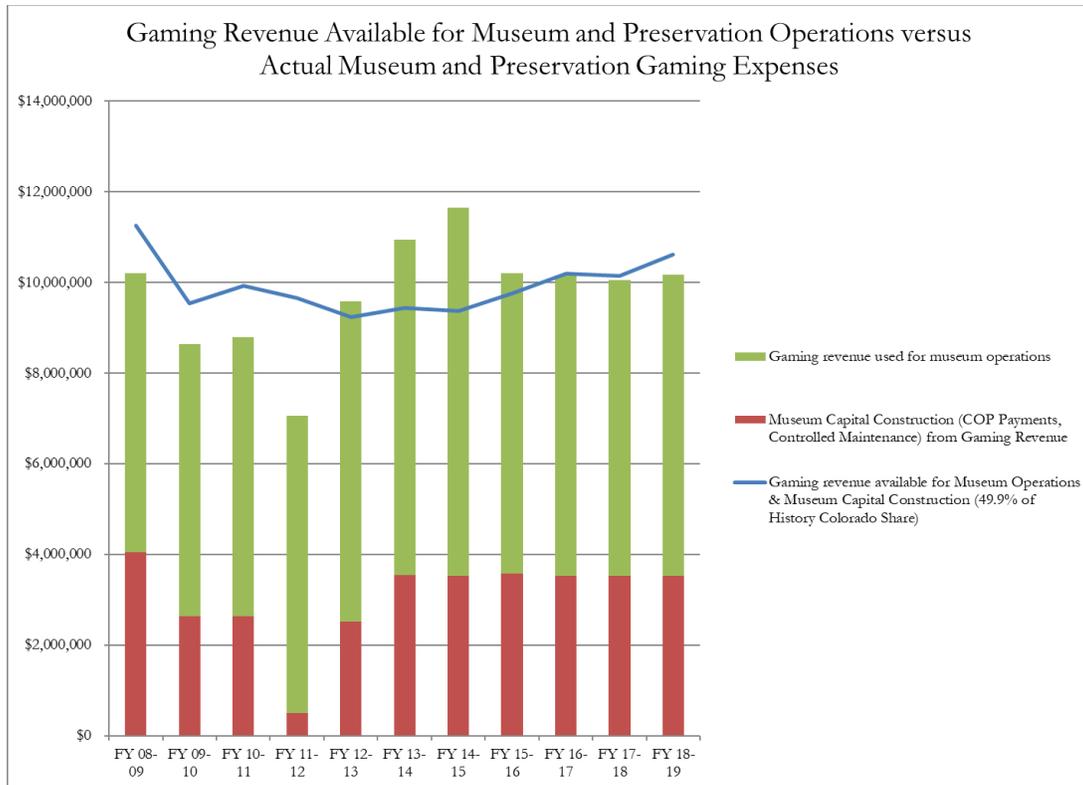
History Colorado has been working to build its operations after emerging from a challenging period. A combination of poor management choices and bad luck dating back to 2008 culminated in a structural deficit in FY 2013-14 and FY 2014-15. Changes initiated in 2015 have addressed the deficit and provided the organization with effective new management, but History Colorado remains saddled with large certificate of participation payments which will affect it for many years into the future.

In 2008, as part of the decision to rebuild the Judicial Center, the General Assembly authorized the Historical Society to execute a lease-purchase agreement for up to \$85.0 million in principal, with annual payments not to exceed \$4,998,000 to build a new museum. The resulting **annual lease-purchase obligation, now \$3.0 million, represents nearly 30 percent of the organization’s limited gaming funding stream for museum operations.** The organization anticipated that it would be able to cover the lease-purchase payments through increases in earned revenue. It also anticipated that gaming revenue to the organization would continue to increase, as it had in prior years. These expectations were frustrated for several reasons:

- Voters adopted Amendment 50 in November 2008, which created a new category of “extended” limited gaming revenue and, from FY 2009-10, effectively redirected most increases in tax revenue that would previously have gone in part to History Colorado.
- The Great Recession, combined with Limited Gaming Commission policies that reduced gaming tax rates, sharply depressed gaming revenue in FY 2008-09. Although tax rates and overall revenues partially rebounded, revenues to History Colorado remained essentially flat from FY 2009-10 through FY 2013-14 and only began to gradually increase again in FY 2014-15. Fiscal year 2018-19 gaming revenue that will be used to fund FY 2019-20 operations has fallen by 1.1 percent from prior year receipts, and the compound average annual growth rate in revenue to History Colorado for the last ten years is just 1.0 percent per year.
- The new facility did not result in sufficient new paying customers to cover the huge additional lease purchase payment. In the years through FY 2010-11, preceding the museum’s move, earned revenue was typically \$1.5 to \$1.7 million per year. In the first full year the new museum was open

(FY 2012-13), earned revenue was \$3.7 million. In FY 2015-16, earned revenue (excluding some transferred funds) was \$3.4 million. In FY 2018-19 it was \$4.6 million, with much of the increase driven by increases in earnings at the community museums--not the History Colorado Center. Total earned revenue associated with the History Colorado Center was just \$3.5 million in FY 2018-19.

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



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

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

At the beginning of FY 2015-16, new high-powered Board of Directors with an aggressive turn-around mandate took rapid steps to appoint a new interim management team. Through voluntary early retirements and furloughs and involuntary layoffs the organization reduced personnel (by 26.1 FTE or 20 percent as of June 30, 2016), flattened its management structure, and began to develop

additional in-house exhibits, thus eliminating reliance on traveling exhibits from out-of-state. On July 1, 2016, the Board appointed Steve Turner, co-director of the interim management team and the previous Director of Historic Preservation, the new Executive Director. The organization closed out FY 2015-16 with a shortfall of about \$600,000 and began rebuilding reserves in FY 2016-17.

- **Although the organization is no longer operating in the red, its financial situation remains tenuous, due to insufficient growth in both gaming and earned revenue.**

History Colorado faces financial challenges for the following reasons:

Expenditure Growth

- As described above, History Colorado’s **COP payments** require almost 30 percent of the annual gaming revenue available for museum operations. These payments ratchet up over time, with the first major increase of nearly \$500,000 starting in FY 2021-22.

Schedule of History Colorado COP payments (\$ in millions)			
Fiscal Years	Annual Payment	Increase in Annual Payment	Cumulative Increase in Annual Payments
2012-20	3.042		
2021-25	3.525	0.483	0.483
2026-30	3.827	0.302	0.785
2031-35	4.029	0.202	0.987
2036-38	4.532	0.503	1.490
2039-44	4.998	0.466	1.956
2045-46	4.848	(0.150)	1.806

Note: In this table, FY 2012-13 is reflected as 2012; FY 2021-22 as 2021

- **Statewide common policy decisions** (personnel, OIT) drive much of History Colorado’s expenditures. The organization has complained for multiple years about its growth in mandated OIT costs. While the OIT issue may ultimately be resolved by History Colorado’s separation from the state OIT system, salary and benefits increases for History Colorado staff drive costs, as they do for other state agencies. Common policy amounts required have been increasing by \$300,000 to \$600,000 per year, driving overall increases in History Colorado operating costs in an amount representing 2-3 percent of its annual budget for museum operations. These increases have been difficult to manage when the majority of History Colorado’s revenue sources have been flat.

Centrally-appropriated for History Colorado				
	FY 2016-17 Approp	FY 2017-18 Approp	FY 2018-19 Approp	FY 2019-20 Approp
Centrally appropriated	\$1,846,701	\$2,407,977	\$2,707,033	3,292,351
Change		561,276	299,056	585,318

- The Department Request R1 also highlights the financial strain related to **building operating expenses** for the History Colorado Center. It notes that the new building, completed in 2012 expanded operating space by 53,433 square feet (50 percent), which drove operating costs that were not considered in the initial forecast for the History Colorado Center.

Stagnant Revenue

- Limited gaming funds are growing slowly. The average annual growth rate for the last ten years for the revenue that comes to History Colorado has been 1.0 percent

The tables below compare appropriations from the Operations Account of the State Historic Fund (used to support the museums) and growth in limited gaming funds deposited to the State Historic Fund. *As can be seen, centrally appropriated common policies can drive large increases from a fund source that is growing at a modest rate of 1.0 percent since the recession.* For History Colorado, increases for Payments to OIT have been a particular concern.

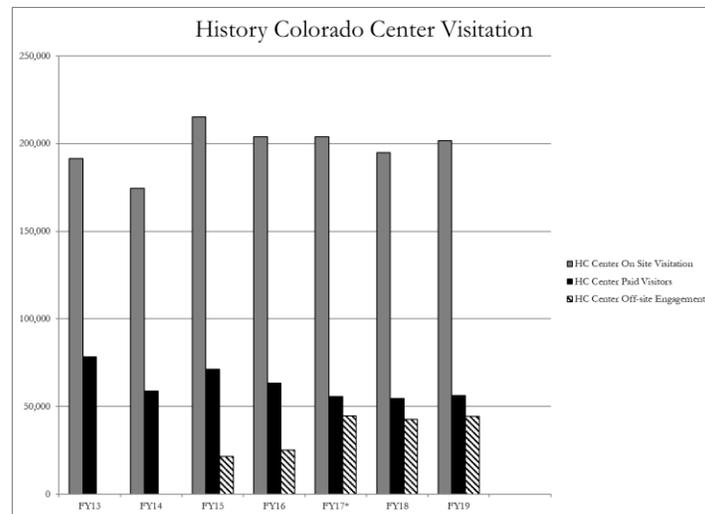
Limited Gaming Allocations (Department of Revenue)						
	Distributions to Historical Society - Museums, Preservation Grants, Gaming City Preservation			Total Limited Gaming Distributions		
	Amount	Change	% Change	Amount	Change	% Change
FY 06-07	\$29,779,880			\$106,356,714		
FY 07-08	28,165,674	(1,614,206)	-5.4%	100,591,698	(5,765,016)	-5.4%
FY 08-09	23,878,705	(4,286,969)	-15.2%	85,281,086	(15,310,612)	-15.2%
FY 09-10	24,867,360	988,655	4.1%	96,742,402	11,461,316	13.4%
FY 10-11	24,195,009	(672,351)	-2.7%	95,327,351	(1,415,051)	-1.5%
FY 11-12	23,127,355	(1,067,654)	-4.4%	91,197,385	(4,129,966)	-4.3%
FY 12-13	23,633,194	505,839	2.2%	92,686,815	1,489,430	1.6%
FY 13-14	23,475,304	(157,890)	-0.7%	92,219,372	(467,443)	-0.5%
FY 14-15	24,455,998	980,694	4.2%	97,218,342	4,998,970	5.4%
FY 15-16	25,515,680	1,059,682	4.3%	103,684,917	6,466,575	6.7%
FY 16-17	25,385,467	(130,213)	-0.5%	104,082,249	397,332	0.4%
FY 17-18	26,566,230	1,180,763	4.7%	111,598,539	7,516,290	7.2%
FY18-19	26,278,174	(288,056)	-1.1%	111,782,407	183,868	0.2%
CAAGR FY 09 to FY 19			1.0%			2.7%

- Earned revenue has grown, but not enough. Prior to construction of the new facility, earned revenue was \$1.5 to \$1.7 million per year. Revenue did increase after the new construction and based on activities at the community museums. However, as reported in the Department’s budget schedules (schedule 9s), earned revenue into the Enterprise Services Fund and the Community Museums Cash Fund *declined* from \$4,671,565 in FY 2017-18 to \$4,591,577 in FY 2018-19. History Colorado has also been more successful at raising **philanthropic funds** than in the past. It reported restricted philanthropy revenue increasing from \$1,141,761 in FY 2016-17 to \$1,630,650 in FY 2019-20, but use of philanthropic funds is restricted and will not cover core operational costs.

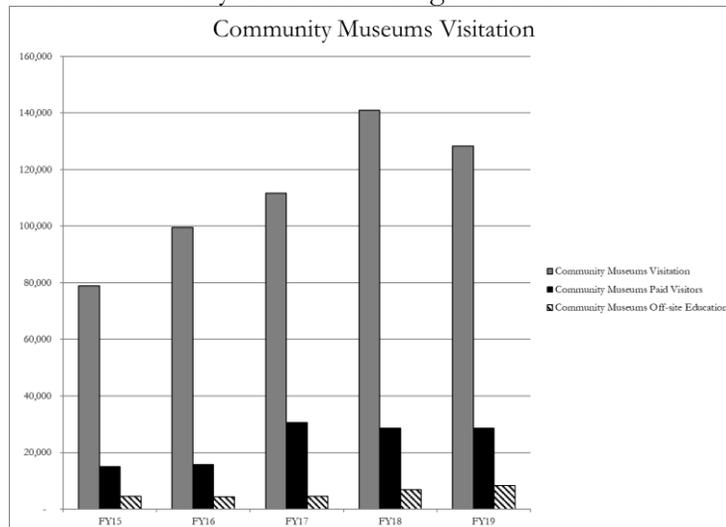
- The General Assembly added \$1.5 million General Fund to support History Colorado community museums starting in FY 2017-18 and has added \$300,000 to assist with information technology costs. However, the commitment for the community museums is scheduled to be reduced to \$1.2 million plus centrally-appropriated funds in FY 2020-21.

Visitation

To increase both direct revenue and philanthropy, History Colorado needs to show it makes an impact. **History Colorado’s visitation at the History Colorado Center has increased little in recent years.** Despite more competent management and new energy, visitation at the History Colorado Center remains quite flat, and *data for the first quarter of 2020 (not included below) appear to be down.* Paid visitation has fallen. **Visitation at the community museums increased significantly after the General Assembly added new funding in FY 2017-18, but has again declined somewhat.**



Source: History Colorado management dashboard data



Source: History Colorado management dashboard data

HISTORY COLORADO STRATEGIC PLANNING PROCESS

During FY 2018-19 History Colorado engaged in a comprehensive strategic planning process under the leadership of Dan Ritchie, former President of the University of Denver. The Strategic Plan largely highlighted the issues described above, including the unanticipated decline in gaming revenue and the high costs of the certificates of participation payments. The Strategic Plan notes that **“the Board of Directors and leadership have stabilized the finances on a year-to-year basis. However, any negative impact from an economic downturn, shift in gaming revenue, increasing State costs that are out of the organization’s control, or urgent construction projects that impact operational revenue could bankrupt the organization.”**

The solution outlined in the Strategic Plans:

- Increased State support of History Colorado by funding the annual COP payment requirements; and
- Statutory revision of the “ratchet effect” on History Colorado’s gaming revenue that would protect the organization from long-term funding loss after an economic downturn.

Explanation: After the passage of Amendment 50 in 2009, the General Assembly adopted statute and the Gaming Commission adopted rules to clarify how money generated by the “extended gaming” provisions adopted through Amendment 50 would be defined and differentiated from the gaming revenue attributable to the constitutional provisions that existed prior to Amendment 50. The “extended” gaming revenue is distributed primarily to community colleges. The “old” gaming funds go to History Colorado and the General Fund or such other funds as the General Assembly designates. Statute and rule limit increases to “old” recipients. Gaming revenue fell during the recession due to economic factors and Gaming Commission decisions. When it began to increase again in FY 2009-10, History Colorado had been “ratcheted down” to a new base and experienced much smaller increases than the extended gaming recipients.

The Strategic Plan emphasizes that History Colorado must grow its impact. It proposes that History Colorado set an ambitious goal of doubling its audience by 2025, including museum visitation, increased educational offerings, and increased engagement around exhibitions.

Direct Engagement Growth Path

Description	2019 Base Year				Annual Projection Rate Trajectory					
		Targeted Growth Rate	#of Years Out	5.5 Year Projection	End of FY20	End of FY21	End of FY22	End of FY23	End of FY24	End of FY25
Paid Admission	79,025	15.00%	5.50	170,452	84,745	97,457	112,075	128,886	148,219	170,452
Group	5,878	16.10%	5.50	13,360	6,334	7,353	8,537	9,912	11,507	13,360
Free Exhibits	7,017	16.10%	5.50	15,949	7,561	8,778	10,191	11,832	13,737	15,949
Comp	17,577	16.10%	5.50	39,950	18,939	21,988	25,529	29,639	34,410	39,950
Member Visits	8,173	16.10%	5.50	18,576	8,806	10,224	11,870	13,781	16,000	18,576
Memberships	6,014	16.10%	5.50	13,669	6,480	7,523	8,735	10,141	11,774	13,669
Special Events	24,653	18.00%	5.50	61,266	26,780	31,600	37,288	44,000	51,920	61,266
Youth Education	84,965	17.00%	5.50	201,494	91,904	107,527	125,807	147,194	172,217	201,494
Adult Education	14,597	17.00%	5.50	34,617	15,789	18,473	21,614	25,288	29,587	34,617
Teacher Professional Development	2,539	16.10%	5.50	5,771	2,736	3,176	3,688	4,281	4,971	5,771
Use	12,341	16.10%	5.50	28,050	13,297	15,438	17,924	20,810	24,160	28,050
Rentals	95,628	17.00%	5.50	226,781	103,437	121,022	141,596	165,667	193,830	226,781
Georgetown Loop Railroad	184,804	2.40%	5.50	210,553	187,008	191,497	196,093	200,799	205,618	210,553
Volunteers	716	2.20%	5.50	807	724	740	756	773	790	807
Preservation	3,715	16.10%	5.50	8,444	4,003	4,647	5,396	6,264	7,273	8,444
Café	16,108	5%	5.50	21,066	16,506	17,331	18,198	19,108	20,063	21,066
Total FY 2019 Base	563,750			1,070,805	595,049	664,774	745,297	838,375	946,076	1,070,805

The Strategic plan notes that no donor will contribute toward History Colorado’s debt service and that “any time History Colorado must cut staffing, programs, preservation, or engagement to address an uncertain financial situation, the resultant underperformance creates an operational ratchet effect that leads to long-term stagnation.”

DEPARTMENT REQUEST HC1

History Colorado Request HC1 adds \$1,000,000 reappropriated funds in FY 2020-21, \$930,632 in FY 2021-22, and \$1,000,000 in FY 2022-23 and ongoing to provide relief for History Colorado’s annual Certificate of Participation (COP) payments. History Colorado’s COP payments are scheduled to increase stepwise from approximately \$3.0 million currently to \$4.9 million by 2040.

The request requires a statutory change to Section 23-31-901, C.R.S. et. seq. that provides for an annual \$20.0 million General Fund transfer to the National Western Center Trust Fund for purposes of making COP payments for the National Western Center and the Capitol Complex Master Plan Implementation Fund. The request proposes to divert \$1.0 million from amounts that would otherwise go to the Capitol Complex Master Plan Implementation Fund, so that, starting in FY 2020-21, funding for the Capitol Complex Master Plan Implementation Fund would be reduced by \$1.0 million, while funding for History Colorado COP payments would be increased by the same amount.

The chart below reflects the proposed payment schedule through FY 2023-24. Funding similar to FY 2023-24 would continue through FY 2039.

Fiscal Year	Total Budgeted	NWC Debt Service	Capitol Complex	History Colorado	Total Allocated
FY2020	\$ 20,000,000	\$ 14,047,870	\$ 5,952,130	\$ -	\$ 20,000,000
FY2021	\$ 20,000,000	\$ 18,696,574	\$ 303,426	\$ 1,000,000	\$ 20,000,000
FY2022	\$ 20,000,000	\$ 19,069,368	\$ 0	\$ 930,632	\$ 20,000,000
FY2023	\$ 20,000,000	\$ 18,097,791	\$ 902,209	\$ 1,000,000	\$ 20,000,000
FY2024	\$ 20,000,000	\$ 18,096,915	\$ 903,085	\$ 1,000,000	\$ 20,000,000

STAFF OBSERVATIONS

WHY ADD FUNDS?

- As described above, while History Colorado is no longer in crisis, it has not yet “taken off” with respect to either visitation or earnings. **Staff believes History Colorado will require additional state support to remain viable and effective.**

MECHANISM FOR ADDING FUNDS

- Providing relief on the institution’s COP payments is the most straight-forward and logical mechanism for providing needed support. However, it is not clear to staff that running legislation to redirect funds that would otherwise go to the Capitol Complex Master Plan should be the preferred way to do this. **Unless the JBC believes that the Capitol Complex will not need these funds, staff would recommend simply making a direct General Fund appropriation to assist History Colorado.**

HOW MUCH?

- History Colorado leadership argues that, with increasing state support for the COPs, institutional energy will be freed up to expand outreach and activities and launch new programs, as well as generate additional philanthropic and other revenue.**
- The Executive Request proposes \$1.0 million in COP relief. The Strategic Plan implies more substantial relief of COP obligations that are currently \$3.0 million plus maintenance obligations.**
- Staff recommends that the Committee explore with History Colorado what it projects to be the impact of varying levels of increase in state support--both on visitation and on earned and philanthropic revenue.

OTHER CONSIDERATIONS

- For the current level of visitation to History Colorado museums and facilities, **state support is significant.** The General Assembly may deem this support reasonable, given the value of History Colorado as a state cultural resource, but it should continue to track the number of people served by state outlays.

FY 2018-19 STATE SUPPORT FOR HISTORY COLORADO MUSEUMS AND OPERATIONS PER VISITOR	
FY 2018-19 Gaming Revenue Available (Historical Fund Operations Account Receipts for FY 2017-18)	\$10,605,239
FY 2018-19 General Fund appropriations (including centrally-appropriated)	1,707,445
Subtotal	\$12,312,684
FY 2018-19 History Colorado visitation (History Colorado Center & community museums)	329,775
State support per visitor	\$37.34

- **History Colorado receives substantially more state support than appears to be typical for state history museums.** Texas provides an example of a State with a relatively robust state history and preservation agency, which is a part of its state government. Texas budgeted \$21.2 million for its program in FY 2016-17, including \$14.5 million in state funds. In FY 2017-18, Colorado provided \$26.6 million in limited gaming revenue and \$1.4 million in General Fund for historic preservation activities including museum operations, grants, and distributions to gaming cities. The population of Texas is more than five times that of Colorado. Washington State, which is a public-private partnership like Colorado, has approximately 25 FTE on the staff of its agency. Colorado has more than 100 FTE, although Washington has a population of over 7 million, compared to Colorado’s 5.5 million.
- **Other significant cultural resources in Colorado also rely on government support, but they are not as dependent up government support as History Colorado.** The tables below compare the History Colorado museum operations revenue (not preservation grant programs or gaming city distributions) with the Denver Art Museum’s financial statements.

