

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 SUPPLEMENTAL: DEPARTMENT OF HIGHER EDUCATION PRIORITIZED AND NON-PRIORITIZED REQUESTS

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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January 14, 2008

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**DEPARTMENT OF HIGHER EDUCATION
FY 2007-08 SUPPLEMENTAL RECOMMENDATION
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	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF HIGHER EDUCATION					
Executive Director - David Skaggs					
Supplemental #1 - Additional Tuition Spending Authority for the Colorado State University System					
<i>(E) Colorado State University System</i>	289,148,260	310,787,083	10,263,755	10,263,755	321,050,838
FTE	<u>3,815.1</u>	<u>3,852.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
College Opportunity Fund - CFE	<u>123,387,585</u>	<u>133,789,929</u>	<u>0</u>	<u>0</u>	<u>133,789,929</u>
Student Stipend Payments	49,205,538	51,234,630	0	0	51,234,630
Fee-for-service Contracts	74,182,047	82,555,299	0	0	82,555,299
Tuition - CFE	<u>160,416,661</u>	<u>172,427,154</u>	<u>10,263,755</u>	<u>10,263,755</u>	<u>182,690,909</u>
Resident	85,021,401	92,122,373	0	0	92,122,373
Nonresident	75,395,260	80,304,781	10,263,755	10,263,755	90,568,536
Academic Fees - CFE	4,674,014	4,250,000	0	0	4,250,000
Appropriated Grants - CF	500,000	150,000	0	0	150,000
Appropriated Grants - CFE	170,000	170,000	0	0	170,000
Supplemental #2 - Auraria Higher Education Center cash funds spending authority					
<i>(9) Auraria Higher Education Center</i>					
Administration	14,814,761	15,686,087	775,051	0	15,686,087
FTE	<u>123.6</u>	<u>123.6</u>	<u>0.0</u>	<u>0.0</u>	<u>123.6</u>
Cash Funds	14,814,761	15,686,087	775,051	0	15,686,087
Cash Funds Exempt	0	0	0	0	0

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Auxiliary Enterprises - CF	2,440,000	50,000	4,527,392	0	50,000
Total for Supplemental #2	17,254,761	15,736,087	5,302,443	0	15,736,087
FTE	<u>123.6</u>	<u>123.6</u>	<u>0.0</u>	<u>0.0</u>	<u>123.6</u>
Cash Funds	17,254,761	15,736,087	5,302,443	0	15,736,087
Cash Funds Exempt	0	0	0	0	0
<hr/>					
Supplemental #3 - Legal Services related to rules for participating in the College Opportunity Fund and financial aid					
<i>(1) Department Administrative Office</i>					
Legal Services	<u>78,388</u>	<u>32,269</u>	<u>61,484</u>	<u>61,514</u>	<u>93,783</u>
# of Hours (non-add)	<u>1,157</u>	<u>448</u>	<u>854</u>	<u>854</u>	<u>1,302</u>
General Fund	37,070	0	61,484	61,514	61,514
Cash Funds	33,728	26,447	0	0	26,447
Cash Funds Exempt	7,590	5,822	0	0	5,822
<hr/>					
Supplemental HIST #1 - Reorganization to Support New President					
<i>(1) Department Administrative Office</i>					
S.B. 04-257 Amortization Equalization					
Disbursement	<u>47,033</u>	<u>90,400</u>	<u>181</u>	<u>0</u>	<u>90,400</u>
General Fund	0	0	0		0
Cash Funds	21,542	31,473	0		31,473
Cash Funds Exempt	22,295	50,996	181		50,996
Federal Funds	3,196	7,931	0		7,931

