TOPIC: FY 2013-14 TUITION SETTING FLEXIBILITY AUTHORITY

UPDATE

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I. <u>SUMMARY</u>

This information item provides a brief update to the Commission regarding governing board tuition setting flexibility through FY 2015-16, the remainder of the flexibility period outlined in Senate Bill 10-003.

II. BACKGROUND AND ANALYSIS

FY 2013-14 is the third year of the five-year period of tuition setting flexibility granted by Senate Bill 10-003. Tuition setting flexibility was granted to the governing boards by the General Assembly during a time of economic uncertainly and dramatic state revenue shortfalls. The legislative declaration of Senate Bill 003 included the following:

The general assembly finds, therefore, that, due to the immediate and daunting economic challenges facing the state institutions of higher education, it is in the best interests of the state to immediately grant to the institutions greater flexibility in setting tuition rates and with regard to institutional operations.

During the tuition setting flexibility period, governing boards are allowed to increase resident undergraduate tuition by up to nine percent each year without additional approvals and above nine percent through the approval of a Financial and Accountability Plan (FAP) by CCHE. In the fall of 2010, nine governing boards submitted plans and, after review by the department and Commission, three governing boards were granted tuition setting flexibility through FY 2015-16.

The remaining six governing boards were granted flexibility for FY 2011-12 and FY 2012-2013 and the ability to request approval for the final three years of flexibility from the Commission. Adams State University and Western State Colorado University received approval of their FAP amendments last month and Fort Lewis College is seeking approval of their FAP amendment today. At this point, we understand that the Colorado Community College System and the University of Northern Colorado will not be seeking additional tuition setting flexibility above 9 percent this year. The University of Colorado Board of Regents meets later this month; after that meeting the University of Colorado system expects to have a better sense of the level at which it may eventually set its tuition rate.

A summary of the statuses of tuition setting flexibility, by governing board, is tabulated below:

Institution	Initial Authorization (2010)	Recent Action
Adams State University	2-Year Approval	3-year Extension Granted (March 2013)
Colorado Community College System	2-Year Approval	Not Seeking Additional Flexibility
Colorado Mesa University	5-Year Approval	
Colorado School of Mines	Did not seek flexibility	
Colorado State University	5-Year Approval	
Fort Lewis College	2-Year Approval	Pending CCHE Action (April 2013)
Metropolitan State University of Denver	5-Year Approval	
University of Colorado	2-Year Approval	Action Pending from Board of Regents
University of Northern Colorado	2-Year Approval	Not Seeking Additional Flexibility
Western State Colorado University	2-Year Approval	3-year Extension Granted (March 2013)

Fortunately, the state economy is in a period of slow but steady recovery and revenues are improving each quarter. For FY 2013-14 the Governor requested an additional \$35.3 million in state support for higher education operations and need-based financial aid. That request was approved by the Joint Budget Committee and is included in the 2013 appropriations long bill, which was passed by the Colorado Senate last week; at the time of writing this agenda item, the FY13-14 budget is being considered by the Colorado House of Representatives. This increase in operating revenues and state need-based financial aid is an important step forward and it positive affecting tuition increases requested by the governing boards.

Colorado's public college and university governing boards are currently in the process of determining tuition levels for the 2013-14 academic year. Department staff anticipate that tuition increases will be at or below 9 percent for most governing boards, and in some cases much less. Department staff will provide an overview of tuition rates as they are approved by the governing boards in the coming weeks.

In summary, to date the tuition setting flexibility granted by Senate Bill 10-003 has largely operated as was intended by the General Assembly. It has effectively allowed governing boards to manage a 27 percent reduction in state support funding since FY 2009-10. As revenues have improved and state support has stabilized, governing boards are approaching tuition setting in a responsible manner in an effort to keep tuition as low as possible for Colorado resident students. Rural institutions with lower base tuition rates and smaller enrollments are recovering more slowly and thus require larger percentage increases. Institutions with larger enrollments and more options for diversifying non-state revenues have effectively moderated tuition increases.

III. STAFF RECOMMENDATION

This information item and attached report is for information only, no action is needed by the Commission.

STATUTORY AUTHORITY

23-5-130.5 (3) C.R.S.