

MEMORANDUM



JOINT
BUDGET
COMMITTEE

To JBC Members
From JBC Staff
Date March 24, 2025
Subject Figure Setting Comeback Packet 9

Included in this packet is staff comeback memos for the following items:

Department of Labor and Employment, page 2, (Phoebe Canagarajah): Staff Comeback – R4 Hospitality Education Grant reduction

Health Care Policy and Financing

- page 3, (Tom Dermody): HCPF Comeback #34 – CBMS Development Costs [Technical]
- page 4, (Eric Kurtz): Health Care Policy and Financing personal services reduction

Department of Natural Resources, page 5, (Kelly Shen): Fleet and IT asset maintenance – technical adjustments

Tobacco Revenue Policy, page 6, (Kelly Shen): Tobacco revenue adjustments – statewide

Department of Education

- page 7, (Andrea Uhl): School Finance Comebacks – FY 2025-26 Total Program and At-Risk Funding
- page 12, (Amanda Bickel): Staff Comeback – Additional Option- Healthy School Meals for All

Department of Higher Education

- page 24, (Louellen Lowe): Staff Comeback (2) for the Auraria Higher Education Center
- page 25, (Amanda Bickel): Higher Education Request R1



Joint Budget Committee Staff

Memorandum

To: JBC Members
From: Phoebe Canagarajah, JBC Staff (303-866-2149)
Date: Monday, March 24, 2025
Department: Department of Labor and Employment
Subject: [Staff Comeback: R4 Hospitality Education Grant Reduction](#)

The Committee tabled action on R4 (Hospitality Education Grant Reduction), which proposed to pause the Hospitality Education Grant program for budget balancing, to consider consolidating the program into a larger Postsecondary and Workforce Readiness (PWR) bill.

The Committee determined last week to draft and potentially sponsor a PWR bill. **Staff recommends consolidating the Hospitality Education Grant program into this bill**, to better distribute state PWR funding between schools and workforce readiness programs. The current draft PWR bill language allows continued funding for current ProStart schools through sustainable funding allocations, and as allowing new funding for schools starting ProStart through start-up grants. An unknown factor is whether new PWR funding would be equivalent to current state funding towards ProStart. If the Committee decides to consolidate the Hospitality Education Grant program into the PWR bill, **staff recommends a delayed implementation so that the current Hospitality Grant program repeals in FY 2026-27**. This would give the Colorado Restaurant Foundation and current ProStart schools a year to plan for funding changes without disrupting ProStart programs scheduled for the next school year.

If the Committee decides to maintain the Hospitality Education Grant program long-term, or include it in a PWR bill but with a delayed repeal, **staff also requests an annualization correction to this line item for FY 2025-26**. Last year, the General Assembly approved a one-time increase to this line item through Long Bill floor amendments, increasing its total appropriation to \$500,000 General Fund. If the Hospitality Education Grant program funding continues in the FY 2025-26 Long Bill, staff recommends to decrease its appropriation to **\$424,037 General Fund and 0.5 FTE**. This recommended General Fund appropriation includes the original FY 2024-25 appropriation of \$419,502 General Fund to this program, plus an increase of \$4,535 General Fund for salary survey and step pay adjustments. Currently, FY 2025-26 funding for the program is \$504,535 General Fund and 0.5 FTE.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee
From: Tom Dermody, JBC Staff (303-866-4963)
Date: Monday, March 24, 2025
Subject: [HCPF Comeback #34 – CBMS Development Costs \[Technical\]](#)

During the review of OSPB comebacks on March 21, 2025, the Committee approved (6-0) the Department for Health Care Policy and Financing's (HCPF's) Comeback #34 related to the Colorado Benefits Management System (CBMS) and county administration of medical assistance programs. Staff is seeking clarity on the scope of the Committee's approval. Does the Committee's decision include the cost necessary for CBMS development in the Department of Human Services (DHS)?

In order to fully implement the Committee's decision on HCPF Comeback #34, staff recommends the additional funding for DHS.

The development costs for the CBMS projects approved by the Committee are shared by HCPF and DHS. The reappropriated funds for CBMS development shown in the table below originate from the DHS. Of these funds, 46.8 percent are General Fund, 4.3 percent are cash funds, and 48.9 percent are federal funds. Omitted from HCPF's fiscal impact assessment of their comeback request is a \$1.96 million total funds (\$918,806 General Fund) increase for CBMS development costs in the Department of Human Services. This represents the share of development costs borne by the public assistance programs under the purview of DHS.

CBMS Development Projects included in HCPF Comeback #34					
Project	Total Funds	General Fund	Cash Funds	Reapprop Funds	Federal Funds
Program Area Natural Dialog Assistant	\$645,396	\$33,806	\$20,414	\$130,886	\$460,290
Integrated Character Recognition	8,381,508	439,025	265,106	1,699,769	5,977,608
Interactive Voice Recognition	649,834	34,038	20,554	131,788	463,454
Technical improvements*	157,021	-70,194	-33,660	31,843	229,032
Automated user acceptance testing*	57,888	7,571	4,068	11,739	34,510
Total	\$9,891,647	\$444,246	\$276,482	\$2,006,025	\$7,164,894
Approved during figure setting*	214,909	-62,623	-29,592	43,582	263,542
Comeback #34	9,676,738	506,869	306,074	1,962,443	6,901,352



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee
From: Eric Kurtz, JBC Staff (303-866-4952)
Date: Monday, March 24, 2025
Subject: Health Care Policy and Financing personal services reduction

Staff requests clarification of the JBC's intent regarding personal services reductions for the Department of Health Care Policy and Financing. The JBC approved both the Department's BA 17 to reduce personal services by approximately 1.0 percent and 10.0 FTE and the common policy 1.5 percent personal services reduction. However, during the discussion of the 1.5 percent personal services reduction common policy, some JBC members said that they did not want to double penalize departments that had volunteered personal services reductions.

In the table below, the Total PS Reduction is the amount included in the General Fund Overview. If the JBC does not intend to take both reductions, then the JBC needs to make a motion to add back some portion of the reductions below.

Personal Services Reductions			
Fund Source	BA17 PS Reduction	1.5% PS Reduction	Total PS Reduction
Total Funds	-\$862,365	-\$1,208,153	-\$2,070,518
FTE	-10.0	0.0	-10.0
General Fund	-373,843	-557,885	-931,728
Cash Funds	-57,164	-15,009	-72,173
Reapprop. Funds	-112	0	-112
Federal Funds	-431,246	-635,259	-1,066,505

As a technical note, the methods used to calculate the fiscal impact of the BA17 personal services reduction and the 1.5 percent personal services reduction common policy are different, so the changes by fund source are not proportional. The source of cash funds is primarily the HAS Fee.



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Kelly Shen, JBC Staff (303-866-5434)
Date: Monday, March 24, 2025
Subject: **Fleet and IT asset maintenance – technical adjustments**

This memo contains two technical adjustments recommended by JBC staff:

- 1 One \$100,753 adjustment due to the way that the Department of Personnel calculates fleet operating common policies, and
- 2 A second net-neutral adjustment to correct for an error in the Department’s original budget submission.

