



Education — K-12 Education and Higher Education

Joint Budget Committee Staff
Office of Legislative Legal Services
Legislative Council Staff

December 1, 2016

K-12 Education

Department Overview

The General Assembly is constitutionally required to "provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state. At the same time, the State Constitution vests control of public school instruction in the local boards of education. The General Assembly thus provides financial support and establishes statutory requirements applicable to all school districts, and school districts determine curriculum and instruction.

The Commissioner of Education and Colorado Department of Education (CDE) staff support the elected members of the *State Board of Education* in their constitutional duty to exercise *general supervision over public schools*, including accrediting public schools and school districts. Under current law, this supervision includes developing and maintaining state model content standards, administering the associated Colorado Measures of Academic Success (CMAS, formerly the Colorado Student Assessment Program or CSAP), and issuing annual accountability reports for every public school. Under the Commissioner of Education the CDE provides districts with leadership, consultation, and administrative services on a statewide and regional basis. The CDE also has the following responsibilities:

- administering the public school finance and public school transportation programs;
- administering education-related programs, including services for children with special needs and for English language learners, the Colorado preschool program, capital construction assistance programs, adult basic education programs, and various state and federal grant programs;
- supporting the State Board of Education in reviewing requests from school districts for waivers of state laws and regulations and in serving as the appellate body for charter schools; and
- licensing educators.

Also, from CDE staff, under the direction of the *State Librarian*, are charged with promoting the improvement of library services statewide to *ensure equal access to information*, including providing library services to persons who reside in state-funded institutions and persons who are blind and physically disabled.

The CDE also includes three independent agencies:

- a nine-member *State Charter School Institute* Board that is responsible for authorizing and monitoring the operations of "institute charter schools" located within certain school districts;
- a seven-member Board of Trustees that is responsible for managing the *Colorado School for the Deaf and the Blind*, located in Colorado Springs; and
- a nine-member *Public School Capital Construction Assistance Board* that is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization and allocation of state financial assistance for school construction projects.

Population Served and Primary Services Provided. In FY 2015-16, 178 school districts provided educational services to approximately 899,000 children and youth, ages three through 21. The racial profile of students was as follows: 54.1 percent white; 33.4 percent Hispanic; 4.6 percent black; 3.1 percent Asian; 0.7 percent American Indian or Alaska Native; and 0.2 percent Hawaiian/Pacific Islander. An additional 3.8 percent of students identified as two or more races. More than one in three students were eligible for free lunch services, 14.2 percent were English language learners, and about 10 percent received special education services due to a disability.

On the October 1, 2015, count day, school districts ranged in size from 3 students (Elbert-Agate) to over 90,000 (Denver). A majority of districts (109) educated fewer than 1,000 students each, while the largest 20 districts educated more than three-quarters of students statewide. Although the number of students statewide increased by 1.1 percent from FY 2014-15 to FY 2015-16, 76 school districts experienced a decline in their enrollment.

The CDE received 40,155 license applications in FY 2015-16 and approved and issued 33,774 credentials.

The Colorado School for the Deaf and the Blind provides educational services to children across the state that are deaf or hard-of-hearing and/or blind or vision-impaired. These services include in-home support for children under age five and their families (a total of 420 children in FY 2015-16), educational services for eligible children and youth who live near the school (122 in FY 2015-16), and educational and residential services for children and youth who travel to the school each week, returning home on the weekends (77 in FY 2015-16).

Factors Driving the Budget - School Finance

To meet its requirement to provide a thorough and uniform system of free public schools, the General Assembly has enacted a public school finance system under which all school districts operate. The state contribution to this system is the largest single item in Colorado's General Fund budget, accounting for 35.9 percent of General Fund appropriations in the current fiscal year (FY 2016-17). During the 2016 legislative session, the General Assembly appropriated \$4.1 billion dollars for the state's share of public school finance, \$3.6 billion of which came from the General Fund. School district revenue also helps fund the school finance act, providing another \$2.3 billion for a combined total of \$6.4 billion. Additionally, the General Assembly appropriated \$173.4 million in state General Fund for other K-12 education-related purposes, bringing the total share of the General Fund budget for K-12 education to 37.7 percent in the current year.

The \$6.4 billion in state and local school finance money is allocated to school districts through a formula contained in law called the *Public School Finance Act of 1994*. The formula takes into consideration the individual characteristics of school districts so as to equalize funding among the various school districts and thereby provide thorough and uniform educational opportunities throughout the state. This formula calculates a per pupil funding level, as well as the state and local share, for each district.

The calculation of each district's per pupil funding starts with the *statewide base per pupil funding* amount, which is set annually by the General Assembly. The statewide base for the current budget year is \$6,368. Amendment 23¹ required this amount to increase by at least inflation plus one percentage point every fiscal year through 2010-11 and requires increases by at least the rate of inflation each fiscal year thereafter. As its name implies, the statewide base is a per pupil amount provided for every pupil who is funded in public schools. It drives \$5.5 billion, or 85.8 percent, of the \$6.4 billion in district funding statewide in FY 2016-17.

The remaining 14.2 percent of school district funding — \$910 million — is driven by adjustments to the base and funding additions that recognize the individual characteristics of school districts. These adjustments and additions produce variations in school districts' per pupil funding levels. For the current budget year, district funding is anticipated to range from a low of \$7,018 per pupil to a high of \$15,784 per pupil, with an average of \$7,425. These adjustments include the following:

- a *cost-of-living* adjustment to recognize that the cost of living in a community affects the salaries required to hire and retain qualified personnel;
- a *size* adjustment to compensate districts lacking enrollment-based economies of scale (i.e., the smallest school districts receive the greatest increase in funding); and
- additional funding is also provided for students who may be *at risk* of failing or dropping out of school. For funding purposes, at-risk students are defined as students from low-income families as measured by eligibility for free lunches under the National School Lunch Act and students who do not speak English.

In addition, the school finance formula requires a *minimum level of per-pupil funding* (\$7,051 per pupil for FY 2016-17²), regardless of the impact of the above factors. For FY 2016-17, 13 districts are anticipated to receive funding based on this minimum level of per-pupil funding. The School Finance Act also provides a *fixed amount of funding per pupil* (established at \$6,795³ for FY 2016-17) *for two types of students* (please note that these students may decrease a school district's average per pupil funding below the minimum level discussed above):

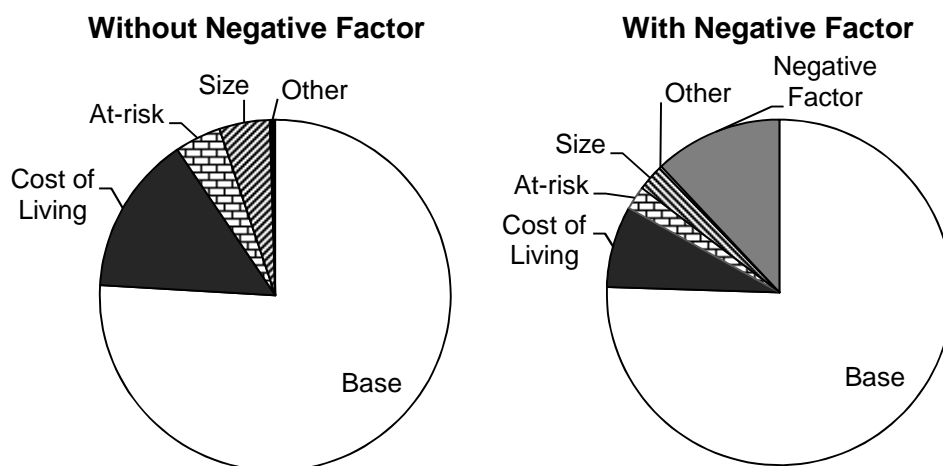
- students receiving full-time, on-line instruction through a multi-district program; and
- students in their fifth year of high school who are participating in the Accelerating Students through Concurrent Enrollment (ASCENT) Program.

