



COLORADO

Department of Higher Education

Priority: R-1 and R-2
\$100 Million General Fund for Student
Financial Aid and Higher Education
FY 2014-15 Change Requests

Cost and FTE

- The Department of Higher Education requests an increase of \$100 million General Fund in FY 2014-15 (and beyond). This \$100 million General Fund increase is comprised of \$40 million General Fund for Student Financial Aid (R-1) and \$60 million General Fund for higher education institutions to control tuition increases (R-2).

Current Program

- The Colorado Commission on Higher Education's top Master Plan goal is increasing degree and credential attainment to meet future workforce needs in the state. The Commission's goals also stress expanding access to higher education and affordability.
- The Department has implemented a new financial aid methodology which rewards retention and completion.
- Availability of financial aid is a critical factor in ensuring access to college. In FY 2011-12, the average state financial aid award was \$1,000 per undergraduate student.

Problem or Opportunity

- From FY 2008-09 to FY 2013-14, the public higher education system in Colorado experienced a \$162 million reduction in state funding. During this time higher education tuition increased substantially.

Consequences of Problem

- Tuition increases have reduced affordability and thus access to higher education for many Coloradans.
- Students who attend Colorado institutions of higher education are incurring more student loan debt. At Colorado public institutions, 58 percent of students graduate with debt. The average student loan debt is \$24,850 for a bachelor's degree.

Proposed Solution

- The \$40 million Financial Aid increase represents a 42 percent increase in funding, the largest in Colorado history. The request adds \$30 million for Need Based Aid, \$5 million for Work Study, and \$5 million for Merit Based Aid. Additional funding for higher education will be available for tens of thousands of Colorado students.
- The \$60 million increase provides a proportional 11.0 percent increase for public colleges and universities. This request doubles the operating increase provided last year and is intended to control tuition increases.
- The Governor has issued a challenge to Colorado Governing Boards to hold down tuition increases and he has set a hard cap of no more than 6.0 percent growth in FY 2014-15.



COLORADO

Department of Higher Education

FY 2014-15 Funding Request | November 1, 2013

John W. Hickenlooper
Governor

Joseph A. Garcia
Lieutenant Governor

Department Priority: R-1 Increased Financial Aid for Colorado Students

| Summary of Incremental Funding Change for FY 2014-15 | Total Funds | General Fund |
|---|--------------|--------------|
| General Fund Increase for Financial Aid | \$40,000,000 | \$40,000,000 |

The Department of Higher Education requests an increase of \$40,000,000 General Fund for Financial Aid for Colorado students in FY 2014-15. This 42 percent increase represents the largest Financial Aid increase in Colorado history. This increase will help thousands of eligible students afford college through need-based grants, work study, and merit aid.

| Colorado Financial Aid | FY 2013-14 Appropriation | FY 2014-15 Increase | Percent Increase |
|------------------------|-----------------------------|------------------------|---------------------|
| Total – GF | \$ 95,691,131 | \$ 40,000,000 | 41.8% |
| Need Based Grants | 79,258,803 | 30,000,000 | 37.9% |
| Work Study | 16,432,328 | 5,000,000 | 30.4% |
| Merit Based Aid | - | 5,000,000 | N/A |

The \$40.0 million General Fund increase is comprised of the following components:

- \$30.0 million General Fund for the Need Based financial aid program. At the FY 2011-12 award level of \$1,056 per student, this \$30 million increase equates to 28,000 more student awards.
- \$5.0 million General Fund for Work Study allow institutions to offer these positions to significantly more students. The Work Study increase will enable as many as 2,200 additional students to participate in work study on their campuses.
- \$5.0 million General Fund for Merit Based aid program. Last funded in FY 2008-09, Merit Based Aid was eliminated due to the General Fund revenue shortfall during the economic downturn. State funding for Merit Based Aid will provide qualified, resident students an incentive to attend an in-state institution in Colorado.