FY 2016-17 DENVER ART MUSEUM FINANCIAL STATEMENTS		
REVENUE EXCLUDING RESTRICTED GIFTS (THOUSANDS)		
Gifts & memberships	\$12,264	37%
Public support (e.g., SCFD taxes)	10,360	31%
Admissions revenue	7,566	23%
Program revenue	1,826	5%
Gift shop net	1,228	4%
Net investment activity	327	1%
	\$33,571	

FY 2016-17 HISTORY COLORADO - COMBINED MUSEUM OPERATIONS REVENUE (THOUSANDS)				
	FY 2016-17		FY 2017-18	
Public support	\$10,774	74%	\$13,006	73%
Gifts, memberships, gift shop, program, admissions	3,303	23%	4,218	24%
Other	383	3%	383	2%
Interest	<u>81</u>	1%	<u>89</u>	1%
	\$14,541		\$17,696	

- Based on History Museum support in other states, it seems unlikely that private support will ever make up two-thirds of History Colorado’s revenue, as it does for the Denver Art Museum. However, it also seems that there remains room to grow private donations and non-state revenue sources.** *Staff has encouraged History Colorado to explore revenue generation options that might be classified as separate “enterprises” for TABOR purposes.* Rapid growth of revenue subject to TABOR would be problematic in the current fiscal environment.
- Staff has concerns about History Colorado becoming too reliant on the General Fund over the long-term.** *In a recession, History Colorado will see its gaming revenue fall, but the State’s ability to support it with General Fund will also fall.* Given this, staff encourages the Committee to do what it can to support History Colorado in activities that will generate additional revenue from non-state sources.

Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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DEPARTMENT OF HIGHER EDUCATION Angie Paccione, Executive Director

(1) DEPARTMENT ADMINISTRATIVE OFFICE

This section includes centrally appropriated line items for the Colorado Commission on Higher Education, Department administration, the Division of Private Occupational Schools, and History Colorado. Allocations for the higher education governing boards are not included in this section. Cash funds are primarily from the State Historical Fund. Reappropriated funds are from indirect cost recoveries.

Health, Life, and Dental	<u>1,740,911</u>	<u>1,997,752</u>	<u>2,177,159</u>	<u>2,203,026</u>
General Fund	0	99,972	107,097	140,019
Cash Funds	914,129	1,025,168	1,234,748	1,319,563
Reappropriated Funds	363,535	345,127	337,594	339,958
Federal Funds	463,247	527,485	497,720	403,486
Short-term Disability	<u>20,024</u>	<u>20,759</u>	<u>20,496</u>	<u>22,296</u>
General Fund	0	534	551	1,559
Cash Funds	10,993	10,945	13,379	13,603
Reappropriated Funds	4,366	4,102	4,261	3,989
Federal Funds	4,665	5,178	2,305	3,145
S.B. 04-257 Amortization Equalization Disbursement	<u>557,500</u>	<u>612,341</u>	<u>639,698</u>	<u>715,301</u>
General Fund	0	15,751	17,746	49,825
Cash Funds	310,937	322,835	426,771	454,890
Reappropriated Funds	119,156	121,006	126,538	117,327
Federal Funds	127,407	152,749	68,643	93,259

Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>557,500</u>	<u>612,341</u>	<u>639,698</u>	<u>715,301</u>	
General Fund	0	15,751	17,746	49,825	
Cash Funds	310,937	322,835	426,771	454,890	
Reappropriated Funds	119,156	121,006	126,538	117,327	
Federal Funds	127,407	152,749	68,643	93,259	
PERA Direct Distribution	<u>0</u>	<u>0</u>	<u>380,532</u>	<u>441,133</u>	
General Fund	0	0	8,858	31,490	
Cash Funds	0	0	230,482	203,424	
Reappropriated Funds	0	0	91,942	116,809	
Federal Funds	0	0	49,250	89,410	
Salary Survey	<u>213,771</u>	<u>398,081</u>	<u>477,673</u>	<u>315,157</u>	
General Fund	0	10,239	11,562	21,952	
Cash Funds	119,011	209,874	338,391	200,423	
Reappropriated Funds	46,020	78,666	82,996	51,693	
Federal Funds	48,740	99,302	44,724	41,089	
Paid Parental Leave	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,401,371</u>	
General Fund	0	0	0	1,401,371	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Workers' Compensation	<u>68,576</u>	<u>80,371</u>	<u>66,402</u>	<u>59,290</u>	
Cash Funds	48,465	45,626	36,616	37,588	
Reappropriated Funds	20,111	34,745	29,786	21,702	

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
Legal Services	<u>35,058</u>	<u>77,450</u>	<u>137,942</u>	<u>140,426</u>	
General Fund	0	0	0	0	
Cash Funds	9,675	39,619	88,312	88,312	
Reappropriated Funds	25,383	37,831	49,630	52,114	
Administrative Law Judge Services	<u>7,982</u>	<u>1,281</u>	<u>796</u>	<u>0</u>	
Cash Funds	7,982	1,281	796	0	
Payment to Risk Management and Property Funds	<u>178,493</u>	<u>2,344,510</u>	<u>232,141</u>	<u>29,874</u>	
General Fund	0	2,049,082	0	0	
Cash Funds	168,782	287,479	224,922	159,953	
Reappropriated Funds	9,711	7,949	7,219	(130,079)	
Leased Space	<u>444,982</u>	<u>423,247</u>	<u>424,927</u>	<u>424,927</u>	
Cash Funds	67,605	112,960	112,960	112,960	
Reappropriated Funds	377,377	310,287	311,967	311,967	
Payments to OIT	<u>701,393</u>	<u>475,659</u>	<u>748,893</u>	<u>598,633</u>	*
General Fund	0	100,000	150,000	150,000	
Cash Funds	622,910	340,754	530,271	388,759	
Reappropriated Funds	78,483	34,905	68,622	59,874	
CORE Operations	<u>171,758</u>	<u>194,026</u>	<u>203,523</u>	<u>268,811</u>	
Cash Funds	78,960	81,643	79,820	98,876	
Reappropriated Funds	92,798	112,383	123,703	169,935	

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
Merit Pay	<u>89,872</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	48,554	0	0	0	
Reappropriated Funds	20,156	0	0	0	
Federal Funds	21,162	0	0	0	
TOTAL - (1) Department Administrative Office	4,787,820	7,237,818	6,149,880	7,335,546	19.3%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	0	2,291,329	313,560	1,846,041	488.7%
Cash Funds	2,718,940	2,801,019	3,744,239	3,533,241	(5.6%)
Reappropriated Funds	1,276,252	1,208,007	1,360,796	1,232,616	(9.4%)
Federal Funds	792,628	937,463	731,285	723,648	(1.0%)

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(2) COLORADO COMMISSION ON HIGHER EDUCATION AND HIGHER EDUCATION SPECIAL PURPOSE PROGRAMS

The Colorado Commission for Higher Education (CCHE) serves as the central policy and coordinating board for higher education. This section includes funding for CCHE and Department administration, the Division of Private Occupational Schools, which regulates proprietary institutions, higher education lease purchase payments and capital-related outlays, and a large number of special purpose programs that rely on various funding sources.

(A) Administration

Administration	<u>2,980,293</u>	<u>3,073,512</u>	<u>3,394,922</u>	<u>3,955,417</u> *	
FTE	30.0	30.0	30.9	33.5	
General Fund	0	74,153	92,787	520,566	
Cash Funds	225,375	207,020	257,521	295,256	
Reappropriated Funds	2,754,918	2,792,339	3,044,614	3,139,595	

SUBTOTAL - (A) Administration	2,980,293	3,073,512	3,394,922	3,955,417	16.5%
<i>FTE</i>	<u>30.0</u>	<u>30.0</u>	<u>30.9</u>	<u>33.5</u>	8.4%
General Fund	0	74,153	92,787	520,566	461.0%
Cash Funds	225,375	207,020	257,521	295,256	14.7%
Reappropriated Funds	2,754,918	2,792,339	3,044,614	3,139,595	3.1%

(B) Division of Private Occupational Schools

Division of Private Occupational Schools	<u>647,733</u>	<u>696,511</u>	<u>790,436</u>	<u>1,011,100</u> *	
FTE	9.8	9.8	9.8	9.8	
Cash Funds	647,733	696,511	790,436	1,011,100	

SUBTOTAL - (B) Division of Private Occupational Schools	647,733	696,511	790,436	1,011,100	27.9%
<i>FTE</i>	<u>9.8</u>	<u>9.8</u>	<u>9.8</u>	<u>9.8</u>	0.0%
Cash Funds	647,733	696,511	790,436	1,011,100	27.9%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
(C) Special Purpose					
Western Interstate Commission for Higher Education (WICHE)	<u>113,550</u>	<u>153,000</u>	<u>153,000</u>	<u>160,000</u>	*
Reappropriated Funds	113,550	153,000	153,000	160,000	
WICHE - Optometry	<u>443,125</u>	<u>432,700</u>	<u>450,625</u>	<u>450,625</u>	
Reappropriated Funds	443,125	432,700	450,625	450,625	
Distribution to Higher Education Competitive Research Authority	<u>941,098</u>	<u>1,484,045</u>	<u>2,800,000</u>	<u>2,800,000</u>	
Cash Funds	941,098	1,484,045	2,800,000	2,800,000	
Veterinary School Capital Outlay Support	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	
Cash Funds	139,650	139,650	139,650	139,650	
Reappropriated Funds	145,350	145,350	145,350	145,350	
Colorado Geological Survey at the Colorado School of Mines	<u>1,780,474</u>	<u>2,657,351</u>	<u>2,729,100</u>	<u>2,729,100</u>	
FTE	15.5	15.5	15.5	15.5	
General Fund	496,605	552,296	567,208	567,208	
Cash Funds	1,283,869	1,755,629	1,803,031	1,803,031	
Reappropriated Funds	0	50,592	51,958	51,958	
Federal Funds	0	298,834	306,903	306,903	
Institute of Cannabis Research at CSU-Pueblo	<u>1,800,000</u>	<u>1,652,670</u>	<u>1,800,000</u>	<u>1,800,000</u>	
Cash Funds	1,800,000	1,652,670	1,800,000	1,800,000	

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
GEAR-UP	<u>8,565,521</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,051,851</u>	
FTE	39.1	39.1	39.1	39.1	
Federal Funds	8,565,521	5,000,000	5,000,000	5,051,851	
Colorado Second Chance Scholarship	<u>0</u>	<u>0</u>	<u>0</u>	<u>310,227</u>	
FTE	0.0	0.0	0.0	1.0	
General Fund	0	0	0	310,227	
Prosecution Fellowship Program	<u>356,496</u>	<u>356,496</u>	<u>356,496</u>	<u>356,496</u>	
General Fund	356,496	356,496	356,496	356,496	
Rural Teacher Recruitment, Retention, and Professional Development	<u>427,000</u>	<u>681,050</u>	<u>681,095</u>	<u>681,168</u>	
FTE	0.3	0.3	0.3	0.3	
General Fund	427,000	441,050	441,095	441,168	
Reappropriated Funds	0	240,000	240,000	240,000	
Open Educational Resources Initiatives	<u>0</u>	<u>642,875</u>	<u>1,160,877</u>	<u>1,161,176</u>	
FTE	0.0	0.9	1.0	1.0	
General Fund	0	642,875	1,160,877	1,161,176	
Get on Your Feet Colorado	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,076,245</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	14,076,245	
Early Childhood Educator Loan Forgiveness Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>544,358</u> *	
FTE	0.0	0.0	0.0	1.5	
General Fund	0	0	0	544,358	

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
Educator Loan Forgiveness Program	<u>0</u>	<u>0</u>	<u>623,969</u>	<u>1,118,016</u>	
FTE	0.0	0.0	1.4	1.5	
General Fund	0	0	623,969	1,118,016	
Colorado Student Leaders Institute Pilot	<u>0</u>	<u>218,825</u>	<u>218,825</u>	<u>218,825</u>	
FTE	0.0	1.0	1.0	1.0	
General Fund	0	0	218,825	218,825	
Reappropriated Funds	0	218,825	0	0	
Growing Great Teachers - Teacher Mentor Grants	<u>0</u>	<u>0</u>	<u>1,125,000</u>	<u>1,174,100</u>	
FTE	0.0	0.0	0.0	0.5	
General Fund	0	0	1,125,000	1,174,100	
Forest Restoration and Wildfire Risk Mitigation Grant Program Cash Fund at Colorado State University	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>0</u>	
General Fund	0	0	1,000,000	0	
HB 18-1226 Higher Education Review Degree Program Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
H.B. 18-1332 Collaborative Educator Preparation Program Grants	<u>0</u>	<u>725,465</u>	<u>0</u>	<u>0</u>	
General Fund	0	725,465	0	0	
H.B. 18-1309 Partnership for Rural Education Preparation at the University of Colorado Denver	<u>0</u>	<u>78,058</u>	<u>0</u>	<u>0</u>	
General Fund	0	78,058	0	0	

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
Open Educational Resources Council	<u>24,686</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	24,686	0	0	0	
SUBTOTAL - (C) Special Purpose	14,736,950	14,367,535	18,383,987	32,917,187	79.1%
FTE	<u>54.9</u>	<u>56.8</u>	<u>58.3</u>	<u>61.4</u>	<u>5.3%</u>
General Fund	1,304,787	2,796,240	5,493,470	19,967,819	263.5%
Cash Funds	4,164,617	5,031,994	6,542,681	6,542,681	0.0%
Reappropriated Funds	702,025	1,240,467	1,040,933	1,047,933	0.7%
Federal Funds	8,565,521	5,298,834	5,306,903	5,358,754	1.0%

(D) Lease Purchase Payments and Capital-related Outlays

University of Colorado, Lease Purchase of Academic Facilities at Fitzsimons	<u>14,261,775</u>	<u>14,154,188</u>	<u>14,150,438</u>	<u>14,153,707</u>	*
General Fund	111,354	2,083,767	1,939,257	1,903,286	
General Fund Exempt	5,350,421	5,350,421	5,350,421	5,350,421	
Cash Funds	8,800,000	6,720,000	6,860,760	6,900,000	
Appropriation to the Higher Education Federal Mineral Lease Revenues Fund for Lease Purchase of Academic Facilities	<u>16,073,025</u>	<u>17,035,263</u>	<u>16,294,250</u>	<u>16,433,244</u>	*
General Fund	16,073,025	17,035,263	16,294,250	16,433,244	
Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102	<u>17,773,025</u>	<u>17,664,761</u>	<u>17,434,250</u>	<u>17,433,244</u>	*
Cash Funds	1,700,000	650,000	1,140,000	1,000,000	
Reappropriated Funds	16,073,025	17,014,761	16,294,250	16,433,244	

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
Annual Depreciation-Lease Equivalent Payment	<u>0</u>	<u>175,060</u>	<u>2,446,363</u>	<u>3,461,717</u>	
General Fund	0	175,060	2,446,363	3,461,717	
Colorado State University National Western COP Trust	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
SUBTOTAL - (D) Lease Purchase Payments and Capital-related Outlays	48,107,825	49,029,272	50,325,301	51,481,912	2.3%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	16,184,379	19,294,090	20,679,870	21,798,247	5.4%
General Fund Exempt	5,350,421	5,350,421	5,350,421	5,350,421	0.0%
Cash Funds	10,500,000	7,370,000	8,000,760	7,900,000	(1.3%)
Reappropriated Funds	16,073,025	17,014,761	16,294,250	16,433,244	0.9%
(E) Tuition/Enrollment Contingency					
Tuition/Enrollment Contingency	<u>16,077,023</u>	<u>24,578,231</u>	<u>60,000,000</u>	<u>60,000,000</u>	
Cash Funds	16,077,023	24,578,231	60,000,000	60,000,000	
SUBTOTAL - (E) Tuition/Enrollment Contingency	16,077,023	24,578,231	60,000,000	60,000,000	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	16,077,023	24,578,231	60,000,000	60,000,000	0.0%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
TOTAL - (2) Colorado Commission on Higher Education and Higher Education Special Purpose Programs	82,549,824	91,745,061	132,894,646	149,365,616	12.4%
<i>FTE</i>	<u>95.7</u>	<u>96.6</u>	<u>99.0</u>	<u>104.7</u>	<u>5.8%</u>
General Fund	17,489,166	22,164,483	26,266,127	42,286,632	61.0%
General Fund Exempt	5,350,421	5,350,421	5,350,421	5,350,421	0.0%
Cash Funds	31,614,748	37,883,756	75,591,398	75,749,037	0.2%
Reappropriated Funds	19,529,968	21,047,567	20,379,797	20,620,772	1.2%
Federal Funds	8,565,521	5,298,834	5,306,903	5,358,754	1.0%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(3) COLORADO COMMISSION ON HIGHER EDUCATION FINANCIAL AID

Financial aid programs assist students in covering the cost of higher education. This section includes state appropriations for need based grants, merit based grants, work study, and various special purpose financial aid programs.

(A) Need Based Grants

Need Based Grants	128,334,862	142,353,951	163,314,446	168,310,687	*
General Fund	862,165	14,096,368	35,707,045	40,703,286	
General Fund Exempt	127,287,141	127,287,141	127,287,141	127,287,141	
Reappropriated Funds	185,556	970,442	320,260	320,260	
SUBTOTAL - (A) Need Based Grants	128,334,862	142,353,951	163,314,446	168,310,687	3.1%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	862,165	14,096,368	35,707,045	40,703,286	14.0%
General Fund Exempt	127,287,141	127,287,141	127,287,141	127,287,141	0.0%
Reappropriated Funds	185,556	970,442	320,260	320,260	0.0%

(B) Work Study

Work Study	20,723,266	22,154,450	23,413,178	23,413,178	
General Fund	0	722,122	1,980,850	1,980,850	
General Fund Exempt	20,723,266	21,432,328	21,432,328	21,432,328	
SUBTOTAL - (B) Work Study	20,723,266	22,154,450	23,413,178	23,413,178	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	0	722,122	1,980,850	1,980,850	0.0%
General Fund Exempt	20,723,266	21,432,328	21,432,328	21,432,328	0.0%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
(C) Merit Based Grants					
Merit Based Grants	<u>5,172,083</u>	<u>5,212,249</u>	<u>5,000,000</u>	<u>5,000,000</u>	
General Fund	172,083	212,249	0	0	
General Fund Exempt	5,000,000	5,000,000	5,000,000	5,000,000	
SUBTOTAL - (C) Merit Based Grants	5,172,083	5,212,249	5,000,000	5,000,000	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	172,083	212,249	0	0	0.0%
General Fund Exempt	5,000,000	5,000,000	5,000,000	5,000,000	0.0%
(D) Special Purpose					
Veterans'/Law Enforcement/POW Tuition Assistance	<u>568,239</u>	<u>880,145</u>	<u>672,000</u>	<u>672,000</u>	
General Fund	568,239	880,145	672,000	672,000	
Native American Students/Fort Lewis College	<u>16,948,194</u>	<u>17,024,859</u>	<u>19,626,043</u>	<u>19,626,043</u>	
General Fund	0	76,665	2,677,849	2,677,849	
General Fund Exempt	16,948,194	16,948,194	16,948,194	16,948,194	
Colorado Opportunity Scholarship Initiative Fund	<u>12,768,357</u>	<u>17,603,916</u>	<u>7,000,000</u>	<u>10,000,000</u>	6.0 *
General Fund	0	3,500,000	2,000,000	5,000,000	
General Fund Exempt	5,000,000	5,000,000	5,000,000	5,000,000	
Cash Funds	7,768,357	9,103,916	0	0	
Tuition Assistance for Career and Technical Education					
Certificate Programs	<u>419,734</u>	<u>404,468</u>	<u>450,000</u>	<u>450,000</u>	
General Fund	419,734	404,468	450,000	450,000	

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
H.B. 18-1002 Rural Teaching Fellowship Program	<u>0</u>	<u>99,230</u>	<u>528,042</u>	<u>528,186</u>	
FTE	0.0	0.5	0.5	0.5	
General Fund	0	99,230	528,042	528,186	
Early Childhood Educator Scholarship Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,311,785</u> *	
FTE	0.0	0.0	0.0	1.0	
General Fund	0	0	0	4,311,785	
Colorado Teacher Scholarship	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Colorado Second Chance Scholarship	<u>0</u>	<u>0</u>	<u>305,145</u>	<u>0</u>	
FTE	0.0	0.0	0.8	0.0	
General Fund	0	0	305,145	0	
SUBTOTAL - (D) Special Purpose	30,704,524	36,012,618	28,581,230	35,588,014	24.5%
FTE	<u>0.0</u>	<u>0.5</u>	<u>1.3</u>	<u>7.5</u>	<u>476.9%</u>
General Fund	987,973	4,960,508	6,633,036	13,639,820	105.6%
General Fund Exempt	21,948,194	21,948,194	21,948,194	21,948,194	0.0%
Cash Funds	7,768,357	9,103,916	0	0	0.0%
TOTAL - (3) Colorado Commission on Higher Education Financial Aid	184,934,735	205,733,268	220,308,854	232,311,879	5.4%
FTE	<u>0.0</u>	<u>0.5</u>	<u>1.3</u>	<u>7.5</u>	<u>476.9%</u>
General Fund	2,022,221	19,991,247	44,320,931	56,323,956	27.1%
General Fund Exempt	174,958,601	175,667,663	175,667,663	175,667,663	0.0%
Cash Funds	7,768,357	9,103,916	0	0	0.0%
Reappropriated Funds	185,556	970,442	320,260	320,260	0.0%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(4) COLLEGE OPPORTUNITY FUND PROGRAM

This section includes General Fund appropriations for student stipend payments and for fee-for-service contracts between the Colorado Commission on Higher Education and the governing boards that oversee the state higher education institutions.