¹Amendment 23, passed by voters in 2000, added Section 17 to Article IX of the Colorado Constitution.

²This amount is calculated after the application of the negative factor (discussed in the next paragraph).

³This amount is calculated after the application of the negative factor (discussed in the next paragraph).

Finally, since FY 2010-11 the formula has included a *negative factor* designed to reduce districts' total program funding to a specified total amount. For FY 2016-17, this factor is estimated to be -11.5 percent, requiring a \$830.7 million reduction in total program funding. Thus, the Department will calculate total program funding for each district based on the formula described above, and then reduce each district's total program funding by 11.5 percent⁴. Because the General Assembly cannot decrease base per-pupil funding, this new factor has the effect of reducing the funding attributed to the other formula factors, as illustrated in the graphic below.



Local property and specific ownership taxes provide the first source of revenue for school district funding, and state funding provides the difference between available local revenues and a district's total program funding. For example, of the \$6.4 billion in total revenue received by school districts through the finance act in the current budget year, local taxes will contribute about \$2.3 billion, or 35.7 percent of the total. The state, through appropriations made by the General Assembly, provides the remaining \$4.1 billion of total program funding, mostly from General Fund dollars.

Limitations on increases in district property taxes resulted in the state paying an increasingly greater share of funding through the finance act. These limitations were compounded by the fact that, under Amendment 23, school finance funding has grown at a greater rate than property taxes were permitted to grow. In FY 1994-95, when the existing School Finance Act was adopted, the state paid 54.3 percent of the cost of the Act. The state share of funding has increased over time and currently represents about 64.3 percent of total program funding.

Current law states that the negative factor cannot grow as a dollar amount from FY 2016-17 to FY 2017-18. The Governor's budget request for FY 2017-18 proposes a \$48.2 million (1.2 percent) increase in *state funding* for school finance (including an increase of \$198.2 million General Fund that is partially offset by a decrease of \$150.0 million cash funds). The request proposes to *increase* the negative factor by \$45.4 million (from \$830.7 million in FY 2016-17 to \$876.1 million in FY 2017-18). As a percentage of total program funding, the negative factor would increase from 11.5 percent in FY 2016-17 to 11.7 percent in FY 2017-18. Based on the department's anticipated pupil counts, average per pupil funding would increase from \$7,425 in

⁴Please note that for some districts, this reduction exceeds the state share of total program funding. In this case, the reduction in total program funding is limited to the state share of funding.

FY 2016-17 to \$7,607 in FY 2017-18, an increase of \$182 per pupil (2.5 percent). In the 2017 Session, the General Assembly will determine the level of funding for public school finance for FY 2017-18.

Factors Driving the Budget - Categorical Programs

Programs designed to serve particular groups of students (e.g., students with limited proficiency in English) or particular student needs (e.g., transportation) have traditionally been referred to as "categorical" programs. Unlike public school finance funding, there is no legal requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program. However, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, in calendar year 2015 the percentage change in the Denver-Boulder consumer price index was 1.2 percent, so the General Assembly was required to increase state funding for categorical programs by at least that amount (\$3,432,994) for FY 2016-17.

The General Assembly determines on an annual basis how to allocate the required increase among the various categorical programs. Since FY 2000-01, the General Assembly has increased annual state funding for categorical programs by \$147.4 million. In certain fiscal years, the General Assembly elected to increase state funding by more than the minimum constitutionally required amount, resulting in appropriations that are now \$63.3 million higher than the minimum amount that would have otherwise been required. The following table details the allocation of the \$147.4 million among categorical programs.

Increases in State Funding for Categorical Programs Since FY 2000-01				
Long Bill Line Item	FY 2000-01 Appropriation	FY 2016-17 Appropriation	Total Increase in Annual Appropriation of State Funds Since FY 2000-01	
Special education - children with disabilities	\$71,510,773	\$167,137,922	\$95,627,149	133.7%
English Language Proficiency Program	3,101,598	18,785,784	15,684,186	505.7%
Public school transportation	36,922,227	56,207,903	19,285,676	52.2%
Career and technical education programs	17,792,850	25,639,363	7,846,513	44.1%
Special education - gifted and talented children	5,500,000	12,169,325	6,669,325	121.3%
Expelled and at-risk student services grant program	5,788,807	7,493,560	1,704,753	29.4%
Small attendance center aid	948,140	1,076,550	128,410	13.5%
Comprehensive health education	600,000	1,005,396	405,396	67.6%
TOTAL	\$142,164,395	\$289,515,803	\$147,351,408	103.6%

FY 2016-17 Appropriation -- Other Programs

Approximately \$849.4 million is appropriated to the CDE for FY 2016-17 for purposes other than school finance, categorical programs, and facility school funding. Of this amount, \$481.7 million (56.7 percent) is appropriated from federal funds, \$99.9 million (11.8 percent) is directly appropriated from the State Education Fund, \$31.6 million (3.7 percent) is appropriated from the General Fund, and the remainder is from various cash funds and transfers, including a variety of transfers from the State Education Fund to other cash funds. The following table provides an abbreviated list of some other programs and activities supported by state and federal moneys appropriated to the CDE.

