

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0498	Date: January 20, 2015
Prime Sponsor(s): Sen. Kerr Rep. Pettersen	Bill Status: Senate Education Fiscal Analyst: Josh Abram (303-866-3561)

BILL TOPIC: EXTEND RESTRICTION TUITION INCREASES HIGHER ED

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
Revenue Change Cash Funds-Tuition Revenue		Potential reduction
State Expenditures		
Expenditure Change General Fund	Indeterminate. See State Expenditures section.	
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

Under current law, state supported institutions of higher education may only increase tuition for resident undergraduate students by six percent in FY 2015-16. This bill extends the six percent cap on tuition indefinitely and continues to allow an exception for the Colorado School of Mines, which is permitted to increase tuition either by six percent or twice the inflation rate, whichever is greater.

Beginning with FY 2016-17, a governing board may request authority to increase tuition for resident undergraduates by more than six percent in any fiscal year in which the General Fund appropriation for higher education increases by less than inflation in the preceding calendar year. Governing boards must submit a one-year financial accountability plan and receive approval from the Colorado Commission on Higher Education (CCHE) before increasing tuition above the cap.

Under current law and beginning with FY 2016-17, the CCHE is required to establish tuition policies based on the role and mission of the institutions of higher education, and the governing boards of the institutions are required to set tuition consistent with these policies. This bill strikes that requirement and removes the commission's statutory authority to set tuition policies.

State Revenue

Capping annual tuition increases at six percent will limit the amount of funding the institutions of higher education can collect from tuition. This limitation will impact institutions differently depending on the base level of tuition charged at each school. For example, at institutions with a higher base tuition amount, a six percent limitation allows a greater dollar per credit hour increase than institutions that charge a lower base tuition amount.

State Expenditures

This bill will reduce state expenditures from tuition revenue by the institutions of higher education. Since the amount of state support for the institutions cannot be estimated, it is unknown if the cap on tuition revenue will require overall budget reductions at the schools.

State appropriations for institutions of higher education. The bill has no direct impact on the amount of state appropriations made by the General Assembly in any fiscal year. The funding amount in the annual appropriations act (the long bill) is determined at the discretion of the legislature and is not estimated in this fiscal note.

Higher education funding. Funding for higher education is primarily from the combination of tuition revenue charged to students and state appropriations. Historically, when state appropriations for higher education decline, institutions increase tuition in order to maintain operating revenue. Since future appropriations for higher education are unknown, the long-term impact of capping the percentage increase in tuition revenue cannot be estimated.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Higher Education