(A) Stipends

Stipends for eligible full-time equivalent students attending

state institutions	<u>291,747,168</u>	<u>316,095,217</u>	<u>356,159,349</u>	<u>359,570,606</u> *	
General Fund	102,853,991	62,535,373	90,199,505	93,610,762	
General Fund Exempt	188,893,177	253,559,844	265,959,844	265,959,844	

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

	<u>1,361,865</u>	<u>1,482,831</u>	<u>1,725,840</u>	<u>1,768,986</u> *	
General Fund	38,490	39,456	282,465	325,611	
General Fund Exempt	1,323,375	1,443,375	1,443,375	1,443,375	

SUBTOTAL - (A) Stipends	293,109,033	317,578,048	357,885,189	361,339,592	1.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	102,892,481	62,574,829	90,481,970	93,936,373	3.8%
General Fund Exempt	190,216,552	255,003,219	267,403,219	267,403,219	0.0%

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

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

	<u>254,327,155</u>	<u>287,734,435</u>	<u>312,659,391</u>	<u>326,076,222</u> *	
General Fund	2,258,993	35,666,273	60,591,229	74,008,060	
General Fund Exempt	252,068,162	252,068,162	252,068,162	252,068,162	

Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
Fee-for-service Contracts with State Institutions for Specialty Education Programs	<u>117,428,362</u>	<u>132,279,160</u>	<u>147,931,042</u>	<u>151,629,318</u> *	
General Fund	1,026,664	15,877,462	31,529,344	35,227,620	
General Fund Exempt	116,401,698	116,401,698	116,401,698	116,401,698	
Limited Purpose Fee-for-Service Contracts with State Institutions	<u>336,960</u>	<u>5,436,960</u>	<u>5,907,277</u>	<u>5,541,960</u>	
General Fund	336,960	5,436,960	5,907,277	5,541,960	
SUBTOTAL - (B) Fee-for-service Contracts with State Institutions	372,092,477	425,450,555	466,497,710	483,247,500	3.6%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	3,622,617	56,980,695	98,027,850	114,777,640	17.1%
General Fund Exempt	368,469,860	368,469,860	368,469,860	368,469,860	0.0%
TOTAL - (4) College Opportunity Fund Program	665,201,510	743,028,603	824,382,899	844,587,092	2.5%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	106,515,098	119,555,524	188,509,820	208,714,013	10.7%
General Fund Exempt	558,686,412	623,473,079	635,873,079	635,873,079	0.0%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(5) GOVERNING BOARDS

This section includes spending authority for revenue earned by the state higher education institutions from student stipend payments, fee-for-service contracts with the Colorado Commission on Higher Education, tuition, and miscellaneous other sources. Cash funds are primarily from tuition and student fees. Reappropriated funds are initially appropriated as General Fund in the College Opportunity Fund Program section.

(A) Trustees of Adams State University

Trustees of Adams State College	39,889,005	41,647,603	43,220,403	44,439,641 *	
FTE	339.5	328.6	315.7	315.7	
Cash Funds	25,629,042	25,813,242	25,940,146	26,715,671	
Reappropriated Funds	14,259,963	15,834,361	17,280,257	17,723,970	

SUBTOTAL - (A) Trustees of Adams State University	39,889,005	41,647,603	43,220,403	44,439,641	2.8%
<i>FTE</i>	339.5	328.6	315.7	315.7	(0.0%)
Cash Funds	25,629,042	25,813,242	25,940,146	26,715,671	3.0%
Reappropriated Funds	14,259,963	15,834,361	17,280,257	17,723,970	2.6%

(B) Trustees of Colorado Mesa University

Trustees of Colorado Mesa University	100,587,514	108,144,560	112,290,543	115,684,908 *	
FTE	728.3	770.2	764.4	764.4	
Cash Funds	74,636,353	78,670,367	79,805,584	82,293,255	
Reappropriated Funds	25,951,161	29,474,193	32,484,959	33,391,653	

SUBTOTAL - (B) Trustees of Colorado Mesa University	100,587,514	108,144,560	112,290,543	115,684,908	3.0%
<i>FTE</i>	728.3	770.2	764.4	764.4	0.0%
Cash Funds	74,636,353	78,670,367	79,805,584	82,293,255	3.1%
Reappropriated Funds	25,951,161	29,474,193	32,484,959	33,391,653	2.8%

Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
(C) Trustees of Metropolitan State College of Denver					
Trustees of Metropolitan State College of Denver	<u>182,668,787</u>	<u>195,688,125</u>	<u>202,744,885</u>	<u>210,065,744</u> *	
FTE	<u>1,392.8</u>	<u>1,433.5</u>	<u>1,373.8</u>	<u>1,373.8</u>	
Cash Funds	<u>131,042,184</u>	<u>137,344,142</u>	<u>138,775,743</u>	<u>142,401,528</u>	
Reappropriated Funds	<u>51,626,603</u>	<u>58,343,983</u>	<u>63,969,142</u>	<u>67,664,216</u>	
SUBTOTAL - (C) Trustees of Metropolitan State College of Denver	<u>182,668,787</u>	<u>195,688,125</u>	<u>202,744,885</u>	<u>210,065,744</u>	<u>3.6%</u>
FTE	<u>1,392.8</u>	<u>1,433.5</u>	<u>1,373.8</u>	<u>1,373.8</u>	<u>0.0%</u>
Cash Funds	<u>131,042,184</u>	<u>137,344,142</u>	<u>138,775,743</u>	<u>142,401,528</u>	<u>2.6%</u>
Reappropriated Funds	<u>51,626,603</u>	<u>58,343,983</u>	<u>63,969,142</u>	<u>67,664,216</u>	<u>5.8%</u>
(D) Trustees of Western State College					
Trustees of Western State College	<u>35,932,286</u>	<u>38,919,197</u>	<u>41,248,040</u>	<u>42,361,255</u> *	
FTE	<u>250.2</u>	<u>265.0</u>	<u>273.2</u>	<u>273.2</u>	
Cash Funds	<u>24,110,389</u>	<u>24,875,849</u>	<u>26,012,661</u>	<u>26,799,219</u>	
Reappropriated Funds	<u>11,821,897</u>	<u>14,043,348</u>	<u>15,235,379</u>	<u>15,562,036</u>	
SUBTOTAL - (D) Trustees of Western State College	<u>35,932,286</u>	<u>38,919,197</u>	<u>41,248,040</u>	<u>42,361,255</u>	<u>2.7%</u>
FTE	<u>250.2</u>	<u>265.0</u>	<u>273.2</u>	<u>273.2</u>	<u>0.0%</u>
Cash Funds	<u>24,110,389</u>	<u>24,875,849</u>	<u>26,012,661</u>	<u>26,799,219</u>	<u>3.0%</u>
Reappropriated Funds	<u>11,821,897</u>	<u>14,043,348</u>	<u>15,235,379</u>	<u>15,562,036</u>	<u>2.1%</u>

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(E) Board of Governors of the Colorado State University System

Board of Governors of the Colorado State University System	<u>669,684,760</u>	<u>707,441,989</u>	<u>752,086,999</u>	<u>773,586,480</u> *	
FTE	5,115.2	4,861.3	4,958.4	4,958.5	
Cash Funds	530,399,234	552,583,917	579,708,463	599,698,320	
Reappropriated Funds	139,285,526	154,858,072	172,378,536	173,888,160	

SUBTOTAL - (E) Board of Governors of the Colorado State University System	<u>669,684,760</u>	<u>707,441,989</u>	<u>752,086,999</u>	<u>773,586,480</u>	2.9%
FTE	<u>5,115.2</u>	<u>4,861.3</u>	<u>4,958.4</u>	<u>4,958.5</u>	0.0%
Cash Funds	530,399,234	552,583,917	579,708,463	599,698,320	3.4%
Reappropriated Funds	139,285,526	154,858,072	172,378,536	173,888,160	0.9%

(F) Trustees of Fort Lewis College

Trustees of Fort Lewis College	<u>54,752,596</u>	<u>58,586,317</u>	<u>60,880,637</u>	<u>65,411,354</u> *	
FTE	441.4	462.3	425.7	425.7	
General Fund	0	0	0	1,869,734	
Cash Funds	42,967,657	45,533,221	46,744,200	48,596,859	
Reappropriated Funds	11,784,939	13,053,096	14,136,437	14,944,761	

SUBTOTAL - (F) Trustees of Fort Lewis College	<u>54,752,596</u>	<u>58,586,317</u>	<u>60,880,637</u>	<u>65,411,354</u>	7.4%
FTE	<u>441.4</u>	<u>462.3</u>	<u>425.7</u>	<u>425.7</u>	0.0%
General Fund	0	0	0	1,869,734	0.0%
Cash Funds	42,967,657	45,533,221	46,744,200	48,596,859	4.0%
Reappropriated Funds	11,784,939	13,053,096	14,136,437	14,944,761	5.7%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
(G) Regents of the University of Colorado					
Regents of the University of Colorado	<u>1,325,291,244</u>	<u>1,415,147,387</u>	<u>1,488,513,728</u>	<u>1,538,310,547</u> *	
FTE	8,255.5	9,171.4	9,471.3	9,471.3	
Cash Funds	1,130,973,017	1,196,642,368	1,244,239,802	1,289,931,541	
Reappropriated Funds	194,318,227	218,505,019	244,273,926	248,379,006	
SUBTOTAL - (G) Regents of the University of Colorado					
FTE	<u>8,255.5</u>	<u>9,171.4</u>	<u>9,471.3</u>	<u>9,471.3</u>	<u>(0.0%)</u>
Cash Funds	1,130,973,017	1,196,642,368	1,244,239,802	1,289,931,541	3.7%
Reappropriated Funds	194,318,227	218,505,019	244,273,926	248,379,006	1.7%
(H) Trustees of the Colorado School of Mines					
Trustees of the Colorado School of Mines	<u>174,507,137</u>	<u>183,954,544</u>	<u>193,594,366</u>	<u>200,333,053</u> *	
FTE	952.4	1,008.4	1,078.4	1,078.4	
Cash Funds	153,022,431	161,081,051	168,223,101	174,672,542	
Reappropriated Funds	21,484,706	22,873,493	25,371,265	25,660,511	
SUBTOTAL - (H) Trustees of the Colorado School of Mines					
FTE	<u>952.4</u>	<u>1,008.4</u>	<u>1,078.4</u>	<u>1,078.4</u>	<u>0.0%</u>
Cash Funds	153,022,431	161,081,051	168,223,101	174,672,542	3.8%
Reappropriated Funds	21,484,706	22,873,493	25,371,265	25,660,511	1.1%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
(I) University of Northern Colorado					
University of Northern Colorado	<u>150,991,831</u>	<u>153,911,011</u>	<u>158,563,300</u>	<u>163,290,725</u>	*
FTE	1,308.0	1,360.7	1,370.2	1,370.2	
Cash Funds	111,394,423	111,418,285	111,483,836	114,793,414	
Reappropriated Funds	39,597,408	42,492,726	47,079,464	48,497,311	
SUBTOTAL - (I) University of Northern Colorado	150,991,831	153,911,011	158,563,300	163,290,725	3.0%
FTE	<u>1,308.0</u>	<u>1,360.7</u>	<u>1,370.2</u>	<u>1,370.2</u>	0.0%
Cash Funds	111,394,423	111,418,285	111,483,836	114,793,414	3.0%
Reappropriated Funds	39,597,408	42,492,726	47,079,464	48,497,311	3.0%
(J) State Board for Community Colleges and Occupational Education State System Community Colleges					
State Board for Community Colleges and Occupational Education State System Community Colleges	<u>455,837,612</u>	<u>480,421,198</u>	<u>495,689,960</u>	<u>511,303,781</u>	*
FTE	5,848.6	6,050.9	5,831.4	5,831.4	
Cash Funds	302,128,397	308,349,152	305,242,265	314,197,298	
Reappropriated Funds	153,709,215	172,072,046	190,447,695	197,106,483	
SUBTOTAL - (J) State Board for Community Colleges and Occupational Education State System Community Colleges	455,837,612	480,421,198	495,689,960	511,303,781	3.1%
FTE	<u>5,848.6</u>	<u>6,050.9</u>	<u>5,831.4</u>	<u>5,831.4</u>	0.0%
Cash Funds	302,128,397	308,349,152	305,242,265	314,197,298	2.9%
Reappropriated Funds	153,709,215	172,072,046	190,447,695	197,106,483	3.5%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
TOTAL - (5) Governing Boards	3,190,142,772	3,383,861,931	3,548,832,861	3,664,787,488	3.3%
<i>FTE</i>	<u>24,631.9</u>	<u>25,712.3</u>	<u>25,862.5</u>	<u>25,862.6</u>	<u>0.0%</u>
General Fund	0	0	0	1,869,734	0.0%
Cash Funds	2,526,303,127	2,642,311,594	2,726,175,801	2,820,099,647	3.4%
Reappropriated Funds	663,839,645	741,550,337	822,657,060	842,818,107	2.5%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(6) LOCAL DISTRICT COLLEGE GRANTS PURSUANT TO SECTION 23-71-301, C.R.S.

This section includes state subsidies for the operation of Colorado's two local district colleges: Aims Community College and Colorado Mountain College. Local district colleges receive financial support from special property tax districts and are governed by boards elected by tax district residents. Students from the districts pay discounted tuition rates.

Colorado Mountain College	<u>7,833,713</u>	<u>8,649,950</u>	<u>9,722,892</u>	<u>9,948,143</u> *	
General Fund	1,278,464	2,078,228	2,969,022	3,194,273	
General Fund Exempt	6,041,020	6,041,020	6,041,020	6,041,020	
Cash Funds	514,229	530,702	712,850	712,850	
Aims Community College	<u>9,223,890</u>	<u>10,248,586</u>	<u>11,499,803</u>	<u>11,766,148</u> *	
General Fund	2,045,505	3,005,997	4,044,478	4,310,823	
General Fund Exempt	6,609,305	6,609,305	6,609,305	6,609,305	
Cash Funds	569,080	633,284	846,020	846,020	

TOTAL - (6) Local District College Grants Pursuant to Section 23-71-301, C.R.S.	17,057,603	18,898,536	21,222,695	21,714,291	2.3%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	3,323,969	5,084,225	7,013,500	7,505,096	7.0%
General Fund Exempt	12,650,325	12,650,325	12,650,325	12,650,325	0.0%
Cash Funds	1,083,309	1,163,986	1,558,870	1,558,870	0.0%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(7) DIVISION OF OCCUPATIONAL EDUCATION

This section includes all state funding and most federal funding distributed to K-12 and higher education institutions for occupational education programs. The State Board for Community Colleges and Occupational Education is responsible for distributing these funds consistent with state and federal law. Most reappropriated funds are from transfers from the Governor's Office of Economic Development and the Department of Education.

(A) Administrative Costs

Administrative Costs	<u>900,000</u>	<u>900,000</u>	<u>962,309</u>	<u>962,309</u>	
FTE	9.0	9.0	9.0	9.0	
Reappropriated Funds	900,000	900,000	962,309	962,309	
SUBTOTAL - (A) Administrative Costs	<u>900,000</u>	<u>900,000</u>	<u>962,309</u>	<u>962,309</u>	0.0%
FTE	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	0.0%
Reappropriated Funds	900,000	900,000	962,309	962,309	0.0%

(B) Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S.

Distributions of State Assistance for Career and Technical Education	<u>26,164,481</u>	<u>26,675,279</u>	<u>27,238,323</u>	<u>27,238,323</u>	
Reappropriated Funds	26,164,481	26,675,279	27,238,323	27,238,323	
SUBTOTAL - (B) Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S.	<u>26,164,481</u>	<u>26,675,279</u>	<u>27,238,323</u>	<u>27,238,323</u>	0.0%
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
Reappropriated Funds	26,164,481	26,675,279	27,238,323	27,238,323	0.0%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(C) Area Technical College Support

Area Technical College Support	<u>10,218,039</u>	<u>12,311,435</u>	<u>13,910,021</u>	<u>17,429,421</u> *	
General Fund	2,126,194	4,219,590	5,818,176	9,337,576	
General Fund Exempt	8,091,845	8,091,845	8,091,845	8,091,845	

SUBTOTAL - (C) Area Technical College Support	10,218,039	12,311,435	13,910,021	17,429,421	25.3%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	2,126,194	4,219,590	5,818,176	9,337,576	60.5%
General Fund Exempt	8,091,845	8,091,845	8,091,845	8,091,845	0.0%

(D) Sponsored Programs

Administration	<u>2,220,227</u>	<u>3,632,270</u>	<u>2,709,888</u>	<u>2,709,888</u>	
FTE	23.0	23.0	23.0	23.0	
Federal Funds	2,220,227	3,632,270	2,709,888	2,709,888	
Programs	<u>13,353,751</u>	<u>15,866,077</u>	<u>16,156,031</u>	<u>16,156,031</u>	
Federal Funds	13,353,751	15,866,077	16,156,031	16,156,031	

SUBTOTAL - (D) Sponsored Programs	15,573,978	19,498,347	18,865,919	18,865,919	0.0%
<i>FTE</i>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>0.0%</u>
Federal Funds	15,573,978	19,498,347	18,865,919	18,865,919	0.0%

(E) Colorado First Customized Job Training

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

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
SUBTOTAL - (E) Colorado First Customized Job					
Training	4,500,000	4,500,000	4,500,000	4,500,000	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Reappropriated Funds	4,500,000	4,500,000	4,500,000	4,500,000	0.0%
TOTAL - (7) Division of Occupational Education					
	57,356,498	63,885,061	65,476,572	68,995,972	5.4%
<i>FTE</i>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>	<u>32.0</u>	<u>0.0%</u>
General Fund	2,126,194	4,219,590	5,818,176	9,337,576	60.5%
General Fund Exempt	8,091,845	8,091,845	8,091,845	8,091,845	0.0%
Reappropriated Funds	31,564,481	32,075,279	32,700,632	32,700,632	0.0%
Federal Funds	15,573,978	19,498,347	18,865,919	18,865,919	0.0%

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	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(8) AURARIA HIGHER EDUCATION CENTER

Established by statute in 1974, the Auraria Higher Education Center (AHEC) is governed by a Board of Directors who oversee the centralized operations of the campus located in Denver. AHEC provides common services to the Community College of Denver, Metropolitan State University of Denver, and the University of Colorado at Denver. Reappropriated funds are from the three governing boards that share the AHEC campus.

Administration	<u>21,493,175</u>	<u>22,395,029</u>	<u>23,470,547</u>	<u>23,939,958</u> *	
FTE	190.2	188.1	188.5	188.1	
Reappropriated Funds	21,493,175	22,395,029	23,470,547	23,939,958	

TOTAL - (8) Auraria Higher Education Center	21,493,175	22,395,029	23,470,547	23,939,958	2.0%
FTE	<u>190.2</u>	<u>188.1</u>	<u>188.5</u>	<u>188.1</u>	<u>(0.2%)</u>
Reappropriated Funds	21,493,175	22,395,029	23,470,547	23,939,958	2.0%

Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(9) HISTORY COLORADO

The State Historical Society (History Colorado) collects, preserves, exhibits, and interprets artifacts and properties of historical significance to the State. It also distributes gaming revenues earmarked for historic preservation. Cash funds include gaming revenues that are deposited to various State Historic Fund accounts, museum revenues, gifts, and grants.