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
S.B. 06-235 Supplemental Amortization					
Equalization Disbursement	<u>0</u>	<u>18,834</u>	<u>70</u>	<u>0</u>	<u>18,834</u>
General Fund		0	0		0
Cash Funds		6,557	0		6,557
Cash Funds Exempt		10,624	70		10,624
Federal Funds		1,653	0		1,653
<i>(10) State Historical Society, (D) Gaming Revenue</i>					
Statewide Preservation Grant Program					
Cash Funds Exempt - SHF	16,159,864	17,863,255	(15,852)		17,863,255
FTE	15.7	18.0	0.0		18.0
Society Museum and Preservation					
Operations	6,069,255	6,189,164	15,601	0	6,189,164
FTE	<u>90.9</u>	<u>90.9</u>	<u>0.0</u>		90.9
Cash Funds	695,347	692,748	0		692,748
Cash Funds Exempt - SHF	4,735,188	4,843,309	15,601		4,843,309
Federal Funds	638,720	653,107	0		653,107
Total for Supplemental Hist #1	22,276,152	24,161,653	0	0	24,161,653
FTE	<u>106.6</u>	<u>108.9</u>	<u>0.0</u>	<u>0.0</u>	<u>108.9</u>
General Fund	0	0	0	0	0
Cash Funds	716,889	730,778	0	0	730,778
Cash Funds Exempt	20,917,347	22,768,184	0	0	22,768,184
Federal Funds	641,916	662,691	0	0	662,691

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

Totals Excluding Pending Items					
DEPARTMENT OF HIGHER EDUCATION					
TOTALS for ALL Departmental line items	2,349,014,645	2,525,223,681	15,627,682	10,325,269	2,535,548,950
FTE	<u>19,095.9</u>	<u>19,277.9</u>	<u>0.0</u>	<u>0.0</u>	<u>19,278</u>
General Fund	693,585,640	746,248,858	61,484	61,514	746,310,372
Cash Funds	36,742,347	22,479,472	5,302,443	0	22,479,472
Cash Funds Exempt	1,592,289,678	1,736,017,115	10,263,755	10,263,755	1,746,280,870
Federal Funds	26,396,980	20,478,236	0	0	20,478,236

Statewide Common Policy Supplementals

(see narrative for more detail)	<u>N.A.</u>	<u>N.A.</u>	<u>109,379</u>	<u>Pending</u>	<u>N.A.</u>
Cash Funds			(21,855)		
Cash Funds Exempt			131,234		

Totals Including Pending Items in Request					
DEPARTMENT OF HIGHER EDUCATION					
TOTALS for ALL Departmental line items	2,349,014,645	2,525,223,681	15,737,061	10,325,269	2,535,548,950
FTE	<u>19,095.9</u>	<u>19,277.9</u>	<u>0.0</u>	<u>0.0</u>	<u>19,277.9</u>
General Fund	693,585,640	746,248,858	61,484	61,514	746,310,372
Cash Funds	36,742,347	22,479,472	5,280,588	0	22,479,472
Cash Funds Exempt	1,592,289,678	1,736,017,115	10,394,989	10,263,755	1,746,280,870
Federal Funds	26,396,980	20,478,236	0	0	20,478,236

Key:

"N.A." = Not Applicable

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Supplemental # 1 - Additional Tuition Spending Authority for the Colorado State University System

	Request	Recommendation
Total	\$10,263,755	<u>\$10,263,755</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	10,263,755	10,263,755
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **NO**
 [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]

The Department argues that this request fits the criteria of new data indicating a substantial change in funding needs. However, the request is related to the tuition rates charged by the institution, and the governing board exercises some control over the tuition rates. The "new data" category is usually applied when information is discovered about factors that are at least partially outside the control of a department, such as enrollment. There is no JBC supplemental category for policy decisions by an agency that are intentionally designed to increase revenues in excess of the spending authority.

While the request does not appear to meet the JBC's traditional supplemental criteria, staff believes that the JBC should still consider the request based on the following language in footnote 47:

It is the intent of the general assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session.

This language anticipates a supplemental request.

Department Request: The Department requests \$10,263,755 cash funds exempt tuition spending authority for the Colorado State University System. The Department projects that enrollment at CSU will exceed the forecast used to establish the FY 2007-08 tuition spending authority, but the additional spending authority for enrollment increases will be addressed through the Enrollment/Tuition and Stipend Contingency line item. This supplemental request is for spending authority related to tuition rate increases.