Vehicle fleet adjustment

This first adjustment includes vehicles from three decision items that were not included within the Department of Personnel’s fleet operating policy calculation. This is due to the way the common policy counts vehicles, and does not include staggered vehicle authorizations.

	FY 2025-26 Total Appropriation (not including FY 25-26 decision items)	FY 25-26 Incremental Adjustment				
		Total Funds	General Fund	Cash Funds	Reappop. Funds	Federal Funds
Currently approved fleet operating common policy	\$9,108,894	\$2,977,791	\$260,225	\$2,682,130	\$7,369	\$28,068
DNR additions (FY 23-24 R8, R9, R15 requests)	9,209,647	100,753	57,011	43,742	0	0

IT asset maintenance adjustment

The second net-neutral adjustment is due to an error in the Department’s request, resulting in an increase of \$955 General Fund and \$225 reappropriated funds, and an equal decrease in cash funds.

	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Request	\$5,621	\$0	\$5,621	\$0	\$0
Updated request	5,621	955	4,441	225	0



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee Members
From: Kelly Shen JBC Staff (303-866-5434)
Date: Monday, March 24, 2025
Subject: Tobacco revenue adjustments – statewide

This memo contains a requested adjustment to a program that receives tobacco revenue, in order to align with the March 2025 forecast from the Office of State Planning and Budgeting.

	Last Reviewed Forecast Amounts (January 2025, Legislative Council Staff)	Updated Forecast Amounts (March 2025, Office of State Planning and Budgeting)
Tobacco Master Settlement Agreement	\$78,595,680	\$79,077,558
Amendment 35	86,412,344	81,241,898
Proposition EE	243,614,189	236,534,510

In order to align with the updated forecast amount, **staff is recommending an increase of \$84,329 cash funds** from the Tobacco Settlement Health Education Fund for the University of Colorado Health Sciences Center.

There are also small adjustments in the Department of Health Care Policy and Financing and Department of Public Health and Environment as a result of the OSPB forecast, which have already been approved and/or reviewed by the Committee.

Staff also requests permission to make additional changes across all departments in order to align with the OSPB March 2025 forecasts.



Joint Budget Committee Staff

Memorandum

To: Joint Budget Committee Members
From: Andrea Uhl, JBC Staff (303-866-4956)
Date: Friday, March 21, 2025
Subject: **School Finance Comebacks – FY 2025-26 Total Program and At-Risk Funding**

Total Program – Current Law for Long Bill (Tabled)

The Long Bill is required to be written to current law. For FY 2024-25 through FY 2029-30, H.B. 24-1448 establishes conditions that, if met, pause the implementation of the new formula during the phase-in period. Based on the March 2025 OSPB forecast, projected revenue to the SEF in FY 2024-25 is 6.9 percent lower than FY 2023-24. The diversion for FY 2023-24 includes a one-time true up of \$135.1 million to correct for historical transfer errors dating back to FY 2004-05.¹ Under a plain reading of current law, one of the conditions to pause the implementation of the new formula has likely been met. However, the Attorney General and the Office of Legislative Legal Services have differing opinions on how courts are likely to view inclusion of the \$135.1 million one-time transfer.

Section 22-54-103.3 (5)(b)(I), C.R.S., requires the Joint Budget Committee to “promptly notify” the Speaker of the House, Senate President, House and Senate Minority Leaders, House and Senate Education Committees, and the Commissioner of the Department of Education if the Committee “determines” that one of the conditions described above has been met. In addition to notifying the required parties if the condition has been met, the Committee needs to take action on the total program/state share appropriation in the Long Bill to reflect current law.

Based on whether or not the Committee determines a condition is met, the Long Bill will include an appropriation that is calculated pursuant to H.B. 24-1448 as written, or calculated under the “old” 1994 formula. The tables below show staff’s recommended fund source splits under either scenario. These estimates have been updated since figure setting to include LCS March forecast estimates and the correction to FY 2024-25 presented in an earlier memo. The Governor requested, and the Committee approved, an increase of \$150.0 million General Fund from FY 24-25 in any scenario. Staff has revised recommendations for appropriations from the State Education Fund (SEF) and the State Public School Fund (SPSF) based on the updated forecast. The current recommendation for the state share appropriation from the State Public School Fund does *not* assume additional revenue to the fund from capping BEST. Legislation to cap and/or modify BEST will include an appropriation clause that reduces the SEF appropriation

¹ https://leg.colorado.gov/sites/default/files/images/corrections_of_prior-year_transfers_to_the_state_education_fund.pdf

and increases the SPSF appropriation to reflect increased SPSF revenue resulting from the changes.

Recommended fund sources calculated under the old formula:

Fund Sources for State Share - Old Formula (HB 1448 Paused)			
	FY 2024-25 Adjusted Appropriation	FY 2025-26 Recommendation	Annual Change
Local Share	\$4,186,738,872	\$4,561,663,613	\$374,924,740
State Share	\$5,592,212,027	\$5,391,478,758	-\$200,733,269
General Fund	4,238,686,861	4,388,686,861	150,000,000
Cash Funds - State Education Fund	1,279,079,398	932,124,965	-346,954,433
Cash Funds - State Public School Fund	74,445,768	70,666,932	-3,778,836
Total Program	\$9,778,950,899	\$9,953,142,371	\$174,191,472

Recommended fund sources calculated under the new formula:

Fund Sources for State Share - HB 1448 (Not Paused)			
	FY 2024-25 Adjusted Appropriation	FY 2025-26 Recommendation	Annual Change
Local Share	\$4,186,738,872	\$4,563,771,122	\$377,032,250
State Share	\$5,592,212,027	\$5,488,468,490	-\$103,743,537
General Fund	4,238,686,861	4,388,686,861	150,000,000
Cash Funds - State Education Fund	1,279,079,398	1,029,114,697	-249,964,701
Cash Funds - State Public School Fund	74,445,768	70,666,932	-3,778,836
Total Program	\$9,778,950,899	\$10,052,239,612	\$273,288,713

At-risk Supplemental Aid (Update)

The at-risk supplemental aid line item provides funding to qualifying district and institute charter schools in specific circumstances. Funding for this line in FY 2024-25 is \$7,009,989 from the State Public School Fund; the General Assembly is not statutorily required to make this appropriation. Staff recommended, and the Committee approved, cutting this funding as a budget balancing measure on the grounds that savings can be put toward the cost of the new school finance formula, which also significantly increases funding provided through the at-risk factor. Additionally, changes made by H.B. 24-1448 render this funding statutorily impossible to calculate with the new school finance formula. The Committee approved drafting of legislation to remove this funding mechanism from statute.

