STATE BOARD FOR COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION

February 8, 2023

TOPIC: FY24 Tuition-Setting Considerations

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:
During the month of April, the Board sets tuition levels for the subsequent fiscal year—in this case, for FY 2023-24. In an effort to provide Board members with useful information in preparation for the April meeting, the following agenda item provides the latest update at the General Assembly and the Colorado Commission on Higher Education on tuition-setting authority and outlines some of the most-often asked questions regarding tuition-setting decision making. Please note that due to timing and the fluid nature of legislative activity, some of the information provided in this agenda item will need to be updated during April (and possibly in subsequent months), but this hopefully will provide reasonable context going into April's Board meeting. Please note this agenda item is typically presented at the March Board meeting but has been moved up to February because the March board meeting is for action items only this year.

Background
As you are aware, over the past several fiscal years the Department of Higher Education and the Joint Budget Committee (JBC) have taken various approaches with resident undergraduate tuition increases. These approaches have ranged from a hard cap in statute of 6% on all governing boards in FY 2014-15 and FY 2015-16 to varying non-statutory caps set by the JBC through footnotes for each governing board from FY 2017-18 through FY 2021-22.
In his FY 2023-24 budget request, the Governor recommended to the JBC a 4.0% resident tuition increase cap for all governing boards. The JBC is conducting initial figure-setting for higher education on March 9th, so we will have a better idea of what JBC staff will be recommending after that meeting is complete. However, it is certainly possible that final decisions on allowable rate levels will not be made by the JBC until after the March forecast, near middle of March. Staff will continue to follow this process and bring more clearly defined guidance on the Board's resident tuition setting parameters to the April Board meeting.

Please keep in mind that the above discussion only relates to resident tuition authority. The amount of the non-resident rate increase has not been limited in statute or in policy. As a result, the Board's discretion is not limited in the setting of non-resident tuition rates.

<u>Common Questions</u>

What are the key factors other states use in setting tuition levels?
If one looks at State Higher Education Executive Officers (SHEEO) data, the most influential (by a significant margin) factor used in setting public resident tuition rates across the country is the level of state General Fund appropriations. In 78% of the states that responded to the most recent survey available, this factor was identified as a significant and/or controlling influence in setting undergraduate resident tuition levels for two-year institutions—and was the top ranked overall factor in the survey. Needless to say, there is an inverse relationship between General Fund availability and tuition rate increases. The other key factors used by other states in making tuition decisions are the previous year's tuition increase level, the institutional mission of the college, tuition levels charged by peers, and the availability of financial aid.

What is the outlook for the level of General Fund appropriations for CCCS in FY 2023-24?
In FY 2022-23, CCCS was appropriated $241.8 million in General Fund operating through the funding allocation formula, with all governing boards receiving a total of $1.0 billion. In the Governor's November FY 2023-24 budget request, he requested an on average increase of 6.8% for all governing boards, run through the higher education funding formula. That would yield $17.2 million General Fund in additional appropriations for CCCS over the current fiscal year.
Independent of the Governor's budget request, a coalition of all the higher education governing boards came together to propose an alternate request to the Joint Budget Committee. This request would result in an additional $17.6 million in state appropriations (above the Governor's request) for CCCS FY 2023-24 and has the same 4.0% resident tuition increase cap for all governing boards as the Governor's request. The Joint Budget Committee is conducting higher education figure-setting on March 9th. Staff will factor in those final decisions from the Committee into the materials we present at the April Board meeting.

What is the outlook for the level of Amendment 50 monies for CCCS in FY 2023-24?
In FY 2021-22, CCCS revenues allocated from Amendment 50 were $11.5 million. FY 2022-23 limited gaming revenues jumped dramatically increased to $30.3 million due to

the passage of Amendment 77 and easing of COVID restrictions. The FY 2022-23 gaming tax revenue stream, which determines the allocation for FY 2023-24 (remember that FY 2023-24 allocated revenues will actually be earned in FY 2022-23), has stabilized and we are forecasting a flat to 5% increase in gaming tax revenues. Through November 2022, compared to at the same time last fiscal year, adjusted gross proceeds (AGP) are up 6.4% and gaming tax revenues are up 10.9%. Through November 2021 (compared to the prior time period), AGP and gaming tax revenues were up 41.7% and 72.1% respectively—but ended the fiscal year at 16.0% and 34.5% respectively. We will continue to monitor gaming tax revenue growth and update in April.