The CSU system implemented the following tuition rate increases for full-time students:

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Institution	FY 2006-07 Resident Tuition (30 CHRS)	FY 2007-08 Resident Tuition (30 CHRS)	Dollar Difference	Percent Difference	Percent of all credit hours assessed by the campus
<i>Colorado State University - Fort Collins</i>					
Undergraduate					
Resident	\$3,466	\$4,040	\$574	16.6%	
<i>Differential Rates:</i>					
High Cost Programs	\$3,646	\$4,220	\$574	15.7%	32.5%
College of Business	\$4,036	\$4,610	\$574	14.2%	7.7%
College of Engineering	\$3,841	\$4,415	\$574	14.9%	2.9%
Department of Computer Science	\$3,841	\$4,415	\$574	14.9%	1.5%
Upper Division Courses	\$3,526	\$4,160	\$634	18.0%	36.3%
Graduate					
Education & General	\$4,248	\$4,887	\$639	15.0%	
Professional Veterinary Medicine	\$11,416	\$13,128	\$1,712	15.0%	
<i>Colorado State University - Pueblo</i>					
Undergraduate					
Resident	\$2,975	\$3,184	\$208	7.0%	
Business, Nursing, Computer Info. Sys., Engineering	\$3,425	\$3,671	\$246	7.2%	
Graduate					
Resident	\$2,975	\$3,184	\$208	7.0%	
Business, Nursing, Computer Info. Sys., Engineering	\$3,875	\$4,159	\$284	7.3%	

The increases were less for some categories of students at Fort Collins that take less than a full-time credit load. However, CSU estimates that roughly 96 percent of the student body at Fort Collins takes 9 credit hours or more and would be impacted by the percentage increases described in the table above.

Footnote 47 in the FY 2007-08 Long Bill authorized the following tuition increases for Colorado State University:

Undergraduate resident tuition credit hour rate increases are limited to 7%. However, for research institutions, governing boards have the option to set tuition levels within a 7% total tuition revenue limit, provided that all resident undergraduate students with any unmet need (i.e., Levels 1, 2 and 3) receive sufficient financial aid to cover any increase in unmet need resulting from an increase in tuition credit hour rates above 5%. These limitations are intended to restrict resident tuition rate increases. It is the intent of the General Assembly that institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session. The General Assembly will not back-fill lost revenue from nonresident tuition if governing boards increase nonresident tuition rates above market conditions.

Colorado State University believes that the tuition rate increases that were implemented comply with the parameters of footnote 47. The second sentence allows research institutions to set tuition, "within a 7% total tuition revenue limit." Total tuition includes both resident and nonresident tuition. If nonresident tuition rate increases are repressed, an institution could increase resident tuition rates by more than 7 percent and still

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comply with a total funds limit of 7 percent. CSU projects that all of the resident tuition increases it applied would have been possible within a 7 percent limit if nonresident tuition was held flat.

However, CSU did not hold nonresident tuition flat, because it believes that the third and fourth sentences of the footnote restrict the institution to using the 7 percent revenue limit only when calculating the permissible resident tuition increases. Pursuant to the fourth sentence of the footnote "institutions may increase nonresident tuition rates to reflect market conditions and that any additional spending authority necessary for nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2008 legislative session." With this interpretation of the footnote, the supplemental request is just for nonresident tuition spending authority only. The institution feels that it already has sufficient spending and footnote authority for the resident tuition rate increases that it implemented.

Staff Recommendation: The language in footnote 47 is sufficiently ambiguous that staff can't definitively say that the interpretation of the footnote employed by CSU violated legislative intent. Furthermore, an argument could be made that the footnote promises supplemental spending authority will be forthcoming for nonresident tuition. **Therefore, staff recommends approval of the supplemental request in concept.** However, staff believes that the JBC may want to wait to introduce the tuition adjustment in a supplemental add-on to the Long Bill. Legislative Council Staff will issue a new revenue estimate incorporating spring tuition and enrollments in mid-February. The estimated spending authority necessary for CSU may change, and there may be other institutions that require supplemental tuition spending authority. Waiting until the new revenue forecast comes out would provide a check for the JBC on how accurately CSU has estimated the magnitude of the overage.