After attempting to work with OLLS on the draft legislation, it became clear to staff that the statutory cleanup related to this funding is more complicated than initially thought and touches many parts of statute. The changes also involve policy decisions that staff is not in a position to weigh in on. **Staff therefore recommends that the Committee stay with its decision to fund this line item at \$0 (because it would be statutorily impossible to calculate this funding with**

the new school finance formula in effect) and leave the issue of statutory cleanup and a decision of whether any framework for this funding should remain in place to the Education Committees and/or the sponsors of the School Finance Act.

At-risk Per Pupil Additional Funding (Bill Draft Attached)

The Committee approved staff recommendation to eliminate at-risk per pupil additional funding. Statute requires a \$5.0 million annual appropriation for this purpose, which provides approximately \$12.36 in additional funding per at-risk student statewide. The Committee approved drafting legislation to repeal the funding framework and required appropriation from statute. A bill draft is attached for the Committee's review. However, the Committee could also leave this legislative change up the School Finance Act sponsors.

**First Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO**

**DRAFT
3/17/25**

DRAFT

LLS NO. 25-0983.01 Alana Rosen x2606

COMMITTEE BILL

Joint Budget Committee

BILL TOPIC: Repealing At-Risk Per Pupil Additional Funding

A BILL FOR AN ACT

101 **CONCERNING REPEALING AT-RISK PER PUPIL ADDITIONAL FUNDING,**
102 **AND, IN CONNECTION THEREWITH, REDUCING AN**
103 **APPROPRIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Joint Budget Committee. The bill repeals at-risk per pupil additional funding.

*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words indicate deletions from existing law.*

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **repeal** 22-54-136.

3 **SECTION 2. Appropriation - adjustments to 2025 long bill.** To
4 implement this act, the cash funds appropriation from the state education
5 fund created in section 17 (4)(a) of article IX of the state constitution
6 made in the annual general appropriation act for the 2025-26 state fiscal
7 year to the department of education for at-risk per pupil additional
8 funding is decreased by \$5,000,000.

9 **SECTION 3. Effective date.** This act takes effect July 1, 2025.

10 **SECTION 4. Safety clause.** The general assembly finds,
11 determines, and declares that this act is necessary for the immediate
12 preservation of the public peace, health, or safety or for appropriations for
13 the support and maintenance of the departments of the state and state
14 institutions.



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Name, JBC Staff (303-866-4960)
Date: March 24, 2025 [*Content previously reviewed March 21 – decision pending*]
Department: Department of Education
Subject: Staff Comeback –Additional Option – Healthy School Meals for All

Overview – HSMA Status

Currently, the JBC’s balancing spreadsheets incorporate \$42.2 million General Fund in the Long Bill based on the statutory requirements associated with the Healthy School Meals for All Program (Sections 22-82.9-201 through 211, C.R.S.).¹

- On March 5, 2025, as part of figure setting for the Department of Education, staff recommended that the Committee sponsor legislation to allow the use of State Education Fund for one more year for the program, pending a popular vote in November. The Committee indicated that they were not in agreement on this option and voted to send a bill to draft with the intent—as staff understood it—of eliminating the General Fund required under current law for FY 2025-26. Various options were discussed.
- On March 19, 2025, staff returned with a preliminary recommendation to eliminate the General Fund impact of the program by limiting it to schools enrolled in the community eligibility provision and at other schools where at least 25 percent of students are eligible for federal benefits. As explained at the time, staff’s understanding from directors of school food authorities was that many of them believed that changing course mid-year on whether meals were free to all students (based on a November popular vote) was extremely problematic. Staff subsequently learned that the Colorado School Nutrition Association had sent a letter to JBC members just prior to staff’s presentation proposing just such half-year funding for the program but had failed to inform staff of the change in its position.
- On March 21, 2025, the JBC adjusted the Long Bill figures associated with HSMA costs under current law, which lowered the General Fund amount in the Long Bill to **\$42.2**

¹ These statutes are based on H.B. 22-1414, which was referred to and approved by voters as Proposition FF; S.B. 23-221, a JBC bill that made technical changes required to implement Proposition FF (such as establishing procedures for determining the revenue generated and setting it aside for the program); and H.B. 24-1390 (a JBC bill that included cost-containment measures, including making all grant programs subject to appropriation, as well as authorizing use of the State Education Fund through FY 2024-25).

million General Fund (from the prior \$49.5 million estimate). Staff notes that this figure included providing an additional \$45,000 General Fund for Department administration for consulting resources related to this program. This was reflected in the document but not actively discussed.

- The JBC did not vote on a a potential compromise—a “middle option”—that staff brought on March 21 for the JBC’s consideration. Staff has received some stakeholder feedback and is in the process of gathering additional feedback.

	Current Law (Revise Long Bill & Placeholder Amounts)	Staff Middle Option (Bill Required)
Revenue		
FY 2024-25 HSMA revenue used in FY 2025-26	\$699,612	\$699,612
FY 26 OSPB forecast	<u>108,100,000</u>	<u>108,100,000</u>
Total HSMA available	108,769,612	108,769,612
Expenditures		
Administrative Costs**	\$486,914	\$486,914
Full year HSMA funding	150,522,940	n/a
1/2 year CEP/others at 25% or more students on fed benefits	n/a	44,794,385
1/2 year HSMA	<u>n/a</u>	<u>71,607,584</u>
	\$151,009,854	\$116,888,883
Available revenue above/-below) total	-\$42,240,242	-\$8,119,271
Additional revenue to spend if retain measure passes*	<u>\$12,430,388</u>	<u>\$12,430,388</u>
Estimate if retain measure passes	-29,809,854	4,311,117

*This is the additional revenue if a measure passes in November 2025 that allows the State to retain revenue in the amount between the estimate in the 2022 blue book for Proposition FF and the revenue received in FY 2023-24 (corrected accrual). If such a measure does not pass, this money will be refunded to voters and annual program revenue must be reduced by 10.1 percent going forward.

**Includes an additional \$45,000 recommended for consulting resources.

If the JBC chooses to pursue an option that limits the program to Community Eligibility Program sites and other sites that serve 25 percent or more low-income students throughout FY 2025-26, the General Fund reduction will be \$42,240,242 from the current law Long Bill amount. If the JBC chooses the “middle” option described below, the reduction will be \$34,120,971 General Fund from the current law Long Bill amount.

The current estimate is that the program will be \$4.3 million “in the black” for FY 2025-26 if the middle option is adopted and voters adopt a measure that allows the General Assembly to retain the difference between the 2022 blue book estimate and FY 2023-24 revenue. Staff cautions that both revenue and expenditures are hard to project.

