

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Higher Education
Priority Number:	DI - 3
Change Request Title:	State Funded Student Assistance Programs

SELECT ONE (click on box):

- Decision Item FY 2009-10
- Base Reduction Item FY 2009-10
- Supplemental Request FY 2008-09
- Budget Request Amendment FY 2009-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department of Higher Education requests an additional \$5,934,136 General Fund for state funded financial aid programs and for the Fort Lewis College Native American student tuition waiver program in FY 2009-10.

The majority of the request, (\$4,520,588 General Fund) will be allocated to Colorado's primary need-based aid program (\$78,814,734 General Fund total in FY 2009-10), the Colorado College Responsibility Grant, which is awarded to students with demonstrated need in order to have the greatest impact on low income students. The new funding will be used to increase the minimum base award participating institutions of higher education will award to Level I students (students with an Expected Family Contribution within 150% of the amount necessary to qualify for a Federal Pell grant), thereby mitigating the effects of rising education costs for resident Colorado students with demonstrated financial need.

The remaining requested increase in General Fund in FY 2009-10 would be allocated to two Special Purpose line items:

- Special Purpose line items:
 - National Guard Tuition Assistance Fund - \$150,000 General Fund (contingent upon the approval of the Decision Item #3 from the Department of Military and Veterans Affairs); and
 - Native American Students/Fort Lewis College - \$1,263,548 General Fund.

Further, the Department requests continuation funding in FY 2009-10 for the following programs and in the following amounts (as noted in the Department's Financial Aid Schedule 3s):

- Work Study - \$16,612,357 General Fund;
- Merit-Based Grants - \$1,500,000 General Fund;
- Special Purpose
 - Scholarships for Precollegiate Programs - \$1,600,000 General Fund;
 - Required Federal Match - \$1,726,350 General Fund;
 - Veterans/Law Enforcement/POW Tuition Assistance - \$364,922 General Fund;
 - Nursing Teacher Loan Forgiveness Pilot - \$161,600 General Fund;
 - Teach Colorado Grant Initiative (S.B. 08-133) - \$500,000 General Fund; and
 - Teacher Loan Forgiveness (H.B. 08-1253) - \$100,000 General Fund.

Background and Appropriation History:

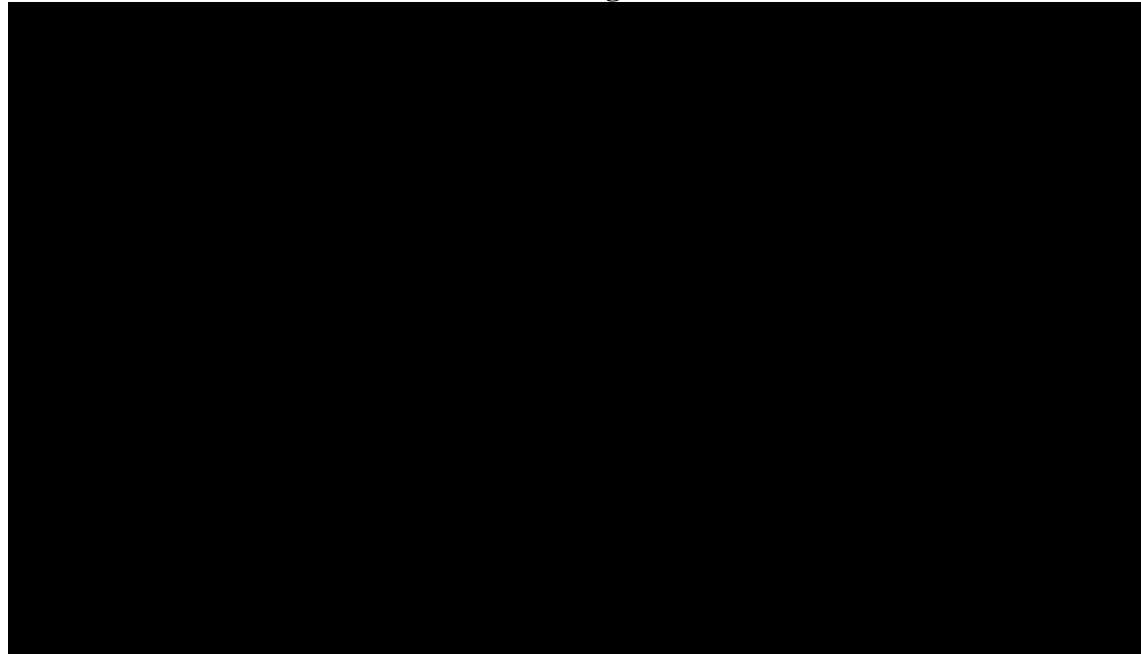
In FY 2008-09, state support for all financial aid increased to \$105,768,796 General Fund, an increase of about \$10.6 million General Fund from the prior fiscal year. The bulk of this increase went to the need-based grant program (\$7.3 million General Fund). In addition the General Assembly allocated an additional \$1.7 million General Fund to Work Study, \$800,000 General Fund to precollegiate scholarships, and provided \$500,000 General Fund to the Teach Colorado Grant Initiative pursuant to S.B. 08-133. Finally, the General Assembly increased funding to Fort Lewis College's Native