The top performance goal in the Commission's Master Plan is increasing degree and credential attainment by at least 1,000 by 2025 to meet anticipated workforce needs in the state. This substantial funding increase complements the Colorado higher education system's new emphasis on student access, retention, and completion. Colorado Commission on Higher Education is also committed to expanding access to

higher education. The Financial Aid program seeks to provide equal educational opportunities to qualified students whose personal or family resources are insufficient to cover the cost of attending college.

Need Based Financial Aid

Student financial aid need is determined based on the cost of attendance less the Estimated Family Contribution. The Estimated Family Contribution is amount the family is expected to contribute before any aid (including low interest subsidized federal loans) can be offered. The federal Pell grant formula calculates the Estimated Family Contribution.

Availability of financial aid is an important factor in providing access to college. Research suggests that even academically prepared students at lower income levels may not enroll or persist in higher education if they have to struggle to pay for college. Currently, the amount of aid a student receives depends on the cost of attendance, financial need, and whether a student meets qualifying criteria for Financial Aid. In FY 2011-12, the average state Financial Aid award per student was approximately \$1,008 per undergraduate and \$2,889 per graduate student.

The majority of the Department’s \$40 million General Fund financial aid request is in Need Based Financial Aid. This \$30 million Need Based Financial Aid increase (37.9 percent) would be distributed based on the new allocation formula implemented by CCHE for FY 2013-14. This change means a relatively small portion of the Need Based Aid would be used to increase allocations for undergraduate students attending proprietary institutions and for graduate grant. This approach links financial aid allocations to retention and completion goals at the institutions and is specifically designed to target aid to students and institutions based on progress towards degree and certificate completion. The concept is illustrated below with aid awards increasing as a student accumulates credits towards degree completion.

Figure 1



In a major national report entitled *Beyond Merit and Need: Strengthening State Grant Programs*, Dr. Sandy Baum, an economist and one of the nation's foremost authorities on financial aid policy, along with other national policy leaders and academics suggested the following to states:

- To encourage on-time degree attainment, state grant programs should reward concrete accomplishments such as the completion of credit hours.
- Academic requirements embodied in state grant programs should provide meaningful incentives for success in college; they should not be focused exclusively on past achievement or be so high as to exclude students on the margin of college access and success.

Baum, S. et al. (2012). *Beyond merit and need: Strengthening state grant programs*. Brookings Institute: Washington D.C. Available online at: <http://www.brookings.edu/research/reports/2012/05/08-grants-chingos-whitehurst>.

These findings are embodied in the Department's new financial aid allocation method illustrated in Figure 1. The increase in state financial aid allows for growth in the funding increments for a student's persistence from year-to-year or term-to-term, consistent with national research.

Work-Study and Merit Aid

Additionally, the Department will work with the Commission to review the Work-Study program and also develop an allocation method for the Merit Aid program for allocations that will be approved in June. The statutes provide the Commission with the authority to allocate financial aid funding to each institution. As noted above, once those funds are allocated, the institutions have authority to make individual awards to students; tailoring a package of aid based on an individual student's need.

