



COLORADO

Department of Higher Education

Priority: R-1 and R-2
\$100 Million General Fund for Student
Financial Aid and Higher Education
FY 2014-15 Change Requests

Cost and FTE

- The Department of Higher Education requests an increase of \$100 million General Fund in FY 2014-15 (and beyond). This \$100 million General Fund increase is comprised of \$40 million General Fund for Student Financial Aid (R-1) and \$60 million General Fund for higher education institutions to control tuition increases (R-2).

Current Program

- The Colorado Commission on Higher Education's top Master Plan goal is increasing degree and credential attainment to meet future workforce needs in the state. The Commission's goals also stress expanding access to higher education and affordability.
- The Department has implemented a new financial aid methodology which rewards retention and completion.
- Availability of financial aid is a critical factor in ensuring access to college. In FY 2011-12, the average state financial aid award was \$1,000 per undergraduate student.

Problem or Opportunity

- From FY 2008-09 to FY 2013-14, the public higher education system in Colorado experienced a \$162 million reduction in state funding. During this time higher education tuition increased substantially.

Consequences of Problem

- Tuition increases have reduced affordability and thus access to higher education for many Coloradans.
- Students who attend Colorado institutions of higher education are incurring more student loan debt. At Colorado public institutions, 58 percent of students graduate with debt. The average student loan debt is \$24,850 for a bachelor's degree.

Proposed Solution

- The \$40 million Financial Aid increase represents a 42 percent increase in funding, the largest in Colorado history. The request adds \$30 million for Need Based Aid, \$5 million for Work Study, and \$5 million for Merit Based Aid. Additional funding for higher education will be available for tens of thousands of Colorado students.
- The \$60 million increase provides a proportional 11.0 percent increase for public colleges and universities. This request doubles the operating increase provided last year and is intended to control tuition increases.
- The Governor has issued a challenge to Colorado Governing Boards to hold down tuition increases and he has set a hard cap of no more than 6.0 percent growth in FY 2014-15.

Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Higher Education

Request Title: _____

Priority Number: Increased Financial Aid for Colorado Students
R-1

Dept. Approval by: Julia Ramsey 10/24/13 Decision Item FY 2014-15
 Date: _____ Base Reduction Item FY 2014-15

OSPB Approval by: Grant W. ... 10/24/13 Supplemental FY 2013-14
 Date: _____ Budget Amendment FY 2014-15

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	95,691,131	-	95,691,131	40,000,000	40,000,000
	FTE	-	-	-	-	-
	GF	95,691,131	-	95,691,131	40,000,000	40,000,000
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(3) Colorado Commission on Higher Education Financial Aid, (A) Need Based Grants	Total	79,258,803	-	79,258,803	30,000,000	30,000,000
	FTE	-	-	-	-	-
	GF	79,258,803	-	79,258,803	30,000,000	30,000,000
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(3) Colorado Commission on Higher Education Financial Aid, (B) Work Study	Total	16,432,328	-	16,432,328	5,000,000	5,000,000
	FTE	-	-	-	-	-
	GF	16,432,328	-	16,432,328	5,000,000	5,000,000
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(3) Colorado Commission on Higher Education Financial Aid, (C) Merit Based Aid (NEW LINE ITEM)	Total	-	-	-	5,000,000	5,000,000
	FTE	-	-	-	-	-
	GF	-	-	-	5,000,000	5,000,000
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: N/A

Reappropriated Funds Source, by Department and Line Item Name: N/A

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: N/A

Other Information: N/A



COLORADO

Department of Higher Education

John W. Hickenlooper
Governor

Joseph A. Garcia
Lieutenant Governor

FY 2014-15 Funding Request | November 1, 2013

Department Priority: R-1 Increased Financial Aid for Colorado Students

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
General Fund Increase for Financial Aid	\$40,000,000	\$40,000,000

The Department of Higher Education requests an increase of \$40,000,000 General Fund for Financial Aid for Colorado students in FY 2014-15. This 42 percent increase represents the largest Financial Aid increase in Colorado history. This increase will help thousands of eligible students afford college through need-based grants, work study, and merit aid.