What have previous years' tuition increases been for CCCS?
Table 1 below outlines the history of base resident tuition rates at CCCS since 1995-96.

Table 1: History of CCCS Base Resident Tuition Rates (FY 1995-96 through FY 2021-22)

Fiscal Year	Resident Tuition Rate (per credit hour)	Percent Change
FY 95-96	$52.25	2.5%
FY 96-97	$53.50	2.4%
FY 97-98	$54.30	1.5%
FY 98-99	$55.00	1.3%
FY 99-00	$56.30	2.4%
FY 00-01	$57.75	2.6%
FY 01-02	$60.05	4.0%
FY 02-03	$62.90	4.7%
FY 03-04	$66.05	5.0%
FY 04-05	$66.80	1.1%
FY 05-06	$72.75	8.9%
FY 06-07	$74.55	2.5%
FY 07-08	$77.15	3.5%
FY 08-09	$81.00	5.0%
FY 09-10	$88.30	9.0%
FY 10-11	$96.25	9.0%
FY 11-12	$105.85	10.0%
FY 12-13	$112.75	6.5%
FY 13-14	$119.50	6.0%
FY 14-15	$124.90	4.5%
FY 15-16	$130.50	4.5%

Fiscal Year	Resident Tuition Rate (per credit hour)	Percent Change
FY 16-17	$136.90	4.9%
FY 17-18	$144.55	5.6%
FY 18-19	$148.90	3.0%
FY 19-20	$148.90	0.0%
FY 20-21	$153.35	3.0%
FY 21-22	$153.35	0.0%
FY 22-23	$156.40	2.0%
Average Annual Change	$3.72	4.1%

Table 2 below shows the history of non-resident tuition rates (without dorms) since FY 1995-96.

Table 2: History of CCCS Base Non-Resident Tuition Rates (FY 1995-96 through FY 2021-22)

Fiscal Year	Non-resident Tuition Rate (w/o dorms) (per Credit Hour)	Percent Change
FY 95-96	$233.80	4.4%
FY 96-97	$243.75	4.3%
FY 97-98	$252.25	3.5%
FY 98-99	$260.55	3.3%
FY 99-00	$266.80	2.4%
FY 00-01	$277.45	4.0%
FY 01-02	$291.30	5.0%
FY 02-03	$313.75	7.7%
FY 03-04	$345.15	10.0%
FY 04-05	$345.15	0.0%
FY 05-06	$345.15	0.0%
FY 06-07	$345.15	0.0%
FY 07-08	$357.25	3.5%
FY 08-09	$375.15	5.0%
FY 09-10	$393.90	5.0%
FY 10-11	$413.60	5.0%
FY 11-12	$434.30	5.0%
FY 12-13	$462.55	6.5%

Fiscal Year	Non-resident Tuition Rate (w/o dorms) (per Credit Hour)	Percent Change
FY 13-14	$490.30	6.0%
FY 14-15	$512.35	4.5%
FY 15-16	$535.40	4.5%
FY 16-17	$561.65	4.9%
FY 17-18	$593.10	5.6%
FY 18-19	$610.90	3.0%
FY 19-20	$610.90	0.0%
FY 20-21	$629.25	3.0%
FY 21-22	$629.25	0.0%
FY 22-23	$641.80	2.0%
Average Annual Change	$14.57	3.9%

Please note that due to the relatively high non-resident tuition rates compared to Colorado's border states and the desire to keep residence halls full, several years ago the Board implemented a set of rates for rural colleges that wanted to participate. For FY 2022-23, this rate is $260.75.

How do CCCS resident tuition and fees compare to public 4-year colleges and universities in Colorado?

Table 3 outlines the FY 2022-23 base resident tuition and fee rates (for 30 credit hours) for 4-year colleges and universities in the state compared to CCCS.

