STATE OF COLORADO



DEPARTMENT OF HIGHER EDUCATION Colorado Commission on Higher Education

John Hickenlooper Governor

Richard Kaufman, Chair Patricia L. Pacey, Vice Chair Larry B. Beckner Jeanette Garcia Allegra Haynes Monte Moses C. Hereford Percy James T. Polsfut Regina Rodriguez BJ Scott Lt. Gov. Joseph A. Garcia Executive Director

November 1, 2012

The Honorable Cheri Gerou Chair, Joint Budget Committee Legislative Services Building, 3rd Floor 200 East 14th Avenue Denver, Colorado 80203

Dear Representative Gerou:

Earlier this year, the Colorado Office of the State Auditor (OSA) completed an audit of the College Opportunity Fund (COF) Program in the Department of Higher Education. The audit included a finding that the Department had failed to meet the requirement to annually make a request to the General Assembly to adjust COF stipend funding to reflect the rate of inflation and eligible enrollment growth under Sec. 23-18-202(2)(c), C.R.S.:

"The commission shall annually request that the general assembly adjust the amount appropriated to the Colorado student loan program for the stipends to reflect at least inflation and enrollment growth in the state institutions of higher education."

At the July Legislative Audit Hearing, the Department agreed with the finding and the recommendation to annually include the COF adjustment request. This letter identifies the amount the General Assembly would need to fund and appropriate to the COF program to meet this requirement. Specifically, for the COF Stipend to keep pace with inflation as well as the growing enrollment of the eligible population since the implementation of COF in FY 2005-06, it would cost the state approximately an additional \$149 million General Fund in FY 2013-14.

This submission does not address any increases related to COF fee-for-service (FFS) contract funding which is held flat from FY 2005-06 to FY 2013-14. Assuming no increase to fee-for-service contracts, total General Fund needed to meet this requirement would be \$675 million General Fund (\$413 million COF Stipend and \$262 million COF FFS). Attachment "A" identifies these costs.

Additionally, in its recent master plan, the Commission on Higher Education resolved to not only fulfill the requirements of the 23-8-202(2) C.R.S. mentioned above but to also request additional financial aid support needed to maintain college affordability for Colorado's low and middle income families. Accordingly, if the General Assembly increased state-based financial aid at a level that would accommodate the increasing numbers of financial aid eligible students (using PELL recipients as a proxy) from FY 2008-09 to FY 2010-11 (most recent year of actuals as of the time of this letter), it would cost an additional \$97.6 million or \$187.8 million total. Attachment "B" identifies these costs.

The Commission fully understands the impact of the recent economy on General Fund revenues and appreciates the challenges related to recent statewide budget balancing. Indeed the Department audit response identifies bleak revenues and the need for statewide budget balancing as the reason that the Commission opted not to make this annual request as required by law. Nevertheless, in light of the audit recommendation and to ensure that the General Assembly is aware of the cost to fully fund inflation and enrollment we are submitting this letter for your information and consideration.

The Commission and the public higher education institutions are very appreciative of the Joint Budget Committee's work and restoration of approximately \$24.2 million of the originally proposed General Fund operating cut for FY 2012-13. We are also very appreciative of the Governor's Office FY 2013-14 request to increase state support to higher education by \$30 million (DI-01) and increase to financial aid at \$5.3 million General Fund. These are significant steps forward and will help institutions restore reserves, invest in deferred maintenance and help mitigate tuition increases for Colorado students and families.

The Commission endorses and fully supports the negotiated allocation of the \$30 million General Fund increase for FY 2013-14 which has unanimous support of the higher education leadership and governing boards. The Commission also supports the Governor's request for \$5.3 million General Fund in FY 2013-14 for financial aid.

Sincerely,

Richard C. Taylora

Richard Kaufman Chairman

On Behalf of the Colorado Commission on Higher Education