Adams State University Financial Accountability Plan FY13-

14 Amendment

March 2013

Based on the Governor's FY13-14 higher education budget request, and the recent budget amendment, Adams State's allocation of the College Opportunity Funds will be increased by \$811,680. This equates to a 7% increase in state support. Adams State University seeks Commission approval to raise its resident undergraduate tuition rate by 16.0% for FY13-14 and 9% each year thereafter. Without additional state support across the remaining three-year tuition flexibility time horizon provided by SB10-003, Adams anticipates these resident undergraduate tuition increases annually in order to generate adequate revenue to cover mandated cost increases.

Section I: Process for FAP Development

Adams State University's executive council has met for four hours weekly for the last three months modifying its budget and updating the five-year budget plan that was developed for the FAP. The revised plan was presented to the Adams State University Board of Trustees at their February 2013 meeting. Administration held a campus roundtable forum and met with the student government to discuss the plan. Additional campus forums are planned to communicate the changing higher education funding environment and resulting tuition increases to students and their parents. In the months ahead ASU administration will continue to consult with all campus constituents throughout the FY13-14 budgeting process.

Section II: Requested Tuition Increase

Adams State University is requesting the authority to increase resident tuition up to 16.0 percent for FY2013-14. These rate increases are based on a state appropriation level of \$12 million for FY2013-14. Adams State University will seek additional investment from the State in FY14-15 of \$493, 961 and \$178,993 in FY15-16 in order to hold resident undergraduate tuition increase at 9.0 percent in those years. Table 1 below presents information on changes in undergraduate resident tuition rates. and describes the amount of fees that are being eliminated and converted to tuition. Fees associated with controlled maintenance and equipment replacement will be eliminated and rolled into tuition.

TABLE 1 - TUITION REQUEST

	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16
Resident Undergraduate	\$3,312	\$3,809	\$4,427	\$4,825	\$5,259
Resident Tuition (Per Credit)	\$138	\$159	\$184	\$201	\$219
\$ Increase		\$497	\$618	\$398	\$434
\$ Increase	-	\$21	\$25	\$17	\$18
%		15%	16%	9%	9%

TABLE 2 – NURSING PROGRAM TUITION REQUEST

Due to the high cost of the ASU BSN nursing program and the 20 student enrollment cap placed on the program by the State Board of Nursing, ASU requests a 35% tuition increase in order to sustain the program. This increase will impact approximately 40 students, 20 year one students and 20 year two students.

NURSING PROGRAM	FY2012-13	FY2013-14	FY2014-15	FY2015-16
Res Tuition per credit hour	\$185	\$250	\$250	\$250
\$ Increase Tuition (per cr hr)	\$0	\$65	\$0	\$0
% Increase per credit hour		35%	0%	0%

TABLE 3 describes the amount of fees that are being eliminated and converted to tuition. Fees associated with controlled maintenance and equipment replacement will be eliminated and rolled into tuition. There would be no net increase in cost to students as a result of this conversion.

TABLE 3 – MANDATORY FEES CONVERSION TO TUITION

FEE CONVERSION	FY2012-13	FY2013-14	FY2014-15	FY2015-16
\$ Decrease Fees(per cr hr)	\$17.36	(\$17.36)	(\$17.36)	(\$17.36)
\$ Increase Tuition (per cr hr)	\$0	\$17.36	\$17.36	\$17.36
Net \$ Change Tuition and Fees		\$0.00	\$0.00	\$0.00

Table 4 details revenue streams available and the factors that drive the University's operating expense escalations. Adams State has continuously pursued expense reduction strategies and alternative revenue stream development to offset reductions in state general fund support. Expenditure reductions include elimination of administrative positions, freezing vacant positions, freezing administrative and faculty salaries for FY13-14, reducing operating expenses, and cutting travel budgets. Despite additional revenue contributed by our cash programs, draws from existing cash reserves were required in the last three fiscal years to balance. The cumulative effect on cash reserves to fully fund this model is projected to erode unrestricted reserves from \$5.6 million at the end of FY10-11 down to \$1.9 million by June 30, 2013.

