Action Item

TOPIC: FY 2008-09 GENERAL FUND ALLOCATION

PREPARED BY: DAVID SKAGGS

I. SUMMARY AND BACKGROUND

Staff has been working with the various institutions of higher education to develop a new model for distributing state general fund (GF) support based on the NCHEMS (National Center for Higher Education Management Systems) analysis of the difference between total revenues per student at each Colorado college and the comparable average revenue per student at a group of national peer institutions. We refer to this as the NCHEMS-gap model. While we have made great progress in working out the details of the model, it is not yet complete, and so we are not able to use it for the allocation of new GF moneys budgeted for higher education for the upcoming fiscal year 2008-09 (FY09). Staff does expect the new model to be completed for the FY10 budget cycle. In the meantime, it is necessary to have a workable approach for distributing GF appropriations for FY09.

Under the Governor's budget proposal for higher education under the College Opportunity Fund (COF), $48.55 million has been requested. That amount was the COF component of the FY09 budget approved by the Commission at its November 1, 2007, meeting. Staff recommends a GF COF allocation for FY09 that increases the funds projected for each governing board (through COF stipends and fee-for-service contracts) and for the Area Vocational Schools by 7.7% above their base funding for the current fiscal year. The staff recommendation for the Local District Colleges (LDCs) is a 3% increase over their FY08 state funding level. The amounts involved in this recommendation are set out in the chart at Exhibit A.

Two items that require further explanation are the treatment of funding for the Health Sciences Center (HSC) and the LDCs.

The provisions of SB07-97, the so-called "tobacco settlement money" bill, direct the portion of the tobacco money that is to go to HSC to specified programs detailed in the legislation and further provides: "settlement moneys and any interest and income earned on the deposit and investment of settlement moneys allocated pursuant to this subsection (1.5) shall supplement and shall not supplant any other state moneys appropriated or otherwise allocated for similar programs or purposes." This legislation was enacted after the allocation approach for FY08 was worked out a year ago. For the FY09 allocation, it is evident that the tobacco money should not be viewed as subject to allocation as if it were a supplement to the GF support for the CU System or HSC. This exclusion of HSC tobacco money from consideration as part of the department's and CCHE's GF allocation recommendation is viewed by some of the other institutions as unfairly advantaging the CU System and HSC. However, the provisions of SB07-97 appear clear in their direction on how these funds should be treated.

The LDCs are not part of the state community college system, but are adjunct to it, and rely for their revenues in large part on a separate property tax base, the result of long-standing decisions by the voters in the districts they serve to remain outside the state community college system. To their credit, the taxpayers in those districts have agreed to tax themselves to fund the LDCs at a much higher level than the state community colleges. According to the NCHEMS analysis, they are the only component of higher education in the state with per student revenues *above* that of their national peers. There is an equity argument that these districts ought not to be penalized for their taxpayers' separate additional support for these two schools. However, the fact remains that any additional funds going to the LDCs would reduce the funds available to the other institutions, all of which are significantly *below* their peers in per student revenues and that the district taxpayers chose historically to remain in a different status presumably because they expected it to be advantageous. Thus, staff recommends that the increase for the LDCs be set at an inflation adjustment level of 3%

The department staff has met with the institutions' presidents and reviewed this proposal with them.

The Commission is authorized by statute to review this budget proposal and make its recommendation to the Joint Budget Committee and the General Assembly.

II. STAFF RECOMMENDATION

Approve the proposed allocation of new FY09 GF appropriations to the institutions of higher education as set out in the attached chart and recommend it for favorable action by the Joint Budget Committee in its preparation of the FY09 Long Appropriations Bill.

STATUTORY AUTHORITY

Section 23-1-105, C.R.S.

Exhibit A

Institution/System	FY07-08 General Fund Base	FY09 GF Allocation @ 7.70%	FY08-09 General Fund Total
CU System	194,986,340	15,013,948	210,000,288
CSU System	133,789,929	10,301,825	144,091,754
UNC	41,156,170	3,169,025	44,325,195
Mines	21,737,271	1,673,770	23,411,041
FLC	11,653,935	897,353	12,551,288
Adams	13,624,080	1,049,054	14,673,134
Mesa	22,376,340	1,722,978	24,099,318
Metro	44,644,910	3,437,658	48,082,568
Western	11,355,691	874,388	12,230,079
CCCS	132,308,866	10,187,783	142,496,649
Area Vocational Schools	10,450,136	804,660	11,254,796
Total	**638,083,668**	**49,132,442**	**687,216,110**
Local District Colleges @ 3%	14,826,001	444,690	15,270,691
Contingency		152,171	
GF Mark		49,729,303	