



Accelerated Erosion of State Support -Fifty Percent Overall Reduction:

What it Means to Colorado Public Higher Education

November 2010



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Dear Chairman Ferrandino and Members of the Joint Budget Committee:

Senate Bill 10-003 tasked the Governing Boards of Colorado's public institutions of higher education to prepare a report *"describing, with regard to each institution under its governance, the Governing Boards plan to fund the institutions in the following fiscal year if the General Assembly reduces overall state funding for higher education by fifty percent"*. The following report fulfills this statutory charge.

As a forward to the report, we believe that Colorado's economic strength is dependent upon a strong system of higher education and a well educated workforce. Further reductions in state support will jeopardize the state's long-term economic success.

As leaders within the system of higher education in Colorado, we appreciate the need to communicate the impact of a 50 percent reduction of state funding to the system. With the economic downturn, our institutions have intensified their efforts at increasing efficiencies, reducing administrative overhead, and eliminating outdated programs to manage to existing resources. The federal American Recovery and Reinvestment Act, which provided backfill funding as the state's own funding for higher education declined, has provided time to plan and make these adjustments in a thoughtful measured approach to avoid large disruptions to our fundamental mission of providing high quality education to our students. All the while we have ensured higher education remains affordable for Colorado's low and middle income students.

Over the past decade, our institutions have experienced the ongoing erosion of state support which makes meeting the needs of our students, the workforce and the state more challenging. We have thus far met this challenge by being one of the most productive public higher education systems in the country; however, we are near the tipping point where additional reductions in state support (as illustrated in the following report) will result in numerous negative outcomes for Colorado's current and future students and families, hurting the economy and leading to a stagnant future.

Signed,

CCHE Members

Scope and purpose of report

During the 2010 Legislative Session, the General Assembly passed and the Governor signed into law Senate Bill 10-003. The new law provides flexibility to public institutions of higher education to assist them in an environment of diminishing state resources. The law allows local governing boards to set their students' tuition, with an approval process with the Colorado Commission on Higher Education in instances where the increase exceeds 9 percent for undergraduate resident students for five years (FY 2011-12 thru FY 2015-16). This legislation also tasked each Governing Board to prepare a plan to fund its institution in the following fiscal year (FY 2011-12), "*if the General Assembly was to reduce overall state funding for higher education by fifty percent (50%)*". This report provides system-wide and Governing Board-specific scenarios based on an overall state funding reduction of 50 percent for public higher education from FY 2010-11 to FY 2011-12.

Problems associated with listing specific cuts

In preparing hypothetical responses to the 50 percent scenario, the Governing Boards have identified likely outcomes for their particular institutions, but have not formulated a list of specific cuts associated with only 50 percent of state funding. Differing Governing Boards have disparate capacity to respond – some can absorb more dramatic cuts, while the impact to others will be more devastating. Rather than speculate as to which programs and staff would be reduced under this situation, the Governing Boards have presented the following:

- What would the impact of the reduction be on the institutions' ability to serve one or more of the following groups:
 - Low-income students;
 - Underrepresented students;
 - First-time students; and
 - Students with limited access to technologies to support learning.
- What would the reduction mean for the institutions' operations; and
- What would be the economic impact of the reduction.

How this report can be beneficial

The information included in this report provides the General Assembly, Governor's Office and general public with a clear understanding of what this type of reduction, divestment, and loss of public assets would mean for the system of public higher education, for institutions and students, and for the future of our state.

Economic impact of higher education

Although the public may not be fully aware, Colorado's public institutions of higher education have a tremendous impact on the local, regional and statewide economy. Various studies indicate that taxpayer investment in public higher education leads to a number of positive outcomes and is correlated to a more prosperous economy, higher employment rates, and a higher standard of living.

- The public higher education sector is one of the largest employers in the state, bigger than Natural Resources/Mining, Heavy Construction, Computers/ Electronics, Telecommunications or Federal Government. It accounts for over half of all state government jobs.^a
- Public Institutions of Higher Education support over 95,000 jobs and contribute \$4.25 billion in wages and salaries. This results in an additional \$357 million in state and local tax revenues to Colorado's annual economy.^a
- For every \$100 million of state funding that is spent on institutions of higher education annually:
 - Colorado generates almost \$150 million in other sectors of the state's economy;^a
 - Colorado creates 3,063 jobs which pay over \$87 million in wages and salaries;^a
 - The \$87 million in wages and salaries generates \$8 million in tax revenues.^a
- Every \$1 paid to a higher education employee generates another \$0.97 in wages and salaries for employees in other industries as it circulates through the Colorado economy;^a
- Each higher education job generates 0.69 additional jobs in other industries as goods and services are purchased for the institutions and as employees buy goods and services for their personal use.^a

