

**JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING AUTHORIZATION FOR AN INSTITUTION OF HIGHER EDUCATION TO APPLY FOR STIPENDS FROM THE COLLEGE OPPORTUNITY FUND.

Prime Sponsors: Senator Bacon

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Summary of Amendments Made to the Bill After the 02/03/10 Legislative Council Staff Fiscal Note Was Prepared

None.

JBC Staff Concurrence with Legislative Council Staff Fiscal Note

Concurs

Does Not Concur

Updated Analysis

Reason for the Update

The Legislative Council Staff Fiscal Note dated February 3, 2010 was based on a stipend rate of \$68 per credit hour. The FY 2010-11 Long Bill (H.B. 10-1376) sets the stipend rate at \$62 per credit hour. Also, the Legislative Council Staff Fiscal Note failed to note that tuition revenue for the higher education institutions will decrease by an amount equal to the increase in stipend revenue if more students authorize stipend payments. Using the same assumptions¹ as the Legislative Council Staff Fiscal Note about the additional stipend credit hours that will be authorized as a result of the bill, the table below indicates the revised estimate of the fiscal impact of the bill related to stipends. Legislative Council Staff agrees with this updated estimate.

¹ Please see the Points to Consider section for a discussion about the validity of the assumptions regarding the number of additional stipend credit hours that will result from the bill.

Table 1			
Institution	Credit Hours	Increase in Stipend Payments at \$62 per credit hour	Decrease in Tuition Revenue
Colorado State University	2,858	\$177,196	(\$177,196)
Fort Lewis College	72	4,464	(4,464)
Metropolitan State College of Denver	3,531	218,922	(218,922)
Adams State College	26	1,612	(1,612)
Mesa State College	27	1,674	(1,674)
TOTAL	6,514	\$403,868	(\$403,868)

Amendments/Appropriation Status

Staff has prepared amendment **J.001** (attached) to appropriate \$403,868 General Fund to the Department of Higher Education in FY 2010-11 for the increase in stipend payments. In addition, for the higher education governing boards the amendment increases reappropriated funds by \$403,868, in order to provide spending authority for the stipends, and decreases tuition spending authority by the same amount based on the projected loss in tuition revenue. Finally, the amendment provides \$17,500 General Fund to the Colorado Commission on Higher Education, Administration, for one-time computer programming costs to accommodate a wider variety of forms of identification.

Table 2				
Line Item	TOTAL	General Fund	Cash Funds - Tuition	Reappropriated Funds - Stipends
College Opportunity Fund Program, Stipends	\$403,868	\$403,868	\$0	\$0
Governing Boards	0	0	(403,868)	403,868
Colorado Commission on Higher Education, Administration	17,500	17,500	0	0
TOTAL	\$421,368	\$421,368	(\$403,868)	\$403,868

Bill Sponsor Amendments

Staff is not aware of any sponsor amendments to be offered.

Points to Consider

1. As indicated in Table 2 above, this bill is estimated to require \$421,368 General Fund for FY 2010-11. However, some higher education institutions have argued that the fiscal analysis should not indicate a net increase in General Fund expenditures for the College Opportunity Fund Program. These institutions argue that the last few years the General Assembly has decreased appropriations for fee-for-service contracts when mid-year projections of the stipend-eligible population have indicated increased costs for stipends, resulting in no net change in General Fund appropriations.

While staff agrees that this accurately describes the General Assembly's historic approach to mid-year adjustments for enrollment forecast errors, bills that increase stipend eligibility have typically included General Fund appropriations for the projected increase in the population. This bill doesn't change eligibility, but it is expected to increase participation in the College Opportunity Fund Program. Since the bill is silent regarding fee-for-service contracts, staff assumes that new General Fund appropriations are required to implement the bill. The Appropriations Committee could move an amendment to reduce fee-for-service contracts to pay for the increase in stipends, if that is the intent of the bill. If fee-for-service contracts are reduced to pay for the increase in stipends, the bill would have no net General Fund impact, but higher education institutions will still experience a loss in tuition revenue.

2. The bill permits higher education institutions to apply for the College Opportunity Program on behalf of students, but does not require higher education institutions to do so. If institutions choose not to implement the bill, it could significantly change the projected additional stipend credit hours that will result from the bill.
3. The Legislative Council Staff Fiscal Note indicates (on page 2, in the 3rd paragraph) that several higher education institutions did not respond to requests for information regarding the additional stipend credit hours that will result from the bill. Notably (because of the number of students), the University of Colorado and the Community College System did not respond.

In a recent follow-up phone conversation, staff from the University of Colorado (CU) indicated that the institution does not anticipate implementing the provisions of the bill at this time because it would cost the institution. It is not clear if the staff for CU was referring to an administrative implementation cost, the loss of tuition revenue, or both.

Also in a phone conversation, staff for the Community College System indicated that they did not submit information about the fiscal impact of the bill because they assumed fee-for-service contracts would be reduced to offset increases in stipends. Thus, the appropriations

clause contained in J.001 does not include adjustments in spending authority for the Community Colleges due to lack of information.

4. The Legislative Council Staff Fiscal Note assumes that all students who are currently eligible for a stipend but who are not authorizing payment will choose to participate if the institutions apply to the College Opportunity Fund Program on their behalf pursuant to this bill. However, some higher education institutions have speculated that students may still choose not to participate. For example, some students are reimbursed for tuition by an employer and may not want to authorize a stipend payment that would count toward the student's lifetime limit on credit hours that are eligible for a stipend payment.
5. Higher education institutions indicate that they currently spend a significant amount of time on outreach to students who are eligible for a stipend, but don't authorize it. This bill may reduce the need for expenditures on outreach. None of the institutions quantified a savings in this area.