FY 2016-17 Appropriations for Programs Other than School Finance, Categorical Programs, and Facility Schools	
Program	Appropriation
Appropriated Federal Sponsored Programs	\$274,278,130
Health and Nutrition	194,335,935
Capital Construction	166,582,625
Reading and Literacy	42,388,698
Assessments and Data Analyses	41,568,789
Professional Development and Instructional Support	37,006,645
Various Other Programs	25,375,336
Department Management and Administration	21,092,409
State Charter School Institute	17,619,265
Colorado School for the Deaf and the Blind	16,313,576
Library Programs	8,602,274
Information Technology	5,556,675
Total	\$850,720,357

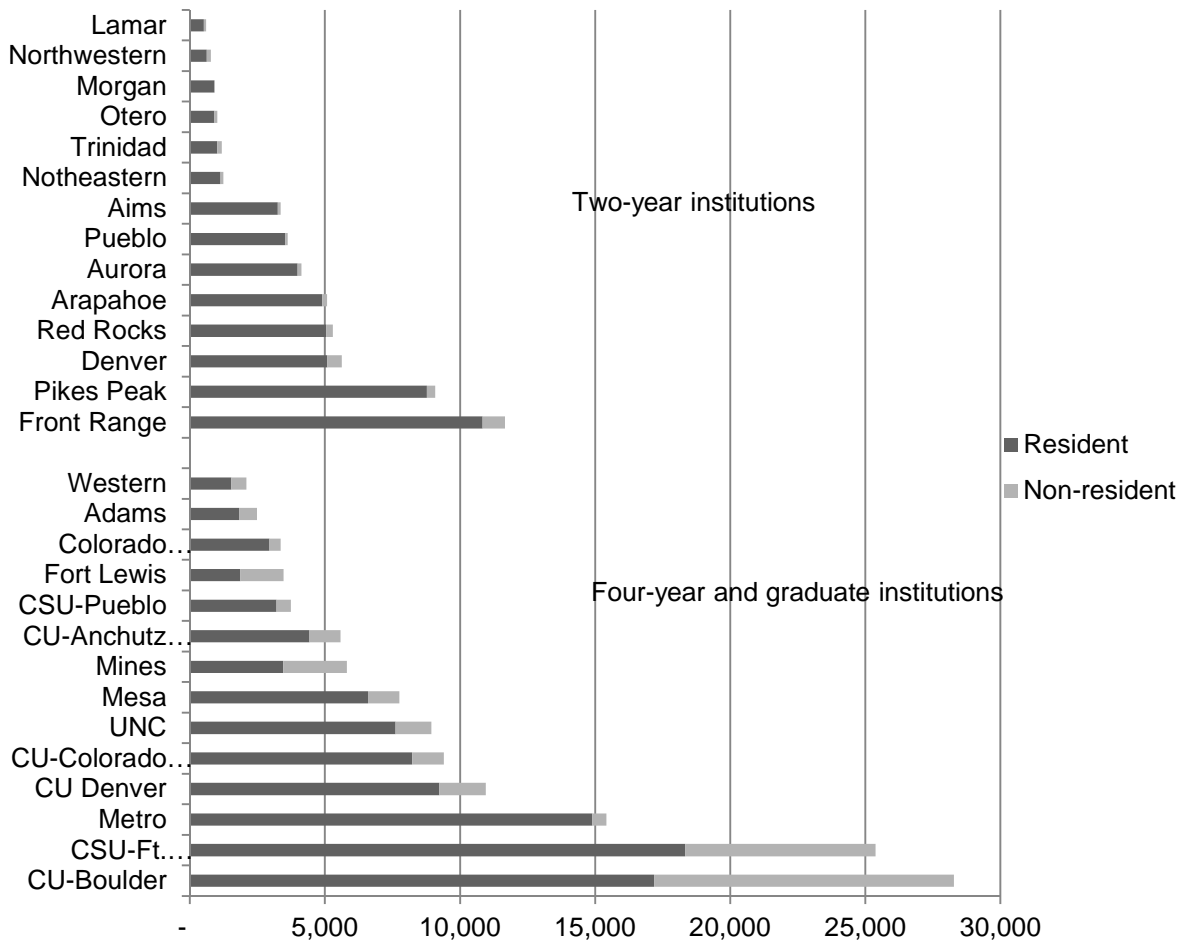
Higher Education

Overview and Organization

The state higher education system served about 180,000 full-time equivalent students (FTE) in FY 2015-16, including about 146,000 Colorado residents. About 11,000 additional FTE were served by local district colleges, which receive regional property tax revenues in addition to state funding, and area technical colleges, which offer occupational certificates and serve both secondary and post-secondary students. Approximately one-third of student FTE attend two-year and certificate institutions. Students attending institutions that offer baccalaureate and higher degrees are concentrated at the University of Colorado, Colorado State University, and Metropolitan State University of Denver.

The Colorado Commission on Higher Education (Commission) coordinates the higher education delivery system, including requests for state funding. However, each institution has a governing board that makes policy and budget decisions for the institution.

Student Full-Time-Equivalent Enrollment 2015-16



Impact of the Statewide Budget Outlook

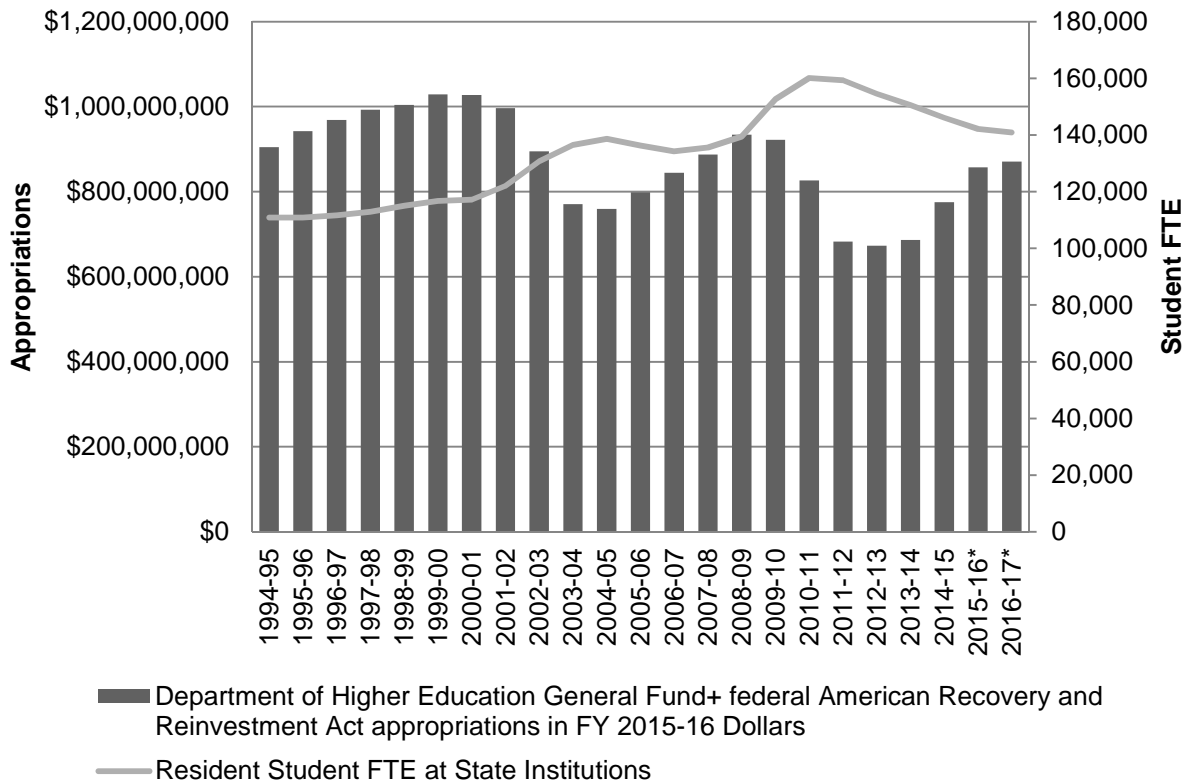
The state has historically subsidized higher education at state institutions based on the public benefits of providing educational access to all citizens and promoting a more educated population. An educated population is associated with higher wages, lower unemployment, and lower dependence on public resources. Higher education may also be part of strategies to fill unmet needs in the community, such as nurses or teachers or engineers. Finally, subsidizing higher education is frequently described as a form of economic development for the community, as it attracts business and cultural resources.