“Middle” HSMA Option

Staff believes the following option provides a reasonable middle path between agreeing to fully fund the HSMA program during FY 2025-26 and making changes in FY 2026-27 based on a November 2025 popular (staff’s original recommendation) and funding only schools/groups of schools where at least 25 percent of the population is eligible for federal benefits (staff’s March 19 alternative). This includes the following:

- Fully fund the HSMA program as it operates today from **July through December 2025**.
- From **January through June 2026 (assuming no additional revenue)**:
 - Fund free meals at all schools/groups of schools that currently participate in the community eligibility provision (CEP) and any other schools where at least 25 percent of the population qualifies for federal benefits/free and reduced lunch;
 - At other schools, revert to legacy free school meals programs. Under these programs, students who qualify for free or reduced lunch based on forms they submit receive free meals. For students who qualify for reduced price meals, legacy state programs “wrap around” federal funding so that these students also receive free meals.
- **If a popular vote in November 2025 provides sufficient additional revenue for the program, anticipate the program will continue to provide free school meals** for all public school student for the remainder of FY 2025-26 and beyond. **H.B. 25-1274** (Healthy School Meals for All Program) includes a potential referred measure that would increase revenue for this purpose.
- As described in staff’s March 19 option, staff also expects to develop some contingent provisions that would take effect in the event that the federal government changes the threshold for participation in the Community Eligibility Provision in a manner that takes effect in FY 2025-26 and while the General Assembly is not in session. This is not currently anticipated, but could occur. The State is currently relying on over \$338 million in federal funds to support state school nutrition programs.
- If there are six votes on the Committee for this option, staff would include a placeholder in the Long Bill package for a bill that would reduce the General Fund required for this program by -\$34,120,971, leaving a **General Fund obligation of \$8,119,271 for FY 2025-26**.
- If desired, this bill could also: (1) also include the measure presently in H.B. 24-1274 (Healthy School Meals for All Program) that would allow the State to retain the difference between the 2022 blue book and FY 2023-24 accrued revenue (\$12.4 million), since the JBC previously authorized drafting for this; and (2) specify that if the retain measure is adopted, this money will first be used to offset any General Fund expended for the program in FY 2025-26. As shown in the table, based on current estimates, **with this additional revenue, the program would be \$4.3 million in the black for FY 2025-26**.

The Committee should be aware that both revenue and expenditure figures for this program remain uncertain. As described in staff’s original figure setting presentation, both revenues and expenditures for this program are significantly affected by decisions at the federal level that are

beyond the State's control. *Staff also notes that the LCS estimate for this program for FY 2025-26 (\$94.7 million for FY 2025-26) is \$13.4 million lower than the OSPB forecast.*

March 19, 2025 Comeback Option

Staff recommends that the Committee establish a **placeholder for a forthcoming non-orbital JBC bill that will eliminate the General Fund appropriation of \$49,541,914 [now updated to \$42.2 million]** that must be included in the FY 2025-26 Long Bill under current law. Staff has identified an option staff believes is viable, but staff would like to work further with the Department and stakeholders to avoid unintended consequences and ensure that provisions in the bill enable the program to operate in a stable manner throughout FY 2025-26. Staff will bring a bill draft to the JBC during the week of April 7 (conference committee on the Long Bill).

Staff's *preliminary recommendation* includes the following components:

- Provide universal free meals in FY 2025-26 in all schools that are operating under the Community Eligibility Provision (CEP) , a federal mechanism which provides special subsidies for schools at which at least 25.0 percent of the student population is eligible for public benefits such as SNAP and Medicaid. At these schools, the federal government pays for meals based on the percentage of students qualified for federal benefits x 1.6. Currently, the majority of Colorado schools and students are operating under this federal provision, since the State has grouped schools together to maximize federal revenue. *Covering the balance of costs at these schools is estimated to cost approximately \$80.0 million in state funds in FY 2025-26, which is within the HSMA Cash Fund revenue available.*
- Divide at least \$10.0 million in HSMA Cash Fund revenue among schools that do not qualify for CEP in FY 2025-26, to assist them in transitioning back to the previous funding structure for nutrition programs and assist them in supporting students who will no longer qualify for free meals. Under the previous structure, students who qualify for free meals based on submitting required forms may receive a free federally-paid breakfast and lunch, and students who qualify for reduced-price meals under federal rules may also receive a free breakfast and lunch, based on a combination of federal and state funds. Staff anticipates that funds would be distributed among these schools based on meals served or a similar mechanism.²
- Establish a trigger that would further modify the program if the federal government changes from the current structure which allows schools to participate in the community eligibility provision with 25 percent of students qualifying for federal benefits. Staff anticipates that federal authorities may move to a threshold of 40 percent (available under current federal law) or higher (potentially included in a federal concurrent resolution on the budget). *Staff understands that such a change is unlikely to take effect for FY 2025-26 but nonetheless believes a trigger would be helpful just in case. If this occurred, the number*

² Not all schools serve breakfasts.

of schools participating in CEP would fall sharply, and the State would probably want to focus its funding on both schools still designated as CEP schools and other higher-needs schools that have lost this designation. Overall, staff's goal is that approximately 80.0 percent of available funds would remain focused on schools serving higher-needs students.

- Staff anticipates that program operations in FY 2026-27 could look the same or very different depending upon voter decisions in November 2025, as well as action at the federal level, including both federal tax policy (which affects *state* revenue for the Healthy School Meals for All Program) and federal nutrition policy (since federal funds provide the largest share of money for nutrition programs). Staff's current proposal is focused primarily on FY 2025-26, given the likelihood of additional changes in the coming year.

The staff recommendation is intended to accomplish the following goals:

- Continue to maximize federal support for meals for higher needs schools and students by maintaining approved CEP groupings. Under current federal policies, the groups of schools categorized as CEP schools in FY 2024-25 are expected to maintain this categorization for a *four year cycle* (through FY 2027-28). Further, staff understands that the changes being contemplated through a federal concurrent resolution might allow this categorization to be retained for the schools benefitting from the current policy and would not require immediate changes. If current CEP groupings are dismantled it may be difficult to reestablish them, particularly in the face of changes in federal policy.
- Provide at least some support for schools and districts that must return to the legacy nutrition program structure. Allow them to use any additional support the State is able to provide in a flexible manner, e.g., to cover "bad debt" from students who are unable to pay for their meals, to pay for meals for students who don't qualify for free meals but who face financial challenges, to institute programs to encourage students to return free lunch forms, etc.
- Ensure that the State program can operate within the revenue available from the tax changes adopted by voters.
- Enable school food authorities to plan appropriately for the upcoming FY 2025-26 fiscal year.
- Limit disruption from changes in federal policy, including avoiding state overexpenditures and reducing pressure for the General Assembly to come back into session to address any federal changes related to this program.

Original Recommendation

→ S3 and BA4 Increased Spending Authority Healthy School Meals for All [Legislation Recommendations/Updates]

FY 2024-25: In a January 2, 2025 submission, the Department requested an additional \$8.3 million appropriation from the State Education Fund for FY 2024-25 for the Healthy School Meals for All (HSMA) Program meal reimbursements. The request reflected the combined impact of (1) The need to reserve funds pending a popular vote on whether the General Assembly may retain the difference between the 2022 blue book estimate of the first full year of revenue for the program; (2) the December 2024 forecast of HSMA revenue; and (3) early projections of FY 2024-25 expenditures, based on the work of the HSMA Technical Advisory Group in the summer.