TABLE 4 – REVENUE AND EXPENDITURES

Adams State

Financial Accountability Plan Analysis

		FY13-14	FY14-15	FY15-16
1	Beginning base deficit from prior years	(560,000)	-	_
2	Budget shortfall carryforward from FY13	(2,293,500)	-	-
3	Additional State Funding/(Cuts)	811,680	-	-
4	Ending of one time funds previously used to balance	(377,590)	-	-
5	Increase in annual support from Foundation	25,000	-	-
6	Fee Revenue (Convert some to tuition, late registration, application, and othe	482,675	<u> </u>	
7	Revised Beginning Reserve	(1,911,735)	-	-
8				
9	Base Cost Escalations/(Cuts):			
10	Cost of Living Adj Faculty and Exempt(0% FY14, 2.5% FY15 and FY16)	-	377,431	388,754
11	Classified Salary Survey	150,000	150,000	150,000
12	HLD, Utilities, Licensing, Insurance Escalations	338,300	372,130	409,343
	Additional Cuts (4% Vacancy Savings Requirement)	(100,000)	-	-
14	Auxiliary Fund Transfer (continue \$100k from previous yrs inc \$100k for FY14)	(100,000)	200,000	-
	Extended Studies Fund Transfer (\$100k FY14 only)	(70,624)	100,000	-
16	Base Adjustments	(856,086)		
17	Total Cost Escalations/(Cuts)	(638,410)	1,199,561	948,097
18				
	Shortfall before tuition adjustments	(1,273,325)	(1,199,561)	(948,097)
20				
	Tuition Adjustments			
	Percent	16%	9%	9%
	Resident UG Rate Increase	1,120,000	705,600	769,104
24		201	201	201
	Percent Increase (experiencing reduction in enrollment due to market price p	2%	0%	0%
26	Non Resident UG Tuition Rate Increase	90,000	-	-
27 28	Nursing differential tuition increases	63,325	_	_
	- Training affected taltion increases			
29	Total Tuition Increases	1 272 225	705,600	769,104
	- Iotal luition increases	1,273,325	703,000	705,104
31	Dece Deficit		(402.061)	(178.003)
	Base Deficit	-	(493,961)	(178,993)
33	Additional Minimum Amount of State General Fund Support Required		493,961	178,993
54	Additional Minimum Amount of State General Fund Support Required	-	433,301	1/0,333

Primary unrestricted cash reserves are at a six-year low and can no longer be counted on to balance the operating budget.

\$12,000,000 \$10,000,000 \$58,000,000 \$4,000,000 \$2,000,000 \$2,000,000 \$2,000,000 \$2,000,000 \$3,000,000 \$4,000,000 \$4,000,000 \$4,000,000 \$5,000,0

ASU PRIMARY CASH RESERVES

Section III: Protection of Low and Middle Income Students

When the institutional mission is to serve the underserved, protecting a student body that is comprised of primarily very low-income (100% PELL eligible) and low-income (partial PELL eligible) students becomes extremely challenging when faced with reductions in State and Federal support of the magnitude presented in this plan. Effective financial aid packaging combined with creative tuition window assessment structure only goes so far.

In 2011 institutions were asked to prepare a one-page summary describing the effects of a 50% reduction in state support. Here's an excerpt from Adams' response:

"Excessive increases in tuition will dramatically reduce access for the low income student population that we serve. Adams' current financial aid packaging model, which combines federal, state, private, and institutional aid enables us to meet the needs of low-income students. Massive tuition increases that would be necessitated by a 50% cut in State support, combined with caps in place on federal grants and student loans, prohibit the development of an aid packaging model that meets the needs of low income students, depriving them access to higher education."

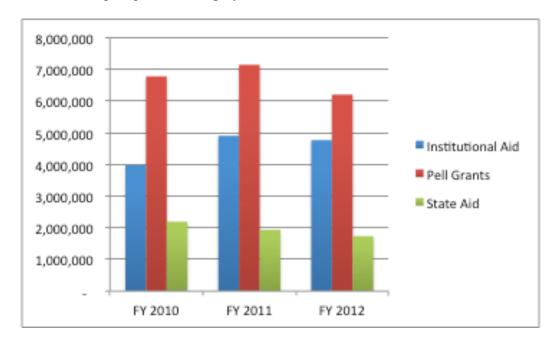
Thankfully the 50% reduction did not occur. However predictions from that exercise are beginning to unfold. State support for Adams has dropped by 25% from \$14.6 million in 2009 to \$11.1 million in 2013. This has resulted in elimination of positions, wage freezes, operating cuts, and

large tuition increases. The large tuition increases, combined with changes in Federal financial aid policies have negatively impacted low and middle-income students.