At figure setting last year, staff estimated that a 7 percent increase in resident and nonresident tuition would generate \$11.7 million in total new tuition revenue for CSU. At the time CSU set tuition rates for FY 2007-08, it projected that the resident tuition increases would generate no more than \$11.7 million in new revenue. For the supplemental, CSU submitted a revised revenue forecast that estimated resident tuition revenues will increase \$12.9 million in FY 2007-08. The difference of \$1.2 million is attributable to larger resident enrollment than CSU originally expected, both in total and in the proportion of students taking higher cost courses. It's possible that the estimate of resident enrollment initially used by CSU to justify the resident tuition increases was disingenuously low, but a \$1.2 million difference is also within the margin of error one might reasonably expect from an enrollment forecast, especially when the institution implements significant changes to the tuition structure that impact sub-populations of the student body differently. Furthermore, the figures for resident tuition submitted by CSU with the supplemental were based on a projection in December. The actual resident revenues for the fiscal year may still be lower or higher.

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If the JBC feels that the interpretation by CSU of footnote 47 was incorrect, then staff would recommend that the JBC approve the tuition spending authority, but reduce the General Fund for CSU's fee-for-service contract. If the JBC denies the request for tuition authority, staff is unsure how CSU would respond, and what the statutes would require of CSU. The General Assembly might need to go to court to enforce its authority over tuition. Whether the General Assembly went to court or not, the response by CSU might set precedents that would govern future discussions of tuition. Reducing the General Fund for CSU would restrict the operating resources of the institution just as reducing tuition would, but without inviting legal conflict. The JBC could appropriate money taken from the CSU fee-for-service contract to CCHE for financial aid, if it wants to refund tuition to the CSU students. Realistically, the Department wouldn't be able to track down every student that has paid the higher rates to date, but at a minimum it could distribute the funds broadly to the students that have applied for financial aid in the Spring semester.

Reducing the General Fund for CSU by \$10.3 million halfway through the fiscal year, after the institution has already expended resources based on the assumption that it will have all of the revenue available, might represent a hardship for CSU (\$10.3 million is 7.7 percent of the General Fund and 3.3 percent of the total appropriation for CSU in FY 2007-08). Another option for the JBC would be a symbolic General Fund reduction that is sufficiently large to send a message, but not so large that it disrupts programs. The JBC could target the figure of \$1.2 million noted above that is the difference between the Department's estimate of new revenue from resident students and the JBC projection at figure setting last year of the revenue from a total tuition increase of 7 percent.

If the JBC decides to reduce General Fund for CSU, then it may also want to consider reducing General Fund for some of the other higher education institutions. As illustrated in the table below, CSU was not the only governing board to implement double-digit resident tuition increases using a liberal interpretation of footnote 47. None of the other institutions have submitted supplemental requests to date, but the schools only have revenue figures from one semester. It's possible that other schools will need supplemental spending authority when new revenue estimates incorporating spring tuition and enrollment come out in mid-February. Some of the institutions that implemented large resident undergraduate tuition rate increases compensated by limiting tuition rate increases for nonresidents and other categories of students in an attempt to keep the total revenue increase within the appropriated spending authority. For example, at CU Boulder approximately two thirds of the nonresident students did not have any increase in tuition because they are in a program that holds tuition rates constant for four years. The remaining nonresident students experienced a 5 percent increase in the tuition rate. Because the nonresident tuition rate is so much higher than the resident tuition rate, and because CU has a large number of nonresident students, these limitations on tuition increases for nonresidents meant CU could implement large percentage increases in resident tuition rates without exceeding the total appropriated spending authority.