American program by \$296,000 General Fund. (Note: funding for this program reimburses the tuition waivers from the prior year. The FY 2008-09 allocation covers FY 2007-08 tuition waivers and the current request for FY 2009-10 would cover FY 2008-09 tuition waivers.)

This request complies with the statutory requirements in Section 23-3.3-103, C.R.S. (2008), which specifies that state appropriations to the financial aid programs specified in Article 3.3 must increase by at least the same aggregate percentage of all direct General Fund increases to institutions of higher education.

Historically, state appropriations to the various financial aid programs have been volatile for two reasons; (1) appropriations are cut significantly to balance the state's budget during budgetary shortfalls, and (2) the state's focus has recently shifted away from merit-based aid in order to provide more funding for need-based programs. The following chart shows the history of funding for state financial aid programs from FY 1996-97 through FY 2008-09:

**History of General Fund Appropriations to State Financial Aid Programs
FY 1996-97 through FY 2008-09**



*Categorical Programs are those listed under Section (3) Colorado Commission on Higher Education Financial Aid (D) Special Purpose in the annual Long Bill and include Scholarships for precollegiate programs, Required Federal Match Veterans'/Law Enforcement, POW Tuition Assistance, National Guard Tuition Assistance Fund, Native American Students/Fort Lewis College, Nursing Teacher Loan Forgiveness Pilot, and GEAR-UP. In FY 2008-09, \$500,000 for the Teach Colorado Grant Initiative established in S.B. 08-133 is included.

The following chart shows the historic State General Fund appropriations for tuition waivers to Native American students at Fort Lewis College as required by statute:

Year	Amount (General Fund)
FY 2000-01	\$4,573,839
FY 2001-02	\$4,903,839
FY 2002-03	\$5,462,817
FY 2003-04	\$6,046,330
FY 2004-05	\$6,477,140
FY 2005-06	\$7,299,164
FY 2006-07	\$7,634,353
FY 2007-08	\$8,063,560
FY 2008-09	\$8,359,421

General Description of Request:

Student financial aid seeks to provide equal opportunity to otherwise qualified students whose personal or family resources are insufficient to cover the cost of attending college. A primary goal of the Colorado Commission on Higher Education and the Department is to expand student access to Colorado's institutions of higher education. A primary way to meet this goal is through greater emphasis on and funding of need-based student assistance programs.

Increasing state funding for need-based and work-based financial aid will help decrease the amount of need being met by loans, savings, and credit card debt for Colorado students with the greatest financial need by increasing both the number of students receiving aid and the size of average award amounts.

Financial aid is paid towards cost of attendance. The cost of attendance includes tuition, fees, books, and living expenses. For students with significant financial need the cost of attendance can limit access. While needy or high performing students may receive aid from federal programs or institutional aid, state aid further contributes to those costs and helps to increase access to higher education for Colorado residents.

The philosophy of financial aid is to assist students to pay their way to college. Once all financial aid is awarded the remaining unmet need is the burden of the student. Much of the remaining need is met by taking out student loans. For those that choose not to borrow to cover their unmet need, the alternative is often to stop attending. Increasing state aid is one way to improve retention by limiting the amount of loans necessary to cover the cost of attendance for needy students.