FY 2025-26: In its January 2, submission, the Department also requested an increase of \$21,830,000 from the State Education Fund for FY 2025-26, proposing total funding for meal reimbursements of \$137,167,586, including \$21.83 million from the State Education Fund and \$115.3 million from the HSMA Cash Fund, also based on early forecasting.

The JBC has not yet taken action on either request, pending additional data, which has now been submitted.

Recommendation

Budget Changes Under Current Law

The Staff recommendations for funding to be provided under current law (in the Long Bill/a Long Bill supplemental) are shown in the tables below and are based on the Department's forecast for meal expenditures and the Legislative Council Staff forecast for the amount of revenue available from the Healthy School Meals for All Program Cash Fund. *Staff requests permission to adjust funding splits based on the March 2025 revenue forecast for HSMA revenue that is selected by the JBC.*

FY 2024-25 supplemental appropriation: The revised cost estimate for FY 2024-25 school meal reimbursements is similar to the total cost estimate in the FY 2024-25 Long Bill. However, because the HSMA revenue forecast has fallen, *an additional \$13.0 million is required from the State Education Fund, for a total use of \$35.2 million from the State Education Fund in FY 2024-25.*

FY 2024-25 SUPPLEMENTAL – HSMA MEAL REIMBURSEMENTS			
DEPARTMENT HSMA REVISED FORECAST	FY 2024-25 LONG BILL	FY 2024-25 REVISED	CHANGE
School Meal Reimbursements	\$137,483,812	\$138,400,000	\$916,188
General Fund	0	0	0

FY 2024-25 SUPPLEMENTAL – HSMA MEAL REIMBURSEMENTS			
DEPARTMENT HSMA REVISED FORECAST	FY 2024-25 LONG BILL	FY 2024-25 REVISED	CHANGE
HSMA Cash Fund	115,337,586	103,237,586	-12,100,000
State Education Fund	22,146,226	35,162,414	13,016,188

FY 2025-26 Long Bill appropriation for school meal reimbursements: Current data indicates that nearly \$50.0 million is required beyond the \$101.3 million anticipated to be available from HSMA revenue. Because currently law only allows use of the State Education Fund through FY 2024-25, the Long Bill will need to include an appropriation of \$49.5 million General Fund. However, this can be modified in separate legislation to allow use of the State Education Fund through FY 2025-26 (and potentially beyond).

FY 2025-26 APPROPRIATION – HSMA MEAL REIMBURSEMENTS			
DEPARTMENT HSMA REVISED FORECAST	FY 2024-25 REVISED APPROPRIATION	FY 2025-26 LONG BILL	CHANGED FROM REVISED FY 2024-25
School Meal Reimbursements	138,400,000	\$150,800,000	12,400,000
General Fund	0	49,541,914	49,541,914
HSMA Cash Fund	103,237,586	101,258,086	-1,979,500
State Education Fund	35,162,414	0	-35,162,414

Staff notes that both the revenue fund source and expenditure estimates for FY 2025-26 are subject to change based on pending actions at the federal level, as well as potential state-level action. These issues are discussed further in this analysis section.

FY 2025-26 Grant Funding: Staff recommends that, as in FY 2024-25, the JBC should *not* appropriate funds for HSMA grants or stipend programs in FY 2025-26, given the lack of program revenue. All funding for these programs is currently subject to appropriation.

The Department has requested, and staff has included, continued funding of \$675,729 from the State Education Fund for *Local School Food Purchasing Programs*, a legacy program which provides grants and technical assistance to support school districts in purchasing Colorado grown food. This program was revived by the JBC for FY 2024-25 when HSMA grant and stipend programs were delayed; however, maintaining funding is at the JBC’s discretion.

Consulting Funding: The FY 2024-25 Long Bill included resources to assist the Department in maximizing federal revenue and forecasting HSMA expenses. Staff anticipates that some additional funding will continue to be required to address the complex forecasting related to this program. Staff will return with a specific estimate.

Recommended Statutory Changes

The JBC previously authorized staff to prepare bill drafts related to the Healthy School Meals for All program. [House Bill 25-1274](#) (Healthy School Meals for All Program) by Representative Lorena Garcia and Senator Michaelson Jenet was recently introduced and includes provisions to

refer two measures to voters in 2025 (a retain revenue measure and an increase revenue measure), as well as numerous other statutory changes. There may ultimately be only one bill adopted by the General Assembly to modify the Healthy School Meals for All Program. However, staff continues to recommend that the JBC have a bill drafted that includes those components the Committee considers most important. Staff anticipates that this will help inform other members of the JBC's interests, even if this bill is never introduced or is narrowed to eliminate components that are duplicated in other legislation.

The staff recommendation now includes:

- A recommendation to allow use of the State Education Fund to support the HSMA program at least through FY 2025-26, since any new measures to increase revenue cannot be adopted by voters before November 2025.
- A revision to the previous recommendation on a referred measure to allow the retention of revenue that exceeded the 2022 blue book estimate. Funds must be set aside pending a popular vote on retaining revenue in excess of the 2022 blue book estimate. *The amount to be included in the retention measure has fallen from earlier estimates: staff anticipates that the amount required will be \$12,430,388*, based on \$11,300,353 plus interest. There are sufficient reserves already in the HSMA cash fund (about \$15.0 million) to cover a refund of this amount if voters do not approve a retain measure.
- The Committee has reviewed, but not yet voted to adopt, a measure that would require that ballot information books reflect a maximum revenue estimate when projecting revenue from new tax measures. Staff continues to recommend this legislation and is seeking a Committee vote to introduce it as soon as the Committee is ready.

Other Items and Options:

- Staff is **withdrawing** a previous recommendation for a bill attempting to insulate the program from changes in federal tax law. Staff has concluded that this option, which was recommended by the HSMA Technical Advisory Group, is not workable.
- Because of the scale of fiscal risk now facing the State related to this program, **staff would also like to explore some options for triggers that would automatically scale back the program** based on either: (1) voter denial of measures to be considered in November 2025 to increase revenue for the program; and/or (2) federal actions that reduce federal support for the program. If the Committee is interested in such options, staff will explore some alternatives with the Department and bring these back to the Committee at a later date.

Analysis

Background and Overview

- Proposition FF, adopted by voters in 2022, created the Healthy School Meals for All Program to provide reimbursement to participating school food authorities for offering meals without charge to all public school students, beginning in FY 2023-24. The measure provided for new revenue to support the benefit based on an “add back” of deductions to taxable income for taxpayers with incomes over \$300,000. The measure also included provisions that were expected to add local food purchasing and technical assistance grants, as well as additional funding for food service worker wages/stipends, effective FY 2024-25.
- Demand for the program has been far greater than originally projected, requiring large supplemental funding adjustments for FY 2023-24 and leading the JBC to sponsor H.B. 24-1390 (School Food Programs) to delay implementation of grant and stipend provisions, implement other cost-containment measures, allow temporary use of the State Education Fund to support the program, and create a Technical Advisory Group to provide options to ensure the program’s financial sustainability.
- With the program now in its second year, the gap between expenses and the dedicated revenue stream created by Proposition FF has grown.