While there are many potential benefits to supporting higher education, there are no statutes, constitutional provisions, or federal guidelines requiring specific amounts of state funding per student. As a result, this is one of the budget areas most affected by the availability of state funds.

The chart below shows how statewide General Fund support for higher education has declined during economic downturns in FY 2002-03 through FY 2004-05 and again in FY 2008-09 through FY 2011-12. The decreases in General Fund appropriations for higher

education were disproportionately larger than decreases for other state agencies during the same time frames. As the economy improved, funding increased, including a \$103.0 million (15.6 percent) General Fund increase for FY 2014-15 and a further \$95.3 million (12.5 percent) General Fund increase for FY 2015-16. As also reflected in the chart, student demand for higher education tends to be higher during recessions and lower as the economy improves. For FY 2016-17, state General Fund support has been held close to the FY 2015-16 level in aggregate, while resident enrollment is projected to continue to decline at a modest rate.

Higher Education State Support in Constant Dollars and Resident Student Population



**For FY 2015-16 through FY 2016-17, reflects nominal appropriations; resident student FTE for FY 2015-16 and FY 2016-17 are based on the projections used for state budgeting purposes. Students at local district colleges and area technical colleges are not included in student FTE figures.*

The table below shows the allocation of the overall increase in General Fund support from FY 2015-16 to FY 2016-17 by governing board and funding category.

**Department of Higher Education Operating Budget:
General Fund Appropriations Changes by Category and Governing Board
FY 2015-16 to FY 2016-17**

Governing Boards/Institutions¹	FY 2015-16	FY 2016-17	Amount Change	Percentage Change
Adams State University	\$14,121,017	\$14,076,360	(\$44,657)	(0.3%)
Colorado Mesa University	24,465,356	24,280,729	(\$184,627)	(0.8%)
Metropolitan State University of Denver	50,153,399	51,415,001	\$1,261,602	2.5%
Western State Colorado University	11,643,992	11,534,927	(\$109,065)	(0.9%)
Colorado State University System	134,660,184	134,518,307	(\$141,877)	(0.1%)
Fort Lewis College	11,822,422	11,481,200	(\$341,222)	(2.9%)
University of Colorado System	184,615,667	186,532,686	\$1,917,019	1.0%
Colorado School of Mines	20,547,328	20,639,050	\$91,722	0.4%
University of Northern Colorado	41,092,729	39,113,234	(\$1,979,495)	(4.8%)
Community College System	153,549,541	153,330,147	(\$219,394)	(0.1%)
Colorado Mountain College	7,143,039	7,143,039	\$0	0.0%
Aims Community College	8,446,176	8,446,176	\$0	0.0%
Area Technical Colleges	9,971,721	9,971,721	\$0	0.0%
Subtotal - Governing Boards/Institutions	\$672,232,571	\$672,482,577	\$250,006	0.0%
Financial Aid	\$174,082,678	\$175,203,372	\$1,120,694	0.6%
Move FML Lease Purchase Payments to Higher Education from Treasury budget	n/a	\$12,125,175	\$12,125,175	n/a
Other	\$11,100,746	\$11,223,592	\$122,846	1.1%
Total - Department of Higher Education	\$857,415,995	\$871,034,716	\$13,618,721	1.6%

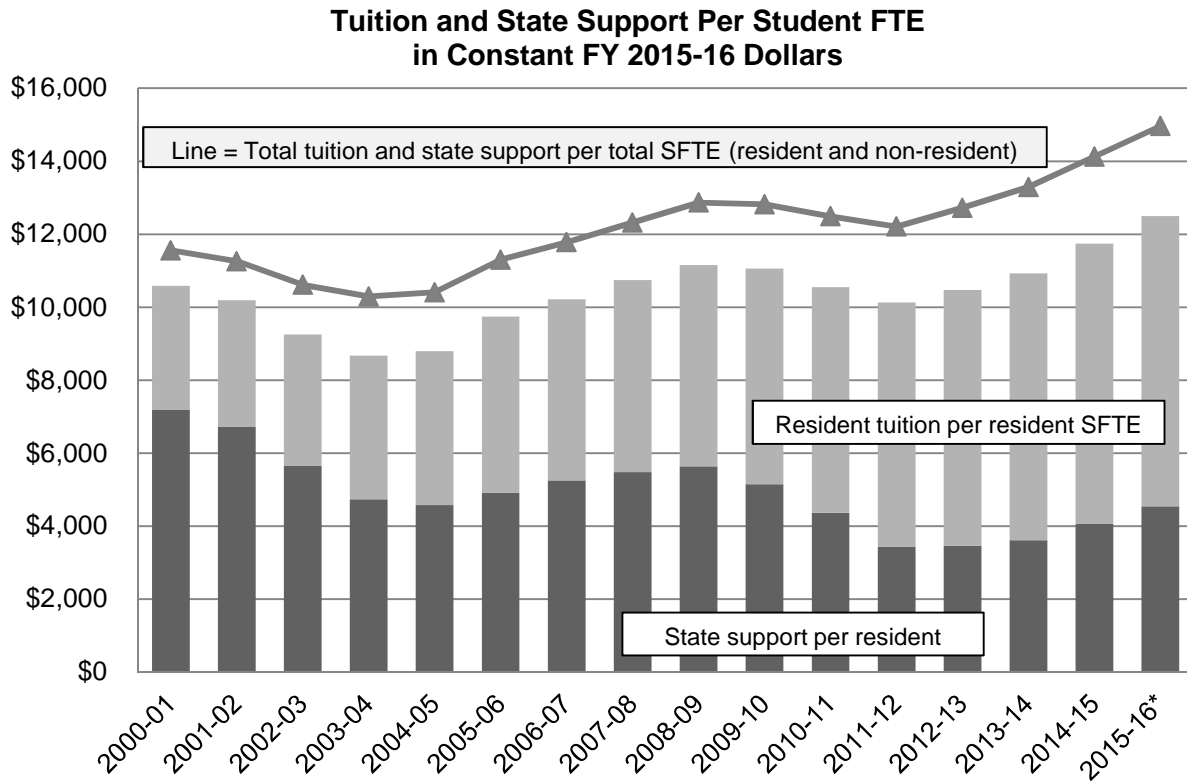
¹Includes College Opportunity Fund stipends, fee-for-service contracts, and grants to local district colleges and area technical colleges in all enacted bills.

Tuition and Fees

One reason this budget area is more subject to state-funding adjustments than some others is that there is an alternative funding source: individual tuition payments. Limited state funds and the ability to increase tuition have, together, pushed Colorado and other states toward a funding model in which the share of higher education costs borne by individuals and families has increased dramatically while state funding has declined.

