

TOPIC: FY 2013-14 BUDGET UPDATE

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I. SUMMARY

The FY 2013-14 budget process is drawing to a close and the “Long Bill” is expected to be signed very soon. The outcome for Colorado state government and higher education in particular has been positive. Increases are anticipated for Colorado’s public colleges and universities in state operating support, financial aid, capital construction and controlled maintenance.

II. BACKGROUND AND ANALYSIS

State Support and Financial Aid

On March 6th the Joint Budget Committee conducted “figure setting” for the Department of Higher Education where the JBC makes the funding decisions necessary to draft the Long Bill for the upcoming fiscal year. JBC staff recommended and the committee approved the Governor’s recommendation to increase General Fund support by \$30 million or 5.8 percent over FY 2012-13 levels for Colorado’s public colleges and universities. This brings the level of state support funding to \$543 million. By law, an increase to in state support must be matched by a proportionate increase in need-based financial aid which is increasing by \$5.3 million for FY 2013-14. The allocation of the operating increase by governing board is provided in “Attachment A.” The allocation of need-based financial aid by governing board is provided in “Attachment B.”

At the same time, the JBC took final action on the proposed \$9.3 million one-time increase for the current fiscal year. The committee opted to pull the proportionate financial aid increase from the total making the operating increase \$7.9 million and the financial aid increase \$1.4 million. It is important to note that the supplemental was distributed according to the distribution formula agreed to for the current year. DHE staff is working with the governing boards to distribute these one-time funds soon so that the institutions can optimize their use before the end of the fiscal year.

DHE “Decision Item 7”

The JBC also approved the department’s request of \$169,000 in reappropriated funds to support two new staff positions. The positions will provide the capability to better analyze and communicate the large amounts of new information available to the department. Information technology advances and improved program coordination are providing vast amounts of

workforce and K-12 student data not previously available. The proposed positions will allow the department to make use of and more effectively communicate the implications of these data in meaningful ways for the institutions and the state.

Capital Construction and Controlled Maintenance

On March 14th, the JBC addressed recommendations related to Capital Construction and controlled maintenance requests during the scheduled figure setting process. In addition to the Governor's Capital request, the Capital Development Committee (CDC) sent a letter to the JBC requesting \$76.5 million in additional projects including eight higher education projects which had not previously been recommended by the Governor's Office. The JBC did not finalize action at that time opting to wait for the results of the spring revenue forecast on March 18th.

As expected, revenues were better than anticipated showing that an additional \$228 million would be available for FY 2013-14 beyond the earlier estimate. Both OSPB and Legislative Council economists cautioned however that much of this increase is attributable to the sale of investments as opposed to income or sales tax increases and is therefore one-time in nature. The JBC took this into consideration in acting on the increase and opted to further replenish the State Education Fund and approved capital and controlled maintenance projects instead of ongoing operating increases. Higher education benefited from this decision with the first Capital Construction project funding flowing to institutions since 2008. A total of \$102 million in Capital funding is planned for higher education with about three quarters of that amount going to projects as opposed to COP payments. Almost \$29 million in controlled maintenance will flow to higher education allowing 49 projects to be undertaken. "Attachment C" shows this allocation by institution.

With Colorado's economy and state revenues steadily improving, the Governor and General Assembly have made public higher education a priority. Increases in operating and Capital Construction will help mitigate tuition and fee increases for Colorado students and families. Going forward it will continue to be important for the institutions, Commission and department to clearly demonstrate the benefit of state funding increases and advocate for a return to appropriate state support funding levels.

III. STAFF RECOMMENDATION

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

STATUTORY AUTHORITY

N/A