Table 3: FY 2022-23 Resident Tuition and Fee Rates of Colorado Higher Education Institutions

Institution	FY 2022-23 Tuition	FY 2022-23 Fees	FY 2022-23 Tuition and Fees
Colorado School of Mines	$17,520	$2,520	$20,040
University of Colorado--Boulder	$11,520	$1,586	$13,106
University of Colorado--Denver	$10,830	$970	$11,800
Colorado State University--Ft. Collins	$9,903	$2,589	$12,492
University of Colorado--Colorado Springs	$9,540	$1,490	$11,030
Colorado Mesa University	$8,852	$1,110	$9,962
Metropolitan State University of Denver	$8,445	$1,816	$10,261
Colorado State University--Pueblo	$8,338	$2,575	$10,913
University of Northern Colorado	$8,289	$2,615	$10,904
Fort Lewis College	$7,200	$2,016	$9,216
Western State Colorado University	$6,936	$3,877	$10,813
Adams State University	$6,072	$3,703	$9,775
Colorado Community College System*	$4,692	$510	$5,202

*Fees for CCCS are an unweighted average of all 13 colleges in system

The Governor has requested to cap resident tuition increases at 4.0%, but it is too early to gauge what the other governing boards may implement for FY 2023-24.

What is the recent history of full-time (30 credit hour) tuition and mandatory fees increases for CCCS?

Appendix A outlines the last five years of tuition and fee history for CCCS, on a full-time 30 credit-hour basis.

How does CCCS compare to other states' community colleges in terms of resident tuition and fee levels?

The short answer is: moderately above average compared to the most recent national data. In a college Board report released in 2022, Colorado's base resident community college tuition and fee levels are about 9% higher than the national average for public two-year colleges (please note that this comparison does not include California, which historically has had a very low community college tuition rates and, given its enrollment levels, can skew the weighted national data). A recent Colorado Department of Higher Education report conducted by the Hanover Group showed that CCCS colleges on average were 7.5% above their peer institutions in net tuition and fee revenue generated.

However, please keep in mind due to tuition discounting, relative levels of state operating funding, availability of state financial aid, and the difference between in-district tuition categories (of which the College Board report is measuring) and out-of-district resident tuition categories, it can be difficult methodologically to accurately compare our colleges to community colleges in other states.

How much revenue does a 1% increase in tuition rate raise system-wide?
At currently projected FY 2023-24 enrollment levels, a 1% increase in resident tuition rates would raise approximately $2.4 million system-wide. A 1% increase in non-resident tuition rates would raise approximately $300,000 system-wide.

How much of a tuition increase does it take to cover a 1% salary increase system-wide?
Staffing is the single largest expense item in the CCCS budget. At FY 2022-23 staffing levels, a 1% increase in salary (including PERA, AED, and SAED) across the system would cost approximately $3.3 million. As a result, for every 1% in salary increase, it would take an estimated 1.2% resident and non-resident tuition increase to cover this additional cost. In his FY 2023-24 budget, the Governor requested a 5.0% salary increase for state employees.

Do increases (especially large increases) in tuition rates impact enrollment?
They can, but it is difficult to gauge the true impact since other factors play a significant role as well. One study indicated that every 10% increase in tuition above inflation will reduce enrollment by 1.9% at community colleges--which would signal reasonably high sensitivity to tuition rate increases. Also, a number of studies have concluded that low-income students are more sensitive than middle/upper class students to tuition increases. Moreover, enrollments in community colleges tend to be more price responsive than enrollments at four-year institutions, though much of this effect is likely to be due to the disproportionate share of lower-income students enrolled in community colleges.

However, the overall economic and financial aid environment also plays a significant role. From FY 2009-10 to FY 2010-11, resident tuition was increased by 9% in each fiscal year (against what turned out to be very low inflation) and enrollment growth in our system increased dramatically. Increases to federal financial aid and access to higher education tax credits may have (especially for students in the lowest income brackets) played a larger factor than sensitivity to tuition increases during this timeframe. Also, the overall economic environment (including the necessity to get training and/or additional education in the current job marketplace) may have trumped traditional pricing concerns over tuition increases during this period of dramatic enrollment growth and been a significantly more important factor in the enrollment equation.

For the last several fiscal years before the pandemic, our resident and non-resident enrollment relative to the previous fiscal years has decreased slightly or been flat to slightly increasing as a system. As discussed during last year's tuition setting agenda item, the pandemic created a more unsettled tuition rate environment where separating out tuition rate changes from the host of other pandemic-related issues that impacted enrollment is more challenging. And, the rise of inflation over the last year and the pressure that has put on household budgets has only complicated this picture even further. What we do know for sure is that our colleges are more dependent on tuition revenue than ever before--and changes to enrollment can mean more significant swings in total revenue for our colleges.

Are there any other potential significant considerations in the coming years that could impact tuition setting?

