



Department of Higher Education/ Colorado Commission on Higher Education

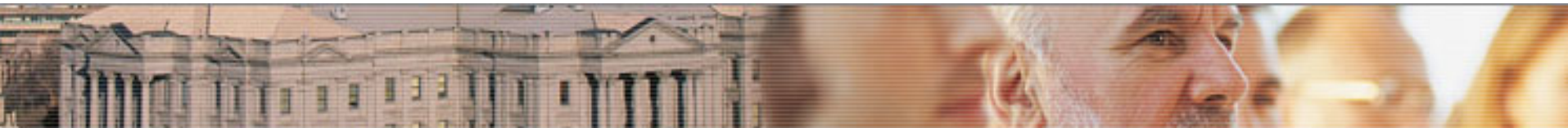
June 2007





Reductions from FY 2002 through FY 2005

- Higher Education suffered a series of reductions from 2002 to 2005 in both capital construction and operating dollars
- Higher Education appropriations between FY 01 to FY 05 were reduced \$121.6M, a 19.84% decrease in General Fund operating
- The difference in the appropriation for Capital Construction Funds Exempt was (\$109.2M) in those years or a decrease of 97%
- As a result, deferred maintenance, new building needs and salary increases for faculty took a back seat to other costs such as utility increases and classified staff increases



Appropriations Changing Beginning in FY 06

General Fund and Capital Construction Appropriations				
Fiscal Year	Capital Construction Appropriations	General Fund Operating Appropriation	General Fund Operating % Change	Capital and General Fund % Change
FY 00-01	\$ 151,201,422	\$ 612,879,391		
FY 01-02	\$ 87,420,743	\$ 617,817,987	1%	-8%
FY 02-03	\$ 6,930,162	\$ 566,362,783	-8.33%	-19%
FY 03-04	\$ 6,898,200	\$ 495,791,351	-13.00%	-12%
FY 04-05	\$ 4,200,000	\$ 491,291,351	-0.91%	-1%
FY 05-06	\$ 37,678,445	\$ 534,181,543	8.73%	15%
FY 06-07	\$ 67,488,100	\$ 578,628,044	8.32%	13%
FY 07-08	\$ 142,349,054	\$ 627,633,532	8.47%	19%

- Appropriations for higher education began increasing in FY 2005-2006 but barely matched the 2001 year in constant dollars



