

TOPIC: FISCAL YEAR 2010-11 COMMISSION BUDGET REQUEST

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I. SUMMARY AND BACKGROUND

This action item presents the proposed FY10-11 budget request submission to the Joint Budget Committee (JBC) from the Colorado Commission on Higher Education as provided by statute: “The funding recommendation made by the commission for state-supported institutions of higher education shall be made to the governor and the general assembly as part of the budget request for the department of higher education...” (C.R.S. 23-1-105 (8)). The budget request the Commission approves will be submitted to the JBC on November 2, 2009. The submission of the Department’s separate FY10-11 budget request will be included as a part of the Governor’s statewide budget submission which will also be submitted on November 2, 2009.

This request is a result of the current economic downturn and its impact on revenues available for programs funded out of the state’s General Fund. To date, higher education institutions have been cut about \$150 million in FY09-10 from the amount originally appropriated in FY08-09. Due to the June 22, 2009 revenue forecast from the Legislative Council, the Governor proposed an additional FY09-10 reduction of about \$81 million to the institutions of higher education. This second reduction is contingent upon a waiver from the maintenance of effort (MOE) clause within the American Reinvestment and Recovery Act (ARRA) and has not yet received legislative approval as part of the Governor’s larger statewide budget balancing proposal. Both of these cuts are, or are recommended, to be fully backfilled with federal moneys from the ARRA in FY09-10. In FY10-11, the Governor’s proposal states that the \$150 million reduction will be backfilled from ARRA funds and the \$81 million cut from state General Fund. The net result from these reductions is that state operating support to the governing boards, local district colleges, and the area vocational schools has been reduced 33 percent from about \$705 million to \$474 million. Just like in previous recessions, higher education has been reduced at a greater percentage than other state agencies/programs to balance the state budget to available revenue. However, thus far these cuts have been restored with federal funds from the ARRA legislation.

The original \$150 million reduction was implemented by taking each governing board/institution of higher education back to the FY05-06 funding level for state support. This was the largest reduction that could be made under the provisions of ARRA without applying for a waiver. In short, the state funding gains that each institution had realized the last few years were reversed. The proposed methodology to distribute the \$81 million second reduction is based on a three part model that considered each governing board’s institution’s percentage of total state support, the percentage of total revenues (General Fund and resident and nonresident tuition), and a positive enrollment adjustment for governing board’s with FTE growth from FY05-06 to FY08-09.

Staff recommends the Commission approve and submit to the JBC a FY10-11 budget request that:

- Restores the \$81 million reduction with General Fund and the original \$150 million reduction with ARRA funds;
- Maintains current funding for the state's financial aid programs; and,
- Allows 9% tuition rate increases for resident undergraduate students on average while placing no limits on the tuition rate or revenue increases for resident graduate students and nonresident students.

This request recognizes the continuing impact of the economic downturn on projected available state revenues in FY10-11 while advocating protecting higher education from further budget reductions. Under this proposal, higher education still faces a shortfall of \$150 million in FY11-12 when the federal ARRA funds are no longer available to cover the reductions that have been made to balance the budget thus far.

II. STAFF ANALYSIS

College Opportunity Fund to the Governing Boards / Local District Colleges / Area Vocational Schools

Staff recommends the Commission submit a budget request that restores the second FY09-10 reduction with General Fund in FY10-11, maintaining the FY05-06 minimum state funding levels and FY08-09 levels when combined with ARRA SFSF funds. For the governing boards, funding would be distributed through COF stipends and fee for service contracts once better enrollment data become available later in the year. This request honors the requirements of ARRA and ensures the state does not have to return its share of federal stimulus funding.