In recent years, the General Assembly has used various mechanisms to establish limits on tuition increases. In FY 2016-17, after a five-year hiatus, it returned to the practice of providing spending authority for tuition in the Long Bill and detailing tuition assumptions in Long Bill footnotes [Sections 23-5-129 (10), C.R.S and 23-18-202 (3) (b), C.R.S.]. The FY 2016-17 Long Bill footnotes reflect maximum resident undergraduate tuition increases by governing board of 5.0 percent to 9.0 percent.

The following chart shows the change in General Fund and tuition revenue to the institutions per student since FY 2000-01 after adjusting for inflation (years prior to FY 2015-16 are reflected in FY 2015-16 dollars, based on the Denver-Boulder-Greeley consumer price index/CPI).



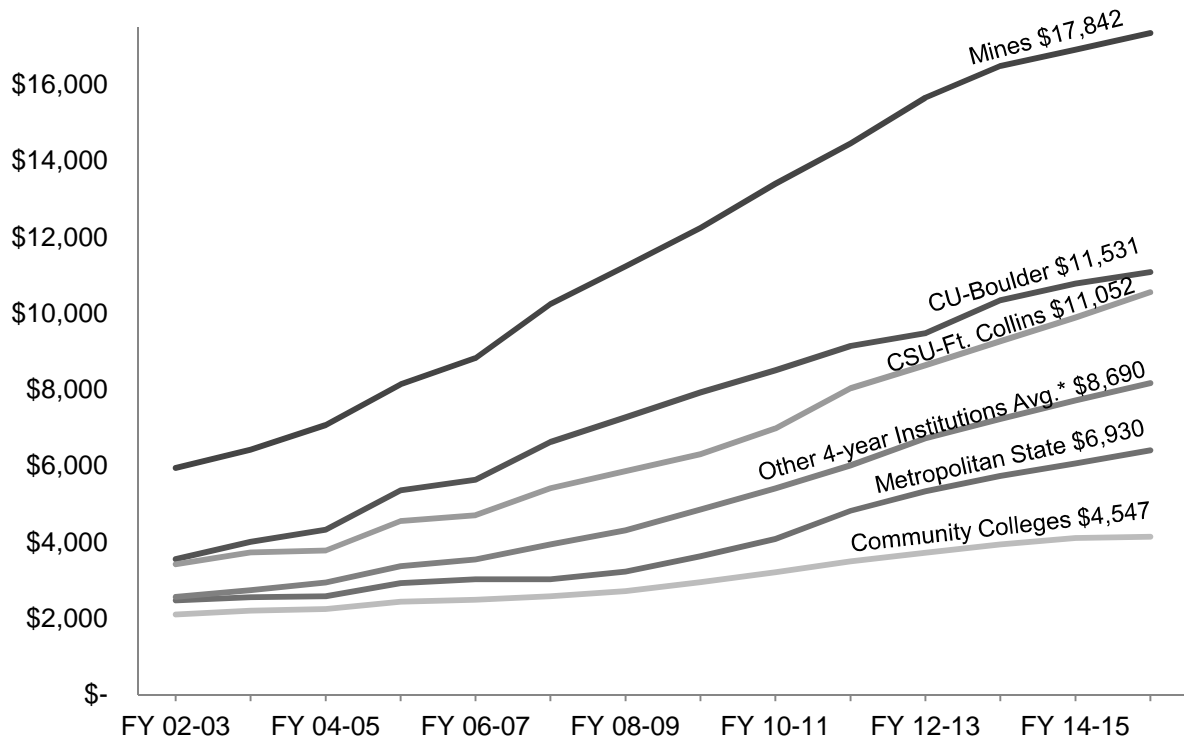
*FY 2015-16 tuition revenue and student FTE reflect the figures used for budgeting purposes.

Increases in tuition have compensated for flat and declining state support but have also enabled institutions to increase their revenue per student above the rate of inflation.

- As shown by the bars on the chart, in FY 2000-01, the General Fund provided about two-thirds of the revenue per resident student; for FY 2015-16, it was expected to provide just over one-third.
- Total revenue to the institutions per resident student (bars on the chart; combination of General Fund and resident tuition revenue) has varied over time but reached a new high point in FY 2015-16.
- When non-resident student tuition is included, overall revenue to the institutions per student (the line on the chart) has increased far more rapidly than CPI inflation: per-student revenue increased nearly 30 percent from FY 2000-01 to FY 2015-16 after adjusting for inflation.

The chart below shows tuition and mandatory fee rates through FY 2016-17. All rates are for students who are full-time (30 credit hours per year), beginning their studies, Colorado resident, undergraduate, and taking liberal arts and sciences courses.

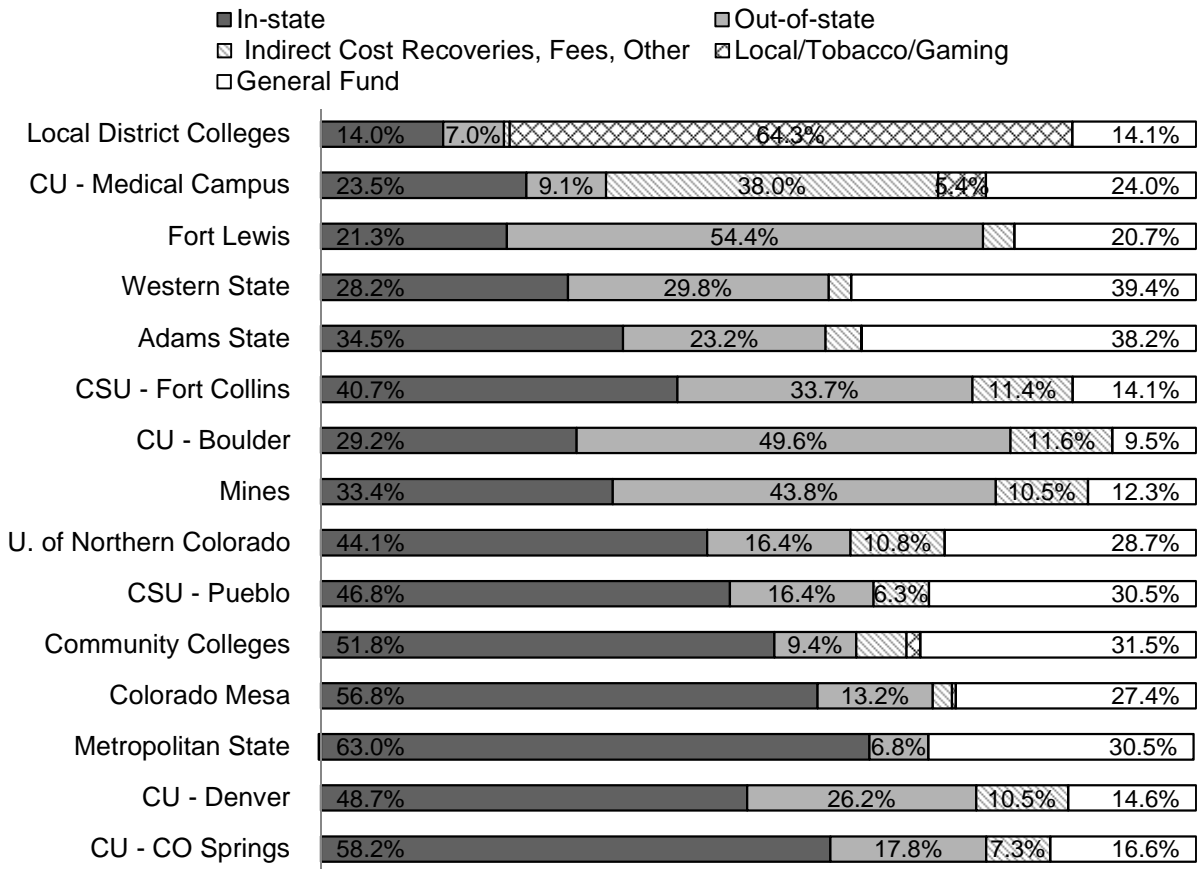
**Tuition and Mandatory Fees (Lower Division Liberal Arts)
Resident of Colorado, Undergraduate, Full-time FY 2016-17**