Further, Colorado's public research institutions of higher education make an enormous contribution to the state's innovation and productivity. For example:

- The University of Colorado System (four campuses) secured more than \$847 million in sponsored research funding in fiscal year 2009-10;^b
- Colorado State University – Fort Collins obtained more than \$312 million in federal research awards in the current fiscal year;^c and
- Colorado School of Mines secured more than \$53 million in 2009-2010 to advance research and technology in the critical areas of energy, earth's resources, advanced materials and the environment.^d

^a "Impact of Higher Education on the State of Colorado", The Adams Group, December 2007.

http://highered.colorado.gov/Publications/Studies/2007/200712_ImpactofHE.pdf

^b University of Colorado System Press Release, August 5, 2010.

<https://www.cu.edu/category/storytype/2010stories>

^c Colorado State University System On-line Fact Sheet, Fall 2010.

<http://csusystem.edu/pages/system-about.asp#facts>

^d Colorado School of Mines On-line Fact Sheet, Fall 2010.

<http://mines.edu/FactsStats>

Social impact of higher education

In addition to the benefit public institutions of higher education have on the economy, they indirectly contribute to the community based on the education attainment rate of individuals. Higher levels of educational attainment have a positive correlation with^e:

- increased personal income;
- increased workforce participation and job satisfaction;
- improved health and longer life expectancy;
- higher levels of volunteerism and social engagement;
- greater participation in artistic, cultural, and civic pursuits;
- decreased rates of unemployment;
- decreased incarceration rates;
- decreased poverty levels; and
- decreased dependence on Medicaid and other social service programs.

^e “Education Pays: The Benefits of Higher Education for Individuals and Society”, College Board – Advocacy and Policy Center, 2010.

http://trends.collegeboard.org/files/Education_Pays_2010.pdf

Future needs and outlook

Despite the positive outcomes associated with a state's investment in public higher education, *"we are on this collision course with our future...facing an undersupply of workers with postsecondary education"*.^f

Colorado has the potential to have a prosperous future with more high paying jobs and a high standard of living. The most effective way to reach this potential is to dramatically increase Colorado's rate of degree and certificate attainment in order to meet the challenges of the 21st century. In other words, Colorado's economy will be strengthened as more Coloradoans successfully complete some form of postsecondary education.

Colorado faces rapidly changing demographics that will impact what Colorado's higher education system must deliver to meet the needs of the population it will serve^g:

- Colorado's population is anticipated to grow to 7.7 million by 2035 (a 13 percent increase from 2010 level of 5.1 million).
- The group of retirement age adults is expected to triple, from one-half million in 2010, to one and one half million by 2035.
- The fastest growing demographic group is Hispanic, expected to be 23 percent of the population by 2035.
 - These changes result in a greater need for educated workers to fill the roles of those retiring.
 - The changes create a vacuum and demand for workers where the greatest need will be in predominately service oriented sectors requiring post-secondary education.