Stabilization of Funding

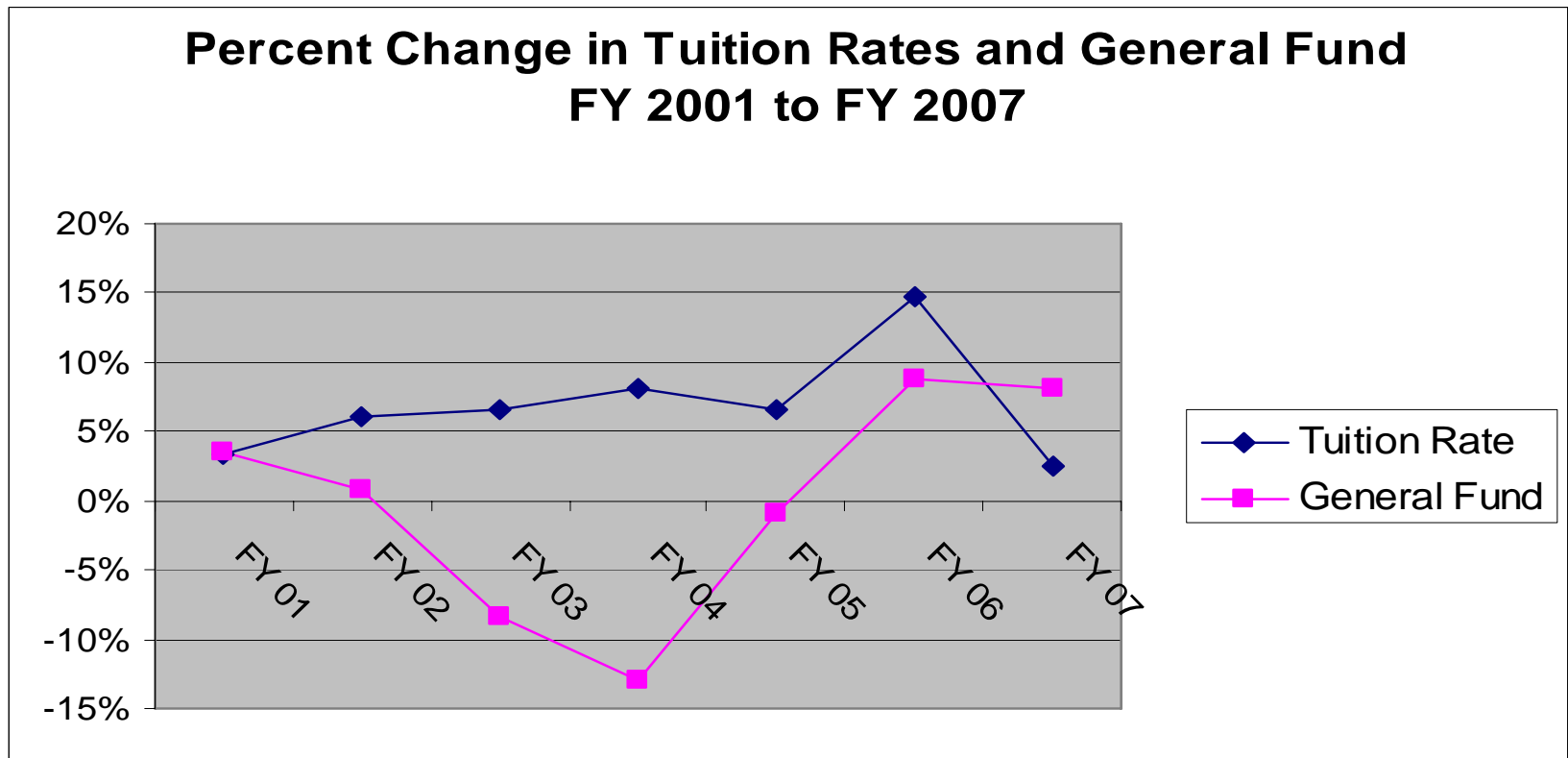
- Had funding stabilized beginning in FY 02, inflation alone would have added \$276.4M compared to current funding

Inflated FY 2001 Base Appropriations

Governing Board	FY 2001 General Fund	FY 2007 General Fund	General Fund Appropriation w/o Reductions
University of Colorado	132,503,095	118,223,710	206,969,734
Colorado State University System	98,174,368	87,899,254	143,160,273
Adams State College	10,396,778	12,562,412	11,289,264
Mesa State College	15,590,944	20,632,636	22,845,599
Metropolitan State College	40,495,788	41,165,915	67,148,093
Western State College	6,279,744	10,470,780	8,677,956
Fort Lewis College	9,574,293	10,745,793	12,142,378
University of Northern Colorado	41,959,738	37,949,011	59,179,351
Colorado School of Mines	19,495,658	20,043,357	33,714,153
Community Colleges of Colorado	129,803,119	121,998,555	192,885,083
Total	504,273,525	481,691,423	758,011,886
Note:			
HSC and PVM are not included in General Fund Figures			
General Fund Appropriations w/o Reductions includes inflation from HEPI			

Tuition Rates Rise as State Appropriations Decline

- A review of the proportion of revenues coming from state sources shows that as state funding for higher education declined, reliance on tuition and fee revenue increased. The chart below shows tuition increases as state appropriations declined 13% in FY 2004:





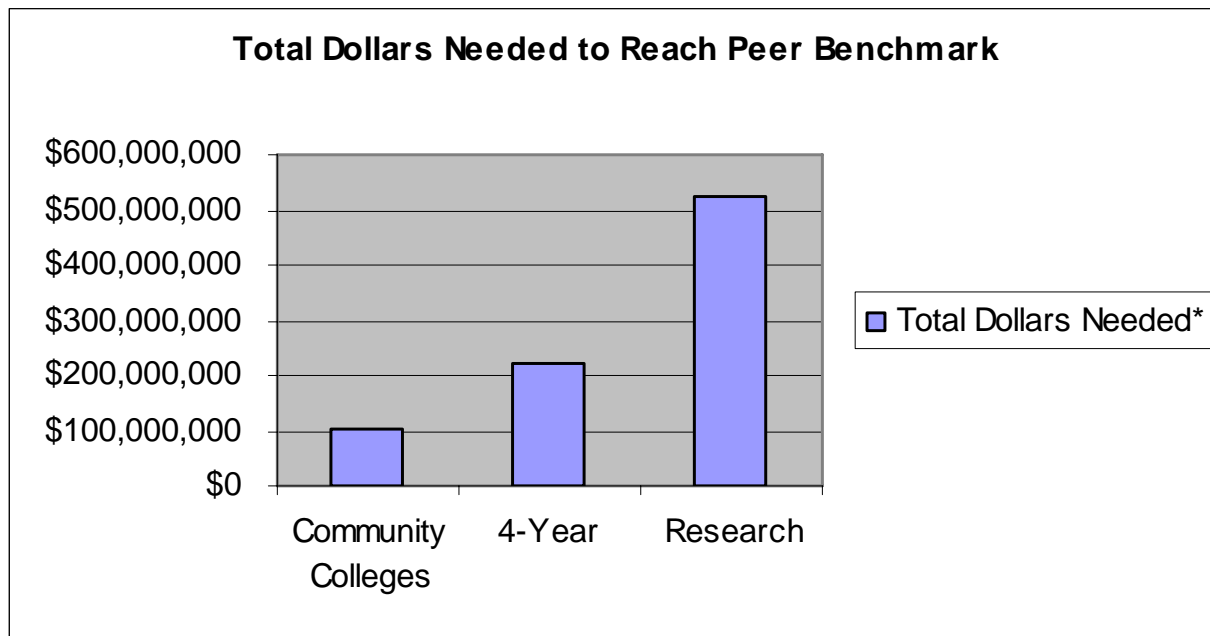
How Colorado Compares to National Benchmarks

- The National Center for Higher Education Management Statistics (NCHEMS), recently completed a study of Colorado revenues devoted to higher education
- The fundamental question NCHEMS posed was how to determine whether institutions were adequately and equitably funded: i.e., does each institution have adequate resources for the unique missions and resulting program offerings that affect cost
- Using a revenue-driven model, the study calculated the total of general funds and tuition and fees provided for operation of higher education
- NCHEMS developed comparable benchmark institutions for Colorado institutions and compared Colorado's institutional revenues (general fund and tuition and fees) to those institutions
- The comparison of tuition and fees to the benchmarked institutions must be separated by resident and nonresident students since nonresident tuition rates are four to five times higher than resident rates at some institutions. For example, at the University of Colorado Boulder, the resident undergraduate full time tuition rate is \$4,554 and the nonresident undergraduate full time tuition rate is \$22,450



\$848 Million Needed to Meet Average Benchmarks

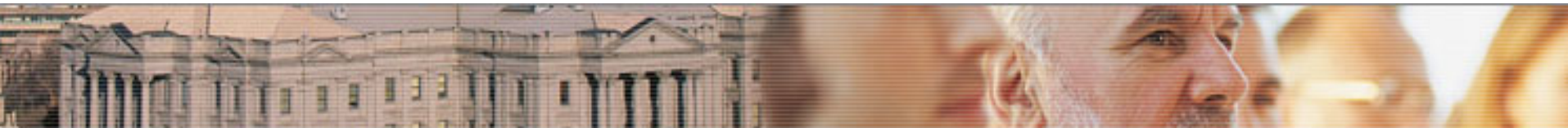
- The study showed that Colorado higher education institutions receive only approximately 63.3% of the funding of their peers
- As a comparison, a review of K-12 education funding shows K-12 schools in Colorado are funded at 97% of the national average
- The Department of Higher Education hopes that this study facilitates a discussion regarding the appropriate ratio of educational costs that should be borne by taxpayers (stipend, fee-for-service and financial aid in the current structure) versus students and families (tuition and fees)