The following chart, pulled from the Department's SURDS Financial Aid File, shows the total amount of aid broken out by type in FY 2006-07. This is the most recent aggregate financial aid data available at the time of this request. The new financial aid report is anticipated to be completed in late 2008 which will identify these amounts for FY 2007-08. This data shows that the largest percentage of student aid remains loans:

Distribution of Aid Awarded in FY 2006-07

Type of Aid	Amount of Aid in FY 2006-07
Institutional	\$243,682,242
Federal	\$191,570,047
State	\$87,762,759
Loans	\$901,930,663
Other	\$44,754,431
Total	\$1,469,700,142

Section 23-52-105 (1) (b), C.R.S. (2008) states “*The general assembly shall appropriate from the state general fund one hundred percent of the money required for tuition for such qualified Indian pupils*” at Fort Lewis College. Fort Lewis College waives tuition for these students upfront and receives reimbursement from the State in the following fiscal year.

The National Guard Tuition Assistance program was initially put into statute during the 1979 legislative session. The legislative intent was for the “... *encouragement of membership in the guard through the granting of reduced or free tuition at certain institutions of post secondary education ...*” in pursuit of “... *a policy of maintaining reasonable access to quality education as broadly in this state as possible. The general assembly hereby finds and declares that the establishment of a tuition assistance program will encourage enlistments, enhance the knowledge and skills of the National Guard, and retain membership in the National Guard.*” During the 2004 legislative session H.B. 04-1347 added a new funding mechanism to provide up to \$650,000 cash funds exempt (as of FY 2008-09 reappropriated funds) from the Department of Higher Education’s (3) Colorado Commission on Higher Education Financial Aid – (D) Special Purpose – National Guard Tuition Assistance Fund line item. Due to tuition increases since 2004, the Department of Military and Veterans Affairs estimates an additional \$150,000 is necessary to meet the program’s current demand. Their request has been incorporated into this financial aid request from the Department of Higher Education. Further detail on this portion of this request can be found in the Department of Military and Veterans Affairs decision item number two (DI-2) titled “Tuition Assistance” in FY 2009-10.

Consequences if Not Funded:

If this General Fund increase is not provided for state financial aid programs, the state will not comply with the statutory requirements outlined in Section 23-3.3-103, C.R.S. (2008) which states “*The annual appropriations for student financial assistance under this article shall increase by at least the same percentage as the aggregate percentage increase of all general fund appropriations to institutions of higher education. Nothing in this section shall be construed to limit or impair the authority of the Colorado commission on higher education under section 23-1-105*”. Further, these increases to

need-based and work-based aid are necessary to ensure adequate funding is available to support Colorado’s neediest students, ensuring all qualified Coloradoans have access to attend institutions of higher education.

If Fort Lewis College did not receive the requested funding for Native American tuition waivers it would result in negatively affected programs at the institution. Furthermore, not funding this request would be a violation of statute that indicates one hundred percent of these expenses are to be covered by the State General Fund.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$5,934,136	\$5,934,136	\$0	\$0	\$0	0.0
(3) Colorado Commission on Higher Education Financial Aid – (A) Need Based Grants	\$4,520,588	\$4,520,588	\$0	\$0	\$0	0.0
*(3) Colorado Commission on Higher Education Financial Aid – (D) Special Purpose – National Guard Tuition Assistance Fund	*\$150,000	*\$150,000	*\$0	*\$0	*\$0	*0.0
(3) Colorado Commission on Higher Education Financial Aid – (D) Special Purpose – Native American Students/Fort Lewis College	\$1,263,548	\$1,263,548	\$0	\$0	\$0	0.0

* The requested \$150,000 General Fund increase to the National Guard Tuition Assistance Fund will require a statutory change in Section 23-3.3-202 (2),C.R.S. (2008) as noted in the Department of Military and Veterans Affairs November 1, 2008 budget request titled, “Tuition Assistance”.

The following chart shows how the Department determined the amount of funding necessary to comply with Section 23-3.3-103, C.R.S. (2008):

Department of Higher Education - FY 2009-10 Request (compliance with Section 23-3.3-103, C.R.S. (2008))			
PART	FY 2008-09 General Fund Base	Increase	FY 2009-10 Total
Required by Statute Fort Lewis College Native American Tuition Private College Opportunity Fund Stipends	November 1st Placeholder =>	\$40,000,000	
		\$1,263,548	
		\$159,975	
	General Fund after statutory allocations =>	\$38,576,477	
	Total Institutional and Financial Aid	\$803,212,834	4.80%
Financial Aid	\$97,247,775	\$4,670,588	\$101,918,363
Institutions	\$705,965,059	\$33,905,889	\$739,870,948
Institutions Breakout			
	FY 2008-09 General Fund Base	Increase	FY 2009-10 Total
Governing Boards	\$678,872,256	see DI-1	see DI-1
Local District Junior Colleges	\$15,890,257	see DI-1	see DI-1
Area Vocational Schools	\$11,202,546	see DI-1	see DI-1
Institutions Total	705,965,059	33,905,889	739,870,948
Financial Aid Breakout			
	FY 2008-09 General Fund Base	Increase	FY 2009-10 Total
Need Based	\$74,294,146	\$4,520,588	\$78,814,734
Merit Based	\$1,500,000	\$0	\$1,500,000
Work Study	\$16,612,357	\$0	\$16,612,357
Special Purpose*, **	\$4,841,272	\$150,000	\$4,991,272
Financial Aid Total	\$97,247,775	\$4,670,588	\$101,918,363

