

**TOPIC: FY 2012-13 FINANCIAL ACCOUNTABILITY PLAN
 AMENDMENT PROCESS**

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I. SUMMARY

Senate Bill 10-003 provided higher education governing boards the ability to raise resident, undergraduate tuition above nine percent for FY12 through FY16 subject to Colorado Commission on Higher Education (CCHE) approval of a Financial Accountability Plan (“FAP” or “plan”). Last year, CCHE approved nine of the ten governing board’s plans (The Colorado School of Mines - CSM did not submit a plan). The law did not specify a procedure for governing boards to update or amend their plans if needed during this five year period. This information item proposes a methodology for a governing board to amend its plans in light of likely continued reductions in state General Fund support.

II. BACKGROUND

Late last year, CCHE approved plans for nine governing boards to increase tuition by more than above nine percent from the prior year. Among other things, the plans state the amount of tuition increase requested and outline strategies the governing board will use to protect its low and middle income students and underrepresented students. While Senate Bill 10-003 gave the governing boards authority to raise tuition through the plans over a five year period it did not specify how governing boards should amend plans if needed or desired.

The way the law was crafted, governing boards with approved plans can currently go above nine percent as needed to the extent specified in the plans. For example, Western State College’s plan to increase tuition between 11.6 and 16 percent (depending on the level of state support available) has already been approved for FY 2012-13. Governing boards may have adequate authority already approve and may not need to submit new plans. However, currently there is no process in place to accommodate changes or updates to the plans if they are anticipated.

This information item proposes a process if a governing board (or individual institution) wants to (1) submit a FAP for the first time or (2) needs to substantively amend its plan in light of significant changes in assumptions such as the level of state operating support or amount of state or federal financial aid available for the upcoming year.

III. STAFF ANALYSIS and PROPOSAL

Decreases in the levels of state support for institution operations and state financial aid may result in a need for governing boards to increase the level of tuition setting authority outlined in approved plans. Likewise, an institution or governing board may find it necessary to submit a

plan for the first time to request tuition setting authority above nine percent. Or, a governing board may wish to add to or change tuition or price setting strategies in based upon experience during the year. The outline below would allow governing boards to take one of three approaches to changing their level of tuition setting authority:

1. **Do nothing** – If the governing board is satisfied that it has requested an adequate level of tuition authority even with reduced state support and/or financial aid, it can elect to forego modifications to its FAP. This option is possible if there are no material changes to an institution’s operations, tuition policy or strategies to protect low and middle income students.
2. **Amend plans** – Governing boards may elect to amend their FAPs in the instance where the general strategies outlined in the approved FAP are still accurate but the governing board is:
 - a. Updating the amount of tuition authority requested;
 - b. Changing their tuition policy (i.e. closing a tuition window etc.);
 - c. Amending its institutional financial allocation or changing its plan to protect low and middle income students; or
 - d. Highlighting an operational change such as adding a new counseling program or starting a retention initiative, etc.
3. **Submit (or resubmit) a full plan** – If a governing board is submitting a FAP for the first time (i.e. CSM) or if changes to general fund and financial aid require the governing board to completely overhaul its plan, it may elect to do so. It is unlikely that many governing boards will want or need to replace their plans entirely, but this option should be available if needed. ¹

Timing: The FAP review last year required extra time because it was a new process and we were uncertain of the quality of plans we would receive and the time it would take to review them. This year we have the advantage of having baseline plans in place. We also hope to have an executive budget mark soon and an allocation model so that the governing boards would be better able to plan for tuition and changes to their plans. This proposal would recommend utilizing the same CCHE subcommittee members to review new plans or plan amendments on an expedited basis. With the departure of Commissioner Stevenson, the Commission will need to consider naming a replacement.

¹Note that the department received a plan for University of Colorado Denver to be considered separately from the CU System plan approved last year. The plan asks for authority to allow UCD to move to a linear tuition model. In order to meet the 90 day action, CCHE will have to act on that FAP by the November 3rd CCHE meeting.

It is anticipated that plan amendments would take less time to prepare and less time for CCHE review and a possible general timeline is outlined below:

- **October-November:** Governing Boards prepare FAP amendments for CCHE/DHE review.
- **November 3rd:** Governing Boards without FAP changes present to CCHE, CCHE acts on UCD FAP.
- **November-December:** CCHE/DHE completes FAP amendment review.
- **December 6th:** Governing Boards seeking FAP amendments present to CCHE and CCHE acts on those requests.
- **January 6th:** CCHE acts on new FAPs submitted (if necessary)

Regardless of whether a governing board chooses to amend its plan it should have an opportunity to update the Commission on its experience with tuition flexibility over the past year. While the only statutory requirement is to complete review within 90 days of receipt, it would be desirable to complete action by January is so that the governing board plans are in place before the legislative session commences.

III. STAFF RECOMMENDATIONS

No staff recommendation. This is an information item only.

STATUTORY AUTHORITY

C.R.S. 23-5-130.5 Beginning with the 2011-12 fiscal year and for fiscal years thereafter through the 2015-16 fiscal year, each governing board, for the institutions it controls, shall annually set the amount of tuition to be paid by students with in-state classification and by non-resident students who enroll in and attend the institutions.