For additional background on the history of this program and links to relevant reports see the staff budget briefing document dated December 3, 2024.³

Revenue

In early December 2024, OSPB reported that HSMA tax revenue received for the program during the first full tax year of operation (2023) had come in at \$109.2 million, which was slightly more than the estimate included in the 2022 blue book of \$100.7 million but was well below forecast figures used during the 2024 legislative session. Declines shown in the table reflect the expiration of certain federal Tax Cuts and Jobs Act provisions. If these provisions are extended revenue will remain over \$100 million per year, even without state tax changes.

HEALTHY SCHOOL MEALS FOR ALL PROGRAM REVENUE FROM DEDICATED TAX PROVISIONS		
	LCS DECEMBER FORECAST	OSPB DECEMBER FORECAST
FY 2024-25	\$104,100,000	\$105,700,000
FY 2025-26	102,100,000	108,200,000
FY 2026-27	77,100,000	84,410,000

³ https://leg.colorado.gov/sites/default/files/fy2025-26_edubrf1.pdf

Expenses

Changes to state law and policy have helped maximize federal revenue for the program and contain costs, but continued growth in demand for meals among students has driven state costs far above original program estimates.

Estimates in the Prop FF blue book anticipated that annual state program costs for meals alone would be between \$48.5 million and \$78.5 million when the program was fully implemented. Current estimates are that meal costs paid by the State will be \$150.8 million in FY 2025-26 and are likely to grow further, even without changes to federal support for school nutrition programs.

The figures below show the assumptions being used in the Department's current model for program participation and funding sources. As shown, estimated state costs of \$150.8 million for FY 2025-26 are tied to federal support estimated at \$338.0 million

Adjust the assumptions below to change forecast estimates

Average Daily Meals Utilization Growth Assumptions				STATE & FEDERAL COMBINED				FEDERAL ONLY	
	FREE	REDUCED	PAID		Breakfast	Lunch	Total	Y/Y Change	Total
SY 2024-25	See 24-25 Utilization Growth Tab			SY 2024-25	\$93.7	\$354.8	\$448.4	17.3%	\$310.1
SY 2025-26	4.0%	0.0%	4.0%	SY 2025-26	\$101.7	\$387.1	\$488.8	9.0%	\$338.0
SY 2026-27	3.0%	0.0%	3.0%	SY 2026-27	\$108.5	\$415.7	\$524.2	7.2%	\$362.5
				STATE ONLY					
				SY 2024-25	\$18.2	\$120.2	\$138.4	-14.9%	
				SY 2025-26	\$19.8	\$131.0	\$150.8	9.0%	
				SY 2026-27	\$21.3	\$140.4	\$161.7	7.2%	

Forecast Risks

Staff notes that both the revenue fund source and expenditure estimates for FY 2025-26 are subject to change based on pending actions at the federal level, as well as potential state-level action. These are, in essence, "risks to the forecast" that go in both directions.

"Typical" Uncertainty

As for any program with costs driven by caseload and revenue driven by taxes, there are risks.

- How much will demand for meals grow? The current forecast assumes ongoing growth of 3.0 to 4.0 percent a year, but growth could be greater.
- Will we have a recession? If the economy takes a dive, revenue for this program is also likely to fall, while demand could increase.

Atypical Uncertainty

- *Changes to federal nutrition programs.* This could include changes to the federal Community Eligibility Provision that would *reduce* federal funding for meals and thus require an *increase* in state support. Current federal policy, established by rule, specifies that schools and groups of schools may participate in this program if 25.0 percent of the population qualifies for federal need-based benefits, such as Medicaid. This could be changed by federal rule to the earlier 40.0 percent threshold, the figure in federal law. The Department estimates that this would increase total state costs by about \$7.0 million.

- Congress is also considering increasing the CEP threshold to 60 percent in a reconciliation measure. If adopted, this could drastically reduce available federal revenue and make this program hard to sustain.
- Other potential changes to federal nutrition programs could also reduce federal program revenue, e.g., changes that make it harder to obtain various federal benefits or to have that eligibility counted toward eligibility for nutrition programs.
- *Changes to federal tax law:* Extension of the federal Tax Cuts and Jobs Act provisions could *increase* HSMA cash fund revenue and thus *reduce* State Education Fund required, but state economists cannot forecast the impact until Congress takes action.
- *Colorado voters:* (1) Potential adoption of a “retain” measure by the voters would free up \$12.4 million of HSMA revenue that could be used to offset FY 2025-26 State Education Fund obligations. (2) Adoption of a revenue-raising measure in FY 2025-26 could eliminate the need to use any State Education Fund revenue to support meal reimbursements, depending upon the content of the measure as well as the impact of potential changes at the federal level. However, it is difficult to know how much revenue is needed given uncertainty at the federal level.

Next Steps for the General Assembly?

Public and stakeholder input collected for the Technical Advisory Group created by H.B. 24-1390 supported revenue solutions to sustain the program, rather than program cuts. School district leaders, including the Colorado Associate of School Executives (CASE), have expressed support for pursuing a revenue solution to maintain free meals, rather than restricting the program.

Nonetheless, following the requirements of H.B. 24-1390, the HSMA Technical Advisory Group report also provided options for reducing the scope of the program. Of the options available, the one that appeared most viable was to limit the program to districts with high enrollment in assistance programs (CEP eligible) or a large percentage of free and reduced-price lunch students. These options could provide savings ranging from \$52.7 million (limiting the program to CEP-eligible districts with no changes to federal CEP policies) to \$121.5 million (limiting the program to CEP-eligible districts but assuming federal changes to tighten CEP eligibility to schools at which 40 percent of students qualify based on Medicaid eligibility and similar factors). These types of restrictions would eliminate 25.0 percent to 60.0 percent of Colorado students from the program, depending upon the option chosen and related federal policies.

Staff recognizes that any number of changes may make it difficult if not impossible to maintain the system of universal free school meals authorized by Proposition FF. However, staff also believes the program offers real and important benefits to the young people of the state and their families.

JBC staff recommends providing the program with a “lifeline” of support for student meals through FY 2025-26, anticipating that federal and voter action in 2025 will direct whether and how the program can continue in future years. *Even a temporary “lifeline” will require the General Assembly to appropriate approximately \$50.0 million from the State Education Fund in FY 2025-26 without a guarantee that these funds can be recouped.* And even \$50.0 million may be insufficient if there are significant federal changes. Because of the large amount of funds at stake, the General Assembly may want to consider triggers that will modify the program if the federal government adopts changes that make the program not viable and/or if voters reject measures needed to adequately fund the program.



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Louellen Lowe, JBC Staff (303-866-2981)
Date: Monday, March 24, 2025
Subject: [Staff Comeback \(2\) for the Auraria Higher Education Center](#)

Auraria Higher Education Center Direct Funding Modification

Staff recommended, and the Committee approved, a one-year, stop-gap measure which will provide a direct General Fund appropriation to the Auraria Higher Education Center in FY 2025-26 only. This General Fund appropriation will be offset by a reduction to tenant institutions' fee-for-service proportionate to the calculated reallocation split provided to the JBC staff by AHEC on 3/3/2025.