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Institution	FY 2006-07 Resident Tuition (30 CHRS)	FY 2007-08 Resident Tuition (30 CHRS)	Dollar Difference	Percent Difference	Overall Tuition Revenue Limit Category
University of Colorado - Boulder					
All-Other	4,554	5,418	864	19.0%	7.0%
Business	7,254	8,632	1,378	19.0%	
Engineering	5,994	7,498	1,504	25.1%	
Journalism/Music	4,734	5,628	894	18.9%	
University of Colorado - Colorado Springs					
Incoming Freshman	4,066	5,190	1,124	27.6%	7.0%
Continuing Freshman & Sophomores	4,066	4,350	284	7.0%	
Jr & Sr in LAS	4,264	4,562	298	7.0%	
Upper Division Business & Engineering	4,508	4,824	316	7.0%	
Jr & Sr in Beth El Nursing & Health Sciences	6,250	6,688	438	7.0%	
Certificate in Education	4,264	4,562	298	7.0%	
University of Colorado - Denver					
All Freshmen & Sophomores	4,330	5,054	724	16.7%	7.0%
Juniors & Seniors in Liberal Arts & Science, Non-Degree	4,330	5,184	854	19.7%	
Juniors & Seniors in Arts & Media, Business & Engineering	4,806	5,184	378	7.9%	
Colorado State University - Fort Collins					
Resident	3,466	4,040	574	16.6%	7.0%
High Cost Programs	3,646	4,220	574	15.7%	
College of Business	4,036	4,610	574	14.2%	
College of Engineering	3,841	4,415	574	14.9%	
Department of Computer Science	3,841	4,415	574	14.9%	
Upper Division Courses	3,526	4,160	634	18.0%	
Colorado State University - Pueblo					
Base	2,975	3,184	208	7.0%	7.0%
Business, Nursing, Computer Info. Sys., Engineering	3,425	3,671	246	7.2%	
Fort Lewis College	2,522	2,684	162	6.4%	5.0%
University of Northern Colorado					
Resident	3,276	3,600	324	9.9%	7.0%
Music, Theatre, and Nursing	3,636	3,960	324	8.9%	
Business	3,756	4,080	324	8.6%	
Adams State College	2,030	2,328	298	14.7%	5.0%
Mesa State College	3,442	3,893	451	13.1%	5.0%
Metropolitan State College of Denver	2,447	2,432	-15	-0.6%	5.0%
Western State College	2,554	2,688	134	5.3%	5.0%
Colorado School of Mines	7,852	8,764	912	11.6%	7.0%
Community Colleges	2,237	2,315	78	3.5%	3.5%

Regardless of the JBC's decision on supplemental #1, staff recommends that the JBC use less convoluted language for the tuition footnote in FY 2008-09. If the intent is to allow resident tuition increases of as much as 25 percent, then that should be stated in the footnote.

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Supplemental #2 - Auraria Higher Education Center cash funds spending authority

	Request	Recommendation
Total	<u>\$5,302,443</u>	<u>\$0</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	5,302,443	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
The JBC anticipated that AHEC would be able to designate internal service charges, or perhaps all of AHEC, as an enterprise in FY 2007-08. However, due to capital appropriations AHEC projects that it will receive more than 10 percent of its funding from state and local grants, and therefore will not qualify as an enterprise. This is <i>an unforeseen contingency</i> .	

Department Request: Internal service charges between AHEC and the resident institutions of the campus for things like lock smithing, postage, fleet management, special event security, room rentals, minor remodeling, and telephone moves have historically not appeared in the Long Bill. Now that the resident institutions of the campus are designated as enterprises, but AHEC is not, the internal service charges are crossing the TABOR boundry. The State Controller will not allow AHEC to record the expenditures unless cash funds spending authority is provided by the General Assembly. In order to record the expenditures, AHEC needs \$5.3 million additional cash funds spending authority in FY 2007-08. The JBC approved similar supplementals in FY 2005-06 and FY 2006-07, but never increased the base cash funds authority for AHEC on the assumption that AHEC would apply for and achieve enterprise status.

Staff Recommendation: Staff does not recommend approval of the request. The JBC voted to carry a bill to eliminate Section 23-1-103.5, C.R.S., which is the provision in statute that requires all TABOR revenues earned by a higher education institution to be appropriated in the Long Bill. Eliminating Section 23-1-103.5, C.R.S. would eliminate the need for this supplemental.

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Supplemental # 3 - Legal Services related to rules for participating in the College Opportunity Fund and financial aid

	Request	Recommendation
General Fund	61,484	61,514

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	
The amount of legal expenses related to the lawsuit with Colorado Christian University is an <i>unforeseen contingency</i> .	

Department Request: The Department requests \$61,484 General Fund spending authority for legal expenses related to a lawsuit brought by Colorado Christian University over the Department's decision to deny participation by the institution in the College Opportunity Fund Program and in financial aid programs. The Department believes that Colorado Christian University's application failed to demonstrate that the institution meets the statutory criteria for participation in the two programs, and specifically the provisions in statute that prohibit the participation of institutions that are prevasively sectarian or theological. The Department's request represents an increase of approximately 854 hours over the current appropriation.

Staff Recommendation: Staff recommends funding for an additional 854 hours of legal services. The Department's legal budget is primarily to pay for contract and rule review. It is not sufficient to cover significant litigation expenses. The JBC approved a similar supplemental for FY 2005-06 and for FY 2006-07, but did not provide an increase in legal services for FY 2007-08 because the Department indicated that it expected legal expenditures for the case to diminish. That has not occurred.