(A) Central Administration

Central Administration	<u>1,352,843</u>	<u>1,885,205</u>	<u>1,212,229</u>	<u>1,898,772</u> *
FTE	12.0	12.0	10.0	10.0
General Fund	0	0	0	0
Cash Funds	1,051,438	1,460,041	1,095,887	1,782,430
Federal Funds	301,405	425,164	116,342	116,342
Facilities Management	<u>1,465,519</u>	<u>1,783,851</u>	<u>1,497,666</u>	<u>1,715,065</u> *
FTE	7.5	10.2	8.0	8.0
Cash Funds	1,465,519	1,783,851	1,497,666	1,715,065
Lease Purchase of Colorado History Museum	<u>3,013,304</u>	<u>3,018,314</u>	<u>3,021,543</u>	<u>3,021,605</u> *
Cash Funds	3,013,304	3,018,314	3,021,543	2,021,605
Reappropriated Funds	0	0	0	1,000,000
History Colorado Sustainability Initiatives	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FTE	0.0	0.0	0.0	0.0
General Fund	0	0	0	0

Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
SUBTOTAL - (A) Central Administration	5,831,666	6,687,370	5,731,438	6,635,442	15.8%
<i>FTE</i>	<u>19.5</u>	<u>22.2</u>	<u>18.0</u>	<u>18.0</u>	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	5,530,261	6,262,206	5,615,096	5,519,100	(1.7%)
Reappropriated Funds	0	0	0	1,000,000	0.0%
Federal Funds	301,405	425,164	116,342	116,342	0.0%
(B) History Colorado Museums					
History Colorado Center	<u>4,607,269</u>	<u>5,371,244</u>	<u>4,685,208</u>	<u>4,937,264</u> *	
<i>FTE</i>	56.4	43.5	45.0	45.0	
Cash Funds	4,023,918	4,821,874	4,607,834	4,859,275	
Federal Funds	583,351	549,370	77,374	77,989	
Community Museums	<u>2,816,265</u>	<u>3,295,415</u>	<u>3,074,751</u>	<u>2,929,420</u> *	
<i>FTE</i>	20.5	20.5	20.5	20.5	
General Fund	1,305,719	1,383,675	1,465,198	1,090,955	
Cash Funds	1,484,524	1,895,841	1,607,561	1,835,448	
Reappropriated Funds	0	15,839	0	0	
Federal Funds	26,022	60	1,992	3,017	
SUBTOTAL - (B) History Colorado Museums	7,423,534	8,666,659	7,759,959	7,866,684	1.4%
<i>FTE</i>	<u>76.9</u>	<u>64.0</u>	<u>65.5</u>	<u>65.5</u>	0.0%
General Fund	1,305,719	1,383,675	1,465,198	1,090,955	(25.5%)
Cash Funds	5,508,442	6,717,715	6,215,395	6,694,723	7.7%
Reappropriated Funds	0	15,839	0	0	0.0%
Federal Funds	609,373	549,430	79,366	81,006	2.1%

Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(C) Office of Archeology and Historic Preservation

Program Costs	<u>1,536,128</u>	<u>1,785,785</u>	<u>1,584,760</u>	<u>1,616,731</u>	
FTE	23.0	16.5	20.0	20.0	
Cash Funds	471,870	661,891	702,452	734,423	
Reappropriated Funds	46,085	81,444	97,283	97,283	
Federal Funds	1,018,173	1,042,450	785,025	785,025	

SUBTOTAL - (C) Office of Archeology and Historic Preservation	1,536,128	1,785,785	1,584,760	1,616,731	2.0%
<i>FTE</i>	<u>23.0</u>	<u>16.5</u>	<u>20.0</u>	<u>20.0</u>	0.0%
Cash Funds	471,870	661,891	702,452	734,423	4.6%
Reappropriated Funds	46,085	81,444	97,283	97,283	0.0%
Federal Funds	1,018,173	1,042,450	785,025	785,025	0.0%

(D) State Historical Fund Program

Administration	<u>1,410,754</u>	<u>1,668,788</u>	<u>1,727,436</u>	<u>1,763,878</u>	
FTE	18.0	13.8	17.0	17.0	
Cash Funds	1,410,754	1,668,788	1,727,436	1,763,878	
Grants	<u>8,423,171</u>	<u>9,711,981</u>	<u>8,250,000</u>	<u>8,250,000</u>	
Cash Funds	8,423,171	9,711,981	8,250,000	8,250,000	
Gaming Cities Distribution	<u>5,077,093</u>	<u>5,313,246</u>	<u>5,400,000</u>	<u>5,400,000</u>	
Cash Funds	5,077,093	5,313,246	5,400,000	5,400,000	

SUBTOTAL - (D) State Historical Fund Program	14,911,018	16,694,015	15,377,436	15,413,878	0.2%
<i>FTE</i>	<u>18.0</u>	<u>13.8</u>	<u>17.0</u>	<u>17.0</u>	0.0%
Cash Funds	14,911,018	16,694,015	15,377,436	15,413,878	0.2%

Appendix A: Numbers Pages

	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2020-21 Request	Request vs. Appropriation
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(E) Cumbres and Toltec Railroad Commission

Cumbres and Toltec Railroad Commission	<u>160,564</u>	<u>811,390</u>	<u>2,646,000</u>	<u>2,646,000</u>	
General Fund	140,564	811,390	1,365,000	1,365,000	
Cash Funds	20,000	0	1,281,000	1,281,000	

SUBTOTAL - (E) Cumbres and Toltec Railroad Commission					
Commission	160,564	811,390	2,646,000	2,646,000	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	140,564	811,390	1,365,000	1,365,000	0.0%
Cash Funds	20,000	0	1,281,000	1,281,000	0.0%

TOTAL - (9) History Colorado	29,862,910	34,645,219	33,099,593	34,178,735	3.3%
<i>FTE</i>	<u>137.4</u>	<u>116.5</u>	<u>120.5</u>	<u>120.5</u>	0.0%
General Fund	1,446,283	2,195,065	2,830,198	2,455,955	(13.2%)
Cash Funds	26,441,591	30,335,827	29,191,379	29,643,124	1.5%
Reappropriated Funds	46,085	97,283	97,283	1,097,283	1027.9%
Federal Funds	1,928,951	2,017,044	980,733	982,373	0.2%

TOTAL - Department of Higher Education	4,253,386,847	4,571,430,526	4,875,838,547	5,047,216,577	3.5%
<i>FTE</i>	<u>25,086.2</u>	<u>26,146.0</u>	<u>26,303.8</u>	<u>26,315.4</u>	0.0%
General Fund	132,922,931	175,501,463	275,072,312	330,339,003	20.1%
General Fund Exempt	759,737,604	825,233,333	837,633,333	837,633,333	0.0%
Cash Funds	2,595,930,072	2,723,600,098	2,836,261,687	2,930,583,919	3.3%
Reappropriated Funds	737,935,162	819,343,944	900,986,375	922,729,628	2.4%
Federal Funds	26,861,078	27,751,688	25,884,840	25,930,694	0.2%

APPENDIX B

RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2018 SESSION BILLS

S.B. 18-085 (FINANCIAL INCENTIVES FOR EDUCATION IN RURAL AREAS): Expands stipends for teachers in rural school districts who are seeking certification as a national board certified teacher or concurrent enrollment teacher. Increases the number of stipends from 20 to 60 and makes other modifications to the program. Stipends may not exceed \$6,000 per teacher, and teachers who accept the stipend must commit to teaching in a rural area for a total of three years. Provides an appropriation of \$240,000 cash funds from the State Education Fund to the Department of Education in FY 2018-19, and provides an appropriation of \$240,000 reappropriated funds to the Department of Higher Education from the amount appropriated to the Department of Education. The same level of funding is anticipated to be required in future years.

S.B. 18-086 (CYBER CODING CRYPTOLOGY FOR STATE RECORDS): Requires the state's Chief Information Security Officer to annually identify, assess, and mitigate cyber threats to the State. Includes various provisions to promote security of state data and Colorado's role as a center for cybersecurity research, development, and training. Among other provisions, appropriates \$5,100,000 General Fund to the Department of Higher Education in FY 2018-19 for allocation to higher education governing boards participating in activities related to cybersecurity and distributed ledger technologies as follows: Colorado Mesa University - \$300,000; Metropolitan State University of Denver - \$300,000; Western State Colorado University - \$200,000; Colorado State University System - \$1,200,000; University of Colorado System - \$2,800,000; Community College System - \$300,000. General Fund appropriations are first appropriated to the College Opportunity Fund Program and are then reappropriated to the individual governing boards for fee-for-service contracts, resulting in a matching increase of \$5,100,000 reappropriated funds.

Requires that specified percentages of these appropriations for higher education institutions be used for scholarships for students who are doing work in connection with cybersecurity and distributed ledger technologies. Requires a report from the Department of Higher Education, in collaboration with the governing boards, on the use of this additional funding to expand faculty, student internships, degrees awarded, seminars, and matching funding related to cybersecurity research and training above the April 2018 baseline. The report must be provided to the Joint Budget Committee and other specified legislative committees on or before October 1, 2019 and must be presented in annual SMART Act legislative hearings. Requires the Department and funding recipients to provide recommendations at SMART Act hearings in 2021 and every three years thereafter on whether the funding should be continued. For additional information, see the "Recent Legislation" section at the end of Part III for the Governor-Lieutenant Governor-State Planning and Budgeting.

S.B. 18-206 (RESEARCH INSTITUTIONS AFFORDABILITY FOR RESIDENTS/INCREASE NON-RESIDENT ENROLLMENT): Reduces the percentage of students enrolled at the state's research institutions (University of Colorado System, Colorado State University System, Colorado School of

Mines, and University of Northern Colorado) who must be Colorado resident (“in-state”) students. Requires that not less than fifty-five percent (rather than two-thirds) of enrollment at the research institutions be in-state resident students, after excluding foreign student and students enrolled in online courses. Makes other changes to formula calculations concerning resident/nonresident student ratios. Requires the Department of Higher Education submit an annual report to the Joint Budget Committee and the legislative Education Committees, beginning October 15, 2018, that provides nominal data for each institution in each affected student category and provides calculations demonstrating the institution’s compliance with the statute. Requires this data be consistently included in the State’s student records database. Provides an appropriation of \$8,181,450 cash funds from tuition to the University of Colorado for FY 2018-19 based on the additional nonresident tuition revenue anticipated to be received as a result of the statutory change.

S.B. 18-262 (HIGHER ED TARGETED MASTER PLAN FUNDING): Appropriates \$16.7 million additional General Fund for higher education institutions and financial aid for FY 2018-19. This funding is allocated based on existing statute and the funding model included in the FY 2018-19 Long Bill, with specified exceptions that allow a portion of amounts that would otherwise be allocated to the University of Colorado and Colorado State University systems to be allocated to the other governing boards.

S.B. 18-262 FY 2018-19 HIGHER EDUCATION GENERAL FUND APPROPRIATIONS	
GOVERNING BOARDS	
Adams State University	\$540,138
Colorado Mesa University	741,441
Metropolitan State University of Denver	1,558,654
Western State Colorado University	541,638
Colorado State University System	2,106,270
Fort Lewis College	531,603
University of Colorado System	2,465,807
Colorado School of Mines	476,602
University of Northern Colorado	670,368
Community College System	3,594,682
Colorado Mountain College	144,670
Aims Community College	185,887
Area technical colleges	0
SUBTOTAL - GOVERNING BOARDS¹	\$13,557,760
FINANCIAL AID/OTHER	
Need-based grants	\$1,654,375
Colorado Opportunity Scholarship Initiative	1,500,000
Student stipends - private institutions	34,890
SUBTOTAL - FINANCIAL AID/OTHER	\$3,189,265
TOTAL	\$16,747,025

¹Amounts allocated to governing boards other than Colorado Mountain College, Aims Community College, and the Area Technical Colleges are appropriated first to the College Opportunity Fund Program in the Department and are then reappropriated as student stipends and fee-for-service contracts to the governing boards.

Includes appropriations of \$13,227,203 reappropriated funds, since General Fund appropriations for most of the governing boards are first appropriated to the College Opportunity Fund program and are then reappropriated to the individual governing boards for student stipends and fee-for-service contracts.

H.B. 18-1002 (RURAL SCHOOL DISTRICT TEACHING FELLOWSHIP PROGRAMS): Creates a teaching fellowship program for rural local education providers and institutions of higher education that offer a teacher preparation program. Authorizes up to 100 one-year fellowships that are designed by participating rural education providers and institutions of higher education to meet the needs of the rural education provider and the higher education student who receives the teaching fellowship. Teaching fellows receive a \$10,000 stipend, in addition to any other financial assistance available to the fellow. Stipends are funded 50 percent by the participating institution of higher education and 50 percent from state support. The education provider commits to extending an offer of employment to students who successfully complete a fellowship, and students receiving a job offer commit to two full years of employment or repaying their fellowship stipend. Requires reporting from participating institutions and an annual report from the Department of Higher Education to the Joint Budget Committee, Education Committees, the State Board of Education, and the Colorado Commission on Higher Education. Includes an appropriation of \$530,448 General Fund and 0.5 FTE to the Department of Higher Education for FY 2018-19. A similar funding level anticipated in subsequent years.

H.B. 18-1003 (OPIOID MISUSE PREVENTION): Implements several policies related to the prevention of opioid and substance misuse and allocates \$2,489,249 total funds in FY 2018-19, including \$750,000 Marijuana Tax Cash Fund, to the University of Colorado for the Center for Research Into Substance Use Disorder Prevention, Treatment, and Recovery to develop and implement continuing medical education activities for prescribers of pain medication. For additional information, see the “Recent Legislation” section at the end of Part III for the Department of Public Health and Environment.

H.B. 18-1226 (HIGHER ED REVIEW DEGREE PROGRAM COSTS AND OUTCOMES): Requires the Department of Higher Education prepare a return on investment report on undergraduate degree and certificate programs offered by state institutions of higher education. The report is due on or before July 31, 2019 and each July 31 thereafter. Provides an appropriation of \$74,153 General Fund to the Department of Higher Education. This is expected to annualize to \$34,250 General Fund and 0.5 FTE in FY 2019-20.

H.B. 18-1309 (PROGRAMS ADDRESSING EDUCATOR SHORTAGES): Includes various provisions to address educator shortages, including establishing new “grow your own educator” and “teacher of record” programs in the Department of Education. Among other provisions, creates a Partnership for Rural Education Preparation at the University of Colorado-Denver (UCD) to collaborate with other institutions on solutions to the rural teacher shortage. Includes an appropriation of \$156,116 General Fund to the Department of Higher Education for allocation to the University of Colorado for the Partnership for Rural Education Preparation program. This amount is expected to support one staff member at UCD for the two-year period from FY 2018-19 through FY 2019-20. For additional information, see the “Recent Legislation” section at the end of Part III for the Department of Education.

H.B. 18-1322 (LONG BILL): General appropriations act for FY 2018-19. Includes provisions modifying FY 2017-18 appropriations to the Department.

H.B. 18-1331 (HIGHER ED OPEN EDUCATIONAL RESOURCES): Creates 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. The bill 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. Provides a General Fund appropriation of \$660,000 and 0.9 FTE for FY 2018-19 that is expected to increase to \$1,160,877 for FY 2019-20 and a similar amount in FY 2020-21. The Council and grant program are repealed effective November 1, 2021.

H.B. 18-1332 (COLLABORATIVE EDUCATOR PREPARATION PROGRAM GRANTS): Creates the Collaborative Educator Preparation Grant Program (grant program) in the Department to support educator preparation initiatives implemented through partnerships between educator preparation programs and local education providers (LEPs). Educator preparation programs include those offered by institutions of higher education or through alternative teacher programs. Requires the Department, in collaboration with the rural education coordinator, to convene meetings between LEPs and educator preparation programs to assist them in developing joint proposals for teacher preparation initiatives, e.g., teacher residency programs or technology to support long-distance supervision of new teachers. Provides a one-time appropriation of \$2,000,000 General Fund to the Department for FY 2018-19. Unexpended amounts may be rolled forward and spent through FY 2019-20.

2019 SESSION BILLS

S.B. 19-001 (EXPAND MEDICATION-ASSISTED TREATMENT PILOT PROGRAM): Extends the Medication-assisted Treatment (MAT) Pilot Program for an additional two years, increases program funding, expands the program's coverage area, and makes several other program changes. Pursuant to the provisions of the act, the Center for Research into Substance Use Disorder Prevention, Treatment, and Recovery Support Strategies at the University of Colorado School of Medicine makes grants to organizations providing medication-assisted treatment to persons with opioid use disorders in Pueblo county, Routt county, the San Luis Valley, and up to two additional counties through FY 2020-21. Provides an appropriation of \$2,500,000 from the Marijuana Tax Cash Fund to the Department of Higher Education, for allocation to the Regents of the University of Colorado, for FY 2019-20. This amount is expected to continue in FY 2020-21.

S.B. 19-003 (EDUCATOR LOAN FORGIVENESS PROGRAM): Modifies and extends a teacher loan forgiveness pilot program to target hard-to-fill educator positions. The program had not been funded

in recent years, and, prior to this act, was scheduled to repeal July 1, 2019. Specifies that eligible educators may receive up to \$5,000 in loan forgiveness for each year of employment in a qualified position, for up to five years. For FY 2019-20, provides an appropriation of \$623,969 to the Department of Higher Education for the program and reflects the assumption that 1.4 FTE will be required. These amounts are anticipated to increase to \$1,135,979 General Fund and 1.5 FTE in FY 2020-21 and \$2,635,979 and 1.5 FTE in FY 2023-24.

S.B. 19-095 (FIVE-YEAR REVIEW OF HIGHER EDUCATION FUNDING FORMULA): Requires that the Colorado Commission on Higher Education (CCHE) conduct a review of the higher education funding formula by November 1, 2019 and every five years thereafter, and submit the review report to the Governor, Joint Budget Committee, and the education committees of the General Assembly.

S.B. 19-137 (EXTEND THE COLORADO STUDENT LEADERS INSTITUTE): Continues the Colorado Student Leaders Institute through June 30, 2024. The program provides a competitive 4-week summer education program for up to 100 high school students at the University of Colorado-Denver campus. Prior to the act, the program was scheduled to repeal June 30, 2019. For FY 2019-20, provides an appropriation of \$218,825 General Fund to the Department of Higher Education and reflects an assumption that an additional 1.0 FTE will be required. This level of funding is anticipated to continue in future years.

S.B. 19-176 (EXPANDING CONCURRENT ENROLLMENT OPPORTUNITIES): Changes state law related to concurrent enrollment. Requires concurrent enrollment opportunities to be offered at no tuition cost to qualified students. Among other adjustments, appropriates \$105,000 General Fund to the Department of Higher Education and reappropriates that amount (and 1.0 FTE) to the State Board for Community Colleges and Occupational Education State System Community Colleges. For additional information, see the “Recent Legislation” section at the end of Part III for the Department of Education.

S.B. 19-190 (TEACHER PREPARATION PROGRAM SUPPORT): Requires the Colorado Departments of Education and Higher Education to adopt guidelines and best practices for teacher preparation programs at institutions of higher education. Creates a grant program to support mentor teachers who oversee pre-service teacher candidates in clinical experience. For FY 2019-20, provides an appropriation of \$1,217,787 General Fund to the Department of Higher Education and reflects the assumption that an additional 0.9 FTE will be required. The act is anticipated to require an appropriation to the Department of Higher Education of \$1,172,527 General Fund and 0.5 FTE in FY 2020-21 and future years.

S.B. 19-207 (LONG BILL): GENERAL APPROPRIATIONS ACT FOR FY 2019-20. Also provides supplemental FY 2018-19 appropriation adjustments in the Department of Higher Education.

S.B. 19-228 (SUBSTANCE USE DISORDERS PREVENTION MEASURES): Provides funding for the implementation of several programs for the prevention of opioid and other substance use disorders in the Departments of Human Services, Higher Education, and Public Health and Environment. The table below summarizes the fiscal impact in FY 2019-20 and FY 2020-21. All funding is from the Marijuana Tax Cash Fund. In the Department of Higher Education, all funding is appropriated to the Regents of the University of Colorado for allocation to the Center for Research into Substance Use Disorder Prevention, Treatment, and Recovery Support Strategies.

FISCAL IMPACT OF S.B. 19-228					
	FUND SOURCE	FY 2019-20	FTE	FY 2020-21	FTE
Human Services (Maternal and Child Health Pilot Program - \$692,367 in FY 20 and \$662,961 in FY 21; Youth Opioid Prevention Grant Program \$500,000 FY 20 only)	MTCF*	\$1,192,367	2.1	\$662,961	1.6
Higher Education (public awareness campaign on safe storage, use disposal of antagonist drugs - \$750,000 in FY 20 and ongoing; one-time local community grant application assistance - \$250,000 in FY 20 only; 2-year perinatal substance use data linkage project - \$100,000 in FY 20 and \$50,000 in FY 21)	MTCF	1,100,000	0.0	800,000	0.0
Public Health and Environment (public health interventions to address opioid and substance use disorder - FY 20 only)	MTCF	2,000,000	0.9	0	0.0
TOTAL**	MTCF	\$4,292,367	3.0	\$1,462,961	1.6

*Marijuana Tax Cash Fund

**Excludes centrally-appropriated funds

S.B. 19-231 (COLORADO SECOND CHANCE SCHOLARSHIP): Creates the Second Chance Scholarship in the Department of Higher Education to assist persons who were previously committed to the Division of Youth Services and are pursuing a postsecondary credential. Creates an advisory board and requires the board to award scholarships of up to \$10,000 per student. For FY 2019-20, provides an appropriation of \$305,145 General Fund to the Department of Higher Education, reflecting the assumption that the Department will require an additional 0.8 FTE and that at least 25 scholarships will be awarded in FY 2019-20. The act is anticipated to require \$320,402 General Fund and 1.0 FTE in FY 2020-21 and ongoing.

H.B. 19-1006 (WILDFIRE MITIGATION): Appropriates \$1,000,000 General Fund to the Department of Higher Education for allocation to the State Forest Service at Colorado State University for the Forest Restoration and Wildfire Risk Mitigation Grant Program.

H.B. 19-1202 (FOOD SYSTEMS ADVISORY COUNCIL): Moves the Colorado Food Systems Advisory Council from the Department of Agriculture to Colorado State University and modifies its membership, purpose, and duties. For FY 2019-20, provides an appropriation of \$100,317 General Fund to the Department of Higher Education and reappropriates this amount to Colorado State University System, reflecting the assumption that 0.9 FTE will be required. This amount is expected to increase to \$151,168 General Fund and 1.0 FTE for FY 2020-21 and future years.

H.B. 19-1257 (VOTER APPROVAL TO RETAIN REVENUE): Contingent on voters' approval at the statewide election held on November 5, 2019, authorizes the State to annually retain and spend all state revenues in excess of the constitutional limitation on state fiscal year spending that it would otherwise be required to refund. Requires the General Assembly to appropriate or the State Treasurer to transfer the money that is so retained in the General Fund Exempt Account to provide funding for:

- Public schools;
- Higher education; and
- Roads, bridges, and transit.

Requires the State Auditor to contract with a private entity to annually conduct a financial audit regarding the use of the money that the State retains and spends under this measure.

H.B. 19-1258 (ALLOCATE VOTER-APPROVED REVENUE): Contingent on voters approving a related referred measure to annually retain and spend state revenues in excess of the constitutional spending limit (H.B. 19-1257), allocates the money that is retained in one-third shares to provide funding for each of the following purposes:

- Public schools;
- Higher education; and
- Roads, bridges, and transit.

Requires the General Assembly to appropriate the one-third shares for public schools and higher education for the state fiscal year after the State retains the revenue under the authority of the voter-approved revenue change. For additional information, see the bill description in the "Recent Legislation" section at the end of Part III of the Department of Education.