This change will be made in legislation to follow the Long Bill. However, the Committee has decided to use the amount anticipated to be appropriated to AHEC as a placeholder to reflect the TABOR impact of this decision. **Staff originally recommended \$29.3 million for this purpose; staff now recommends the requested amount of \$31.4 million to ensure AHEC can provide the necessary services for the institutions in FY 2025-26.**



Joint Budget Committee Staff

Memorandum

To: Members of the Joint Budget Committee
From: Amanda Bickel, JBC Staff (303-866-4960)
Date: March 21, 2025
Department: Higher Education
Subject: Staff Comeback – Higher Education Request R1

The JBC delayed action on this item pending the March 2025 revenue forecast, due to the significant funding involved.

R1/BA Operating Support for Public Institutions and Financial Aid

- The Department's request R1 included an *increase* of \$12,099,999 (0.8 percent) General Fund for formula funding increases for the Department of Higher Education, including funding for institutions and financial aid, and tuition increases of 2.3 percent for residents and 2.4 percent for nonresidents.
- JBC Staff recommended a *reduction* of \$12,663,566 (1.0 percent), applied to the institutions, based on taking into consideration the Executive Branch's overall request for Higher Education, which had multiple items which staff did not recommend and the Committee did not approve. Staff recommended a 4.5 percent resident tuition increase associated with a reduction at this level and assumed a 3.0 percent nonresident increase.
- The institutions initially requested an increase of \$80.2 million General Fund and more recently have asked that the Committee consider combinations of General Fund and tuition revenue. The institutions propose that a tuition increase of 2.3 percent should be paired with a General Fund increase of \$61.9 million General Fund (4.0 percent) while a tuition increase of 5.0 percent should be paired with the Governor's request for a 0.8 percent General Fund increase.
- **Overall, staff notes that every 1.0 percent increase in General Fund, including aligned financial aid, cost \$15.6 million, including \$12.7 million for the institutions and \$2.9 million for financial aid;** a decrease can be limited to the institutions. Every 1.0 percent change in resident tuition provides \$14.7 million in revenue; and every 1.0 percent increase in nonresident tuition provides \$13.4 million, but these increases are distributed unevenly across institutions.

Additional Information and Recommendation – Tuition Footnotes

- The University of Colorado has requested that tuition footnotes include an exception for CU that will allow some fee revenue at Boulder to be rolled into tuition with no net impact on student charges. Specifically, CU requests tuition language that allows mandatory student fees up to a total of \$794 for 30 credit hours (1.0 FTE) to be rolled into tuition above any cap on resident tuition increases approved.

According to CU, once fully implemented, this change will drive an estimated increase of \$28.0 million in tuition revenue and a decrease of the same amount in fees. Because the impact only affects graduate students and first-year undergraduates in FY 2025-26, the estimated impact of the adjustment is \$11.0 million in FY 2025-26, followed by changes of approximately \$5.6 million per year for the following three years.

Staff recommends adjusting tuition footnote language to reflect this change between tuition and fees. Having a single charge more transparent for students, and the General Assembly has chosen to exert more authority over tuition than fees. *Whether this change will lead to greater or lower increases in student fees over time is unclear to staff. However, since these fees are applied to all students, staff considers them to be the equivalent of tuition from a student perspective. Staff notes that the Committee approved a similar adjustment for fees at other CU institutions in FY 2022-23.*

- Fort Lewis College drives state General Fund amounts. Every 1.0 percent increase in nonresident tuition drives a General Fund increase of \$201,518 for Native American Tuition waiver payments, excluding adjustments for enrollment. This is the equivalent of an increase/decrease of about 9 nonresident FTE (about 10 percent).
- **Staff recommends that the Committee footnotes indicate that institutions for which the General Fund pays a portion of nonresident tuition (i.e. this college) nonresident tuition be allowed to increase by at least 3.0 percent.** The Committee could even consider allowing a 4.0 percent increase. Staff notes that:
 - For FY 2025-26, the cost of the waiver has declined \$720,972 to \$21,307,918 based on enrollment declines in FY 2024-25.
 - The overall cost of the waiver is now only modestly above the level in FY 2020-21 (before it spiked) and nonresident waiver enrollment is similar to the level in FY 2017-18.
 - Legislative Council Staff projects an overall nonresident enrollment decrease at Fort Lewis College of 4.0 percent in FY 2025-26 (includes students who qualify for the waiver and those who don't). *Staff anticipates a net decline in nonresident tuition revenue of \$410,481 even with a tuition increase of 3.0 percent.*

Original Recommendation

➔ Request R1/BA Increase Operating Support for Public Institutions of Higher Education and Financial Aid

Governor's Request

The R1 request combines both the request for General Fund increases for operating support for the institutions of higher education and financial aid and the request for tuition spending authority.¹ Through the budget amendment process, the executive branch removed one component of the request—a proposal to eliminate an increase provided for rural institutions in FY 2024-25—so that is no longer a component. As amended:

- The request includes an increase of \$12,099,999 General Fund for public higher education institutions and financial aid, representing a *0.8 percent General Fund increase*.
- Of the increase, \$9.8 million is for the institutions of higher education. The Executive Request states that the intent is to put the entire request through the Performance Funding portion of the H.B. 20-1366 funding model and does not include either an Ongoing Additional Funding or a Temporary Additional Funding component. (Notably, the request, as submitted in the budget schedules and shown below, does not appear to have applied adjustments to individual governing boards consistent with the model.)
- The request adds \$2.3 million for Need Based Grants
- The request limits *resident undergraduate tuition increases to 2.3 percent for in-state undergraduates*, while assuming that nonresident tuition will increase across-the-board by 2.4 percent. Based on these assumptions, the request includes an increase of \$64.8 million in cash funds spending authority for tuition revenue. If approved, the limits on tuition increases would be incorporated in Long bill footnotes that express the General Assembly's assumptions in setting tuition spending authority.
- The request also includes a *proposal that the JBC sponsor "transparency" legislation* to improve the reporting structure from the institutions to the Department and from the Department to the General Assembly.

REQUEST R1 AS SUBMITTED IN BUDGET SCHEDULES				
LINE ITEM	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS
Need Based Grants	\$2,300,000	\$2,300,000	\$0	\$0
Fee-for-service Contracts with State Institutions Pursuant to Section 23-18-303, C.R.S.	7,795,800	7,795,800	0	0

¹ In prior years, the request for tuition spending authority was "R2".

