

**TOPIC: RECOMMENDED REVISIONS TO CCHE TUITION AND FEE POLICY
FROM THE STUDENT FEE WORKING GROUP**

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I. SUMMARY

This agenda item presents recommended policy revisions to Commission Policy Section VI, Part C “Tuition, Fees, and Student Aid” from the Student Fee Working Group.

II. BACKGROUND

At its regular August 2010 meeting, the Commission formed the Student Fee Working Group (see Agenda Item IV, C from August 5, 2010) and tasked the Group with reviewing CCHE policy around student fees in light of the forthcoming release of the Office of the State Auditor’s (OSA) student fee audit. The OSA presented the audit at the August 2010 meeting of the Legislative Audit Committee (LAC). According to the audit report, the auditors “performed audit work from October 2009 through July 2010, which included visiting a sample of six institutions.” The audit was performed in response to a letter from the Joint Budget Committee (JBC) to the LAC recommending that such an audit be conducted.

The Student Fee Working Group (working group) was comprised of the following representatives from institutions and student government:

1. Richard Schweigert, CSU institution representative and Co-Chair
2. Josh Diller, UCD student representative and Co-Chair
3. Heather Heersink, ASC institution representative
4. Shanda Crowder, UNC student representative
5. Peggy Morgan, RRCC institution representative
6. Jacob LaBure, MSCD student representative
7. Blanche Hughes CSU institution representative
8. Heath Wolfe, CCA student representative
9. Fiftwo Baldwin, governing boards representative

The working group met on average three times per month from September through December 2010 to review existing Commission fee policies and to develop recommended revisions in light of the audit report and its findings. Additionally, members of the working group were responsible for soliciting input from their respective constituent groups. Student representatives received input from student government organizations, while institution representatives received input from Chief Financial Officers, budget directors, controllers, and student affairs directors.

Student fees have been periodically scrutinized and reviewed at the General Assembly or Commission level. During the 2008 legislative session, the General Assembly passed a joint resolution on fees, SJR 08-037, which encouraged the Department of Higher Education to 1) review Commission fee policies and the institutional student fee plans at the institutions of higher education, 2) review recent trends in student fees, and 3) seek student and governing board input in the process. Further, as mentioned above, the JBC sent a letter to the LAC in April of 2008 recommending a review of student fees at Colorado institutions of higher education.

The letter to the LAC focused on those student fees that need spending authority from the General Assembly, a subset of all student fees. In response to the joint resolution and the JBC letter to the LAC, the Department convened a review committee in 2008 and focused on clarifying those fees which require spending authority appropriation – known as “Academic and Academic Facility Fees”. Commission policy was revised in October 2008 and it was agreed that institutions would make the necessary changes to align their fee structure to the new policy beginning in the fall of 2009.

Despite these changes, the Office of the State Auditor proceeded with an audit of student fees in October 2009. The auditors expanded the scope of the audit, conducting a broad audit of all student fees. Their work focused on the overall fee structure at institutions, the level of student input into all types of fees, the use of fee revenues, and the review/oversight of student fees at the campus and Department levels. The final audit report was released in August 2010 and can be accessed at the following link:

[http://www.leg.state.co.us/OSA/coauditor1.nsf/All/BCE425B0727916C18725777D00766A3D/\\$FILE/2046%20Higher%20Ed%20Fees%20July%202010.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/BCE425B0727916C18725777D00766A3D/$FILE/2046%20Higher%20Ed%20Fees%20July%202010.pdf)

During the LAC hearing, one member of the committee made a motion for the LAC to run a bill during the 2011 legislative session to address some of the issues raised in the audit. Then-Executive Director Munn shared with the audit committee the Commission’s formation of the Student Fee Working Group – explaining that this group was tasked to recommend revisions to Commission policy where needed. He further explained that these recommendations might inform legislation after any policy issues were addressed.

III. STAFF ANALYSIS

The recommended revisions to CCHE policy from the Student Fee Working Group are shown in Attachment A. These revisions address a majority of the issues raised in the audit report while still allowing institutions and governing boards to set up their fee structures in the manner best suited to their institution(s) and their students. It is important to note that the auditors expressed concern that institutions do not have similar processes in place. For example, at some institutions, capital construction fees have been approved through a vote of the entire student body, while at others, the capital construction fee is approved by the student government. The Student Fee Working Group did not think uniformity and consistency across all institutions was necessary or beneficial, instead believed that governing boards were in the best position to

decide how to set up their fee structures and processes, within the parameters set in statute and policy.

These recommendations address three major themes from the audit. Each of these themes is discussed in turn:

1. Lack of clarity in both statute and Commission policy around how fees are classified, categorized, and defined
2. Lack of review/oversight once fees once are established
3. Relationship of student benefit to student fees

Lack of clarity in both statute and Commission policy around how fees are classified, categorized, and defined

Under statute and Commission policy, there are two types of student fees that require approval from the full student body. In order to be established or increased by more than inflation, non-course specific administrative fees and fees used for nonpermanent student purposes must receive approval from a majority of the student body. While the audit did not find that institutions had implemented these types of fees without the statutorily required approval, they did find that there was a lack of clarity as to how fees are categorized. According to the report, auditors had identified 31 out of 215 fees reviewed that could be considered administrative or nonpermanent in nature and therefore, student input from the entire student body might have been required. However, in each of these cases, the institutions had classified the fee in a different manner and full student approval was not necessary.