*CSU-Pueblo, Fort Lewis College, University of Northern Colorado, Adams State University, Colorado Mesa University, Western State Colorado University

Institutions have different abilities to bring in out-of-state student tuition revenue or to raise tuition above that of other institutions based upon their individual missions and the populations they serve. The chart below compares the revenue mix at various state institutions for educational expenditures reported to the General Assembly in FY 2014-15. This excludes revenue and expenditures for research grants and auxiliary facilities such as dormitories and dining halls.

Proportion of Funding from Students Versus the State FY 2014-15

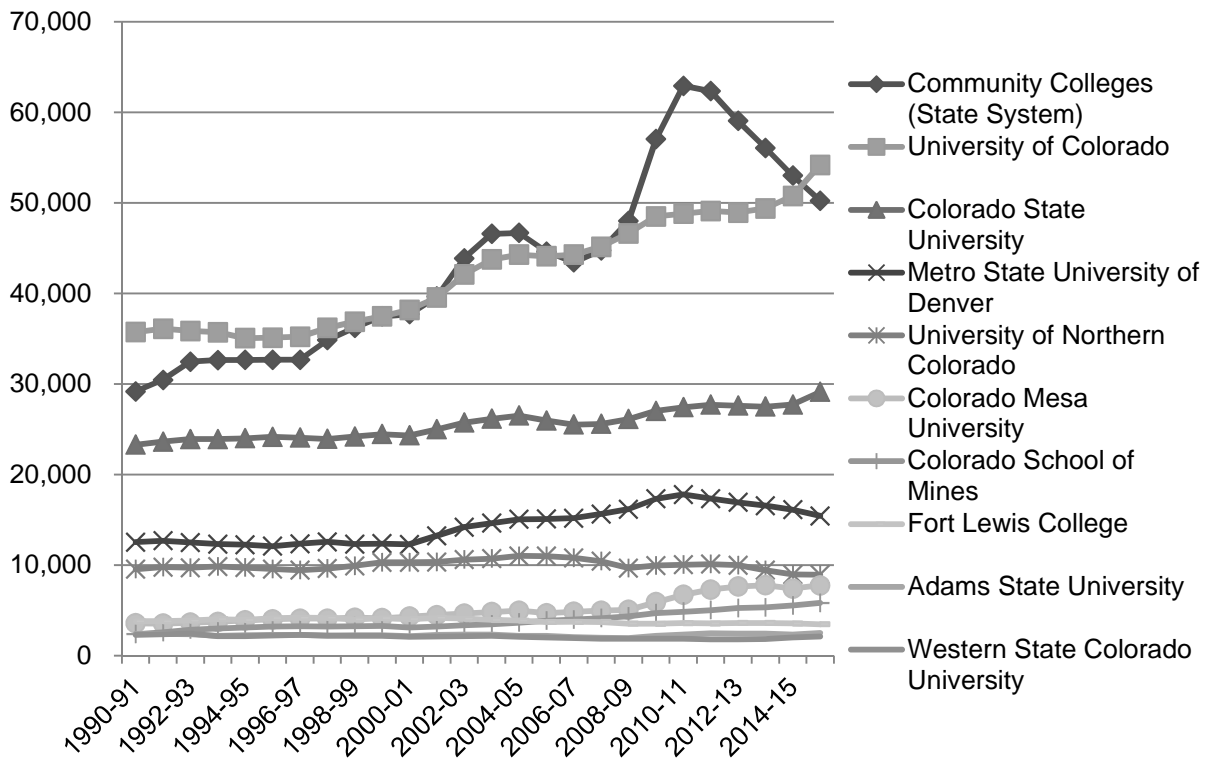


Enrollment

Enrollment is both a workload and performance measure for campuses, and it affects tuition and fee revenue. For some institutions, nonresident enrollment is important because nonresident tuition helps subsidize resident education. Increases in enrollment also drive costs for faculty, advising, and general operating.

Enrollment tends to be counter-cyclical: when the economy slows, higher education enrollment grows more rapidly. This affects most institutions to some extent but is particularly notable for the community college system. The following chart reports student FTE since FY 1991-92 (excluding Local District Junior College and Area Vocational School data). Thirty credit hours in a year equals one full-time-equivalent student. Total enrollment continued to decline in FY 2015-16, and declines at a more modest rate are projected for FY 2016-17.

Total Student FTE - State Higher Education Institutions



Personnel

Higher education governing boards are allowed by statute to determine the number of employees they need, but the Long Bill reflects estimates provided by the governing boards of the numbers of employees at their institutions. In FY 2015-16, the institutions employ an estimated 24,044.7 FTE, excluding employees of self-supporting auxiliary programs such as food services, book stores, or housing.

Of the amount state-operated institutions spend on education, approximately two-thirds is spent on salaries and benefits, and most of this is spent on instructional faculty. Some higher education FTE such as administrative support and maintenance staff are classified staff for whom salaries and benefits are defined by the state personnel system and the policies of the General Assembly. However, the majority of FTE and personal services expenditures are for exempt staff such as faculty for whom governing boards have control of compensation. Four-year institutions that employ tenure-track faculty in high-demand fields may need to offer compensation to professors competitive with peer institutions in other states and, in some cases, the private sector. This is a significant cost driver at some institutions. However, four-year institutions have increasingly relied on less-expensive adjunct faculty to limit associated cost increases. At two year institutions, the vast majority of staff are adjunct faculty who carry part-time teaching loads and receive modest compensation.

College Opportunity Fund and the Higher Education Funding Model

Pursuant to the provisions of H.B. 14-1319 (Outcomes-based Funding for Higher Education), Colorado adopted a new model for allocating funds among the higher education governing boards effective FY 2015-16. The new model includes three major components:

- funding for institutional roles and missions;
- funding for institutional outcomes (such as numbers of graduates); and
- funding provided per resident undergraduate student (student stipends).