	FY2010-11	FY2011-12
ASU Students receiving aid	91%	87%
Considered low-income	55%	42%
Family adjusted gross income	\$17,818	\$24,686
Percentage of PELL eligible ASU students	82%	58%
PELL Revenue	\$7,185,416	\$6,113,052

Several factors contribute to the change in ASU student demographics. Due to rising tuition costs and limited Federal aid resources, many low and middle-income students are being priced out of higher education. The change in the number of PELL eligible students and family income is a reflection of more strict eligibility guidelines and ASU's shifting dependence on nonresident students from higher income families. In 2013 PELL revenue is down by \$742,000 compared to this same time in the prior year. PELL revenue has dropped by 25% in two years.

While Federal and State student financial aid resources have decreased over the last two fiscal years, ASU's commitment has increased, as shown in the charts below. ASU's investment in institutional scholarships equates to roughly one third of tuition revenue.



ASU's Finish In Four: Adams State has been successful in growing enrollment. However, more students were taking fewer credit hours. This drives a higher cost of education, increased debt loads, and delayed entry into the work force with a degree. Another factor that must be considered is the cost of room and board, which is roughly equal to tuition and fees at ASC, while in school. Encouraging students to take 15 credit hour semester loads reduces time to degree and educational costs.

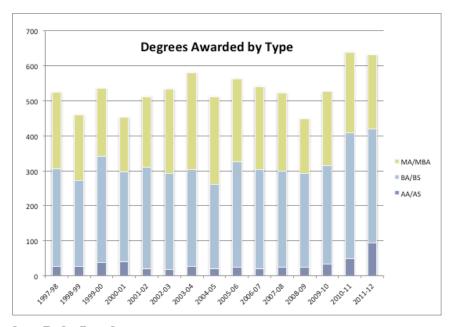
Intensive academic and financial aid advising was implemented in 2010. In 2011, Adams opened

the backend of the tuition window to 21 hours(the 13th through the 20th credit hour are free) to encourage students to carry more hours. A broader implementation of ASC's STAY program was also geared toward reversing this trend. As the table below illustrates, these policy shifts have resulted in a shift in enrollment behavior.

Year	Average Credit Hours per Student
1 Cui	Headcount
1997 thru 2004	26.6
2005 thru 2009	23.7
Fall 2010	24.6
Fall 2011	25.2
Fall 2012	25.7

^{*}Source: Adams State Fall Census Report

Adams State University is committed to the State's Degree Dividend Goal: Better student retention; course, certificate, and degree completion; and better opportunities for Colorado's low and middle income students. Adams State experienced eleven consecutive record semesters of enrollment growth. Adams State is not only aggressively pursuing enrollment, we strive to produce more degrees. In 2010-11, ASC produced the highest number of degrees in its history.



Section IV: Student Debt Load

ASU's Finish In Four program will help students graduate earlier and save money. However, that shift alone is not enough to offset rising tuition and declining Federal financial aid commitment. Changes in PELL eligibility has reduced the number of qualifying students and reduced the amounts awarded to those who qualify. New PELL lifetime caps of 12 semesters of eligibility affected hundreds of ASU students. The ASU financial aid office was able to assist

nearly half of the students who lost all their PELL, but roughly eighty students could not be helped. There are currently 391 students approaching the lifetime cutoff, 157 of which will reach it at the end of this spring semester.

2012 Average Student Debt Load at Graduation

Institution	Average Debt
Western State Colorado University	\$20,794
Fort Lewis College	\$20,948
University of Colorado-Colorado Springs	\$23,184
Adams State University	\$23,636
Colorado State University	\$23,902
Colorado State University- Pueblo	\$24,060
University of Northern Colorado	\$24,224
University of Colorado- Boulder	\$24,485
Colorado Mesa University	\$25,045
Metropolitan State University of Denver	\$26,640
University of Colorado- Denver	\$26,948
Colorado School of Mines	\$30,987

Source: Department of Higher Education JBC Hearing

Document, December 2012

Section V: Address the Needs of Underserved & Underrepresented Students

Adams State maintains its historical commitment to access for Colorado's underserved citizens. ASU has maintained a 32% Hispanic population. Our success in this arena is nationally recognized. ASC's primary service area, the 8,000 square-mile San Luis Valley, is a six-county rural region that includes some of the state's poorest counties. Providing geographic access for low-income students is core to our mission. However, we have reached a crossroads. Additional state support is necessary in order for Adams State University to continue its primary mission.