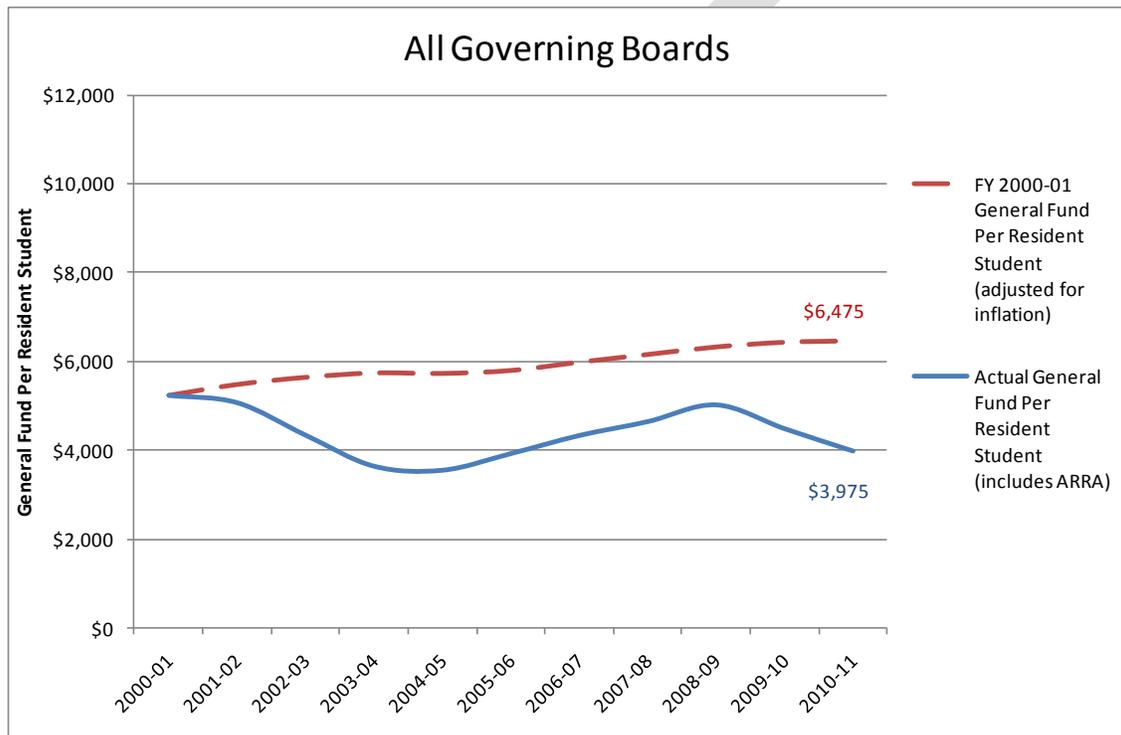
The recent Georgetown study indicates that Colorado is one of five states that will lead the nation in job growth intensity where 67 percent of the available jobs will require postsecondary education^h.

^f *"Help Wanted – Projections of Jobs and Education Requirements Through 2018"*, Georgetown University Center on Education and the Workforce, June 2010.
<http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/colorado.pdf>

^g State of Colorado – Department of Local Affairs - State Demographer's Office.
<http://dola.colorado.gov/dlg/demog/publications.html>

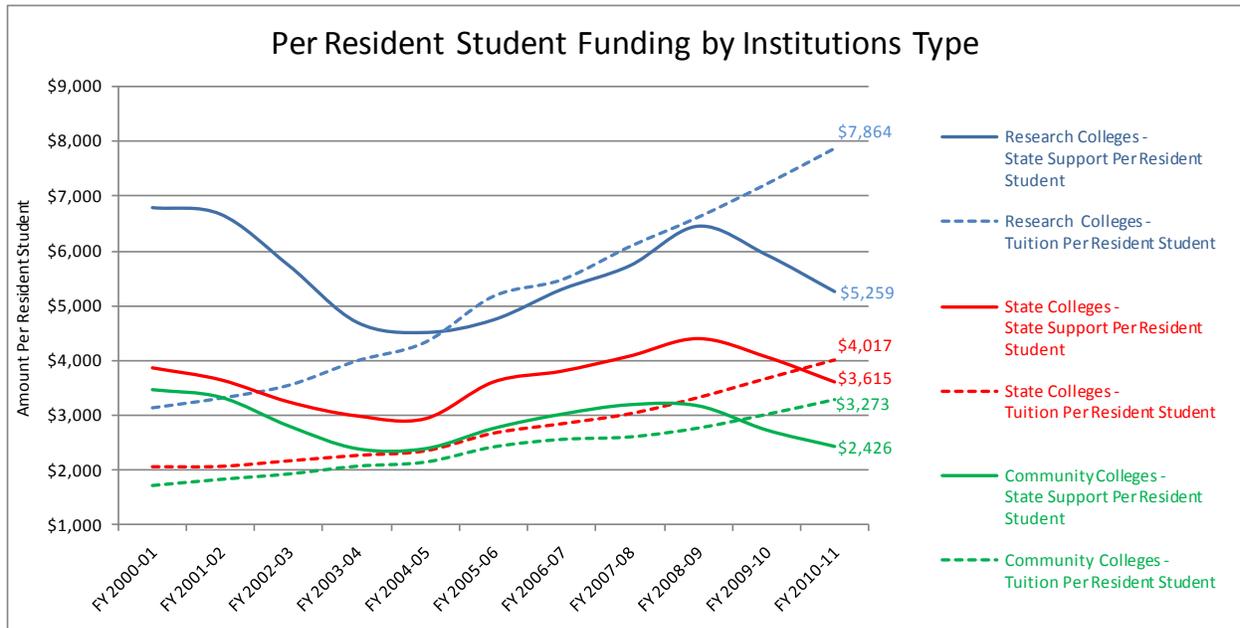
^h *"Help Wanted – Projections of Jobs and Education Requirements Through 2018"*, Georgetown University Center on Education and the Workforce, June 2010.
<http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/colorado.pdf>