Restoring the second reduction to the governing boards, local district colleges, and the area vocational schools in FY10-11 means the state would provide \$555,289,004 in General Fund and the ARRA would provide \$150,676,055 in federal funds in FY10-11. The following chart shows how these funds would be distributed in the request:

State and Federal Operating Funding for Colorado Public Institutions of Higher Education		Requires Waiver from ARRA MOE		Reconciliation to FY 2010-11	
		Revised FY 2009-10 <4>		Anticipated FY 2010-11 <5>	
Institutions of Higher Education	Original FY 2008-09 General Fund from the College Opportunity Fund	General Fund from the College Opportunity Fund	State Fiscal Stabilization Funds	General Fund from the College Opportunity Fund	State Fiscal Stabilization Funds
Adams State College	\$ 14,608,449	\$ 10,657,661	\$ 3,950,788	\$ 12,149,322	\$ 2,459,127
Mesa State College	\$ 24,005,607	\$ 17,720,246	\$ 6,285,361	\$ 19,888,392	\$ 4,117,215
Metropolitan State College of Denver	\$ 49,713,412	\$ 35,927,429	\$ 13,785,983	\$ 39,778,568	\$ 9,934,844
Western State College	\$ 12,173,017	\$ 8,606,904	\$ 3,566,113	\$ 9,892,147	\$ 2,280,870
Colorado State University System	\$ 146,891,512	\$ 96,204,335	\$ 50,687,177	\$ 113,620,028	\$ 33,271,484
Fort Lewis College	\$ 12,736,330	\$ 7,176,718	\$ 5,559,612	\$ 8,757,822	\$ 3,978,508
University of Colorado System	\$ 209,099,449	\$ 129,191,150	\$ 79,908,299	\$ 159,103,982	\$ 49,995,467
Colorado School of Mines	\$ 23,237,386	\$ 15,516,093	\$ 7,721,293	\$ 18,793,625	\$ 4,443,761
University of Northern Colorado	\$ 44,086,311	\$ 30,046,755	\$ 14,039,556	\$ 35,176,878	\$ 8,909,433
Community College System	\$ 142,320,783	\$ 106,328,825	\$ 37,458,372	\$ 118,134,152	\$ 25,653,045
Local District Junior Colleges	\$ 15,890,257	\$ 10,765,675	\$ 5,124,582	\$ 12,601,934	\$ 3,288,323
Area Vocational Schools	\$ 11,202,546	\$ 6,315,025	\$ 3,421,107	\$ 7,392,154	\$ 2,343,978
Sub-totals by General Fund and State Fiscal Stabilization Funds	\$ 705,965,059	\$ 474,456,816	\$ 231,508,243	\$ 555,289,004	\$ 150,676,055
August 2009 adjustment to FY 2009-10 =>		\$ (80,832,188)	\$ 80,832,188		
TOTAL by Fiscal Year		\$705,965,059		\$705,965,059	
<1> FY 2005-06 Source: S.B. 05-209, S.B. 05-518, H.B. 06-1370, & H.B. 06-1385					
<2> FY 2008-09 Source: H.B. 08-1375, S.B. 08-79, & S.B. 08-166, & S.B. 09-259					
<3> FY 2009-10 Source: S.B. 09-259 & <i>S.B. 09-043</i>					
<4> FY 2009-10 Source: Based on calculations described in this fact sheet and requires a waiver from the ARRA MOE funding level cap					
<5> FY 2010-11 Source: Reconciliation to anticipated FY 2010-11, November 1, 2009 request.					

Financial Aid

It is recommended that the state's financial aid program be held to FY09-10 appropriated levels in FY10-11. In FY09-10, the state eliminated funding to its merit aid program (\$1.5 million) and the Academic Competitiveness Grant match (\$1.6 million), but protected from budget cuts need-based aid, work-based aid, and the other categorical financial aid programs. Under this recommendation, FY10-11 funding for the state's financial aid programs would be as follows:

- Need Based Grants - \$74,118,734
- Work Study - \$16,612,357

• Required Federal Match -	\$3,026,350
• Veteran's/Law Enforcement/POW Tuition Assistance -	\$364,922
• National Guard Tuition Assistance Fund -	\$800,000
• Native American Students/Fort Lewis College -	\$9,622,969
• Nursing Teacher Loan Forgiveness Pilot -	\$161,600
• Teach Colorado Grant Initiative -	\$500,000

Tuition

Staff recommends the Commission approve an additional \$82,114,654 in tuition spending authority based on 9% tuition rate increases for resident undergraduate students. Staff recommends governing boards be granted the authority to raise resident undergraduate tuition rates by an average of 9%, meaning that some programs could see larger than 9% increases. The recommendation does not recommend any limit on the tuition rates governing boards may charge to resident graduate students and all nonresident students; however, for budgeting purposes staff has assumed that governing boards will increase resident graduate rates by the same rate as the undergraduate rate increase and all nonresident tuition rates by five percent (5%) in order to request the total tuition spending authority budget need in FY 2010-11. If needed, governing board spending authority will be adjusted through the supplemental process during FY 2010-11; however, in the event a governing board's tuition policy results in a loss of revenue for the institution, no supplemental for state General Fund will be in order to cover the loss.

