SB10-003

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

This fiscal note is provided pursuant to Joint Rule 22(b)(2). It is based on amendment SB003_L.005, which strikes everything below the enacting clause of the introduced bill.

Drafting Number:	LLS 10-0336	**Date:**	April 26, 2010
Prime Sponsor(s):	Sen. Morse	**Bill Status:**	Senate Education
	Rep. Ferrandino	**Fiscal Analyst:**	Josh Abram (303-866-3561)

TITLE: CONCERNING HIGHER EDUCATION FLEXIBILITY.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
State Expenditures		
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill makes several changes to state law concerning state institutions of higher education. These changes are summarized below.

Tuition. Beginning in FY 2011-12, governing boards of state institutions of higher education have authority to set tuition. The schools may not increase tuition by more than 9 percent unless the school obtains approval from the Colorado Commission on Higher Education (CCHE). To obtain approval, the school must provide a 4-year financial and accountability plan specifying for each of the 4 years:

- the amount of increase;
- the manner in which the school will ensure access and affordable tuition for low- and middle-income students;
- the manner in which the school is implementing flexibility with state fiscal rules; and
- measures the school will implement to ensure service levels and quality academic programs.

Planning. No later than November 10, 2010, each board must report to the CCHE and to the Joint Budget Committee (JBC) the board's plans to fund the schools under its control in the following fiscal year if the General Assembly reduces overall state funding for higher education by 50 percent.

Admissions. Under current law, 55 percent of incoming freshmen, and not less than two-thirds of total student enrollment, must be resident students. This bill exempts the University of Colorado (CU) from this rule if the school continues to admit all qualified resident first-time freshmen applicants, among other requirements.

Financial Aid. This bill requires that the CCHE annually determine the amount of financial aid for each institution but permits the schools to administer the programs and distribute the aid according to their own policies and procedures. In its biennial review of schools, the Office of the State Auditor is required to include a review of access to and affordability of higher education.

State Fiscal Rules. The bill permits the schools to adopt their own fiscal procedures and to be exempt from the fiscal rules of the state controller or from participation in central services (e.g., printing, document management, mail-related services). Further, schools are authorized to collect their own debts and manage vendors and performance contracts.

Capital Construction and Real Estate. The bill repeals the requirements that the CCHE approve all acquisitions of real property that are conditioned on state or federal funding and approve capital construction projects or building acquisitions that are paid solely from cash funds.

Employment. Under current law, a governmental entity may provide post-employment compensation (payment of up to 3 month's salary and benefits) for employees who are employed less than 5 years. This bill allows the schools to provide post-employment compensation regardless of the length of employment.

Colorado School of Mines (CSM). The bill states the General Assembly's intent to appropriate to the school annually from FY 2011-12 though FY 2020-21an amount equal to the amount they received in fee-for-service contracts in FY 2009-10. This amount will be in lieu of fee-for-service contract amounts but in addition to College Opportunity Fund stipends. The bill creates conditions for CSM and the use of this appropriation.

State Revenue and Expenditures

The bill may affect state revenue and expenditures but no change in appropriations is required. SB10-003_L.005 has been sent to affected agencies and institutions of higher education for their review and estimate of fiscal impacts. This fiscal note will be updated as information is available.

Tuition. The tuition rate for resident students has increased on average between 5 and 9 percent each year from FY 2004-05 to FY 2010-11. The FY 2010-11 Long Bill authorizes the schools to increase tuition by 9 percent in the coming fiscal year. Shifting authority for tuition rates from the General Assembly to the schools will have an unknown effect on state cash funds revenue from tuition. Given historical trends, this fiscal note assumes that tuition will continue to increase, but at an unknown rate of increase.

Institutional control over tuition rates will have an unknown impact on state expenditures. Since tuition revenue may increase, decrease, or remain flat, the schools will adjust spending accordingly.

Admissions. Repealing the statutory requirement to maintain certain percentages of resident and nonresident students allows the University of Colorado to admit more nonresident and international students, who pay a higher tuition rate. The additional revenue from these higher rate paying students partly subsidizes the cost to resident students.

Financial Aid. Granting authority to the schools for the administration of financial aid will have no net change on state expenditures or revenue. The bill does not change the level of appropriations for financial aid, approximately $15.4 million in FY 2010-11. The schools will continue to distribute the same total amount of financial aid appropriated by the General Assembly but will do so under their own policies. The CCHE will no longer set and maintain state rules for financial aid but will continue to allocate total funds to schools and review and report institutional aid programs.

State Fiscal Rules. Exempting the schools from state fiscal rules could result in administrative efficiencies and cost savings at the individual schools. It may also reduce revenue to the Department of Personnel and Administration. A portion of the department's funding is provided through rebates on credit card purchases made by schools, estimated at $1.6 million in FY 2009-10. A reduction in funding from this source could require backfill from the General Fund.

Capital Construction. This bill does not change current projects or financing, it merely codifies the review process for certain capital construction projects at the schools. Since construction costs increase over time, shortening the review process could allow projects to commence sooner and result in cost savings.

Departments Contacted

Governor's Office	Higher Education	Joint Budget Committee
Law	PERA	Personnel
State Auditor		