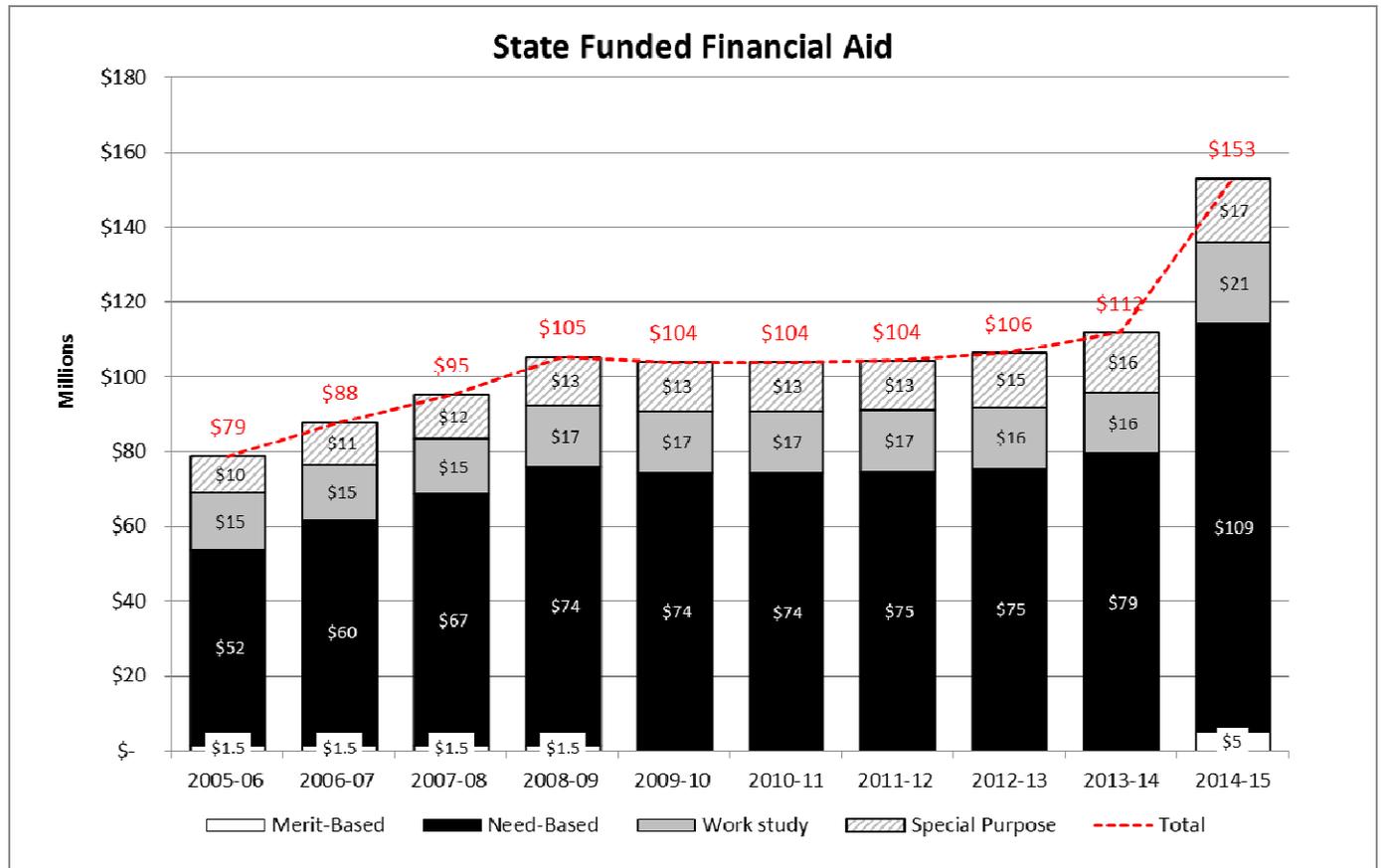
For key campus positions, the Work Study increase could lead to higher wages or simply increase the number of Work Study opportunities at the institution. Work Study programs are popular with students and institutions alike because of their proven impact in helping students stay engaged with campus and their studies. Research shows that Work Study programs have a positive impact on retention and graduation rates. More information on the success of Work Study programs can be found at <http://pas.indiana.edu/cb/docs/Institutional%20Practices.pdf>.