The model refines and restructures the funding system first adopted during the 2004 legislative session through S.B. 04-189. It distributes higher education funding through two mechanisms: student stipends and fee-for-service contracts. Funding for stipends for resident undergraduates is appropriated into a fund that pays each institution a stipend for each eligible resident undergraduate student. The balance of the appropriation is used for fee-for-service contracts to address services that are not accounted for in the student stipends. The sum of stipends and fee-for-service contracts is the state General Fund support provided to each institution for their operations.

For FY 2016-17, some governing boards received increases and others decreases based on the model's results, even though total governing board support was held flat. The model relies on the most recent actual data available, rather than projections. Thus, funding for the governing boards in FY 2016-17 was based on their actual enrollment, degrees awarded, and other relevant data from FY 2014-15. To a significant extent, the changes in individual governing board support from FY 2015-16 to FY 2016-17 reflected relative growth or decline in the governing board's enrollment in FY 2014-15 compared to other governing boards.

The FY 2016-17 model distribution to the state governing boards is detailed below. Local district colleges and area technical colleges also receive allocations that must increase or decrease at the same rate as the average for the state governing boards.

Higher Education Funding Model for FY 2016-17

	Student Stipends	Pell Eligible Students	Mission Differentiation	Weighted Credit Hours	Completion/Retention (degrees awarded)	Productivity (Degrees per SFTE)	Specialty Education	Total*
Adams	\$2,890,626	\$180,634	\$7,900,000	\$324,126	\$1,667,413	\$1,113,561		\$14,076,359
Mesa	\$13,706,155	\$587,108	\$4,800,000	\$787,262	\$3,479,637	\$920,567		\$24,280,728
Metro	\$32,248,782	\$1,474,350	\$5,100,000	\$2,065,193	\$9,519,353	\$1,007,324		\$51,415,001
Western	\$2,967,276	\$103,729	\$6,350,000	\$212,318	\$911,853	\$989,750		\$11,534,926
CSU	\$43,047,716	\$1,219,718	\$16,050,000	\$3,269,768	\$16,058,084	\$1,058,650	\$53,814,371	\$134,518,306
Ft. Lewis	\$4,041,098	\$134,550	\$4,800,000	\$155,350	\$1,398,921	\$951,281		\$11,481,199
CU	\$62,352,540	\$2,049,428	\$24,450,000	\$5,769,654	\$28,149,829	\$1,064,314	\$62,596,921	\$186,432,685
Mines	\$6,194,533	\$149,374	\$8,900,000	\$776,526	\$3,527,776	\$1,090,841		\$20,639,050
UNC	\$15,440,878	\$572,610	\$14,330,000	\$1,186,442	\$6,421,087	\$1,087,217		\$39,038,234
Community Colleges	\$106,473,273	\$4,444,244	\$16,600,000	\$5,453,362	\$19,480,811	\$716,497		\$153,168,186
Total	\$289,362,876	\$10,915,742	\$109,280,000	\$20,000,001	\$90,614,764	\$10,000,000	\$116,411,292	\$646,584,675
Percentage of Total Funding Allocated in Category								
Overall	44.8%	1.7%	16.9%	3.1%	14.0%	1.5%	18.0%	100.0%
Excluding Specialty Education	54.6%	2.1%	20.6%	3.8%	17.1%	1.9%	n/a	100.0%

*Excludes separate "limited purpose" fee-for-service contracts.

One benefit of the state's higher education funding structure is that it enables the State to designate qualifying state higher education institutions as enterprises under Article X, Section 20 of the Colorado Constitution (TABOR). Revenue, such as tuition, that is generated by enterprises is exempt from the statewide revenue limits imposed by TABOR and has no impact on any refund that may be due pursuant to TABOR. To achieve enterprise status under TABOR, a program must: (1) be a government-owned business; (2) have authority to issue revenue bonds; and (3) receive less than 10 percent of annual revenue from state and local grants. Stipends and fee-for-service contracts are defined in statute as different from a state grant. All of the institutions have been designated as TABOR enterprises.

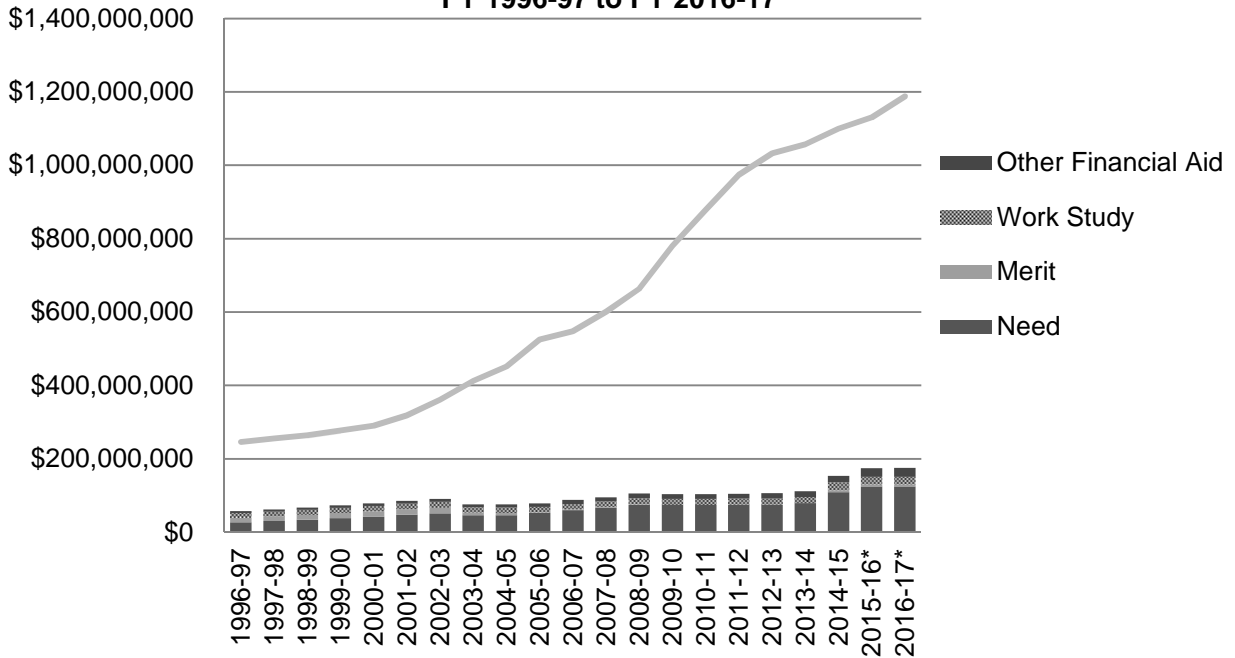
Financial Aid

Of the state General Fund appropriations for higher education in FY 2016-17, \$175.2 million (20.1 percent) is for financial aid. The majority of the money goes for need-based aid and work study. There are also smaller appropriations for merit-based aid and programs targeted to special populations such as national guard members and Native American students enrolled at Fort Lewis College. The Colorado Opportunity Scholarship Initiative funds services, supports, and scholarships for high achieving low income students in collaboration with private funders and agencies.