The most significant consideration on the near-term horizon would be related to the various PERA changes from S.B. 18-200. That legislation included automatic triggers involving increases to employer and employee contributions depending on the solvency of the PERA fund. For FY 2021-22, the PERA employer contribution rate increased 0.05%. In addition, for FY 2022-23, the PERA employer contribution rate increased 0.5%, and for FY 2023-24, it will increase 0.07%. This is in addition to changes made in FY 2019-20 to require employers to pay PERA on sick leave payouts as well as on any employee benefits for employees hired after July 1, 2019. Typically, higher education governing boards do not receive specific appropriations (unlike other state agencies) for changes to PERA, so the Board would have to weigh how to manage these increases in costs—and whether tuition would need to be a component in that process.

Another consideration is family and medical leave provisions that were approved by voters. The premiums to pay for that leave begin in calendar year 2023 and will be 0.9% of the employee's wage for the first two years. That premium is split 0.45% by employer and 0.45% by employee. Employers can choose to pay a larger percentage of the cost up to 100%.

There are also an increase in future salary costs slated to occur in FY 25, as the collective bargaining agreement with COWINS has substantial salary adjustments scheduled to come on line related to classified employees for which higher education institutions will be required to meet. At the current time we are unable to accurately estimate the impact of these changes. The application of the proposed FY 25 and beyond "step adjustments" in the current agreement are going to require additional resources and extensive time and effort to calculate and implement. This will require not just evaluation from within our system but across State agencies with different payroll and personnel file management systems. At this time, there is no guidance or direction from the State on how “time in series” related to step adjustments will be calculated--so identification of the additional resources that will be needed is unknown until FY 24.

What is available to students to help offset tuition increases?

The primary vehicles that help students offset tuition increases are financial aid (both state and federal) and tax credits. There are also scholarship and grant programs, as well as the favorable tax treatment that student loans receive, that will factor into the ability of a student to afford tuition. However, the response below focuses on the primary factors.

State Financial Aid. For community college students, state financial aid consists of need-based aid, merit aid, and work study funds. The Governor recommended an increase of 6.8% in need-based financial aid for FY 2023-24 that is in line with the operating funds request increase, as required per statute. For context, in FY 2022-23, CCCS students were allocated $56.2 million in need-based financial aid. Based on the allocation models for FY 2023-24 and the decrease in enrollment across the state, the CDHE goal is to maintain the FY 2023-24 need-based financial aid at the FY 2022-23 allocation levels. No reinstatement of merit funds are expected in FY 2023-24. The FTE for Pell eligible students is slated for review. This could decrease the CCCS work study allocation but the impact is unknown at this time.

Federal Financial Aid. At the federal level, Pell grants (the eligibility of which is based on adjusted gross family incomes less than $50,000, among other things) are the primary source of financial aid for community college students. In FY 2022-23, the Pell maximum amount is $6,895—a $400 increase over the prior fiscal year. For FY 2023-24, the Pell maximum was approved in the recent federal spending bill by Congress, with an increase of $500 over the FY 2022-23 level. For context, a resident tuition rate increase of 4.0% would be equal to an additional $187.70 in tuition for a full-time student compared to the $500 Pell grant increase in FY 2023-24.

Federal Tax Credits. The American Opportunity Tax Credit is a refundable tax credit for undergraduate college education expenses. This credit provides up to $2,500 in tax credits on the first $4,000 in qualifying educational expenses (100% of the first $2,000 and 25% of the next $2,000 in expenses). To qualify for the tax credit, your adjusted gross income must be less than $80,000 if you are single or $160,000 if married filing jointly. The size of the credit starts to phase out at $80,000 for singles and $160,000 for couples filing jointly. The credit is not available at $90,000 for singles and $180,000 for couples filing jointly.

The Lifetime Learning Credit is a tax credit for any person who takes college classes. It provides a tax credit up to $2,000 on the first $10,000 of college tuition and fees. .

Students and families are eligible for the full $2,000 up to $59,000 adjusted gross income for single filers and $118,000 for married joint filers. The credit phases out up to $69,000 adjusted gross income for single filers and $138,000 for married joint filers. Students and families with adjusted incomes above those income thresholds are not eligible for this tax credit.

RECOMMENDATION: This agenda item is for information and discussion purposes and does not require any State Board action.

ATTACHMENT(S):

Appendix A - 5-year CCCS Base Resident Tuition and Fees (30 Credit Hours)