This request would also reinstate state Merit Based Aid with \$5.0 million General Fund. The Merit Based Aid program was discontinued in FY 2009-10 as a cost saving measure during the height of the economic downturn. At its funding highpoint, the program received nearly \$15.0 million. This proposal would restore one-third of that funding amount. The Merit Based Aid program was used to leverage institutional aid as an additional avenue to direct more aid to middle income families that fall just outside the restrictions of the Need Based Aid parameters. Essentially, it assists Colorado institutions in their efforts to keep talented Colorado students in-state by offering incentives for attendance. As this article indicates (http://www.dailycamera.com/cu-news/ci_23832688/cu-boulder-steps-up-recruiting-efforts-following-enrollment), additional aid for promising resident scholars can be the turning point that convinces them to attend an in-state institution.

Total Financial Aid Request

Table 1 below illustrates the significant increase in student financial support realized in this request. The table reflects the historical financial aid funding as well as the total change to state funded financial aid requested for FY 2014-15. The graph includes this request for \$40,000,000 General Fund, R-3 for the Ft. Lewis College Native American Tuition Waiver (\$836,855 General Fund), and R-4 for the Dependent Tuition Assistance Program (\$252,000 General Fund).

Table 1



Other

Section 23-3.3-103, C.R.S. requires that Financial Aid increase by the same percentage as the General Fund operating increase to the Governing Boards. As the \$40.0 million General Fund for Financial Aid programs far exceeds these statutory requirements, it is not separately or uniquely calibrated for that purpose.



COLORADO

Department of Higher Education

FY 2014-15 Funding Request | November 1, 2013

John W. Hickenlooper
Governor

Joseph A. Garcia
Lieutenant Governor

Department Priority: R-2 Operational Funding Increase for Public Colleges and Universities

| Summary of Incremental Funding Change for FY 2014-15 | Total Funds | General Fund |
|--|---------------|--------------|
| Operational Funding Increase for Colleges and Universities | \$117,765,395 | \$60,051,510 |

The Department of Higher Education requests \$60,051,510 General Fund for public institutions of higher education in FY 2014-15. This 11.0 percent General Fund increase is one of the largest General Fund increases for the higher education operating budget in Colorado history.

This request includes increases of \$57,765,395 General Fund for the College Opportunity Fund (of which \$57,713,885 is transferred to the Governing Boards as reappropriated funds), \$1,394,266 General Fund for Local District Junior Colleges, \$891,849 General Fund for Area Vocational Schools, and \$51,510 for COF private stipends.

| | FY 2013-14 General Fund | FY 2014-15 General Fund Increase |
|---|----------------------------|-------------------------------------|
| Adams State University | \$11,561,201 | \$1,274,227 |
| Mesa State University | 19,833,811 | 2,186,000 |
| Metropolitan State University of Denver | 39,230,013 | 4,323,770 |
| Western State Colorado University | 9,532,909 | 1,050,678 |
| Colorado State University | 109,847,382 | 12,106,921 |
| Fort Lewis College | 9,540,320 | 1,051,494 |
| University of Colorado | 150,255,639 | 16,560,551 |
| Colorado School of Mines | 16,813,547 | 1,853,119 |
| University of Northern Colorado | 33,640,060 | 3,707,667 |
| Colorado Community College System | 123,389,317 | 13,599,458 |
| Local District Junior Colleges | 12,650,325 | 1,394,266 |
| Area Vocational Schools | 8,091,845 | 891,849 |
| Subtotal | 544,386,369 | 60,000,000 |
| COF Private Stipends | 1,299,840 | 51,510 |
| Total Request | 545,686,209 | 60,051,510 |

This request increases the College Opportunity Fund (COF) stipend to public institutions from \$1,920 (for 30 credit hours) to \$1,980 (for 30 credit hours) or from \$64 per credit hour to \$66 per credit hour (a 2.6 percent increase rounded to the nearest dollar based on Denver/Boulder/Greeley CPI). The total increase