In order to clarify and make distinctions in Commission policy, the working group proposes that examples be included in the descriptions of the various fee categories. For example, the definitions of Administrative Fees and Charges for Service below demonstrate how the potential overlap in these two categories have been addressed:

Administrative Fees - Any campus-wide mandatory fee assessed against students by any institution of higher education, the revenues from which are used to, but not limited to, provide administrative services or to cover administrative costs. Standard registration fees that all students are required to pay are considered administrative fees pursuant to C.R.S. 23-1-123 (7) (b) (VII). Does not include late registration fees or add/drop fees which are classified as Charges for Service. Pursuant to C.R.S. 23-1-123 (5) (e) (II), no new administrative fee or fee increase (in excess of inflation) shall be collected unless approved by a student election.

Charge for Service - A charge to cover the costs of delivering specific services. Charges for service are not campus-wide, nor mandatory for all students. Charges for service are, however, required for students who meet the criteria for which the charge is being assessed. These may include, but are not limited to: application fees, add/drop fees, fines and penalties, late fees, orientation fees, and matriculation fees. Charges for service do not require legislative spending authority appropriation and do not require student approval.

Lack of review/oversight once fees are established

The audit report raised concerns about fund balances of certain fees and the use of fee revenues. Using a cash fund threshold that applies to other areas of state government, but not higher education institutions, the auditors determined that five of 20 fees reviewed were accruing fund balances in excess of this threshold. Further, during expenditure testing of a sample of student fees, the auditors questioned whether some expenditures were allowable uses of the student fee revenue. The real concern the auditors bring up in these areas is that there did not appear to be any review of expenditures or fees once they are in place.

Current Commission policy does not address the periodic review of fees once they are established. The working group proposes two additions to paragraph 3.02 Institutional Plan for Student Fees. These additions are shown below and would require institutions to establish within their fee plans processes for review of fees post enactment:

- Establishing procedures for the institutional review of fee fund balances. The institution shall determine the threshold at which such reviews are required and may utilize different thresholds for different fee categories.
- Establishing a clear and transparent process for the regular review and evaluation of: fee rate assessments, fee expenditures, and institution fee policies. The institution may determine whether such reviews are to be conducted by institutional administration, independent internal entities (e.g., departments and offices review each other), or independent, external entities. The processes may vary by type or category of fee.

Again, the recommended policy revisions are framed in a manner to allow institutions/governing boards to establish the processes that best work for their institution(s) and students.

Relationship of student benefit to student fees

Throughout the audit report, the auditors imply that students may not benefit from student fees. They use, but do not define, the term “direct benefit” and question whether students receive the full benefit from the fees they pay.

The working group addressed this issue in policy with the recommended addition of a new paragraph 3.00 that reads:

Student fees and the use of student fee revenues should provide benefit to students in line with the stated purpose of the fee through providing revenue to deliver student activities and programs, provide instruction materials and cover other instructional costs, deliver student services programs, and to make infrastructure and campus improvements. Student fees should be used to enhance and support the overall student experience. Student fees and the use of student fee revenue may benefit students both directly and indirectly. For example, capital construction timelines mean that some students may not benefit as directly from fees for capital improvements, but up-to-date facilities enhance and support the overall student experience and ultimately increase the value of the degree conferred. Likewise, a student may not take advantage of all the programs funded through specific fees, but these fees benefit the student body as a whole.

This paragraph sets the tone of the policy that fees must provide benefit to students but acknowledges that some fees (e.g., capital construction fees) may not provide immediate benefit to current students. It also acknowledges that some fees provide services that individual students may not use.

Additional recommendations

Finally, the sections of this policy that address tuition and financial aid have been revised to pursuant to SB10-003, which provides additional tuition rate setting flexibility to the governing boards from FY11-12 through FY15-16 and eliminates the statutory provision that 20 percent of resident undergraduate tuition rate increases above inflation be used for institutional need-based financial aid.

IV. STAFF RECOMMENDATIONS

That the Commission approve the recommended revisions from the Student Fee Working Group to Section VI, Part C of Commission Policy.

STATUTORY AUTHORITY

C.R.S. 23-1-123 The general assembly hereby finds that, due to increasing financial restrictions, fees are increasingly being used as sources of revenue for institutions of higher education. The general assembly further finds that it is necessary for institutions of higher education to consider students' opinions concerning the amount assessed in fees and the purposes for which the institution uses the revenues received. It is therefore the intent of the

general assembly that the commission adopt policies concerning the definition, assessment, increase, and use of fees...

C.R.S. 23-1-123 (3) The commission shall establish a policy concerning the minimum level of student involvement in assessing and setting the amount of fees and in determining the purposes for which institutions of higher education shall use the revenues obtained from fees.