H.B. 19-1264 (CONSERVATION EASEMENT TAX CREDIT MODIFICATIONS): Extends the Conservation Easement Oversight Commission and the conservation easement certification program in the Department of Regulatory Agencies until 2026. Among other appropriations, appropriates \$250,000 General Fund to the Department of Higher Education and reappropriates this amount to the Colorado State University System for allocation to the Colorado Natural Heritage Program and the Geospatial Centroid to facilitate the provision of public access to the Colorado ownership, management, and protection (COMaP) service. For additional information, see the "Recent Legislation" section at the end of Part III for the Department of Regulatory Agencies.

H.B. 19-1294 (TRANSFER APPRENTICESHIP CREDIT TO COLLEGE CREDIT): Creates a working group in the Community College System to study the transfer of construction industry registered apprenticeship program credit to college credit. For FY 2019-20, provides a one-time appropriation of \$15,000 General Fund to the Department of Higher Education and reappropriates this amount to the State Board for Community Colleges and Occupational State System Community Colleges.

APPENDIX C FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

FOOTNOTES OTHER THAN TUITION FOOTNOTES

- 22 Department of Health Care Policy and Financing, Grand Totals; Department of Higher Education, College Opportunity Fund Program, Fee-for-service Contracts with State Institutions, Fee-for-service Contracts with State Institutions for Specialty Education Programs; and Governing Boards, Regents of the University of Colorado -- The Department of Higher Education shall transfer \$821,060 to the Department of Health Care Policy and Financing for administrative costs and family medicine residency placements associated with care provided by the faculty of the health sciences center campus at the University of Colorado that are eligible for payment pursuant to Section 25.5-4-401, C.R.S. If the federal Centers for Medicare and Medicaid services continues to allow the Department of Health Care Policy and Financing to make supplemental payments to the University of Colorado School of Medicine, the Department of Higher Education shall transfer the amount approved, up to \$77,998,160, to the Department of Health Care Policy and Financing pursuant to Section 23-18-304(1)(c), C.R.S. If permission is discontinued, or is granted for a lesser amount, the Department of Higher Education shall transfer any portion of the \$77,998,160 that is not transferred to the Department of Health Care Policy and Financing to the Regents of the University of Colorado.

COMMENT: The Centers for Medicare and Medicaid Services approved the supplemental payment plan during summer 2017. An interagency agreement between the University and the Department of Health Care Policy and Financing has been signed and is expected to continue through FY 2019-20 and subsequent years.

- 23 Department of Higher Education, Colorado Commission on Higher Education, Special Purpose, Tuition/Enrollment Contingency -- The Colorado Commission on Higher Education may transfer spending authority from this line item to the Governing Boards in the event that tuition revenues increase beyond appropriated levels. The spending authority for this line item is in addition to the funds appropriated directly to the Governing Boards. It is the General Assembly's intent that the Colorado Commission on Higher Education transfer spending authority from this line item to allow institutions to receive and expend tuition revenue beyond appropriated levels that results from higher than expected enrollment and not to support tuition increases that exceed the assumptions outlined in the footnotes for each governing board.

COMMENT: Staff anticipates that this footnote will only be invoked to the extent there is a need for further "true up" between actual expenditures and the modified FY 2019-20 appropriation at the end of the 2019-20 fiscal year. The FY 2018-19 version of this footnote allowed institutions that had enrollment levels higher than anticipated to receive and spend the associated revenue.

- 24 Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Work Study - Two percent of the Work Study appropriation remains available for expenditure until the close of the 2020-21 state fiscal year.

COMMENT: The footnote provides flexibility for the Department to roll forward work-study funds because employment by some students in the summer of the academic year may occur in the next state fiscal year.

- 26b Department of Higher Education, Governing Boards, Regents of the University of Colorado -- It is the intent of the General Assembly that \$1,000,000 reappropriated funds from the FY 2019-20 increase provided to the Regents of the University of Colorado for fee-for-service contracts for specialty education programs be used for scholarships for underrepresented minority students attending the University of Colorado School of Medicine.

COMMENT: The University of Colorado reported to staff that it is in compliance with this requirement.

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

COMMENT: This footnote added flexibility in the History Colorado budget starting in FY 2015-16.

- 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.

COMMENT: This footnote provides a record of legislative intent, given that this line item is “quasi-capital” in nature.

TUITION FOOTNOTES

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

- 25 Department of Higher Education, Governing Boards, Trustees of Adams State University, Trustees of Colorado Mesa University, Trustees of Western State Colorado University, Board of Governors of the Colorado State University System, Trustees of Fort Lewis College, Regents of the University of Colorado, University of Northern Colorado, State Board for Community Colleges and Occupational Education State System Community Colleges - The amounts in these line items are calculated based on the assumption that no undergraduate

student with in-state classification will pay more tuition in FY 2019-20 than what a student would have paid in FY 2018-19 for the same credit hours and course of study. These amounts are also calculated based on the assumption that each governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amounts in these line items through supplemental action during fiscal year 2019-20 based on updated enrollment estimates and tuition rate information.

- 26 Department of Higher Education, Governing Boards, Trustees of Metropolitan State University of Denver -- The amount in this line item is calculated based on the assumption that no undergraduate student with in-state classification will pay more tuition in FY 2019-20 than three percent over what a student would have paid in FY 2018-19 for the same credit hours and course of study, except that the increase for students taking more than twelve credit hours per semester may exceed this due to an anticipated change to a linear tuition structure. This amount is also calculated based on the assumption that the governing board will increase tuition rates for graduate and nonresident students based on its assessment of market conditions. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2019-20 based on updated enrollment estimates and tuition rate information.
- 27 Department of Higher Education, Governing Boards, Trustees of the Colorado School of Mines -- The cash funds appropriation from tuition in this line item is for informational purposes only. Pursuant to the provisions of 23-41-104.6 (5)(c), C.R.S., the Board of Trustees has authority to establish resident and non-resident tuition rates for the Colorado School of Mines. The General Assembly intends to adjust the amount in this line item through supplemental action during fiscal year 2019-20 based on updated enrollment estimates and tuition rate information.

COMMENTS ON TUITION FOOTNOTES: All governing boards appear to be in compliance with these footnotes with respect to undergraduate tuition rate increases. Additional information on FY 2019-20 tuition and fees is included in a separate briefing issue.

UPDATE ON REQUESTS FOR INFORMATION

REQUESTS AFFECTING MULTIPLE DEPARTMENTS

- 1 Department of Health Care Policy and Financing, Executive Director's Office and Department of Higher Education, Governing Boards, Regents of the University of Colorado -- Based on agreements between the University of Colorado and the Department of Health Care Policy and Financing regarding the use of Anschutz Medical Campus Funds as the State contribution to the Upper Payment Limit, the General Assembly anticipates various public benefits. The General Assembly further anticipates that any increases to funding available for this program will lead to commensurate increases in public benefits. The University of Colorado and the Department of Health Care Policy and Financing are requested to submit a report to the Joint Budget Committee about the program and these benefits by October 1, 2019.

COMMENT: The Departments submitted the requested report. The response is addressed in the FY 2020-21 Staff Budget Briefing for the Department of Health Care Policy and Financing (medical programs).

HIGHER EDUCATION

- 1 Colorado Department of Higher Education, Colorado Commission on Higher Education, Administration -- The Department is requested to continue to work with the governing boards to improve the higher education funding model. The Department is requested to explore to the extent feasible and report on the following options and issues by November 1, 2019, as part of a review of the funding formula:

Further rationalizing the “mission” and “specialty education” portions of the model:

- Establishing mechanisms for determining when mission/base funding should be changed and establishing the process through which such changes will be considered.
- Considering whether statutory changes are warranted so that specialty education programs, local district colleges, and area technical colleges do not always increase or decrease in tandem with average funding but may instead receive consideration based on policy goals, performance, or other factors.

Making the model more transparent and easier to use and understand

- Simplifying the funding formula and identifying any statutory changes that may be required to accomplish this.
- Ensuring that it is clear to participating institutions and the General Assembly how an institution’s efforts to achieve policy goals (e.g., graduate more Pell-eligible students) will benefit them in the model. For example, providing a demonstration tool that shows the impact on an institution’s funding from increasing its outcomes relative to other institutions.
- Developing tools so that, when desired, increases or decreases may be applied to certain portions of the model without affecting other portions of the model.

Aligning the model with the Higher Education Master Plan

- Incorporating weighting for first generation and other underrepresented students in the model.
- Considering weighting relating to teaching degrees, in light of teacher shortages.
- Considering greater weighting on certificates.
- Considering greater weighting on completions for Pell-eligible students.

Exploring how the model can better address the needs of small institutions

- Examining whether changes to the mission or performance portions to the model are appropriate to help these institutions remain viable. This may include identifying benchmarks for minimum funding required for such institutions.

COMMENT: The Department’s report, submitted November 1, 2019, explained the process the Department had engaged in related to study the higher education funding model. The Department described a resolution adopted by the Colorado commission on Higher Education related to developing a new funding model and explained that it expected to submit its new

formula November 12, 2019 (after the November 1 deadline specified in this RFI and in S.B. 19-095 (Five-year Review of Higher Ed Funding Formula). The formula submitted November 12 is described in an issue brief in this packet.

- 2 Colorado Department of Higher Education, Colorado Commission on Higher Education and Higher Education Special Purpose Programs, Administration -- The Department is requested to review the current financial aid statutes in Articles 3.3 through 3.7 of Title 23 and any other relevant statutory sections, and notify the Joint Budget Committee by September 1, 2019, whether it would like to pursue a statutory clean-up of this section of statute, whether it seeks a more substantive statutory rewrite, or whether it recommends against changes. Depending upon the response, the Joint Budget Committee may consider authorizing a bill draft to enable the Department to work with staff from the Office of Legislative Legal Services and the Joint Budget Committee to develop legislation acceptable to the Department and stakeholder institutions. Statutory clean-up might include, but not be limited to:
 - Ensuring that statute and practice are aligned, consistent and clear with respect to the relative responsibilities of the General Assembly, the Commission, and the governing boards.
 - Integrating Sections 3.3 through 3.7 with appropriate cross-references.
 - Including definitions for different types of aid (need, merit, etc.), clarifying how eligibility for financial aid is assessed and by whom, clarifying, whether financial aid is limited to Colorado residents, etc.
 - Incorporating reporting requirements to the Department about institutional policies and practice; and codifying the annual financial aid report currently provided in response to an RFI.

COMMENT: The Department submitted the requested report. The response was described in staff's September 19, 2019, memo to the Committee. As described in that memo, the Department submitted its response on September 10, 2019, and indicated that it recommended against any changes at this time. However, based on the staff recommendation, the Committee referred the issue to the Statutory Revision Committee, which voted to authorize a bill draft. Rep. Arndt is helping to lead the development of the bill for the Committee. A draft that is designed to codify current practice has been prepared and is currently being reviewed by higher education institutions. The Statutory Revision Committee will discuss the draft on January 16, 2020.

- 3 Department of Higher Education, Colorado Commission on Higher Education and Higher Education Special Purpose Programs, Administration -- Of the amount in this line item, \$40,000 General Fund is provided to enable the Department to employ an outside consultant to update its indirect cost collection plan. The Department is requested to submit a report to the Joint Budget Committee by November 22, 2019 outlining the initial results of this review and update. The report is requested to address the following:

- Is the method for selecting the departmental indirect cost pool reasonable? Are there costs that are included in the pool that should not be? Are there additional components that should be in the pool that are not?
- Is the method for allocating the departmental pool between state governing boards and other entities reasonable? Are there workload or other measures that would provide a better method for allocating costs than the current approach?
- Does the Department wish to use a new approach or make limited adjustments to current calculations? If it wishes to propose a new approach, can the new approach be applied in a way that simplifies calculations and limits future workload?
- Is the approach proposed (new or old) consistent with standard accounting practices related to indirect costs?
- What is the estimated fiscal impact of proposed changes?
- Could the annual timeline for developing the Department's indirect cost collection plan be aligned with the plan for Statewide Indirect Cost Collections?

The Department is also requested to outline the changes it would recommend to modify the budget structure to align with that of other state departments so that indirect cost assessments are reflected in one or more separate line items and the distinction between indirect cost assessments and the application of these assessments to offset General Fund is more clear.

COMMENT: The Department missed the November 22 due date for submitting the report; OSPB staff requested additional time to review the Department's preliminary response. The Department was late in bringing a contractor on-board, and staff anticipated that it would not have more than a preliminary response ready by November 22. Staff does anticipate that a more comprehensive response with a detailed proposal, along with a FY 2020-21 indirect cost collection plan that incorporates the proposal, will be submitted prior to figure setting.

- 4 Department of Higher Education, Colorado Commission on Higher Education, Administration -- The Department is requested to submit a report by October 1, 2019 describing the benefits it offers and how these compare to state benefit plans. The report should explain how the department will ensure that its annual funding request for centrally-appropriated amounts does not exceed the amount that would be provided if Department staff were enrolled in state plans. The Department is further requested to submit, as part of the annual request for common policy benefits adjustments, templates that reflect the benefit selection for each member of the Department's staff in a manner that will enable health benefits for these staff to be calculated consistent with common policy. The templates are expected to contain July 2019 data on health benefits actually selected by Department staff and relate staff benefit elections to comparable state plan premiums.

COMMENT: The Department submitted the requested report as required. The table below shows this comparison. As can be seen, the Department pays the entire cost of health insurance for employees (and families) enrolled in some of its plans (Kaiser HMO and Anthem Blue Cross high deductible), which is not an option under any of the state plans. Under other plans, the cost to the employee is significantly lower. The total cost to the Department of its share for employee only and employee plus children employer contributions typically lower than the state's contribution

for equivalent plans, while the Department’s contribution for employee plus spouse and employee and family is typically higher than the state’s contribution.

The Department provided an analysis that indicates that the Department’s additional contributions cost, above the amount required under the state plans, is approximately 5.5 percent per month or \$43,633 per year for the 65 employees enrolled in Department plans. This includes staff who are “off-budget” and funded through federal grants and enterprises (such as CollegeInvest), and staff who are on-budget and supported by the General Fund and cash funds.

Table 2: Comparable Plans Between Department and State of Colorado

Department of Higher Education				State of Colorado			
FY 19-20	Employer	Employee	Provider	FY 19-20	Employer	Employee	Provider
Emp Only	\$522.00	\$0.00	Anthem Blue Cross/Blue Shield HDHP	Emp Only	\$593.76	\$25.18	UHC HDHP
Emp+Sp	\$1,140.00	\$0.00		Emp+Sp	\$1,103.58	\$156.26	
Emp+Ch	\$934.00	\$0.00		Emp+Ch	\$1,092.88	\$55.80	
Family	\$1,602.00	\$0.00		Family	\$1,550.18	\$237.02	
Emp Only	\$580.00	\$199.00	Anthem Blue Cross/Blue Shield HMO	Emp Only	\$598.40	\$159.14	UHC Co-Pay
Emp+Sp	\$1,275.00	\$439.00		Emp+Sp	\$1,113.34	\$437.52	
Emp+Ch	\$1,040.00	\$363.00		Emp+Ch	\$1,101.70	\$310.30	
Family	\$1,795.00	\$619.00		Family	\$1,564.12	\$638.86	
Emp Only	\$580.00	\$164.00	Anthem Blue Cross/Blue Shield Blue Preferred	Emp Only	\$598.40	\$159.14	UHC Co-Pay
Emp+Sp	\$1,275.00	\$355.00		Emp+Sp	\$1,113.34	\$437.52	
Emp+Ch	\$1,040.00	\$266.00		Emp+Ch	\$1,101.70	\$310.30	
Family	\$1,795.00	\$498.00		Family	\$1,564.12	\$638.86	
Emp Only	\$580.00	\$101.00	Anthem Blue Cross/Blue Shield Blue Priority HMO	Emp Only	\$598.40	\$159.14	UHC Co-Pay
Emp+Sp	\$1,275.00	\$224.00		Emp+Sp	\$1,113.34	\$437.52	
Emp+Ch	\$1,040.00	\$187.00		Emp+Ch	\$1,101.70	\$310.30	
Family	\$1,795.00	\$316.00		Family	\$1,564.12	\$638.86	
Emp Only	\$534.33	\$0.00	Kaiser HMO	Emp Only	\$577.80	\$93.72	Kaiser Co-Pay
Emp+Sp	\$1,175.53	\$0.00		Emp+Sp	\$1,083.32	\$298.02	
Emp+Ch	\$961.79	\$0.00		Emp+Ch	\$1,061.62	\$190.34	
Family	\$1,656.42	\$0.00		Family	\$1,522.44	\$440.48	
Emp Only	\$31.68	\$10.38	Delta Dental I	Emp Only	\$27.88	\$19.78	Dental Basic Plus
Family	\$75.87	\$18.78		Family	\$66.94	\$76.18	
Emp Only	\$23.70	\$0.00	Delta Dental II	Emp Only	\$27.88	\$4.62	Dental Basic
Family	\$64.33	\$0.00		Family	\$66.94	\$29.22	

Employer Contribution Cost Comparison			
Difference between DHE & State Monthly Contribution	Number of Employees	Percent Share	
State Contribution greater than Department	32	49.2%	
Department Contribution Between \$0 and \$150 greater than State	14	21.5%	
Department Contribution Between \$150 and \$300 greater than State	17	26.2%	
Department Contribution Over \$300 greater than State	2	3.1%	
TOTAL	65	100.0%	
Department Monthly Contribution			\$ 69,774.34
Estimated State Monthly Contribution			\$ 66,138.28
Department Contribution greater than State per month			\$ 3,636.06

Percent greater than State Contribution per month	5.5%
Average Cost of DHE Contribution	\$ 1,073.45
Average Cost of State Contribution	\$ 1,017.51
Median Cost of DHE Contribution	\$ 1,055.95
Median Cost of State Contribution	\$ 1,128.56

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

By November 1, 2019: Submit budget data books for each of the governing boards that provide detail on education and general revenue and expenditures for each institution for the most recent actual year (FY 2018-19) and the current estimate year (FY 2019-20).

- Include estimate-year FY 2019-20 full time equivalent (FTE) enrollment data for resident undergraduate and graduate students and non-resident undergraduate and graduate students, in addition to actual year FY 2018-19 student FTE data. The year FY 2019-20 student FTE estimates should be those used to develop the year FY 2019-20 revenue and expenditure estimates in the data books.
- Identify actual FY 2018-19 and budgeted FY 2019-20 student FTE eligible for the College Opportunity Fund (COF) stipend in the budget data book submission.
- The Department is requested to provide separately the actual and estimated revenue from mandatory fees using the definitions established by the Department of Higher Education for mandatory fees.

By December 15, 2019: Submit fall 2020 student FTE census data. This should include resident undergraduate and graduate and non-resident undergraduate and graduate FTE figures for each governing board and institutional break-outs for those governing boards that oversee multiple institutions.

By February 15, 2020: Submit revised estimate year FY 2019-20 and request year FY 2020-21 revenue and enrollment data for each governing board, along with the comparable FY 2018-19 actual data for context. Include data at the institutional level for the University of Colorado and Colorado State University Systems.

- For each year, include FTE enrollment and revenue estimates for resident undergraduate and graduate students and non-resident undergraduate and graduate students. *The data should clearly separate revenue associated with each of these four categories, where applicable.*
- Include annotations explaining assumptions, including tuition and fee rate and enrollment assumptions for the FY 2020-21 request year.
- Consistent with the requirements of Section 23-18-202 (2)(a)(I), C.R.S., also include an update on the number of student FTE estimated to be eligible for COF stipends in FY 2019-20 based on the most recent data available (different from the figures used to establish initial stipend appropriations).

- Include actual and estimated revenue from mandatory fees using the definitions established by the Department of Higher Education for mandatory fees.

COMMENT: The Department submitted budget data books on November 15, 2019. It submitted the required fee data on December 10, 2019. Other due dates were still pending at the time of printing.

- 6 Department of Higher Education, Colorado Commission on Higher Education, Administration -- The Department should continue its efforts to provide data on the efficiency and effectiveness of state financial aid in expanding access to higher education for Colorado residents. The Department is requested to provide to the Joint Budget Committee by December 1 of each year an evaluation of financial aid programs, which should include, but not be limited to: (1) an estimate of the amount of federal, institutional, and private resources (including tax credits) devoted to financial aid; (2) the number of recipients from all sources; (3) information on typical awards; and (4) the typical debt loads of graduates. The Department is requested to provide more in-depth data on the financial aid awarded at the state's public institutions, by institution. This should include further information on the use of institutional aid, including the extent to which such aid is awarded to residents versus non-residents, for financial need versus merit, and the extent to which merit-based aid is awarded to students who qualify on the basis of need, whether or not the aid was classified as merit-based.

COMMENT: The Department submitted the report on November 20, 2019. Report highlights were as follows.

- 40.5% percent of all students who received financial assistance in Fiscal Year (FY) 2018-19 (July 1, 2018-June 30, 2019) received a Pell Grant.
- In FY 2018-19, federal grant aid accounted for 25 percent of all grant aid in Colorado. Pell Grants alone accounted for approximately 12 percent of total aid, including loans.
 - In FY 2018-19, the maximum Pell Grant increased to \$6,095 from \$5,920 in 2017-18.
 - The average Pell Grant award was \$3,792, up \$132 from the prior year.
 - The number of Pell Grants reported in the Department's State Unit Record Data Base (SURDS) has steadily decreased since FY 2010-11. This decrease can be attributed to the decrease in enrollment due to more robust economic conditions. Postsecondary education enrollment generally runs counter-cyclical to the economy.
- State funded financial aid comprised 13 percent of all grant aid and 7 percent of all aid, including federal loans.
 - Total funding for state grant programs remained relatively constant during the Great Recession, but as economic conditions and state funding improved, there was a significant increase in FY 2014-15, FY 2015-16, and FY 2018-19.
 - The number of recipients of state need-based grants decreased by 3 percent from FY 2013-14 to 2018-19. This is a result of enrollment decreases. The average award amount has grown by just under 75 percent in the same time period.