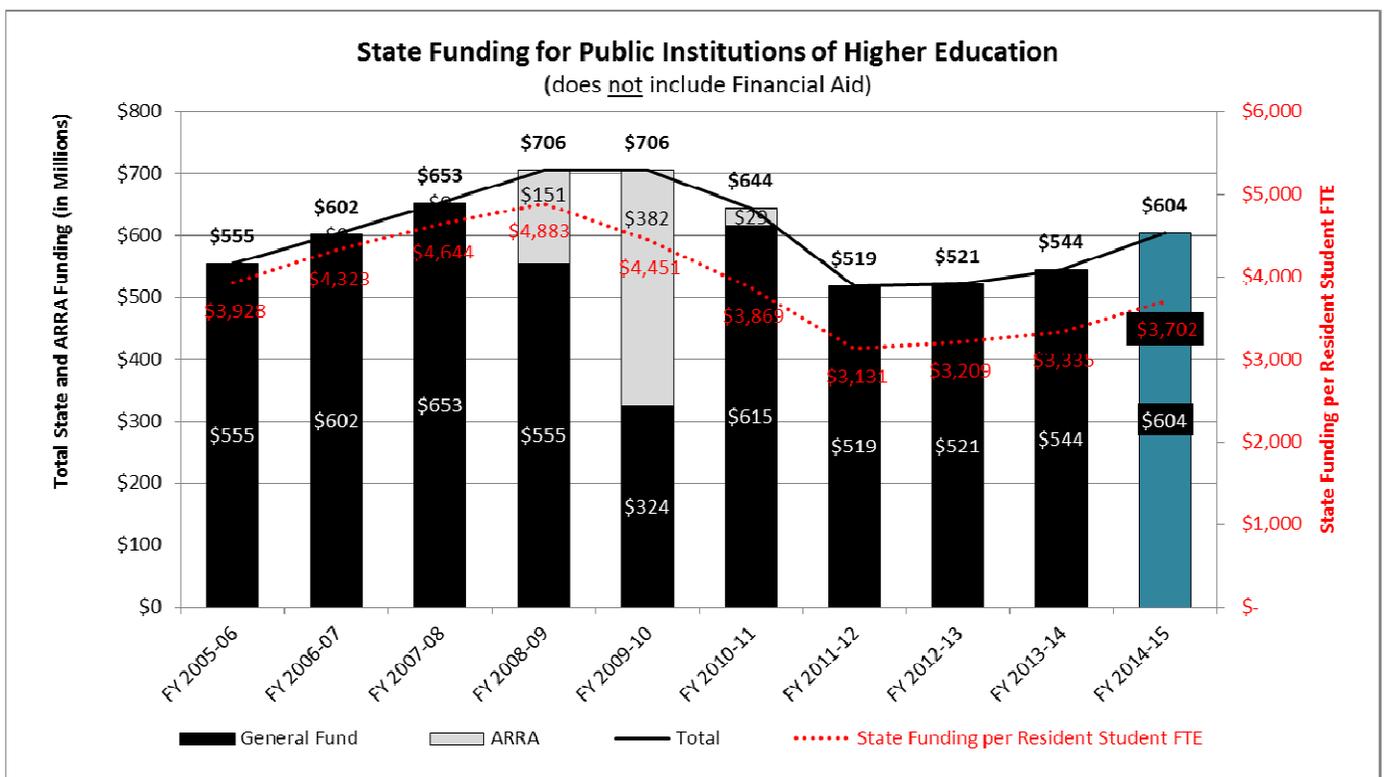
for COF stipends requested is \$8,331,960 General Fund. The COF Fee-for-service contract amounts are requested to increase by \$49,381,925 General Fund. This amounts to a total General Fund request of \$57,713,885 to the COF program which results in an identical amount of reappropriated funds to the governing boards.

Section 23-18-202 (2) (e), C.R.S. provides that stipends for participating private institutions be granted at 50 percent of the public stipend amount. Since this request seeks to increase the stipend from \$64 to \$66 per hour for public intuitions, a commensurate increase must be requested for private stipends to comply with statute. This amount is calculated at \$51,510 General Fund. (Please refer to Attachment B for private stipend calculations).

