Higher Education CEOs' Short-Term Recommendation Related to Higher Education Funding, March 4, 2010

The Higher Education Strategic Planning Group ("HESP") was asked to consider and, if possible, make a proposal for a short-term measure to address the current funding challenges faced by the higher education system. The HESP is submitting a proposal to Governor Ritter and the Colorado Commission on Higher Education ("CCHE") for their consideration. The higher education CEOs have reviewed the HESP proposal and have made some proposed modifications. This document outlines this alternative proposal from the CEOs, and used the HESP proposal as its foundation.

The core of the HESP recommendation is to allow the CCHE to grant Colorado higher education institutions greater tuition and operational flexibility to help offset the projected impact of reduced state revenues and the loss of federal funds across the system by FY 2011-12 and to help institutions plan for sustainability. The CEOs agree with this philosophy. However, it is our belief that the annual setting of tuition through a footnote to the budget bill (the Long Bill) is not sufficient to allow higher education to plan through these turbulent financial times. We would advocate that the footnote be eliminated and that institutions be allowed to raise tuition by up to 9 percent per year via state statute. Any tuition rate increases exceeding 9% should require the institution to reflect measures to protect affordability and accessibility for Colorado's low and middle income students and families.

More specifically, the CEO recommendation would allow publicly funded higher education institutions which desire to exceed the 9% tuition increase level to develop and submit four-year financial plans to their Governing Boards. Using these four-year plans, Governing Boards would then set tuition increases accordingly. These tuition plans will be reported to the CCHE. The CCHE would have the authority to review tuition increases at select institutions if the Commission so chooses. In the event that CCHE decides to review tuition increases at an institution, the pertinent Governing Board would be required to formally present and justify its tuition increase to the CCHE. In the event that the CCHE still disagrees with the Governing Board's tuition decision following the discussion with the Governing Board, the CCHE has the ability to disapprove the increase and approve a different tuition increase than the Governing Board-approved tuition rate increase.

The financial plans should contain the following:

1. A clear demonstration that requested tuition rate increases greater than 9 percent will protect low and middle income students and families. The financial plan should consider financial aid from all sources: federal, state, institutional and private. The plan should also reflect any anticipated increases in student debt load.

2. A four-year financial plan timeline, with tuition and financial aid approval updated every two years. At the time of update, the Governing Board should consider re-approval based upon the institution's performance in meeting the obligations set forth in its financial model during the prior two years.

3. A recognition that not all institutions are similarly positioned to be able to increase tuition, nor deal with the impact of the decreases in state and federal revenue. In those cases, the following should apply:

    - The Governor's Office and the Colorado Commission on Higher Education will work with the institutions to develop a methodology for allocating available revenues to reduce the impact on institutions unable to increase tuition;

    - In allocating available revenues the state should take a "system-wide" approach to avoid suspending campus operations or closing institutions.

4. An incorporation of the latest changes to federal financial aid and tax policy into the plans and a consideration of how to most effectively utilize tuition/institutional aid policies to provide aid to lower and middle income students who may not be eligible for need-based financial aid. We recognize that higher education affordability is a concern to families of many income levels — not just those who are traditionally identified as eligible for need-based financial aid. In addition, there have many changes at the federal level in policies related to Pell grants and to

various federal tax credits for students pursuing higher education. These policy changes have significantly and positively impacted need-based families' abilities to cover the costs of higher education. As a result, we advocate eliminating the statutory requirement that earmarks 20% of resident tuition increases above inflation to be used for need-based aid only, and instead have the governing boards address the issue of affordability and access in their financial plans.

5. A description of the efficiencies achieved based on the operational flexibility granted in Senate Bill 10-003 and/or other related legislation.

As noted, this proposal is intended to be short-term in nature as such any legislation will have a provision sun-setting this approach in June of 2015.