Colorado Financial Aid	FY 2013-14 Appropriation	FY 2014-15 Increase	Percent Increase
Total – GF	\$ 95,691,131	\$ 40,000,000	41.8%
Need Based Grants	79,258,803	30,000,000	37.9%
Work Study	16,432,328	5,000,000	30.4%
Merit Based Aid	-	5,000,000	N/A

The \$40.0 million General Fund increase is comprised of the following components:

- \$30.0 million General Fund for the Need Based financial aid program. At the FY 2011-12 award level of \$1,056 per student, this \$30 million increase equates to 28,000 more student awards.
- \$5.0 million General Fund for Work Study allow institutions to offer these positions to significantly more students. The Work Study increase will enable as many as 2,200 additional students to participate in work study on their campuses.
- \$5.0 million General Fund for Merit Based aid program. Last funded in FY 2008-09, Merit Based Aid was eliminated due to the General Fund revenue shortfall during the economic downturn. State funding for Merit Based Aid will provide qualified, resident students an incentive to attend an in-state institution in Colorado.

The top performance goal in the Commission's Master Plan is increasing degree and credential attainment by at least 1,000 by 2025 to meet anticipated workforce needs in the state. This substantial funding increase complements the Colorado higher education system's new emphasis on student access, retention, and completion. Colorado Commission on Higher Education is also committed to expanding access to

higher education. The Financial Aid program seeks to provide equal educational opportunities to qualified students whose personal or family resources are insufficient to cover the cost of attending college.

Need Based Financial Aid

Student financial aid need is determined based on the cost of attendance less the Estimated Family Contribution. The Estimated Family Contribution is amount the family is expected to contribute before any aid (including low interest subsidized federal loans) can be offered. The federal Pell grant formula calculates the Estimated Family Contribution.

Availability of financial aid is an important factor in providing access to college. Research suggests that even academically prepared students at lower income levels may not enroll or persist in higher education if they have to struggle to pay for college. Currently, the amount of aid a student receives depends on the cost of attendance, financial need, and whether a student meets qualifying criteria for Financial Aid. In FY 2011-12, the average state Financial Aid award per student was approximately \$1,008 per undergraduate and \$2,889 per graduate student.

The majority of the Department’s \$40 million General Fund financial aid request is in Need Based Financial Aid. This \$30 million Need Based Financial Aid increase (37.9 percent) would be distributed based on the new allocation formula implemented by CCHE for FY 2013-14. This change means a relatively small portion of the Need Based Aid would be used to increase allocations for undergraduate students attending proprietary institutions and for graduate grant. This approach links financial aid allocations to retention and completion goals at the institutions and is specifically designed to target aid to students and institutions based on progress towards degree and certificate completion. The concept is illustrated below with aid awards increasing as a student accumulates credits towards degree completion.

Figure 1



In a major national report entitled *Beyond Merit and Need: Strengthening State Grant Programs*, Dr. Sandy Baum, an economist and one of the nation's foremost authorities on financial aid policy, along with other national policy leaders and academics suggested the following to states:

- To encourage on-time degree attainment, state grant programs should reward concrete accomplishments such as the completion of credit hours.
- Academic requirements embodied in state grant programs should provide meaningful incentives for success in college; they should not be focused exclusively on past achievement or be so high as to exclude students on the margin of college access and success.

Baum, S. et al. (2012). *Beyond merit and need: Strengthening state grant programs*. Brookings Institute: Washington D.C. Available online at: <http://www.brookings.edu/research/reports/2012/05/08-grants-chingos-whitehurst>.

These findings are embodied in the Department's new financial aid allocation method illustrated in Figure 1. The increase in state financial aid allows for growth in the funding increments for a student's persistence from year-to-year or term-to-term, consistent with national research.

Work-Study and Merit Aid

Additionally, the Department will work with the Commission to review the Work-Study program and also develop an allocation method for the Merit Aid program for allocations that will be approved in June. The statutes provide the Commission with the authority to allocate financial aid funding to each institution. As noted above, once those funds are allocated, the institutions have authority to make individual awards to students; tailoring a package of aid based on an individual student's need.