Controlling Student Tuition Increases with State Support

Last year’s General Fund increase authorized by the General Assembly had a material impact in mitigating tuition increases, especially for Colorado’s larger institutions. Six institutions and the Community College System kept tuition increases at or below 6.0 percent. In addition to the FY 2014-15 \$60.0 million General Fund increase, Governor Hickenlooper has issued a charge to all higher education governing boards to keep tuition increases as low as possible for undergraduate residents and cap tuition increases at no more than 6.0 percent to preserve access and affordability. The Department and the Governor believe that in light of Colorado’s continued economic recovery and the size of this requested state investment, keeping tuition increases as low as possible is a reasonable expectation and owed to Colorado students and families.

From FY 2008-09 to FY 2013-14, the higher education system in Colorado experienced a \$162 million reduction in state funding. The following table illustrates Colorado’s higher education operating funding since FY 2005-06 and shows the effect of the \$60.0 million (11%) General Fund increase for FY 2014-15.



Building on Colorado's Innovation and Efficiency

Colorado has developed a national reputation for innovation and efficiency in the delivery of public higher education. During the economic downturn, state funding was reduced for public colleges and universities across the country even as student enrollments shot upward at public and private institutions alike. Like other states, Colorado absorbed the reductions and experienced significant increases in tuition to help offset those cuts.

During this time, the Administration laid the foundation through strategic planning, policy development and legislative initiatives to focus Colorado colleges and universities not just on student access but also on student success. Student success is now being measured by each institution through its performance contract with the Commission and in the future, new funding will be allocated as a result of institutional success as measured by those performance metrics. With the potential for increased funding for higher education, there exists new opportunity to invest in these innovations with the expectation of better success and measurable outcomes for Colorado students.



At the center of this work are four basic goals of the Colorado Commission on Higher Education (CCHE) detailed in the current Master Plan:

1. Increase the attainment of quality credentials;
2. Improve student support to reduce the time to attain credentials;
3. Address the attainment gap that exists for underserved communities; and
4. Attain the public resources needed to meet Colorado's workforce demands.

This \$60.0 million General Fund increase for FY 2014-15 supports these four higher education goals.

Assumptions and Calculations

The following assumptions were used to build the allocation model (Attachments A and B):

- Stipend Eligible Student FTE is based on final FY 2013-14 appropriations.
- Proportional increases for General Fund support are based on FY 2013-14 appropriations for each governing board, local district junior college, and area vocational school.
- The total dollar amount calculated for each institution at an 11.0 percent increase is found in Attachment A. The overall increase is further distributed between COF stipends and COF fee-for-service contracts for all governing boards (also found in Attachment A).
- The current FY 2013-14 COF stipend amount of \$64 per credit hour will need to increase roughly by inflation or by \$2 per hour in order to ensure stipends are adequately funded.

- The amount not required for funding stipends is put into each governing boards' fee-for-service allocation.
- The private stipend funding amount requested here is the difference between the total FY 2013-14 appropriation for 1,354 FTE and the increased stipend amount of \$66 per credit hour multiplied by the FY 2012-13 actual FTE of 1,365 (the most recent available). Attachment B details this calculation.
- Section 23-3.3-103, C.R.S. requires that any General Fund operating increase to the governing boards be accompanied by an increase to financial aid funding at the same percentage. This request equates to an 11.0 percent increase for the Governing Boards. A similar increase applied to the qualified financial aid base of \$97.3 million in FY 2014-15 would equal \$10.7 million. Therefore, the "R-1 General Fund Increase for Financial Aid" at \$40.0 million General Fund exceeds, and therefore fulfills, the statutory requirements.