- Institutional grant aid comprised approximately 53 percent of all grant aid, or about 27 percent of all financial aid, including loans.
 - o Institutional aid increased by 49 percent between FY 2013-14 and FY 2018-19.
 - o Institutional investment in student aid is the greatest at four-year institutions, both public and non-profit private.
- The average loan debt at graduation from public four-year institutions ranged from \$15,406 to \$31,502. The average student loan debt for baccalaureate graduates was \$26,505 in FY 2018-19, up slightly from 26,278 in FY 2017-18.
- Sources of grant aid are summarized in the table below. Additional information about financial aid at public institutions of higher education is included in the Factors Driving the Budget section of this briefing packet.

SOURCES OF GRANT AID FY 2018-19	
TYPE OF AID	AMOUNT
Institutional	\$774,549,291
Federal	358,785,532
State	192,774,721
Loans	1,468,467,679
Other	111,757,596
Total	\$2,906,334,819

- 7 Department of Higher Education, Colorado Commission on Higher Education, Special Purpose, Tuition/Enrollment Contingency -- The Department is requested to provide information on the amount of Tuition Enrollment Contingency funds distributed to any governing board and whether the governing board complied with Colorado Commission on Higher Education tuition policy and intended limits on undergraduate rates expressed in Long Bill footnotes. This information, as it applies to actual expenditures in FY 2018-19 should be provided by November 1, 2019, and as it applies to actual expenditures in FY 2019-20 should be provided by November 1, 2020.

COMMENT: By May 15, governing boards apply for tuition contingency funding with information on the tuition contingency fund requested, the undergraduate resident tuition rate for the year, the reason for needing additional spending authority, and a variation analysis from the most recent tuition appropriation. Any Board that has complied with the tuition limit in the Long Bill and that does not request more than its proportionate share of tuition contingency funding is automatically approved. If a governing board needs spending authority over their proportionate share, CDHE staff determine if there is spending authority remaining. As a last resort, a June 1331 supplemental may be submitted to the Joint Budget Committee.

The Department reported that it distributed \$25,388,443 in contingent spending authority for FY 2018-19 of the \$60.0 million included in this line item. While the authority was distributed, most

of the institutions did not ultimately require it, as projections and actual expenditures for FY 2018-19 were very close.

HISTORY COLORADO

- 8 Department of Higher Education, History Colorado, Central Administration -- History Colorado is requested to submit a report by November 1, 2019, outlining the results of its 2019 strategic planning process. This should include an analysis of its recent-year actual expenditures and future financial needs and projected revenue sources, including projected revenue from limited gaming money deposited to State Historical Fund accounts and projected revenue from earned and donated sources, for fiscal years 2020-21 through 2024-25.

COMMENT: The Department provided the requested response. The response is described in a separate issue brief in this packet.

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

History Colorado

Pursuant to Section 2-7-205 (1)(a)(I), C.R.S., by November 1 of each year, the Office of State Planning and Budgeting is required to publish an **Annual Performance Report** for the *previous fiscal year* for History Colorado. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., History Colorado is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's FY 2020-21 budget request, Annual Performance Reports and the FY 2019-20 Performance Plan may be found at the following link:

<https://www.colorado.gov/pacific/performancemanagement/department-performance-plans>

Department of Higher Education:

Pursuant to Section 2-7-205 (1)(a)(II), C.R.S., the Office of State Planning and Budgeting (OSPB) shall prepare the section of the **Annual Performance Report** for the Department of Higher Education by reviewing the institutions of higher education's progress towards the goals set forth in the Master Plan for Colorado Postsecondary Education (Master Plan). Pursuant to Section 2-7-204 (3)(a)(II)(A), C.R.S., the Department of Higher Education will satisfy the requirement to develop a **Performance Plan** through the Master Plan maintained by the Colorado Commission on Higher Education.

For consideration by the Joint Budget Committee in prioritizing the Department's budget request, The 2017 Master Plan and Annual Performance Reports may be found at the following link:

<https://www.colorado.gov/pacific/performancemanagement/department-performance-plans>

In addition, pursuant to Section 23-1-108 (1.5)(f)(II), C.R.S., the Department of Higher Education is required to report to the Joint Budget Committee and the Education Committees by December 1 of each year on **each institution's** progress toward meeting the Master Plan goals. The Department is also required to post this information on its website. The Master Plan Dashboard, demonstrating progress toward the Master Plan goals, is located at the following link:

<https://masterplan.highered.colorado.gov/dashboard/#masterplan>

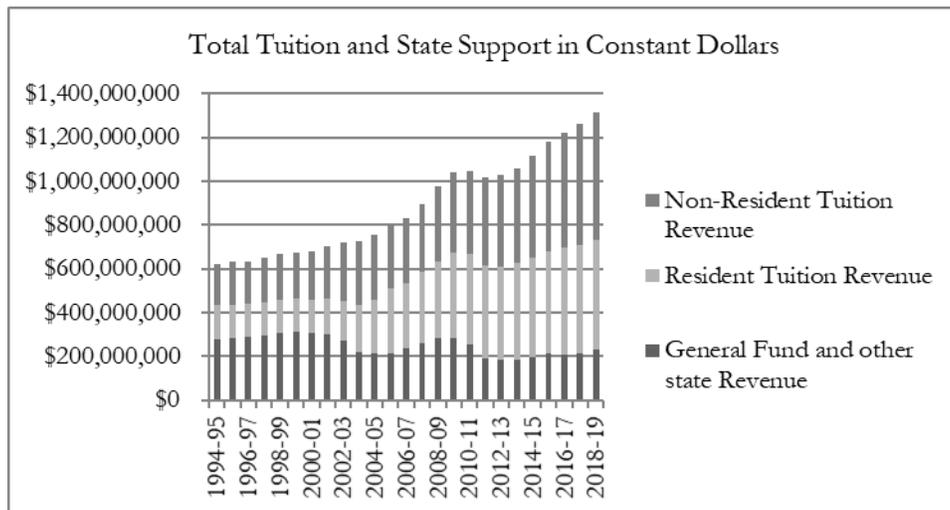
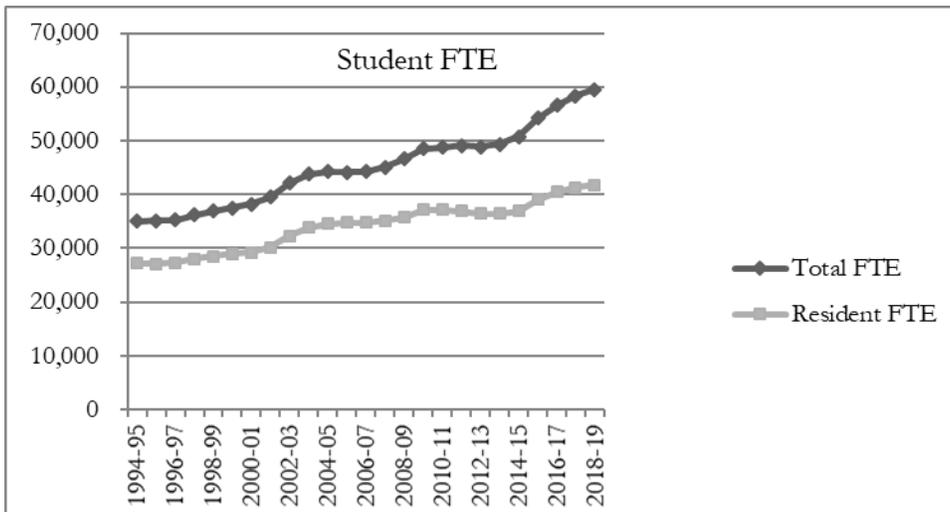
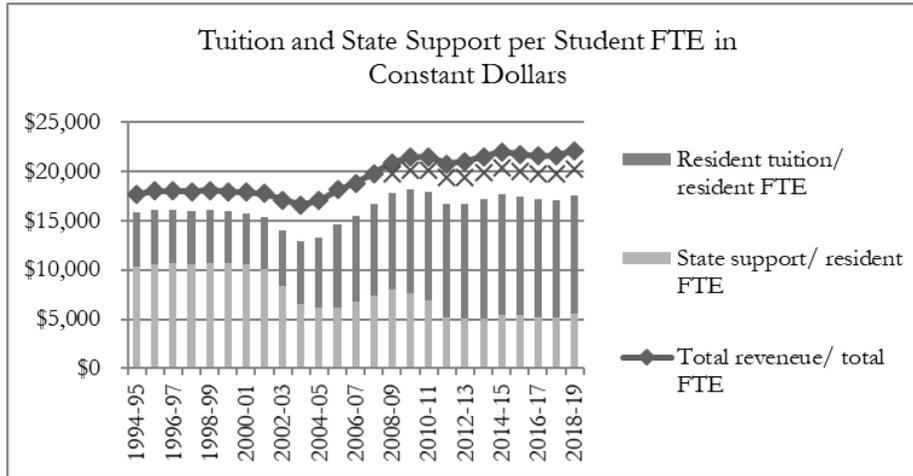
BACKGROUND CHARTS BY GOVERNING BOARD

Notes for all charts:

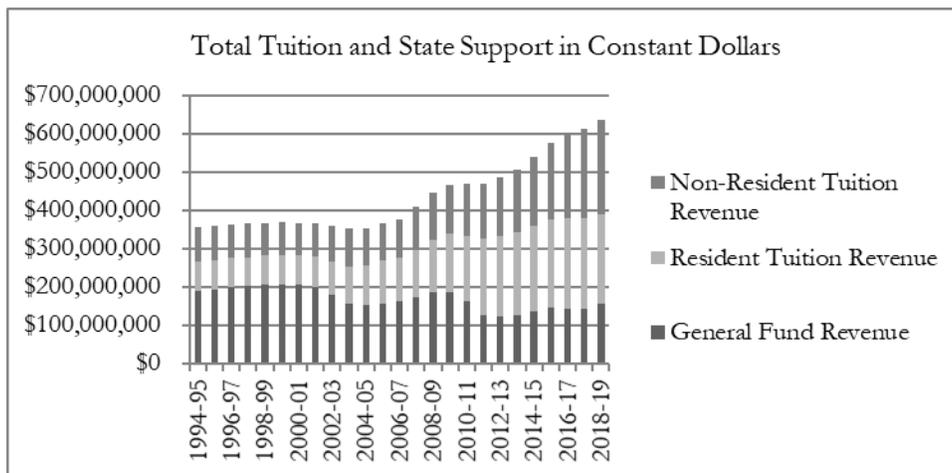
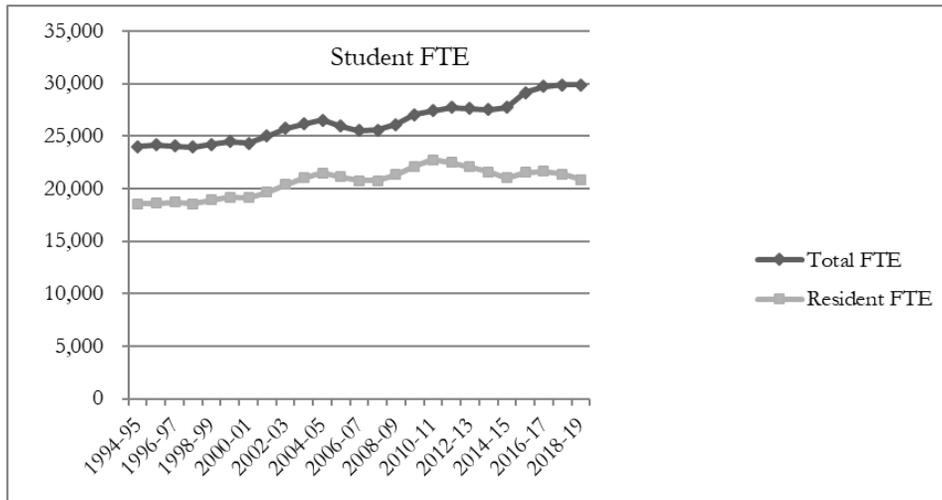
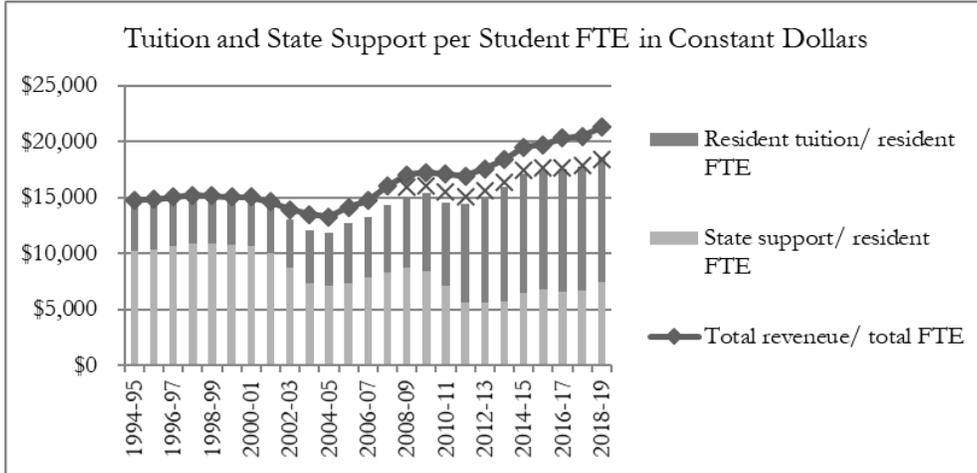
- Charts on institutional tuition and General Fund revenue and student FTE are based on staff data records.
- For detailed and accessible information on retention, completion, student financial aid and other information by governing board:
- Go to:
<https://nces.ed.gov/ipeds/Home/UseTheData>
- Select “Data Feedback Report”
- Type in the name of the institution and select it
- Select “View Previous Data Feedback Reports”
- Select the 2019 or other report

Note that the “comparison institutions” represent comparisons selected by the institutions themselves, and the institutions may use different approaches in selecting these comparisons.

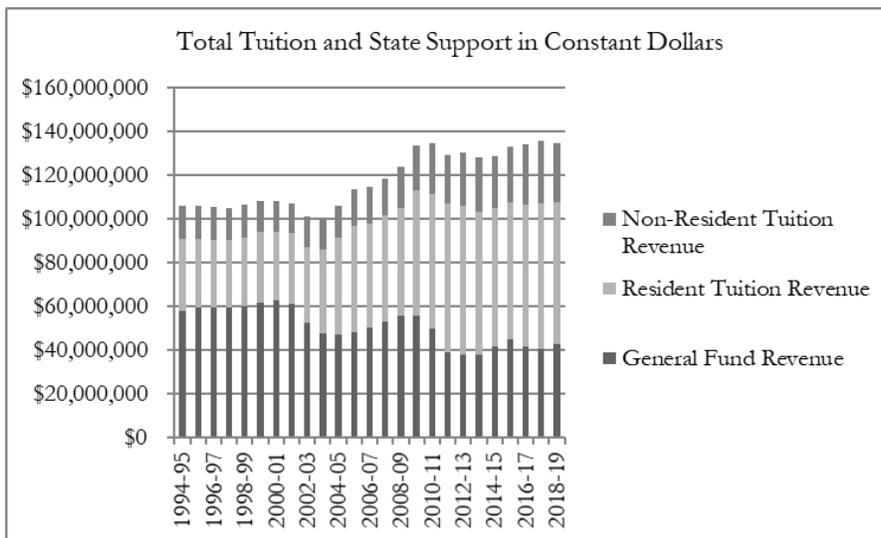
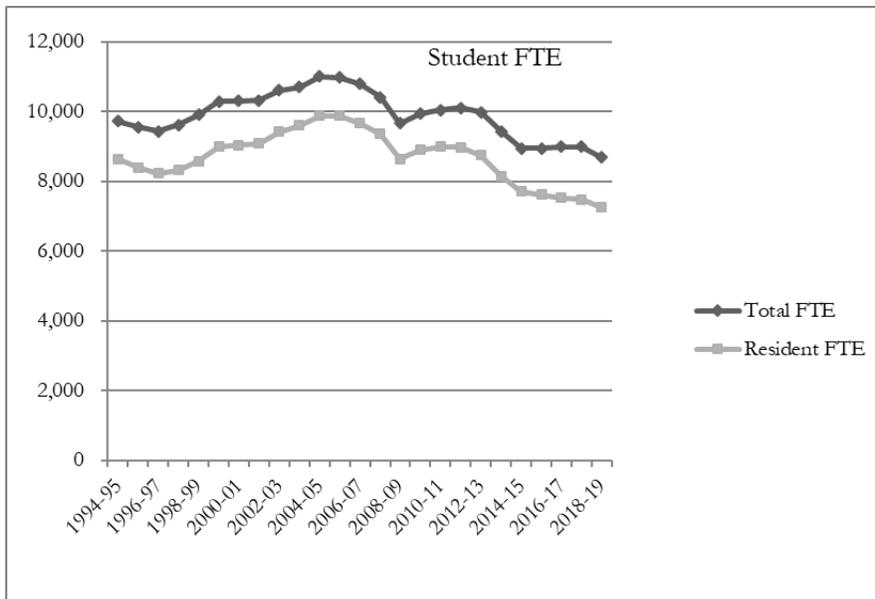
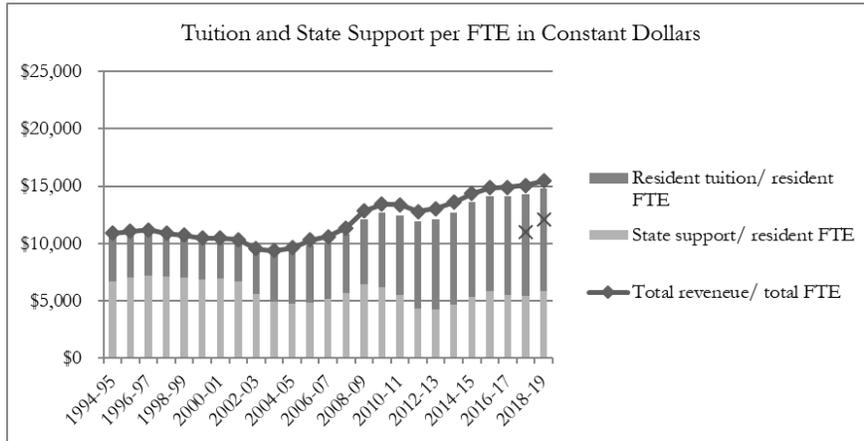
UNIVERSITY OF COLORADO SYSTEM