The following chart shows the estimated additional tuition spending authority by governing board and residency:

FY 2010-11 Requested Tuition Spending Authority Projection					
		FY 2009-10 Tuition Spending Authority (Estimated Split)	FY 2010-11 Tuition Rate Increase	FY 2010-11 Revenue Increase	FY 2010-11 Total Tuition Spending Authority
Adams State College	Resident	5,120,070	9%	460,806	5,580,876
	Nonresident	2,826,798	5%	141,340	2,968,138
	Total	7,946,868		602,146	8,549,014
Mesa State College	Resident	23,153,239	9%	2,083,792	25,237,031
	Nonresident	4,578,784	5%	228,939	4,807,723
	Total	27,732,023		2,312,731	30,044,754
Metropolitan State College of Denver	Resident	54,853,147	9%	4,936,783	59,789,930
	Nonresident	6,639,988	5%	331,999	6,971,987
	Total	61,493,135		5,268,782	66,761,917
Western State College	Resident	4,993,872	9%	449,448	5,443,320
	Nonresident	4,353,599	5%	217,680	4,571,279
	Total	9,347,471		667,128	10,014,599
Colorado State University -	Resident	125,511,413	9%	11,296,027	136,807,440
	Nonresident	103,737,703	5%	5,186,885	108,924,588
	Total	229,249,116		16,482,912	245,732,028
Fort Lewis College	Resident	8,024,904	9%	722,241	8,747,145
	Nonresident	18,284,248	5%	914,212	19,198,460
	Total	26,309,152		1,636,453	27,945,605
University of Colorado - System	Resident	311,656,933	9%	28,049,124	339,706,057
	Nonresident *	285,035,308	5%	3,562,941	288,598,249
	Total	596,692,241		31,612,065	628,304,306
Colorado School of Mines	Resident	34,715,919	9%	3,124,433	37,840,352
	Nonresident	31,964,792	5%	1,598,240	33,563,032
	Total	66,680,711		4,722,673	71,403,384
University of Northern Colorado	Resident	41,569,972	9%	3,741,297	45,311,269
	Nonresident	14,443,651	5%	722,183	15,165,834
	Total	56,013,623		4,463,480	60,477,103
Community College - System	Resident	143,950,164	9%	12,955,515	156,905,679
	Nonresident	27,815,383	5%	1,390,769	29,206,152
	Total	171,765,547		14,346,284	186,111,831
Totals	Resident	753,549,633		67,819,466	821,369,099
	Nonresident	499,680,254		14,295,188	513,975,442
	Total	1,253,229,887		82,114,654	1,335,344,541

* The University of Colorado System's Nonresident percentage increase (5%) is only on one-fourth (1/4) of the Nonresident base [Nonresident base * 5% * (1/4) = Nonresident request].

Below is the requested footnote language for FY10-11:

Governing Boards:

It is the intent of the General Assembly that any increase in the full time resident undergraduate average tuition rate not exceed 9% at the University of Colorado System, the Colorado State University System, the Colorado School of Mines, the University of Northern Colorado, Adams State College, Mesa State College, Metropolitan State College of Denver, Fort Lewis College, Western State College, and the Colorado Community College System. It is the intent of the General Assembly that the governing boards may

increase resident graduate and all nonresident tuition rates to reflect market conditions and that any additional spending authority necessary to cover resident graduate and nonresident tuition rate increases will be addressed through a supplemental appropriation during the 2011 legislative session. The General Assembly will not back-fill for nonresident tuition revenue lost if a nonresident tuition increase results in a net reduction in nonresident tuition revenues.

RECOMMENDED ACTION

That the Commission approve the FY10-11 budget request for College Opportunity Fund, local district colleges, area vocational schools, state financial aid programs, and tuition policy for the governing boards and submit this request to the Joint Budget Committee on November 2, 2009.

STATUTORY AUTHORITY

C.R.S. 230-1-105 Duties and powers of the commission with respect to appropriations