* Includes S.B. 08-133 (\$500,000 General Fund) in FY 2008-09 base.

** Special Purpose does not include Native American Students/Fort Lewis College (since under Section 23-52-105, different article) and Nursing Teacher Loan Forgiveness Pilot (since under Section 23-3.6-101 et. al., different article), a total of \$8,521,021.

*** Rounding imbedded in this percentage, the actual percent figure is 4.80277149%.

Note: Shaded areas are the increases being sought in this change request (DI-3).

The following chart shows how the increase to the Fort Lewis College Native American Tuition Waivers program has been calculated:

FORT LEWIS COLLEGE
NATIVE AMERICAN APPROPRIATION REQUEST
FY 09-10 ESTIMATED APPROPRIATION REQUEST
BASED ON FY 08-09 ESTIMATE OF ACTUAL WAIVERS

	SUMMER SESSION III	FALL	WINTER	SUMMER SESSION I	SUMMER SESSION II	PREVIOUS YEAR FUNDING ADJUSTMENT	PART	TOTAL
Native American Appropriation FY 08-09 Request made in Feb 08 Based on FLC Estimate of 100% Tuition Waivers for FY 07-08	\$98,400	\$4,150,654	\$3,728,138	\$312,188	\$214,940	(\$144,898)	A	\$8,359,421
Actual Native American Tuition Waivers for FY 07-08 Source FGRREOB 6/30/07	98,400	4,150,654	3,729,009	278,258	212,653	0		\$8,468,973
FY 07-08 Funding Adjustment	0	0	871	(33,930)	(2,287)	0		(\$35,346)
Funding Required For FY 09-10 <1> Funded in Arrears, FY 09-10 Funding is for FY 08-09 Waivers	92,692	4,756,264	4,272,286	304,427	232,647	(35,346)	B	\$9,622,969
							FY 2009-10 REQUEST => C = B - A	1,263,548

PROJECTED TUITION BY RESIDENCY STATUS

BASED ON ASSUMPTIONS BELOW

	FY 09-10 Estimate				
RESIDENT	3,961	174,580	165,736	14,276	11,193
NON-RESIDENT	88,730	4,581,685	4,106,550	290,150	221,453
TOTAL <1>	92,692	4,756,264	4,272,286	304,427	232,647

ASSUMPTIONS:

RESIDENT BREAKDOWN PERCENTAGE	4.14%
NON-RESIDENT BREAKDOWN PERCENTAGE	95.86%
PREV YEAR RESIDENT TUITION INCREASE	5.00%
PREV YEAR NON-RESIDENT TUITION INCREASE	5.00%
RESIDENT TUITION INCREASE	7.50%
NON-RESIDENT TUITION INCREASE	9.50%

PROJECTED NATIVE AMERICAN GROWTH (DECLINE) - BY TERM

Resident	-10.00%	-2.00%	-2.00%	0.00%	0.00%
Non-Resident	-10.30%	5.00%	5.00%	0.00%	0.00%

DOLLAR VALUE OF NATIVE AMERICAN WAIVERS

	FY 2007-08			FY 2007-08 Waiver Est.	Difference	
	RESIDENT	NON-RESIDENT	TOTAL		\$	%
SSIII - 2007	4,192	94,208	98,400	98,400	0	0.00%
FALL - 2007	165,714	3,984,940	4,150,654	4,150,654	0	0.00%
WINTER - 2008	157,319	3,571,690	3,729,009	3,728,138	(871)	-0.02%
SSI - 2008	13,280	264,978	278,258	312,188	33,930	12.19%
SSII - 2008	10,412	202,240	212,653	214,940	2,287	1.08%
TOTAL	350,918	8,118,056	8,468,973	8,504,320	35,346	0.42%
BREAKDOWN	4.14%	95.86%	100.00%			