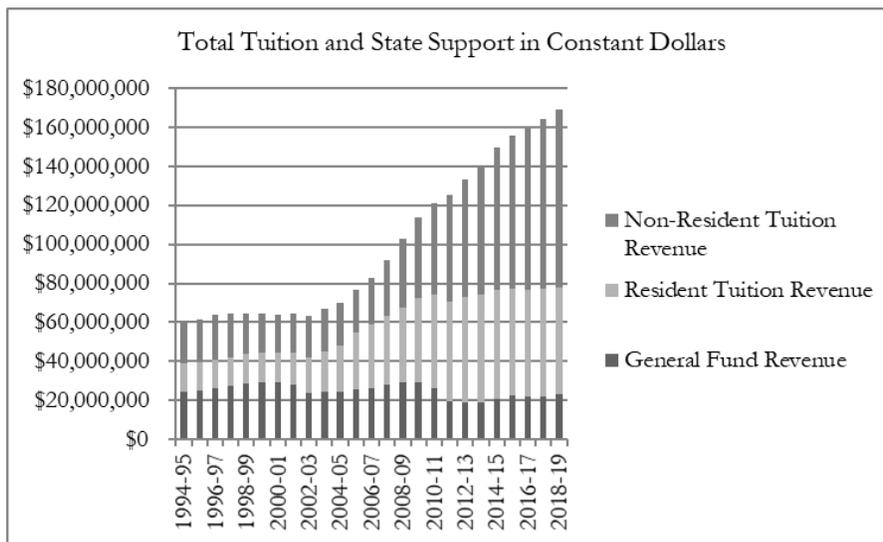
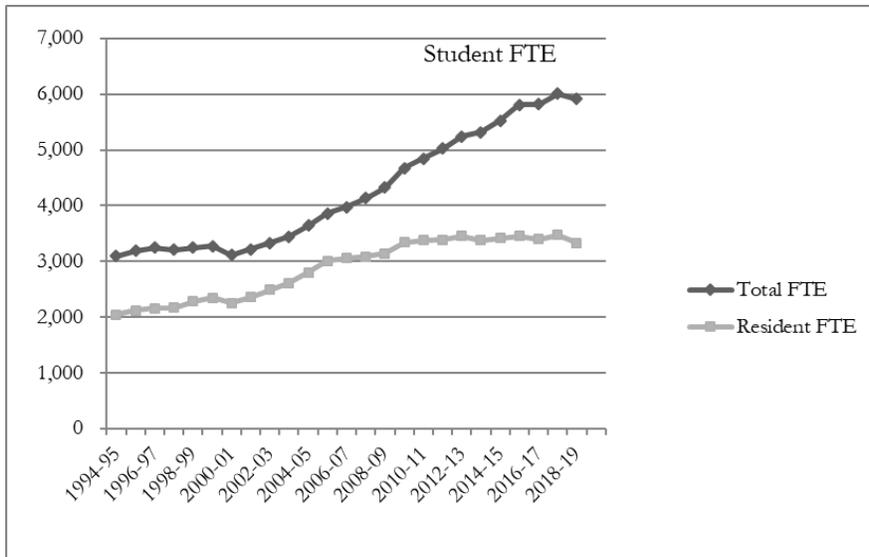
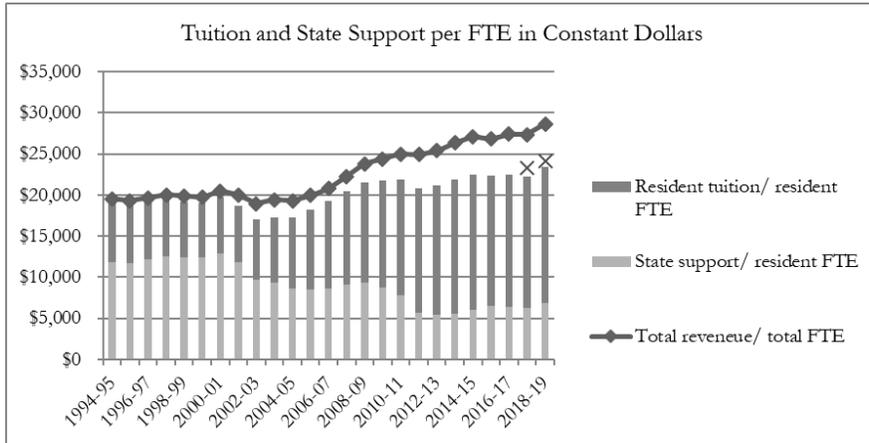
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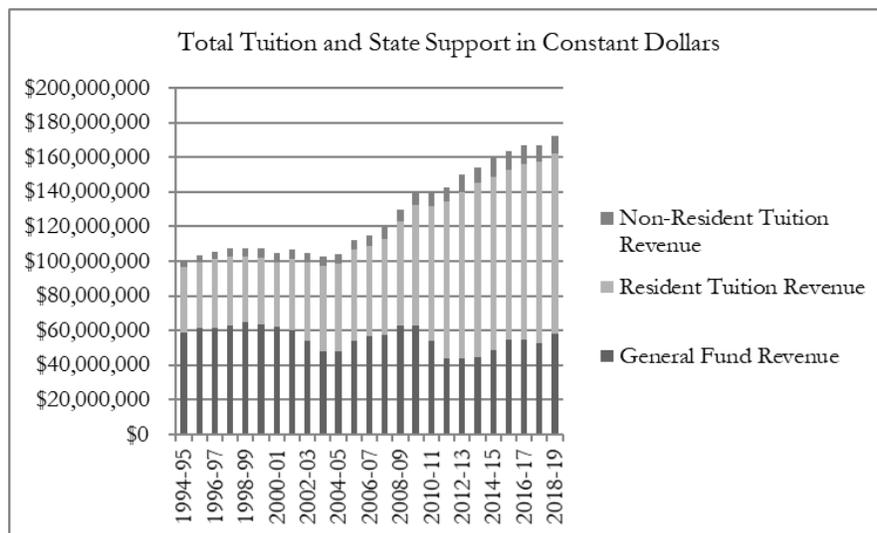
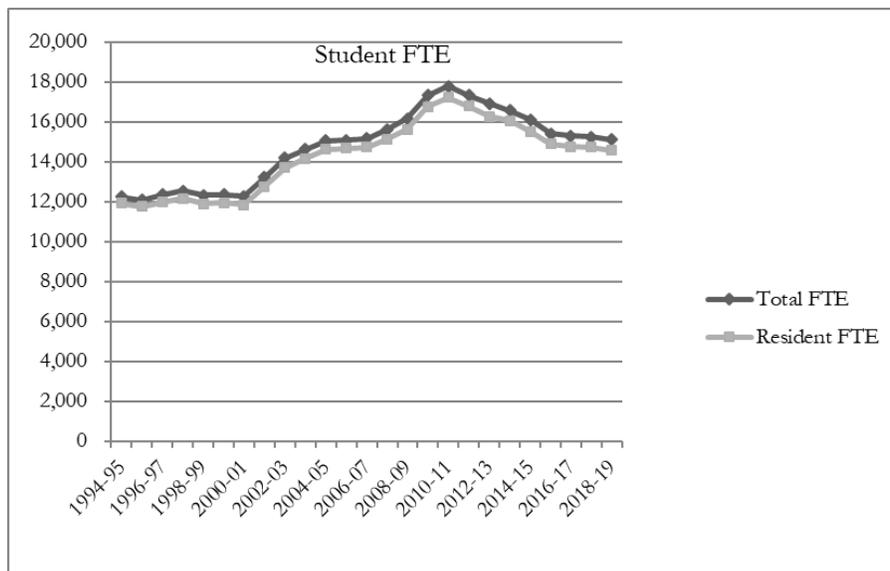
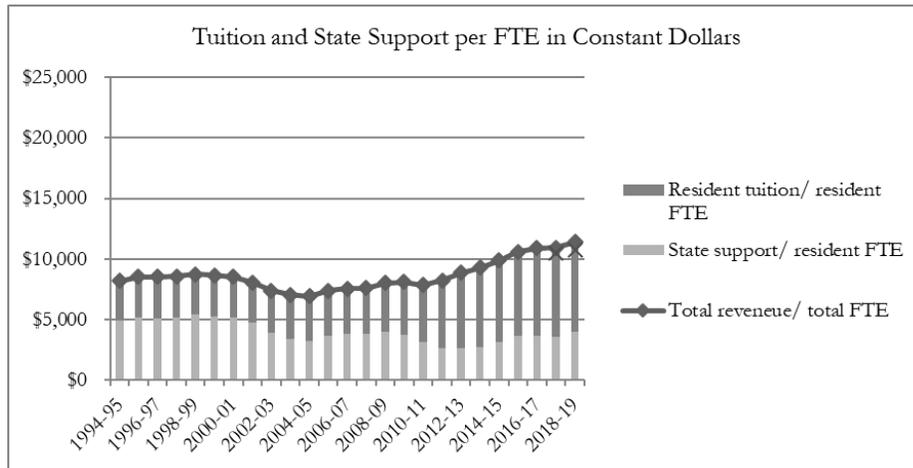
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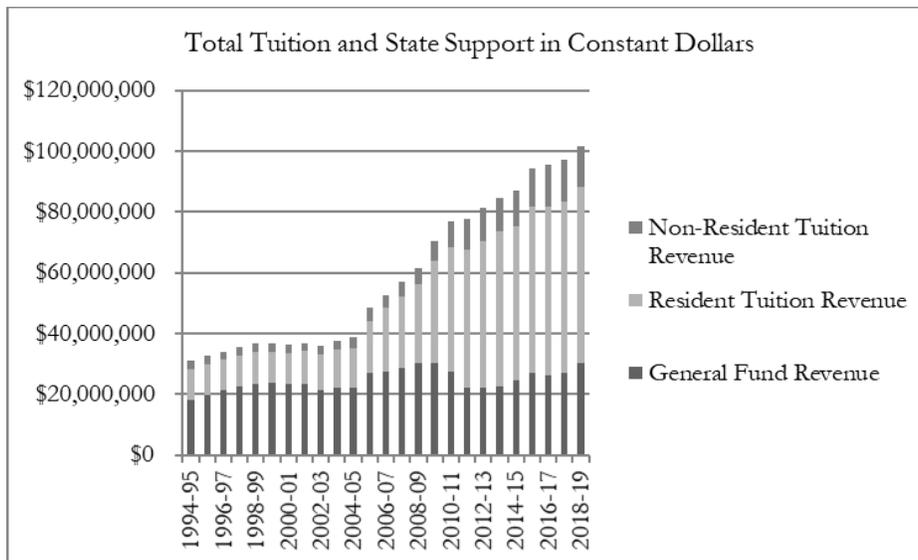
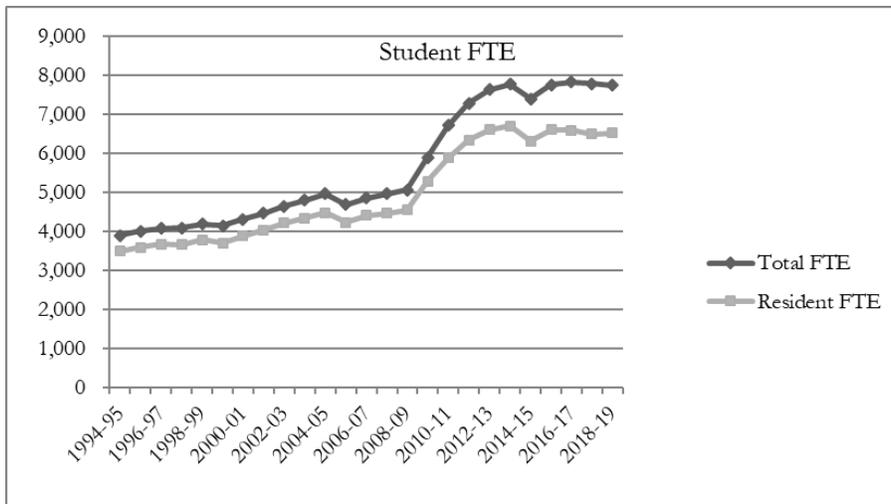
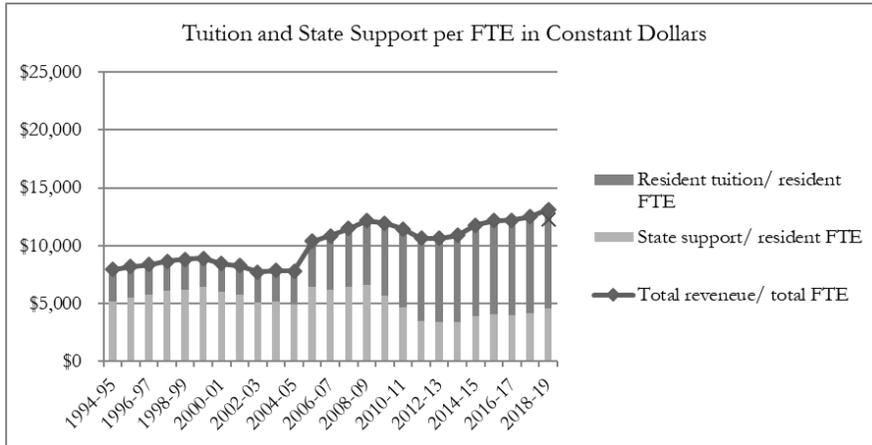
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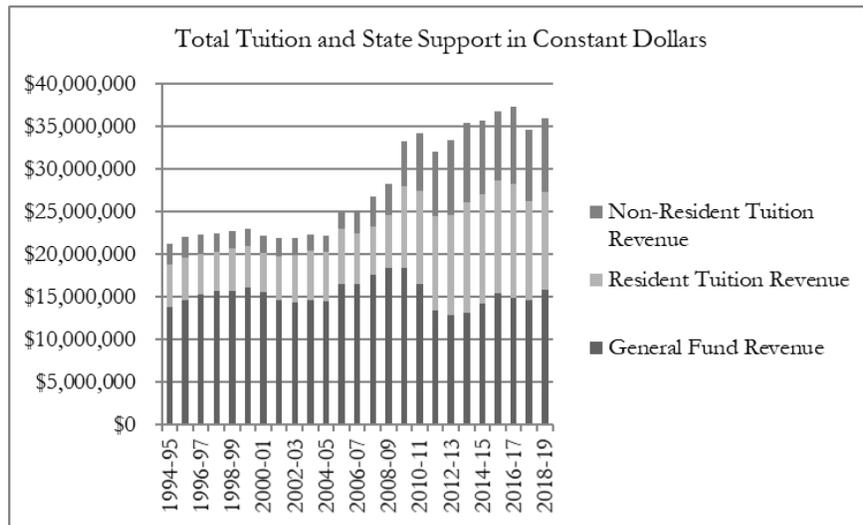
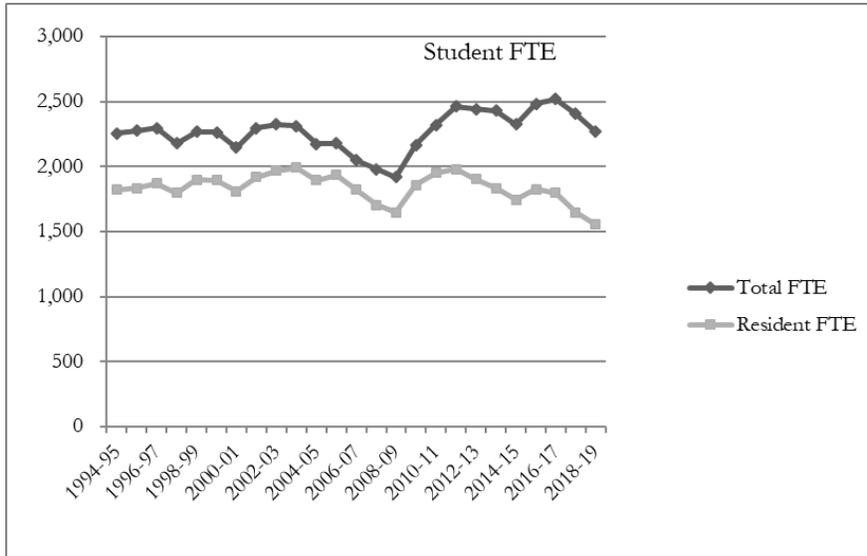
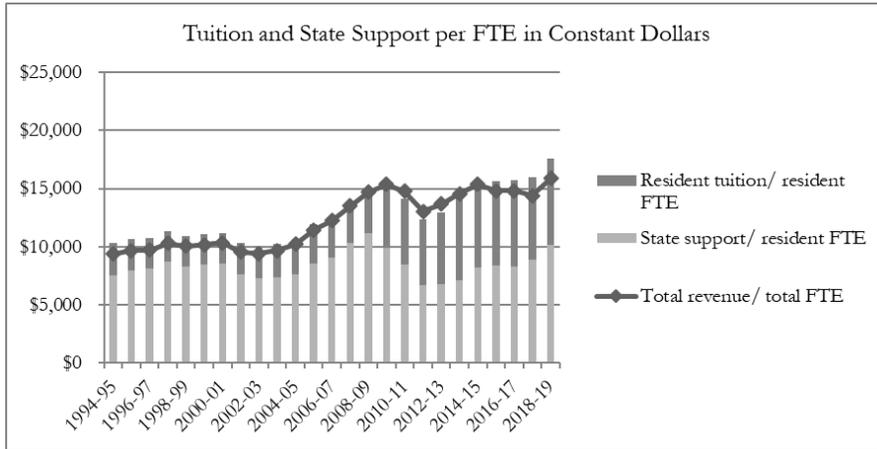
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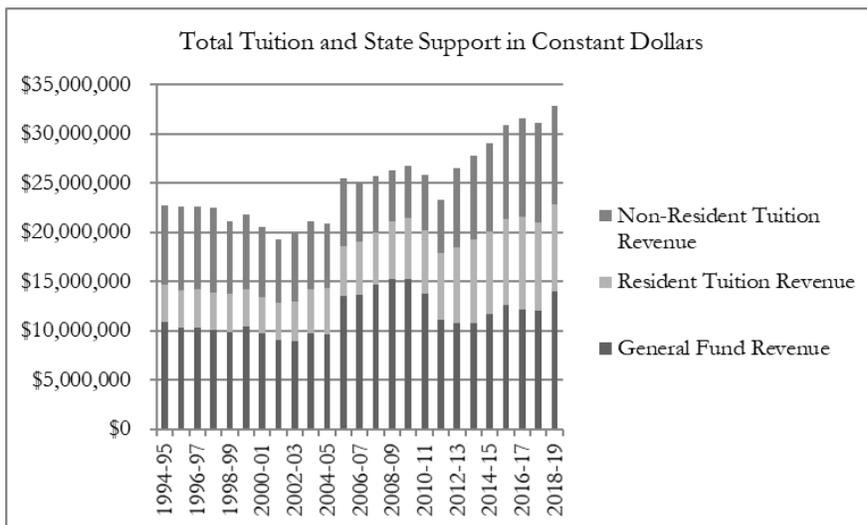
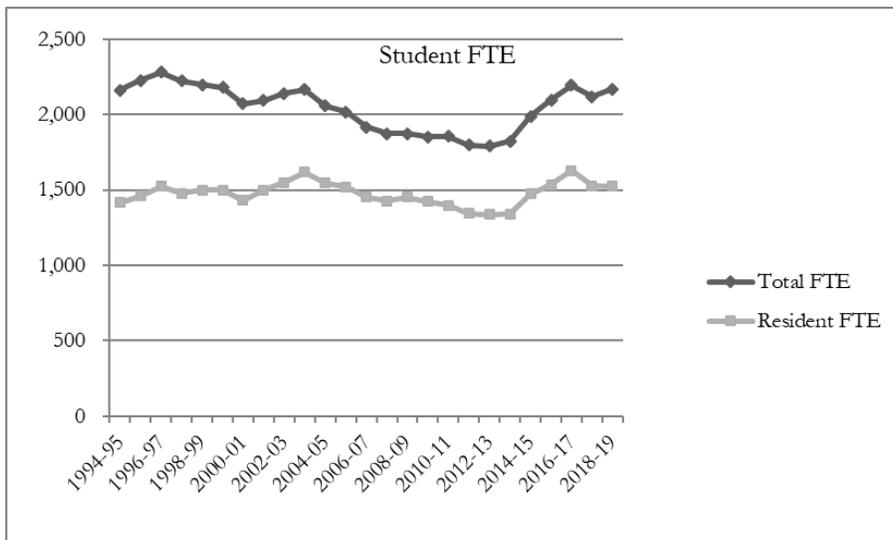
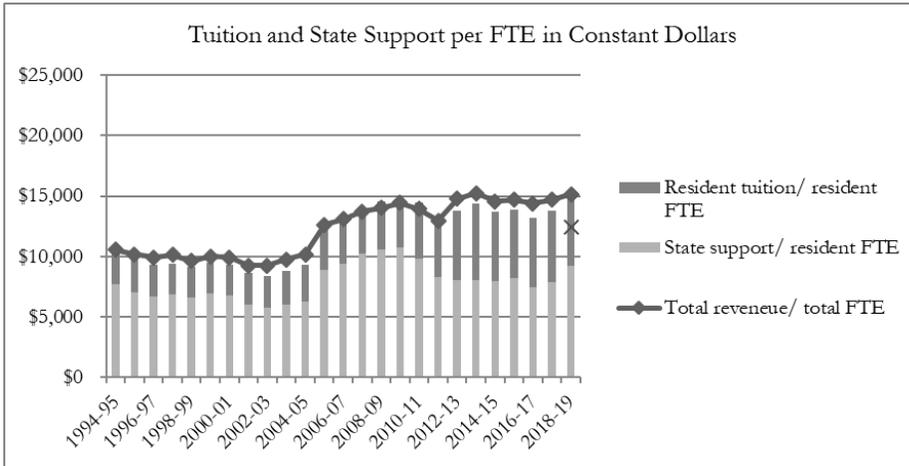
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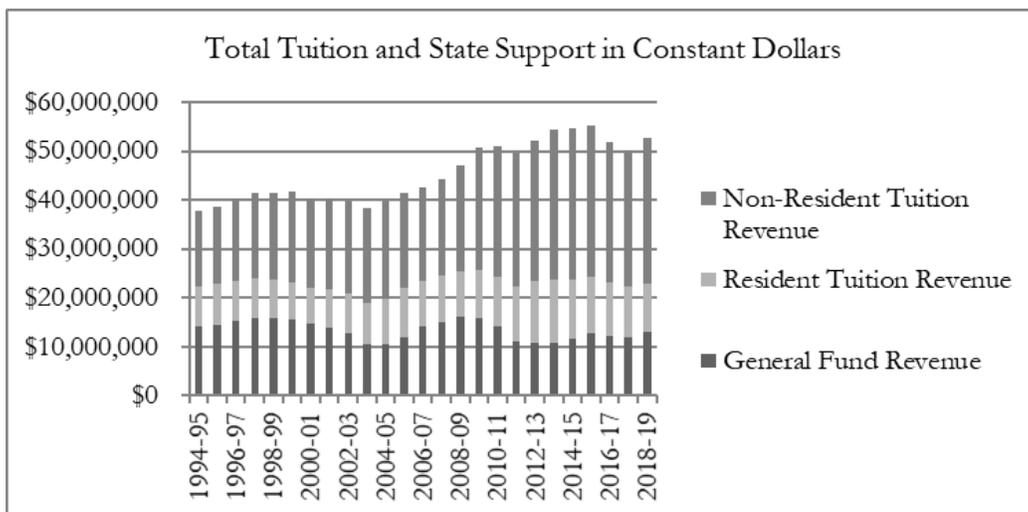
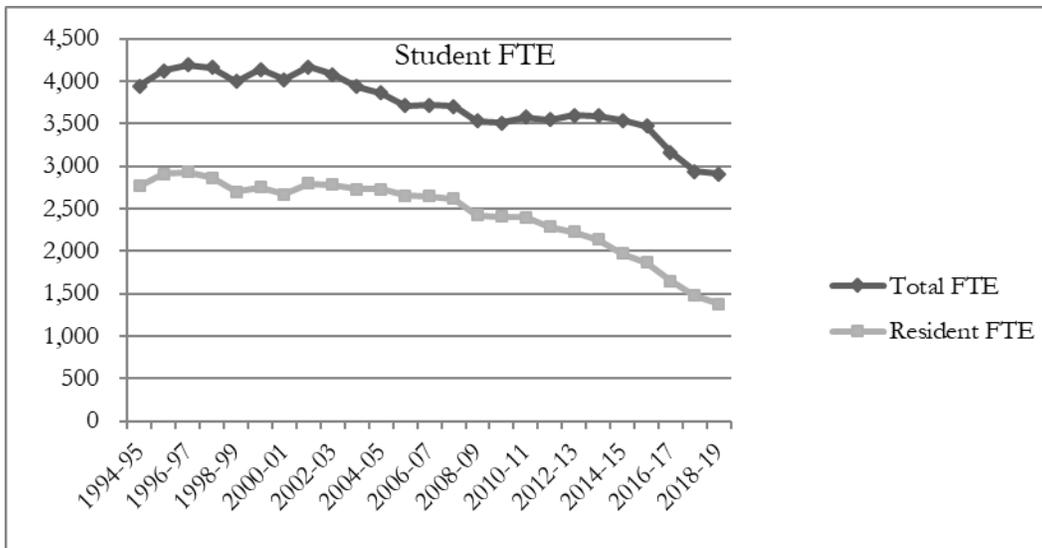
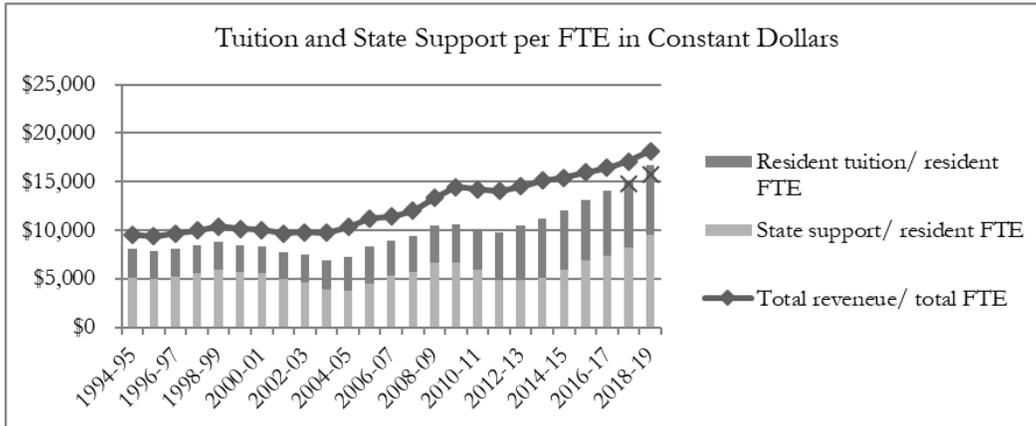
Adams State University