While these changes have been taking place, the state’s investment in public higher education has been eroding. Over the past decade, the state’s investment in every full-time resident student has decreased. If Colorado were to fund higher education by inflation and enrollment growth alone the result would be funding levels at \$6,475 per resident student in FY 2010-11. Unfortunately, given available funding and competing statewide needs, the current year’s funding is only \$3,975 per resident student [based on current year appropriation divided by FY 2010-11 projected enrollments]. A 50 percent reduction in state support at the current per student funding level would result in less than \$2,000 per resident student (over two thirds below where the state’s investment would be if increased by inflation and enrollment since FY 2000-01).



Source: Governor Office of State Planning and Budgeting 2010

While Colorado’s state support for public higher education has eroded, a greater burden of funding has been shifted to individual students and their families through ongoing tuition rate increases. The following table identifies the amount of state support compared to tuition per resident student by institution type. A clear trend is obvious. At the beginning of the decade, the state paid more per student than the student paid for his or her education. In the current year, that trend is reversed for all types of public institutions of higher education in Colorado, clearly demonstrating the scenario of accelerated erosion of state funding for public higher education.



Source: Governor Office of State Planning and Budgeting 2010

Despite Colorado’s current funding structure, the state receives a great deal of “bang for the buck” for its investment. Based on a July 2009 Delta Cost Project study, Colorado tops the list of states in the number of degrees and certificates awarded versus total funding per FTE. In short, we rank as one of the top states in the country given the level of investment that is available.

Productivity: Degrees and certificates awarded per FTE vs. total funding per FTE (2006-2007)



Source: SHEEO State Higher Education Finance Survey 2008; NCES IPEDS Completions Survey.

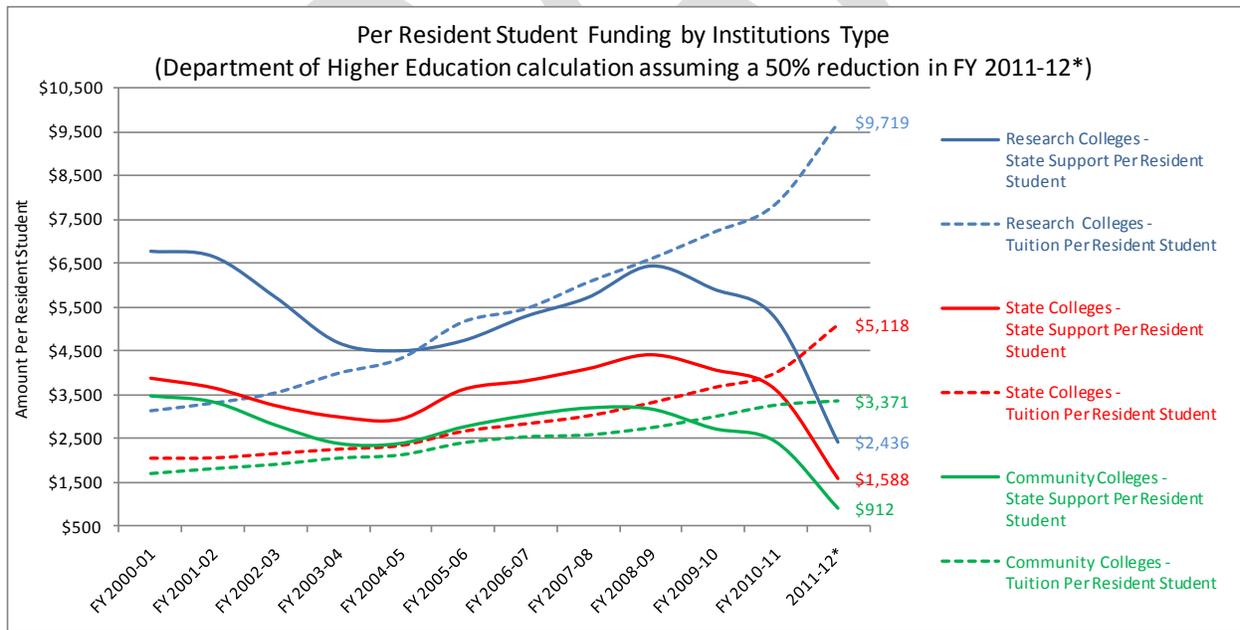


Aggregate 50 percent reduction

A 50 percent reduction in state support for the public institutions of higher education on a system-wide basis would result in a number of negative outcomes, drastically reducing the public’s investment over the past years. These outcomes likely include:

- Drastic shifts in the enrollments of those attending college (between those that can and can’t afford postsecondary education) due to large increases in tuition;
- First-time students of low-income background finding it more difficult to pursue higher education options;
- Middle-income students being priced out of their ability to pay increasing tuition costs and not qualifying for federal and state financial aid;
- Programmatic impacts, including courses, degrees, and/or certificates being eliminated;
- College closures or reduction in scope of operations:
 - Resulting in job losses in both the public and private sectors;
 - Destroying local and regional economies in the state;
- Deterring private business investment in the state since the workers needed to fill jobs will not be produced at the rate required to meet the needs of the future workforce.

The following chart illustrates what this scenario could mean to state support and average tuition on a per student basis in FY 2011-12:



Source: Governor Office of State Planning and Budgeting 2010 (FY 2011-12 Calculations by the Department of Higher Education).

Hypothetical 50 Percent Reduction (Governing Boards)

| State Funds for Higher Ed | FY10-11 Base Year | FY11-12 Hypothetical 50% Cut |
|-------------------------------|-------------------|------------------------------|
| State Support + ARRA Funding* | \$620,895,952 | \$310,447,976 |
| Financial Aid | \$82,512,361 | \$41,256,181 |

*Includes College Opportunity Fund and State Fiscal Stabilization Funds from ARRA.

What This Means for Colorado and its Residents

A 50 percent reduction in the State's support for higher education would mean a stagnant future for Colorado and its residents. In this future, the divestment in the public asset of public higher education would cause a decrease in social mobility, lost jobs, jobs which are not able to be filled, and the cost of higher education becoming something only the wealthy can afford.

In this stagnant future, Coloradans would not be able to pay their mortgages (and most young people would not be able to afford one), as more and more businesses leave the state, choosing to locate instead in states that make an investment in their own future and create the workers of the 21st century. This future will exist if students can't afford the education they need, and low and middle-class parents watch the dreams they hold for their children disappear. This future is one where Colorado and its residents fail to meet the challenges currently before it.

The plans presented in the remainder of this report are, in the end, a choice. Citizens and voters have made decisions in the past few decades that have resulted in degrading investment in public assets including the system of public higher education, clearly seen in the decrease in funding of resident students, and year after year increases in tuition for students and families.

Local District Junior College, Area Vocational Schools and the Auraria Higher Education Center

Other public institutions of higher education and entities which directly and indirectly receive state funding but do not have separate sections in this report include the Local District Junior Colleges (AIMS Community College and Colorado Mountain College), the Area Vocational Schools (Delta-Montrose Technical College, Emily Griffith Opportunity School, and Pickens Technical College) and the Auraria Higher Education Center (AHEC). These public institutions of higher education were not charged with creating 50 percent plan reports in the Senate Bill 10-003 legislation but are mentioned here as they are an important component of the State's higher education system.

The Local District Junior Colleges and the Area Vocational Schools have the ability to set their tuition outside of the controls of the General Assembly. However, the same constraints on students' ability to pay apply to these institutions as well. If state funding is drastically cut, these institutions will deal with the same issues – program cuts, reduced operations resulting in job losses, negative economic impact within their communities, and students being priced out of an education because of increasing tuition costs – as the rest of the institutions within the state.

Similarly the reductions to the tenant institutions at the Auraria Higher Education Center (University of Colorado Denver, Metropolitan State College of Denver, and the Community College of Denver) would result in decreased operations, decreased student and facility services, job losses and impacts to the local economy.

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EACH INDIVIDUAL GOVERNING BOARD WILL HAVE THEIR REPORT/S HERE

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CONCLUSION

In order for Colorado to meet the challenges presented in this report and rise to our potential as a state, we have to change course. If we do not, we are destined for a future we will regret and which will not put our state and citizens in a position to be competitive in the years ahead. The 50 percent plans included in this report illustrate what this future could look like.

In order to avert this future, we need to proceed, over time, with a course correction. The public institutions of higher education believe it will require more investment, with increased focus on priorities, creativity and accountability for results. It will also require the public institutions of higher education to innovate and think differently to increase access to higher education for students of all ages and circumstance, to strengthen our educational pipeline into college, and to achieve more effective governance.

The Higher Education Strategic Planning Steering Group presented recommendations in its Report, “The Degree Dividend” to the Governor and to the Colorado Commission on Higher Education on what Colorado can do to get higher education back on the right course for our future. The findings in this report identify the alternative.