SB13-121

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 13-0754	**Date:**	February 6, 2013
Prime Sponsor(s):	Sen. Lambert	**Bill Status:**	Senate Education
		Fiscal Analyst:	Josh Abram (303-866-3561)

TITLE: CONCERNING FEE-FOR-SERVICE CONTRACTS BETWEEN THE DEPARTMENT OF HIGHER EDUCATION AND INSTITUTIONS OF HIGHER EDUCATION.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures College Opportunity Fund	See State Expenditures section.	
FTE Position Change		
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

Under current law, the General Fund appropriation to the College Opportunity Fund (COF) is allocated to institutions of higher education based on two mechanisms: stipends paid to institutions for eligible student enrollment, and fee-for-service contracts negotiated between the schools and the Department of Higher Education (DHE). This bill requires that each fee-for-service contract:

- have a one-year term;
- specify the per student FTE amount the DHE agrees to pay for the service;
- reflect the actual cost to the institution of higher education to provide the service;
- remain unchanged over the term of the contract; and
- increase or decrease from year to year by no more than inflation.

The bill removes the authority of the DHE and an institution to transfer a portion of spending authority from stipends to fee-for-service contracts when the COF has money remaining following the final student count of the academic year.

State Expenditures

This bill does not change state expenditures. The annual Long Bill reflects the General Assembly's support for institutions of higher education through a General Fund appropriation to the COF. This bill contains no mandate that requires an increase in this annual appropriation.

Currently, if an institution receives both COF stipends and fee-for-service funding, when actual enrollment exceeds the amount estimated for stipends, the institutions are allowed to transfer spending authority from the portion of their appropriation provided under a fee-for-service contract. Under this bill, if the initial COF stipend allocation is insufficient to fund the actual enrollment, the institution will need to request a supplemental COF stipend appropriation. In years when budget surplus exists, the General Assembly has discretion to change the COF appropriation in order to fully fund any enrollment variance.

Beginning in FY 2013-14, the DHE and institutions may only negotiate a fee-for-service contract that meets the criteria in the bill, and payment for the service in future years may only increase or decrease by the rate of inflation. For this reason, the bill places limitations on the portion of the General Fund appropriation dedicated to fee-for-service contracts and the value of those contracts in future years. Assuming the initial contract amount negotiated for FY 2013-14 reflects the actual cost to deliver the service, this portion of the COF appropriation will increase from historical levels; however, no estimate of the necessary increase can be made until negotiations between DHE and institutions can take place.

Departments Contacted

Higher Education