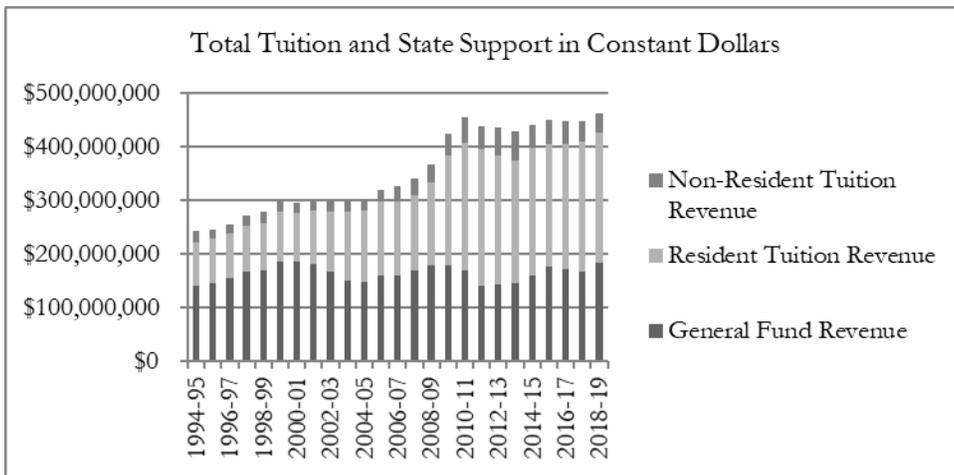
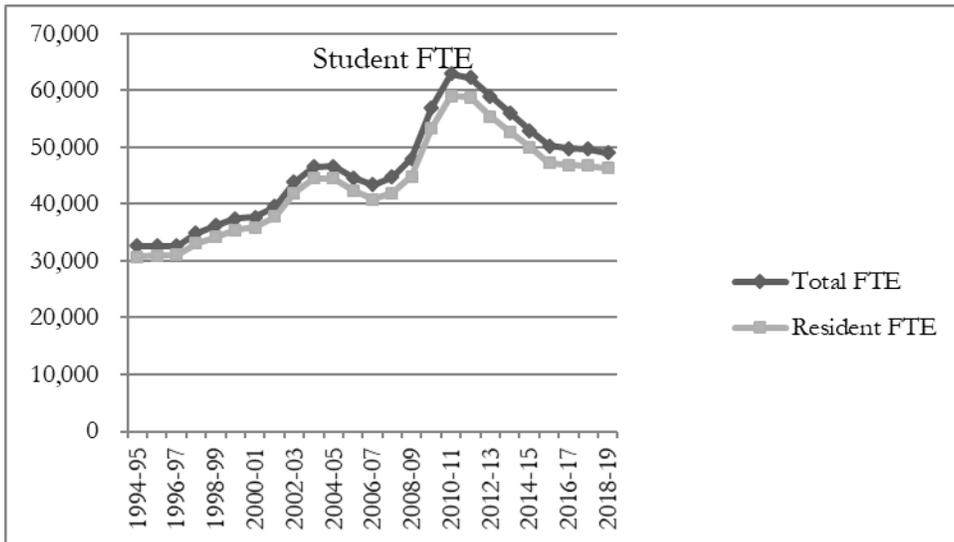
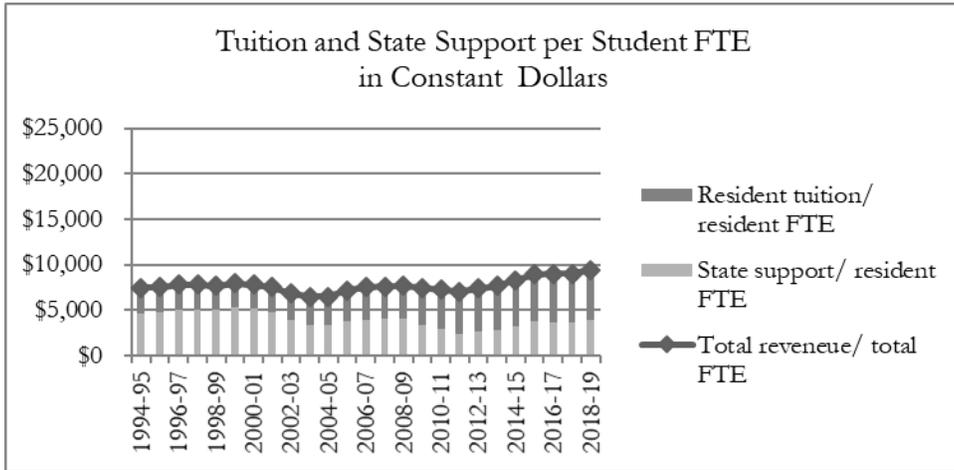
Western State Colorado University



Fort Lewis College



COLORADO COMMUNITY COLLEGE SYSTEM



MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
FROM Amanda Bickel, JBC Staff (telephone x4960)
DATE March 12, 2019
SUBJECT Work Based Learning Pilot Program

Based on the Committee's authorization, staff has been working with the Department of Higher Education and representatives of four institutions on legislation for a **pilot intended to expand the use of work-study funds for work-based learning**. The pilot would provide administrative support funding to participating higher education institutions and financial incentives (wage subsidies) for employers who are willing to provide students with a high quality credit-bearing work-based learning experience. Participating students would receive wages, credit toward their degrees, career-relevant work experience, and the opportunity to build a relationship with an employer in the student's career area. The initiative would be targeted toward institutions that serve predominantly low-income and first-generation students.

- Staff anticipates that this initiative could have real benefits for students, institutions, and employers and could help shift institutions in ways that benefit the State and its citizens. It aligns closely with the recommendations of the Education Leadership Council and the Colorado Talent Pipeline Report by focusing on improving the transition between education and work.
- Staff also believes this initiative has the potential to help change the use of work-study funding in future years. If these pilots are successful, staff anticipates that work study statutes and state rules may ultimately be modified to promote the use of work-study funds for these types of activities.

Because of this, staff recommends that the Committee set aside \$2.1 million General Fund, annualizing to \$3.0 million for FY 2021-22 and FY 2022-23 for this pilot program.¹

However, the participating institutions have also been clear that \$121.9 million R1 request, as submitted, is a higher priority for them than the proposed pilot program. From the perspective of the institutions, the \$121.9 million in additional funding is tied to the agreement to buy tuition increases down to \$0. In light of this, **staff recommends that the Committee either tentatively approve funding for the pilot program, with the understanding that this will be removed if the Committee does not have sufficient revenue, or include this item in a list for potential Committee consideration if the Committee discovers at the point of balancing that some additional revenue is available.**

From staff's perspective, this is a time-limited pilot initiative and thus also inherently different from long-term institutional base funding included in R1. If the pilots are successful, this funding may ultimately be built into existing work-study appropriations. However, the purpose of the pilots is to determine if this is a worthwhile investment for the State. If not, this funding will go away at the conclusion of the pilots.

¹ A draft budget is attached. This may still be subject to further refinement if this project moves forward.

COMPONENTS OF THE PROPOSED LEGISLATION

- Provides authorization and associated funding to begin work-based learning pilots at *four institutions in the first year: Metropolitan State University of Denver, Colorado Mesa University, Colorado State University at Pueblo, and the University of Colorado at Denver*. Each of these institutions serves a population that is predominantly low-income and disproportionately minority and “first generation” (no parent completed college).
- Provides authorization for the Department of Higher Education to request funding for pilot sites at additional institutions in FY 2020-21. Specifies that in making recommendations on additional pilot sites, the Department shall prioritize programs that are most likely to benefit low-income, first-generation, and other underrepresented students who might not otherwise have access to a paid work-based learning opportunity.
- All pilots include the following components:
 - Provide administrative support at each institution to help develop work-based learning opportunities for students in the community. This includes 2.0 FTE at three of the institutions and funding for an outreach campaign and a partial tuition subsidy at a fourth institution.
 - Offer subsidies for businesses that provide high-quality work-based learning opportunities for students. Businesses may receive a subsidy of up to 50 percent of a student’s wages in return for collaborating with the higher education institution to provide a student with a work experience. [Pilot budgets are based on a 50 percent wage credit for an experience of a semester or less. For pilots that expect students to engage in the experience for a full year, the subsidy drops in the second semester to 25 percent.]
 - Require that work-experiences supported by the initiative be credit bearing and support the student’s academic and career goals. The programs at the initial pilot sites are all targeted to students in their junior or senior years and are intended to assist the students in building relevant experience that aligns with their career pathway.
 - All pilots will be part of a coordinated implementation and evaluation process, using a contractor employed by the Department of Higher Education. Staff anticipates that there will be regular meetings of pilot program coordinators so that institutions learn from each other’s experiences.
 - The program cost per student is designed to align with the typical state work-study amount. Participating students must be Colorado residents and at least 70 percent must qualify on the basis of need, also consistent with existing work-study statute.
- Two of the institutions (CMU and UCD) would use this initiative to expand their current internship programs to ensure that more students have access to paid internships. The other two institutions (MSU and CSU-Pueblo) would use this initiative to build new year-long work-study experiences with outside entities.

ADDITIONAL INFORMATION ON PROJECTS

MSU Denver: MSU Denver will focus on developing apprenticeship opportunities in fields such as cybersecurity, advanced manufacturing, aerospace, bioscience, health and wellness, hospitality and tourism, education, business, and information technologies. Funneling new apprenticeships through MSU Denver’s Classroom to Career Hub, MSU will build appropriate curriculum tailored to work options for students. The apprenticeship will be designed as a paid learning experience that connects a student’s program of study and career interest to a work-based setting. Students will work 12-20

hours per week for at least 12 months with an employer who will provide guidance and mentorship. Students will be required to get academic credit for at least two semesters, based on a learning agreement between the employer, student, and MSU faculty. Students will have other requirements such as enrollment in professional development activities. The program will create 325 new apprenticeship opportunities per year. The budget reflects the assumption that employers will pay 50 percent of wages in the first semester and 75 percent of wages in the second.

Colorado Mesa University: Colorado Mesa University will use this opportunity to expand its network of internships to make as many as possible paid. It expects this programs will give 350-375 students access to paid internships in the community. As almost 2/3rds of CMUS's student population is Pell-eligible (low income) and/or first generation, paid internships are crucial as students traditionally support themselves and sometimes their families while in college. CMU also emphasizes that 80 percent of Grand Junction Chamber of Commerce members employ 10 people or fewer, making it difficult to pay interns, given the significant company investment required for training and supervising students. By creating a relationship between the student worker, the employer, and the faculty member, internships ensure clear learning objectives for both applying classroom knowledge and building a student's transferrable skills.

CSU Pueblo: This initiative fits within CSU-Pueblo's new plan for implementing comprehensive work study programming across all academic units, allowing students to develop stronger skills and engaging regional business owners and industry partners. State support will enable CSU Pueblo to move forward more quickly on this vision. The portion of the model that would be supported by this initiative will focus on targeted opportunities for students in their junior or senior year. State funds will support year-long experiences for juniors and seniors building from 70-90 students in the first year to at least 160 in the second year. The program will be designed as a paid learning experience that connects a student's major program of academic study and career interests to a professional or work-based setting. CSU-Pueblo will leverage existing funds (grant, funding, foundation accounts, etc.), to create or update integrated credit-bearing courses and for marketing.

CU Denver: This initiative fits within UCD's goal to ensure that undergraduates receive at least one immersive learning experience integrated with career planning. UCD's Experiential Learning Center serves as the campus resource for the coordination of experiential learning activities, including both for-credit and not-for-credit internships, undergraduate research experiences, and professional development opportunities. UCD finds that internships have significant positive impacts for students and is committed to increasing the number of undergraduates with internships. However, many students have commitments outside the classroom and cannot afford time away from coursework or a paying job. The UCD program would provide 158 undergraduates with both paid internships and tuition subsidies. The idea is to remove financial barriers and thus to expand participation among targeted students. The propos

Implementation and Evaluation Plan: A preliminary implementation and evaluation plan for the project calls for an external partner who would bring stakeholders together for initial design sessions to identify key questions and data sources and assist in evaluation as the project progresses. Some key evaluation metrics are outlined in the bill, e.g., student graduation and employment outcomes. The study may focus in part on comparing pilot students to students in traditional work-study placements in their junior and senior years as a way to compare the value of this activity versus "traditional" work study. Colorado institutions have historically been very supportive of traditional work-study, in part

MEMORANDUM
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based on evidence and their experience that students engaged with work-study on campus retain in their academic programs at a higher rate. A key question may thus be the comparative costs and benefits of this type of initiative versus “traditional” work study.

WORK-BASED LEARNING PILOT COST ESTIMATES (MAY STILL BE SUBJECT TO FURTHER ADJUSTMENT)						
	MSU	CMU	UCD	PUEBLO	IMPLEMENTATION/ EVALUATION	TOTAL
Year 1						
Administrative costs	98,250	100,485	45,000	100,485		
FTE	1.5	1.5	-	1.5		
Academic credit subsidy			92,000			
Student wage subsidy	767,813	483,570	179,000	176,400		
Statewide evaluation costs					100,000	
Total costs	866,063	584,055	316,000	276,885	100,000	2,143,003
<i>Assumptions - year 1 (start-up year)</i>						
Hours funded	109,688	80,595	23,867	25,200		
Estimated number students	325	350	158	70		
Est. hours/student	338	230	151	360		
Hourly wage assumed	\$16.00	\$12.00	\$15.00	\$15.00		
Subsidy share per hour	\$7.00	\$6.00	\$7.50	\$7.00		
Cost per student	\$2,665	\$1,669	\$2,000	\$3,956		
Cost per student hour	\$7.90	\$7.25	\$13.24	\$10.99		

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	MSU	CMU	UCD	PUEBLO	IMPLEMENTATION/ EVALUATION	TOTAL
Year 2&3						
Administrative costs	131,000	133,980	46,350	133,980	-	
FTE	2.0	2.0	-	2.0	-	
Academic credit subsidy	-	-	118,262	-	-	
Student wage subsidy	877,500	644,760	240,381	432,000	-	
Statewide evaluation costs					100,000	
Total costs	1,008,500	778,740	404,993	565,980	100,000	2,858,213
<i>Assumptions - years 2 & 3</i>						
Hours funded	146,250	107,460	32,051	72,000		
Estimated number students	325	375	200	160		
Est. hours/student	450	287	160	450		
Hourly wage assumed	\$16.00	\$12.00	\$15.00	\$15.00		
Subsidy share per hour	\$6.00	\$6.00	\$7.50	\$6.00		
Cost per student	\$3,103	\$2,077	\$2,025	\$3,537		
Cost per student hour	\$6.90	\$7.25	\$12.64	\$7.86		

RATIONALE

THE WORK STUDY PROGRAM

The federal work-study program was created in 1964 to assist low-income students to cover the cost of college through schedule-convenient and career focused work. Typically, students with financial need indicate whether they are interested in a job. If so, they apply for one of a list of work-study jobs available and are paid as they accumulate hours.

As for most financial aid programs, Colorado had built its state work study program around the existing federal work study structure. However, **Colorado has the largest budget for *state-funded work study among all states: \$23.4 million*** or 30 percent more than the next highest state. This means that if the State chose to structure its program somewhat differently in the future, the impact could be meaningful.

The statutory guidelines for work-study at Section 23-3.3-401 are minimal, as is typically the case for state financial aid programs. The primary difference between federal and state work-study is that up to 30 percent of state work-study funds may be allocated to students who do not have financial need, and state work-study funds are solely for undergraduates.

23-3.3-401. Work-study program established - requirements

- (1) The commission shall use a portion of any moneys remaining after meeting the requirements of parts 2 and 3 of this article to provide a work-study program of employment of qualifying students in good standing with the institution in which they are enrolled in positions that are directly under the control of the institution in which the student is enrolled or in positions with nonprofit organizations, governmental agencies, or for-profit organizations with which the institution may execute student employment contracts.
- (2) Any in-state student who is enrolled or accepted for enrollment at an institution as an undergraduate may qualify for participation in the work-study program established pursuant to this section.
- (3) Funds appropriated to the commission may also be used by the commission in conjunction with and to supplement funds for current job opportunities or to supplement or match funds made available through any other public or private program for financial assistance. A sum not to exceed thirty percent of the funds allocated by the commission for the work-study program may be used to provide funding on a basis other than financial need. A sum of not less than seventy percent of such money shall be used for students demonstrating financial need.

This fall, staff surveyed the higher education institutions to gain a better understanding of how state work-study funds are used. The results of this survey indicated that the vast majority of work-study jobs are for on-campus employment. The only exceptions are a few institutions where students work at non-profit organizations. Consistent with federal rules, those non-profits are required to provide a 20-25 percent match rate. None of the institutions reported placing students in work-study positions with for-profit employers.

Providing employment on-campus offers various benefits: students have the opportunity to develop mentoring relationships with campus faculty, and institutional staff are prepared to adjust student schedules. From an institutional perspective, work-study students are free labor and can help provide some services that would otherwise need to be covered by paid staff. However, the on-campus jobs that are available may or may not be closely related to the student's career goals.

At the national level, a number of groups have advocated for changes to the federal work-study program to update the federal allocation process and potentially make it more career-relevant.² While change can be slow at the federal level, experimenting at the state level can be easier. Given the interest in work-based learning, a work-based learning initiative that links to the state work-study program might be fruitful.

WORK-BASED LEARNING AS AN EFFECTIVE EDUCATIONAL PRACTICE

There is considerable research to indicate that well-designed work-based learning opportunities make a difference for students. For example, studies show that students with internship experiences are more likely to find employment post-graduation.³ Furthermore, at institutions with an access mission, students are likely to be employed to support themselves while they study. Combining education with a well-structured work experience may also enable students to complete their education more efficiently if they earn academic credit.

The institutions being considered for this pilot program already have various academic internship and work-based learning opportunities as part of their institutional practices. Those that have studied their own programs find that they make a difference for student outcomes. MSU reports that in a 2014 study, the graduation rate of students who interned in industry while enrolled at MSU was 87.6 percent compared to a 75 percent rate for students with the same major and GPA characteristics who did not participate in a similar experiences. Data from MSU's Outcomes Survey indicates that 49 percent of MSU Denver students in a work-based learning experience received a full time job offer as a result. UCD reports 823 internships in 2018, including roughly 50 percent paid. Over 64 percent of employers offered interns a position post-internship.

The pilot institutions are generally very interested in expanding these options but face limitations related to:

- The institutions' administrative infrastructure for developing relationships with employers;
- Businesses' willingness and ability to take on the cost of both paying interns and providing them sound learning experiences; and
- Students' willingness to participate in unpaid internships due to their other financial and time obligations.

For example, CMU reports that a recent Chamber of Commerce Survey suggested that over 84 percent of the respondents would be likely to utilize interns and student employees in their business if funding were available to assist.

Funding from this pilot program is expected to help the institutions move forward more aggressively on developing work-based learning opportunities, while testing whether this is a cost-effective use of state work-study funds.

² See, for example, Sullivan and Setzer, A Federal Work Study Reform Agenda to Better Serve Low-Income Students, Young Invincibles, September 2014. <http://www.younginvincibles.org/wp-content/uploads/2014/09/Federal-Work-Study-Reform-Agenda-Sept-181.pdf>; Scott-Clayton and Yang Zhou, "Does the Federal Work-Study Program Really Work-and for Whom?", CAPSEE, March 2017. <http://ccrc.tc.columbia.edu/media/k2/attachments/capsee-does-fws-program-really-work.pdf>

³ Saltikoff, The Positive Implications of Internships on Early Career Outcomes, NACE Center for Career Development and Talent Acquisition, May 2017. <http://www.nacweb.org/job-market/internships/the-positive-implications-of-internships-on-early-career-outcomes/>