

STATE BOARD FOR COMMUNITY COLLEGE AND OCCUPATIONAL EDUCATION

May 11, 2022

TOPIC: FY 2022-23 Initial State Support Base Budget and Amendment 50 Allocations

PRESENTED BY: Mark Superka, Vice Chancellor for Finance and Administration

RELATIONSHIP TO THE STRATEGIC PLAN:

Redefine our value proposition through accessibility, affordability, quality, accountability, resource development, and operational excellence.

EXPLANATION:

For the FY 2022-23 operating budget, the General Assembly appropriated \$242,263,515 in state support in the form of Fee-for-Service and COF Stipend funding to the community colleges. This represents a 13.0 percent increase in these funds compared to FY 2021-22.

The majority of the state's funding is run through the CCCS base allocation model, which has two main components: 1) a series of per resident student FTE "size factors" or weights applied to a shared base resident student FTE funding level; and 2) a two-year resident student FTE average, which is multiplied by each college's size factor-adjusted per student FTE funding level to generate an allocation amount. Attachment A shows the results of the formula allocation at the FY 2022-23 level of state funding. Attachment B shows the net results compared to FY 2021-22.

Also, beginning in FY 2014-15 and every year thereafter, H.B. 13-1165 appropriated \$696,000 in on-going funds to the colleges related to helping students navigate manufacturing career pathways. Attachment A shows these funds divided equally among the 13 colleges in the line item just below the allocation formula results.

There are two areas where state funding does not run directly through the formula allocation methodology: the Information Technology Enterprise Resource Planning (ERP) system holdback and the system office. For FY 2022-23, the ERP holdback (which supports the system and colleges' enterprise resource management system) was held constant at FY 2021-22 levels. The system office funding was increased 9.9 percent compared to FY 2021-22 funding levels, compared to the system average increase of 13.0 percent.

In addition, there are three previously passed special bills that impact funding for FY 2022-23. The first previously passed bill (H.B. 15-1274) is a bill that charged the Workforce Development Council within the state Department of Labor and Employment to design and implement five career pathways beginning in FY 2015-16. The bill was intended to provide funding only for three years ending in June 2018; however, the funding was continued in subsequent years and in FY 2022-23. While the bulk of the funding to accomplish this is appropriated to the Department of Labor and Employment, the Colorado Community College System was appropriated \$86,960 per year to hire a staff member to coordinate the system-wide collaboration with the Department

of Higher Education and the Department of Labor and Employment in this effort. Since this was initially a temporary funding source, these monies are parsed out from the base funding allocation formula and tracked separately.

The second bill (S.B. 18-086) requires the state's Chief Information Security Officer to annually identify, assess, and mitigate cyber threats to the state and encourages the state to adopt and apply distributed ledger technologies in its data systems where feasible. The majority of the funding to accomplish this is appropriated to the Office of Information Technology in the Governor's Office, but Pikes Peak Community College was appropriated \$300,000 for professional education related to these efforts. This funding is intended to continue in future years.

The third bill (S.B. 19-176) requires that concurrent enrollment be offered at no tuition cost to qualified students, and students who complete a concurrent enrollment course must receive credit that applies to high school graduation requirements and that applies to a postsecondary degree, certificate, or developmental education course, or is transferrable among state institutions of higher education. The bill requires CCCS to manage and coordinate concurrent enrollment within the system, including eliminating administrative barriers, implementing efforts to increase participation, and sharing best practices. The bill appropriates \$105,000 and 1.0 FTE to the system office to implement these requirements.

In addition to the state allocations, the colleges will see revenue from Amendment 50 in FY 2022-23. Current internal forecasts peg the overall Amendment 50 funding that will flow to our community colleges at \$17.2 million in FY 2022-23—a 50.0 percent increase compared to FY 2021-22 levels. The FY 2021-22 gaming tax revenue stream, which determines the allocation for FY 2022-23 (remember that FY 2022-23 allocated revenues will actually be earned in FY 2021-22), has continued to increase as public health restrictions have been lifted. Coupled with the impact of pandemic-related limitations, there are three additional factors that impact the revenue forecast:

- In the 2020 legislative session, (House Bill 20-1400) the General Assembly temporarily changed the allocation formula for future gaming revenues (starting July 1, 2020) where each recipient of gaming tax proceeds would grow in relation to their relative losses from FY 19 to FY 20 until total gaming tax proceeds reached FY 19 levels.
- Amendment 77, which passed the state ballot allowing local voters in gaming towns to determine betting limits and introduce new games. All three gaming towns voted to have no betting limits (the prior limit under Amendment 50 was \$100) and new games made their way through the Limited Gaming Commission approval process. The new rules officially began May 1, 2021 and the first full fiscal year of implementation is FY 2021-22.
- Because Amendment 77 passed after HB 20-1400 was signed, SB 22-216 is currently working its way through the Joint Budget Committee and legislative process to fix unintended consequences of HB 20-1400 and align the revenue streams to reflect the voter approval of Amendment 77.

Gaming tax revenues through February are up 57.9 percent compared to the prior fiscal year and Adjusted Gross Proceeds are up 38.3 percent. The pandemic impacts coupled with the changes to the allocation formula that will govern growth of revenues proportional to prior-year losses and the addition of new games/elimination of betting limits make forecasting gaming tax revenue difficult, but it is more clear that our colleges will see an increase next year. Per the state constitution, gaming commission expenses come off the top of revenues before running through the constitutional and statutory formulas. Staff used the colleges' FY 2021-22 resident FTE forecasts (taken from the formula allocation methodology) to allocate this funding among the colleges. This is the methodology outlined in the state constitution and statute.

Attachment C shows the FY 2022-23 state support and Amendment 50 allocations. Please keep in mind, however, that both the formula and Amendment 50 allocations will need to be trued-up in September 2022 when final resident FTE figures and final gaming tax receipts are known.

RECOMMENDATION:

Staff recommends approval of the FY 2022-23 state support and Amendment 50 budget allocations as listed in Attachment C.

ATTACHMENTS:

Attachment A: FY 2022-23 Initial State Support Allocation
Attachment B: FY 2022-23 State Support Allocation Comparison
Attachment C: FY 2022-23 State Support and Amendment 50 Initial Allocations