In May 2007 the federal district court ruled in favor of the Colorado Commission on Higher Education, but Colorado Christian University has appealed to the US 10th Circuit Court of Appeals. The Department anticipates that the case may be appealed to the U.S. Supreme Court, based on the recent experience of similar issues related to K-12 education. Through December 2007 CCHE has been billed \$54,334 for legal services. Of that amount, \$41,407 is attributable to the Colorado Christian University case.

The staff recommendation is \$30 higher than the request based on using the common policy blended rate for attorney and paralegal hours. The supplemental will require a corresponding increase in cash funds exempt spending authority for the Department of Law.

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Supplemental Hist # 1 - Reorganization to Support New President

	Request	Recommendation
Total	<u>\$0</u>	<u>\$0</u>
Statewide Preservation Grant Program	(15,852)	0
Society Museum and Preservation Operations	15,852	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	NO
<p>The Historical Society submitted the request under the criteria of an unforeseen contingency. However, staff believes that the Historical Society has been provided significant budget flexibility through a lump sum program line item in order to address issues like this administrative restructuring to optimize operations. In establishing the program budget format for the Society, the JBC foresaw the need for Society to be able to realign resources to respond to changes in the environment, and delegated sufficient budget authority that the Society should be able to address an issue of this magnitude within existing resources.</p>	

Department Request: The Department requests transferring \$15,852 of the appropriation from the State Historical Fund for statewide preservation grants to the administration of the Society to pay for a chief operating officer. This amount will annualize to \$63,716 in FY 2008-09. The Society is eliminating one accounting technician position that it believes is no longer needed, due to automation of certain procurement procedures. The requested supplemental funding is for the difference between the compensation for the accounting technician (\$35,990 annually) and the proposed chief operating officer position (\$99,706 annually) for a period of three months.

According to the Society, the new director is spending more time than the previous director did meeting with external parties to increase fund raising, public-private partnerships, and museum attendance. As a result, the new director desires a chief operating officer to help with management and administrative duties performed by the previous director. The previous director flattened the organization and eliminated a chief operating officer position. The new director would reinstate that chief operating officer position.

Approval of the request would reduce the resources available for statewide preservation grants. These include grants for state projects, such as the renovation of the Capitol and proposed relocation of the Society, as well as grants for local and private preservation and restoration.

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Staff Recommendation: Staff does not recommend the request. When the previous director eliminated the chief operating officer position, the society did not refund spending authority. Rather, the Society reallocated the resources that had been spent on the chief operating officer to other priorities. If the Society wants to recreate the chief operating officer position, it should take back those resources it allocated to other priorities. This may take time and require the Society to wait for some attrition before it can get funding aligned to the new Director's vision. However, the Society manages 90.9 FTE in one administrative line item. The requested increase in funding, when fully annualized, represents one percent of the appropriation. Staff believes that the Department has sufficient budget flexibility to address the proposed restructuring within existing resources.

Part of the justification for the new chief operating officer position is the amount of time that the new director is spending raising funds and creating new partnership opportunities. Presumably this will translate into new resources for the Society (and if it doesn't then the Society should question why the new director is spending so much time away from day-to-day management). The Society has statutory authority to expend gifts grants and donations. Staff recommends that the Society explore an indirect cost recovery from grants and contracts to help address the chief operating officer position.

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet . These items will be acted on separately by the JBC when it makes a decision regarding common policies.

Department of Higher Education's Portion of Statewide Supplemental Request	Total	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
1. Workman's Compensation True-up	(\$2,516)	\$0	(\$1,998)	(\$518)	\$0	0.0
2. Risk Management True-up	3,639	0	290	3,349	0	0.0
3. GGCC True-up	108,256	0	(20,147)	128,403	0	0.0
Total Statewide Supplemental Requests for Department of Higher Education	109,379	0	(21,855)	131,234	0	0.0

Staff Recommendation: The staff recommendation for these requests is pending committee approval of common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the committee approves this common policy supplemental. If staff believes there is reason to deviate from the common policy, staff will appear before the committee later to present the relevant analysis.