For most of the financial aid programs, the General Assembly appropriates financial aid funds to the Colorado Commission on Higher Education, which allocates them to institutions, including to some private institutions, based on formulas that consider financial need at the schools, total student enrollment, student retention, and program eligibility criteria. A total of 82,480 students received state-supported financial aid in FY 2014-15, most of whom received need-based aid or work study support. The average state need-based award was \$1,632 and the average state work study award was \$2,429.

For FY 2016-17, funding was held virtually flat (a 0.6 percent increase over FY 2015-16), following two years of significant increases. Overall demand for aid continues to far outstrip available funding.

**Public Institution Tuition Revenue Versus State Financial Aid
Appropriations
FY 1996-97 to FY 2016-17**

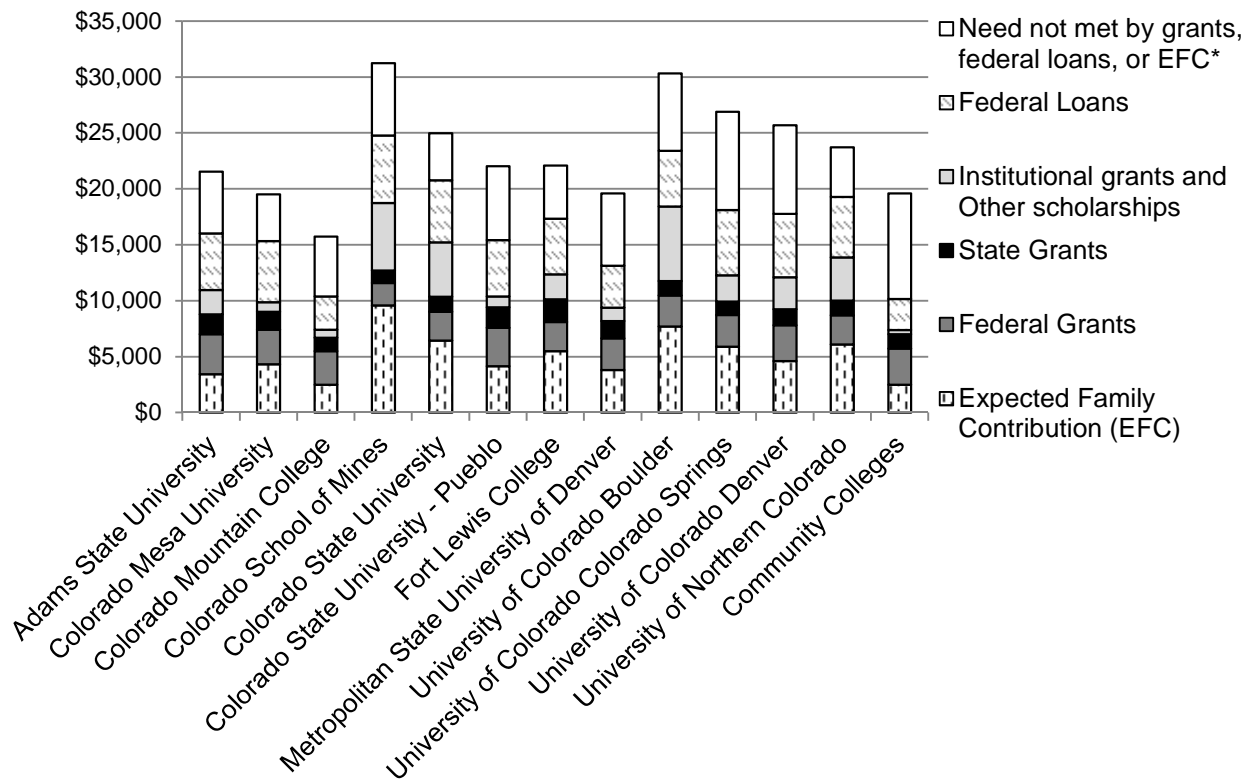


**Tuition revenue reflects estimates used for budgeting purposes for FY 2015-16 and FY 2016-17.*

The cost of attendance at a higher education institutions is far greater than just tuition and academic fees. This includes expenses related to room, board, transportation, and learning materials. Depending on the institution, these other costs may dwarf the price of tuition. The total cost of attendance for a resident student in FY 2014-15, including room and board and fees, ranged from about \$17,500 at some rural community colleges to over \$31,000 at the Colorado School of Mines.

The following chart compares grants and loans awarded in FY 2014-15 to full-time resident undergraduate students with financial need (calculated based on federal formulas) and the average cost of attendance including room and board for a resident student at various institutions. Of the funding sources shown, only state grants are reflected in the state budget.

**Average Student Grants, Federal Loans, and Unmet Need by Institution
for Full-time Resident Undergraduate Students Qualifying for Financial
Aid FY 2014-15**



**This shortfall may be addressed by the student by reducing their out-of-pocket costs, e.g., by living with family or in less expensive accommodation than the cost of attendance formula calculates, by additional earned income or savings, or by private unsubsidized loans taken out by the student or family.*

Even when multiple funding sources are included, available financial aid does not fully cover the cost of attendance at higher education institutions for qualifying students. The largest source of need-based aid is the federal government. The federal Pell grant program provided up to \$5,730 per eligible student in FY 2014-15, with an average grant of \$3,369. The families of dependent students receiving a full Pell had an average adjusted gross income of \$17,139 while the average for students receiving any Pell award was \$29,520. In FY 2014-15, 98,973 students statewide received a Pell grant.

Students may also receive grants from the higher education institutions they attend. About 25 percent of all the aid students receive at public and private Colorado institutions is institutional aid. Some institutions make significant funds available from their operating budgets and donated funds, based on moneys available and the number of students who qualify for institutional aid. About one-third of institutional aid is used for need-based aid, primarily for resident students, and this is reflected in the chart above.

In order to fill the gap between cost of attendance and available grant funds, students typically rely heavily on student loans. In addition to grant funds, the federal government provides guaranteed loans and tax credits and deductions for tuition.

- Seventy-one percent of students completing a bachelor's degree from a public institution graduated with federal loan debt in FY 2014-15, and the average federal student loan debt at graduation was \$25,509.
 - Sixty-one percent of students completing an associate's degree from a public institution graduated with federal loan debt in FY 2014-15, and the average student loan debt at graduation was \$13,762.
-

Legislative Staff Contacts

Joint Budget Committee Staff

Amanda Bickel – Higher Education (303-866-4960 or 303-246-6874)

Craig Harper – K12 Education (303-866-3481)

Legislative Council Staff

Josh Abram – K12 and Higher Education; Fiscal Notes (303-866-3561)

Marc Carey – K12 School Finance Projections (303-866-4102)

Todd Herreid – K12 School Finance Projections (303-866-2633)

Office of Legislative Legal Services

Brita Darling (303-866-2241)

Julie Pelegrin (303-866-2700)