After the Rescissions: Referendum C

- When Referendum C was passed by the voters of Colorado, it provided a “time-out” until FY2010-FY2011, from the TABOR requirements
- Referendum C did not provide a time out from the Arveschoug-Bird Amendment (the 6% spending limit)
- The voter campaign and the Referendum C companion legislation agreed upon a split of 30% of Referendum C dollars for health care, 30% for K-12 education and 30% for higher education; the remaining monies would be spent for the fire and police pension and various transportation projects
- The 6% limit is crucial to the analysis of higher education impacts from Referendum C





Legislative Council's— Excess State Revenue Report, October 2006

Legislative Council reports the amount of excess state revenue that the state retained under the referendum and how the excess state revenue was spent for the preceding year. In FY 05-06, the state collected \$1,116.0M in nonexempt revenue under the provisions of Referendum C.

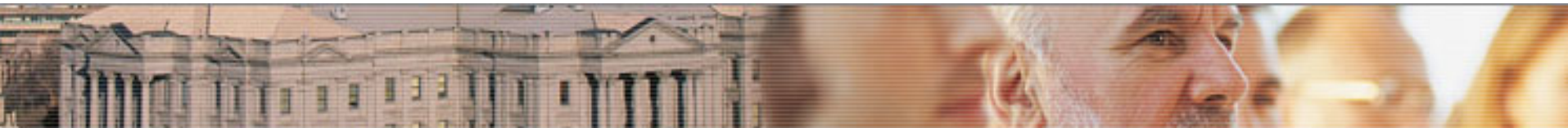
Spending of Retained Revenue During FY 05-06	
Referendum C Dollars (in millions)	
	FY 2005-06
Higher Education	\$334.80
Education (K-12)	\$334.80
Health Care	\$334.80
Volunteer Firefighter Retirement Plans, Fire and Police Pension, Transportation Projects, etc.	\$111.60
Total	\$1,116.00





Legislative Council's— Excess State Revenue Report, October 2006

- The Legislative Council's Excess State Revenue Report specifies that higher education received \$334.8M in Referendum C money in FY 05-06
- The Excess State Revenue Report assumes the state would have faced a significant budget shortfall had Referendum C not passed. The majority of the \$334.8M simply sustained higher education and its current rates and most importantly prevented higher education from undergoing cuts
- Referendum C was not intended as a methodology to distribute new funds and it is also not possible to predict what budgetary strategies would have been used if Referendum C had failed





Legislative Council's— Excess State Revenue Report, October 2006 (Continued)

- In other words, the \$334.8M is money the programs may not have received without Referendum C, but it is not additional money when compared with the prior year
- In FY 05-06, higher education actually received over \$76M in new dollars compared with the previous year
- As a result, the Excess State Revenue Report assumes that \$258M in Referendum C dollars was used to prevent higher education budget cuts





Complicating Factors

- The six percent Arveschoug-Bird spending limit on growth in General Fund appropriations is applicable to most agencies, including Higher Education
- There are limited funds to go to higher education, even with the passage of Referendum C as a result of continued limits on General Fund spending
- Revenues available over the 6% limit go to other areas such as Transportation or other capital construction that are not bound by the 6% limit
- Senate Bill 97-1 diverts 10.355 % of the state's sales and use taxes to Transportation during years when there is no budget shortfall
- House Bill 02-1310 transfers any funds that are in excess of the required TABOR reserve of 4% to Transportation and Capital Construction. These funds are distributed 2/3rds to Transportation and 1/3rd to statewide Capital Construction
- Typically the Department of Higher Education receives about 60% of the amount distributed to statewide Capital Construction



FY 2007-2008: Higher Education Share of Funding