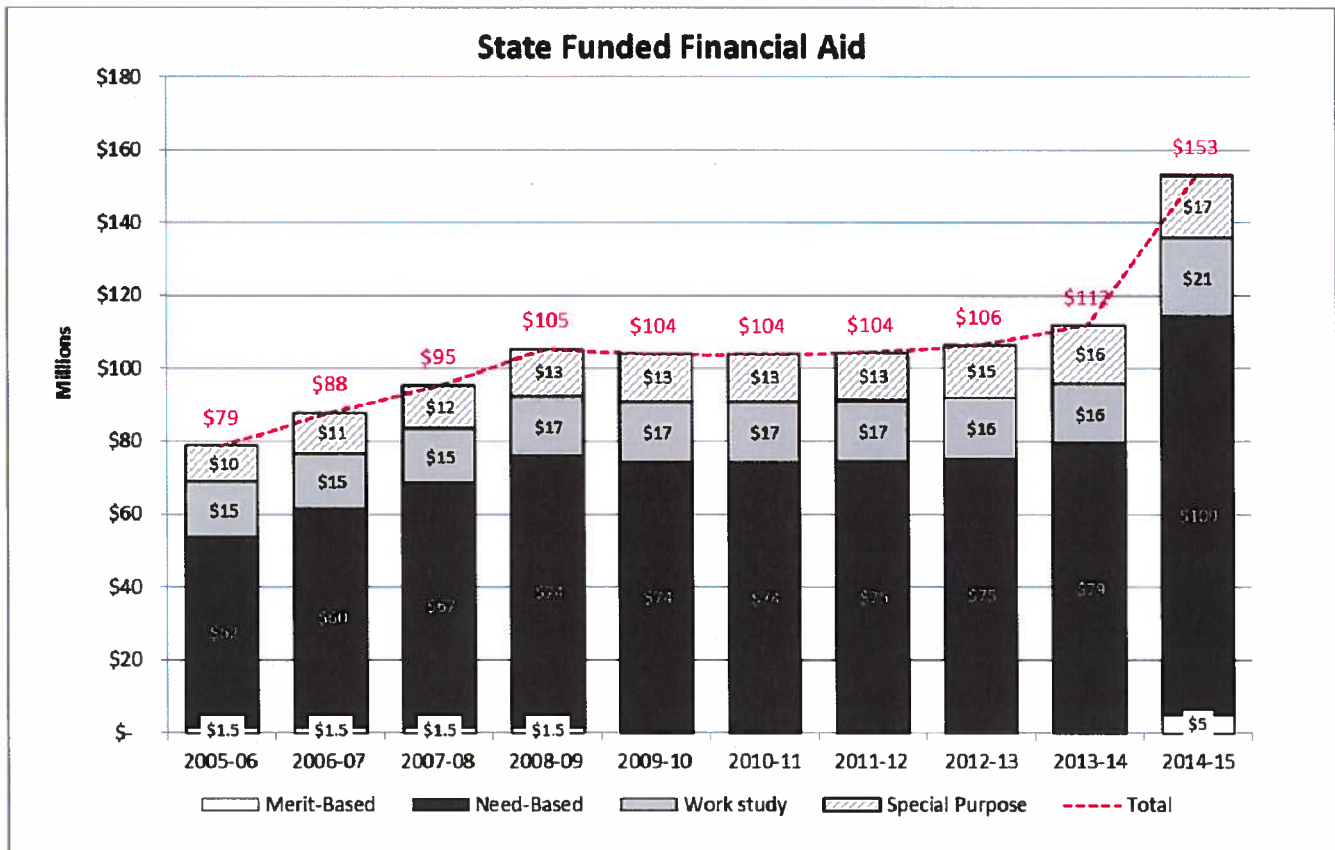
For key campus positions, the Work Study increase could lead to higher wages or simply increase the number of Work Study opportunities at the institution. Work Study programs are popular with students and institutions alike because of their proven impact in helping students stay engaged with campus and their studies. Research shows that Work Study programs have a positive impact on retention and graduation rates. More information on the success of Work Study programs can be found at <http://pas.indiana.edu/cb/docs/Institutional%20Practices.pdf>.

This request would also reinstate state Merit Based Aid with \$5.0 million General Fund. The Merit Based Aid program was discontinued in FY 2009-10 as a cost saving measure during the height of the economic downturn. At its funding highpoint, the program received nearly \$15.0 million. This proposal would restore one-third of that funding amount. The Merit Based Aid program was used to leverage institutional aid as an additional avenue to direct more aid to middle income families that fall just outside the restrictions of the Need Based Aid parameters. Essentially, it assists Colorado institutions in their efforts to keep talented Colorado students in-state by offering incentives for attendance. As this article indicates (http://www.dailycamera.com/cu-news/ci_23832688/cu-boulder-steps-up-recruiting-efforts-following-enrollment), additional aid for promising resident scholars can be the turning point that convinces them to attend an in-state institution.

Total Financial Aid Request

Table 1 below illustrates the significant increase in student financial support realized in this request. The table reflects the historical financial aid funding as well as the total change to state funded financial aid requested for FY 2014-15. The graph includes this request for \$40,000,000 General Fund, R-3 for the Ft. Lewis College Native American Tuition Waiver (\$836,855 General Fund), and R-4 for the Dependent Tuition Assistance Program (\$252,000 General Fund).

Table 1



Other

Section 23-3.3-103, C.R.S. requires that Financial Aid increase by the same percentage as the General Fund operating increase to the Governing Boards. As the \$40.0 million General Fund for Financial Aid programs far exceeds these statutory requirements, it is not separately or uniquely calibrated for that purpose.