Assumptions for Calculations:

The annual General Fund appropriations for financial aid programs specified in Article 3.3 of Title 23 have to increase by at least the same percentage as the aggregate increase of all General Fund appropriations to state institutions of higher education. These programs include all state funded financial aid programs except the Fort Lewis College Native American Scholarship Program and the Nursing Teacher Loan Forgiveness Pilot Program. Based on a total General Fund allocation to institutions of higher education including the College Opportunity Fund increase, Local District Junior College increase, and Area Vocational School increase totaling \$33,905,889 General Fund in FY 2009-10 (per decision item #1 and the table on page 9) the required increase for financial aid is 4.8 percent or \$4,670,588 General Fund over the FY 2008-09 General Fund appropriation of \$97,247,775. The Department requests \$150,000 General Fund of the amount dedicated to financial aid in this decision item to cover the Department of Military and Veterans Affairs Decision Item # 2, and if this decision item is not approved, the \$150,000 General Fund should be added to the need-based financial aid request.

As mentioned earlier, FY 2009-10 funding for the Fort Lewis College Native American Tuition Waivers programs covers tuition for qualified students in FY 2008-09. The requested total amount of \$9,622,969 General Fund includes \$35,346 to cover FY 2007-08 scholarships and the majority is for estimated FY 2008-09 scholarships. The estimated amount in the request is based on projections by term of enrollment changes as well as the tuition increases (7.5% resident, 5% nonresident) implemented by the institution in FY 2008-09.

Impact on Other Government Agencies:

Increased funding for state funded financial aid programs should require no additional full-time employees or administrative costs to the Department of Higher Education, higher education institutions, and stage agencies/departments.

The requested funding increase to the National Guard Tuition Assistance Fund line item will allow the Department of Military and Veterans Affairs to provide more higher

education opportunities to Colorado National Guard members recognizing increased tuition rates in the past. This portion of the request ties to the Department of Military and Veterans Affairs request titled "Tuition Assistance" and as noted in the Department of Military and Veterans Affairs' request will also require a legislative change in Section 23-3.3-202 (2), C.R.S. (2008) to raise the current appropriation from \$650,000 to the total request amount of \$800,000.

Cost Benefit Analysis:

Each year the Department compiles financial aid data and submits a report to the Joint Budget Committee. The FY 2007-08 report is based on FY 2006-07 data and shows an average need-based grant award of \$1,607 per recipient student. If approved, this request could provide average need-based awards to an additional 2,813 students.

Implementation Schedule:

Task	Month/Year
Start-Up Date	July 2009

Statutory and Federal Authority:

Section 23-3.3-103, C.R.S. (2008). The annual appropriations for student financial assistance under this article shall increase by at least the same percentage as the aggregate percentage increase of all general fund appropriations to institutions of higher education. Nothing in this section shall be construed to limit or impair the authority of the Colorado commission on higher education under section 23-1-105.

Section 23-52-105 (1) (b), C.R.S. (2008). On and after September 1, 2002, the board of trustees shall fix tuition in accordance with the level of cash fund appropriations set by the general assembly for the college pursuant to section 23-1-103.5, subject to the restriction that all qualified Indian pupils shall at all times be admitted to such college free of charge for tuition and on terms of equality with other pupils. The general

assembly shall appropriate from the state general fund one hundred percent of the money required for tuition for such qualified Indian pupils.

AMEND

Section 23-3.3-202 (2), C.R.S. (2008) The commission shall not allocate more than **EIGHT HUNDRED THOUSAND** ~~six hundred fifty thousand~~ dollars under subsection (1) of this section for purposes of providing tuition assistance to members of the National Guard pursuant to section 23-5-111.4.

Performance Measures:

<i>DHE Objective</i>	<i>Key Measure: Outcomes</i>		<i>Benchmark/Actual</i>			
			<i>FY 06-07</i>	<i>FY 07-08</i>	<i>FY 08-09 Appropriated</i>	<i>FY 09-10 Request</i>
Achieve adequate funding for higher education over the next several years based upon the NCHEMS Peer Gap Analysis	Reach peer revenue parity in an agreed upon timeframe	B	100%	100%	100%	100%
		A	66.25%	TBD*		
coordinated and coherent system; measures of performance and outcomes	double degrees and certificates	B	N/A	N/A	75,000	75,000
		A	40,300	40,482		

*FY07-08 peer data available July 2009.