FY 2014-15 Governor's Capital Request: Institutional Breakdown

| Institution | Capital Construction | | Controlled Maintenance (Level I) | | Total Appropriation |
|---|----------------------|---------------------|-------------------------------------|---------------------|------------------------|
| | # Projects | Appropriation | # Projects | Appropriation | |
| Adams State University | 0 | \$0 | 1 | \$897,510 | \$897,510 |
| Auraria Higher Education Center (CCD, UCD, MSU Denver) | 1 | \$22,848,307 | 2 | \$1,215,627 | \$24,063,934 |
| Colorado Community College System | 0 | \$0 | 7 | \$4,679,325 | \$4,679,325 |
| Arapahoe Community College | 0 | \$0 | 1 | \$742,704 | \$742,704 |
| Colorado Northwestern Community College | 0 | \$0 | 0 | \$0 | \$0 |
| Community College of Aurora | 0 | \$0 | 0 | \$0 | \$0 |
| Community College of Denver | (See AHEC) | | | | |
| Front Range Community College | 0 | \$0 | 0 | \$0 | \$0 |
| Lamar Community College | 0 | \$0 | 1 | \$566,221 | \$566,221 |
| Lowry | 0 | \$0 | 2 | \$1,487,322 | \$1,487,322 |
| Morgan Community College | 0 | \$0 | 1 | \$531,148 | \$531,148 |
| Northeastern Junior College | 0 | \$0 | 0 | \$0 | \$0 |
| Otero Junior College | 0 | \$0 | 0 | \$0 | \$0 |
| Pikes Peak Community College | 0 | \$0 | 0 | \$0 | \$0 |
| Pueblo Community College | 0 | \$0 | 1 | \$587,870 | \$587,870 |
| Red Rocks Community College | 0 | \$0 | 1 | \$764,060 | \$764,060 |
| Trinidad State Junior College | 0 | \$0 | 0 | \$0 | \$0 |
| Colorado Mesa University | 0 | \$0 | 1 | \$909,399 | \$909,399 |
| Colorado School of Mines | 0 | \$0 | 1 | \$359,166 | \$359,166 |
| Colorado State University System | 0 | \$0 | 4 | \$2,960,912 | \$2,960,912 |
| Colorado State University - Fort Collins | 0 | \$0 | 3 | \$1,962,561 | \$1,962,561 |
| Colorado State University - Pueblo | 0 | \$0 | 1 | \$998,351 | \$998,351 |
| Fort Lewis College | 0 | \$0 | 1 | \$684,310 | \$684,310 |
| Metro State University of Denver | (See AHEC) | | | | |
| University of Colorado System | 3 | \$20,572,737 | 5 | \$2,656,985 | \$23,229,722 |
| University of Colorado - Boulder | 0 | \$0 | 3 | \$1,843,765 | \$1,843,765 |
| University of Colorado - Colorado Springs | 1 | \$13,281,999 | 0 | \$0 | \$13,281,999 |
| University of Colorado - Denver | (See AHEC) | | | | |
| University of Colorado - Denver - Anschutz Medical Campus | 1* | \$7,290,738 | 2 | \$813,220 | \$8,103,958 |
| University of Northern Colorado | 0 | \$0 | 1 | \$1,108,622 | \$1,108,622 |
| Western State Colorado University | 0 | \$0 | 1 | \$524,612 | \$524,612 |
| Federal Mineral Lease COP Payments** | 1** | \$18,587,556 | 0 | \$0 | \$18,587,556 |
| Higher Education Total | 4 | \$62,008,600 | 24 | \$15,996,468 | \$78,005,068 |

*For Anschutz Medical Campus Certificates of Participation (COP) payments

**FML COP issued in FY 2008 for the following projects: AHEC Science Building, CMU Wubben Hall, CNCC Academic Building (Craig Campus), CSM Brown Hall, CSU Clark Building, CSU-P Academic Resources Center, FLC Berndt Hall, FRCC Science Classroom, MCC Nursing, Health and Science Building, UCCS Science Building, and UNC Butler Hancock, and WSCU Taylor Hall.