


Colorado Legislative Council Staff Fiscal Note
STATE
REVISED FISCAL IMPACT
(replaces fiscal note dated April 24, 2013)

Drafting Number: LLS 13-0963	Date: May 3, 2013
Prime Sponsor(s): Rep. Waller; Hullinghorst Sen. Heath	Bill Status: Senate Education
	Fiscal Analyst: Josh Abram (303-866-3561)

TITLE: CONCERNING FINANCIAL SUPPORT FOR MERITORIOUS COLORADO STUDENTS AT STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue - Tuition Tuition at State Institutions of Higher Education	Increase. See Higher Education Impact section.	
State Expenditures General Fund	\$3.0 million	\$3.0 million
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: \$3.0 million General Fund.		
Institution of Higher Education Impact: See Higher Education Impact section.		

Summary of Legislation

Under current law, 55 percent of incoming freshmen enrolling at state institutions of higher education, and not less than two-thirds of total student enrollment, must be resident students; however, many institutions of higher education are provided either with exceptions to this rule, or with unique ways of calculating these percentages.

Beginning with the 2013 academic year, this *reengrossed* bill allows a qualifying institution of higher education to count any student identified as a "Colorado scholar" as 2 resident students for purposes of calculating the required percentages and fractions of resident to nonresident students. An institution is qualified if it creates a Colorado scholar program to award institutional financial aid or scholarships to resident undergraduates based on competitive, merit-based criteria.

The number of Colorado scholars that an institution counts in a year cannot be more than 8 percent of the total number of resident students that the institution counts for either incoming freshmen or for total student enrollment.

To qualify as a Colorado scholar, a resident student must:

- graduate in the top 10 percent of his or her class or graduate with at least a 3.75 grade point average;
- complete a highly rigorous college preparatory curriculum; and
- meet any additional criteria set by the institution.

Each student identified as a Colorado scholar must receive at least \$2,500 in annual financial aid or scholarship moneys through the institution's Colorado scholar program.

Further, the bill requires that the University of Colorado system and Colorado State University ensure that the percentage of students admitted based on criteria other than the statewide admissions criteria does not fall below the average of the percentage of these students admitted for the 3 preceding years. These institutions meet this requirement if the percentage of resident students admitted using an alternative criteria, plus the percentage of resident students enrolling as Colorado scholars, is greater than the percentage of nonresident students admitted based on the alternative criteria.

Finally, this bill appropriates \$3.0 million General Fund to the Colorado Commission for Higher Education (CCHE) for allocation to state institutions of higher education for merit-based financial aid. The bill's provisions concerning the percentages and fractions of resident and nonresident students takes effect upon passage; however, the appropriation takes effect only if House Bill 13-1144 becomes law, and the final fiscal note for that bill indicates that the bill will increase General Fund revenue by at least \$3.0 million. HB 13-1144 eliminates the state sales and use tax exemption for cigarettes and is currently estimated to increase General Fund revenue by \$28.0 million in FY 2013-14.

State Expenditures

The bill appropriates \$3.0 million General Fund to the Department of Higher Education to allocate to institutions of higher education for merit-based financial aid programs. The appropriation may be allocated by CCHE for any merit-based financial aid program; the appropriation is not exclusively for funding newly created Colorado scholar programs.

Higher Education Impact

The bill increases both institutional revenue from tuition and institutional expenditures for merit-based financial aid. Revenue from tuition is collected and spent by the governing bodies of the state institutions and is not appropriated by the General Assembly in the Long Bill. Due to enterprise status, this revenue is not counted against state revenue limitations in the Colorado Constitution.

For institutions that establish a Colorado scholarship program, additional nonresident students may be admitted without violating the required ratio of resident to nonresident students. As a rough illustration, the University of Colorado at Boulder has projected incoming freshman enrollment for FY 2013-14 at 5,668. Under current law, the university would be able to enroll 3,117 residents and 2,551 nonresidents in order to ensure that 55 percent of incoming freshman are residents. This bill allows the university to identify up to 8 percent of incoming resident students as a Colorado scholar, assuming these students meet the criteria. Such students may be counted twice in order to meet the required ratio.

If 8 percent of these incoming freshmen are identified as Colorado scholars (about 249 students), the university enrolls 3,117 resident freshman, but counts them as 3,366 students ($3,117 + 249 = 3,366$). If the enrollment count is 3,366 resident freshmen, the university is then able to enroll about 2,755 non resident students and still satisfy the 45/55 split. This is an increase of 204 additional nonresident students over the amount that would have been permissible without the double count ($2,755 - 2,551 = 204$).

Each of the resident Colorado scholars must receive an annual award of \$2,500, or \$622,500 for 249 students; however, by enrolling more nonresident students, the university also increases tuition revenue by \$31,559 (tuition and fees) for each additional nonresident student. For 204 additional nonresident students, the university increases tuition by \$6,438,036. Table 1 illustrates this scenario assuming different percentages of students identified as Colorado scholars.

Table 1. New Tuition Revenue and Financial Aid Awards: Freshmen Colorado Scholars University of Colorado Boulder				
Freshmen Colorado Scholars*	Additional Nonresident Freshmen	Additional Tuition Revenue	Resident Colorado Scholars	Financial Aid Awards
3%	77	\$2,430,043	93	\$232,500
6%	153	\$4,828,527	187	\$467,500
8%	204	\$6,438,036	249	\$622,500

*Total freshmen enrollment = 5,668

Similarly, resident student enrollment at state institutions may not be less than two-thirds of total student enrollment, including both graduate and undergraduate students. In 2012, the University of Colorado at Boulder enrolled 27,645 domestic students (the university is permitted to remove foreign students from its enrollment calculations). If the university designates 8 percent of resident enrollment as Colorado scholars, the university could enroll 703 additional nonresident students for an institutional revenue increase of \$23,032,642, and award merit scholarships to 1,460 resident students for \$3,650,000. Table 2 illustrates this scenario assuming different percentages of total student enrollment are identified as Colorado scholars.

Table 2. New Tuition Revenue and Financial Aid Awards: Total Enrollment Colorado Scholars University of Colorado Boulder				
Total Enrollment Colorado Scholars*	Additional Nonresident Students	Additional Tuition Revenue	Resident Colorado Scholars	Financial Aid Awards
3%	274	\$8,647,166	547	\$1,367,500
6%	547	\$17,262,773	1,094	\$2,735,000
8%	730	\$23,038,070	1,460	\$3,650,000

**Total enrollment = 27,645*

This analysis assumes that the school has capacity to enroll additional students. If any school is at its maximum enrollment, double counting some resident students in order to admit additional nonresident students will decrease resident enrollment at that school.

State Appropriations

This bill appropriates \$3.0 million General Fund to DHE. No further appropriation is required.

Departments Contacted

Higher Education