REQUEST R1 AS SUBMITTED IN BUDGET SCHEDULES				
LINE ITEM	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS
Fee-for-service Contracts with State Institutions for Specialty Education Programs	1,608,283	1,608,283	0	0
Trustees of Adams State College	1,368,369	0	588,789	779,580
Trustees of Colorado Mesa University	2,599,503	0	1,819,923	779,580
Trustees of Metropolitan State College of Denver	3,280,984	0	2,501,404	779,580
Trustees of Western State College	1,349,067	0	569,487	779,580
Board of Governors of the Colorado State University System	14,371,219	0	12,831,398	1,539,821
Trustees of Fort Lewis College	1,800,655	0	1,021,075	779,580
Regents of the University of Colorado	33,066,306	0	31,438,684	1,627,622
Trustees of the Colorado School of Mines	5,828,631	0	5,049,051	779,580
University of Northern Colorado	2,508,108	0	1,728,528	779,580
State Board for Community Colleges and Occupational Education State System Community Colleges	8,063,397	0	7,283,817	779,580
Colorado Mountain College	98,979	98,979	0	0
Aims Community College	98,979	98,979	0	0
Area Technical College Operating Support	197,958	197,958	0	0
	\$86,336,238	\$12,099,999	\$64,832,156	\$9,404,083

Request from Higher Education Institutions

On December 6, 2024, the higher education institutions submitted a request for **\$80.2 million General Fund**, including \$65.1 million in state operating funding + \$15.1 million in financial aid and authority for a 2.7 percent tuition rate increase for resident undergraduates, based on forecasted inflation at that time. The calculation reflected a “base core minimum” cost calculation of **\$137.0** million. All of the institutions signed on to this request, except Colorado Mesa University, which does not agree with the proposal to use only “Step 2” of the funding model.

On February 4, 2025, the institutions provided a revised version of their “base core minimum” funding calculation, reflecting the tuition increases that they would seek at varying levels of state support. This calculation revises downward their cost increase calculation.

The revised assumptions assume a 2.5 percent salaries increase, a 4.6 percent blended benefits increase (which incorporates health/life/dental, salary benefits and other benefits), and a 2.3 percent increase on the balance (operating expenses at CY 2024 inflation). **The result is a blended inflationary request for 2.8 percent, or \$111.7 million, to be divided between tuition and General Fund.**

Staff’s understanding is that, rather than specify a specific General Fund “ask”, the institutions have indicated that they would like the JBC to consider the interaction in the model between tuition and available state funding at whatever level of funding is provided.

- The current version of the institutions' model indicates that to maintain a tuition rate increase of 2.3 percent, the institutions request a state funding increase of 4.0 percent (\$61.9 million, including aligned financial aid).
- At the level of the Governor's request (0.8 percent General Fund or \$12.2 million total), they would seek to be able to increase resident tuition by up to 5.0 percent.

Updated
02/04/25

FY 2025-26 Base Core Costs State Funding and Tuition Interaction

Base Core Minimum Costs		\$111.7	\$111.7	\$111.7	\$111.7	\$111.7	\$111.7	\$111.7	\$111.7	\$111.7
Resident Tuition Rates (Non-resident at CPI)	Resident	0.0%	1.0%	2.0%	2.3%	3.0%	3.5%	4.0%	4.5%	5.0%
	Dollar Amount	\$30.5	\$44.9	\$59.2	\$63.5	\$73.5	\$80.7	\$87.9	\$95.0	\$102.2
Statutorily Required Increase for SEPs		\$3.4	\$2.8	\$2.2	\$2.0	\$1.6	\$1.3	\$1.0	\$0.7	\$0.4
Step 2 State Funding	Percent	6.7%	5.5%	4.3%	4.0%	3.1%	2.5%	2.0%	1.4%	0.8%
	Dollar Amount	\$84.6	\$69.6	\$54.7	\$50.2	\$39.8	\$32.3	\$24.8	\$17.4	\$9.9
Total State Funding	Percent	6.7%	5.5%	4.3%	4.0%	3.1%	2.5%	2.0%	1.4%	0.8%
	Dollar Amount	\$84.6	\$69.6	\$54.7	\$50.2	\$39.8	\$32.3	\$24.8	\$17.4	\$9.9
Statutorily Required Financial Aid Increase		\$19.6	\$16.2	\$12.7	\$11.6	\$9.2	\$7.5	\$5.8	\$4.0	\$2.3
Total State Funding with Financial Aid		\$104.2	\$85.8	\$67.4	\$61.9	\$49.0	\$39.8	\$30.6	\$21.4	\$12.2

Recommendation

The staff recommendation takes into account the limitations on state resources and the fact that a number of reduction components in the overall higher education request do not appear to staff to be workable. Given this, the staff recommendation includes:

- **A General Fund reduction of 1.0 percent to the institutions**, providing savings of **\$12,663,566 General Fund**;
- No change to financial aid;
- Tuition increases based on the Legislative Council Staff tuition and enrollment model, applying an assumed nonresident rate increases of 3.0 percent and a **4.5 percent resident tuition increase** (which would translate to a resident undergraduate tuition cap). These calculations result in an **increase of \$140.8 million in tuition revenue**, including an

additional \$83.7 million in resident tuition revenue and \$57.1 million in nonresident tuition revenue.²

- Consistent with the request from the Department and the institutions, at this level of reduction staff is recommending using “step 2” (the performance/base funding component) of the higher education funding model.
- Consistent with the requirements of the HB 20-1366 funding model, the total funding is divided between College Opportunity Fund student stipends and fee-for-service contracts. The COF stipend amount is based on maintaining the current stipend rate at \$116 per credit hour and using the FY 2023-24 actual use of the COF stipend by students. The balance of funding is allocated through fee-for-service contracts.

R1 STAFF RECOMMENDATION – 1.0% GENERAL FUND REDUCTION/4.5% RESIDENT TUITION AND 3.0% NONRESIDENT TUITION INCREASE				
LINE ITEM	TOTAL	GENERAL FUND	CASH FUNDS (TUITION)	REAPPROPRIATED FUNDS (DOUBLE COUNT ORIGINATING AS GF)
Need Based Grants	\$0	\$0	\$0	\$0
Stipends for eligible full-time equivalent students attending state institutions	14,658,456	14,658,456	0	0
Fee-for-service Contracts with State Institutions Pursuant to Section 23-18-303, C.R.S.	-24,834,946	-24,834,946	0	0
Fee-for-service Contracts with State Institutions for Specialty Education Programs	-1,978,386	-1,978,386	0	0
Trustees of Adams State College	261,691	0	1,248,852	-987,161
Trustees of Colorado Mesa University	6,755,996	0	7,281,069	-525,073
Trustees of Metropolitan State College of Denver	1,515,793	0	1,624,603	-108,810
Trustees of Western State College	561,283	0	906,469	-345,186
Board of Governors of the Colorado State University System	25,074,232	0	27,865,600	-2,791,368
Trustees of Fort Lewis College	186,460	0	338,501	-152,041
Regents of the University of Colorado	58,882,271	0	62,268,127	-3,385,856
Trustees of the Colorado School of Mines	14,350,553	0	14,546,115	-195,562
University of Northern Colorado	1,288,747	0	2,106,327	-817,580

² Pursuant to an annual RFI, institutions submit their actual and forecast tuition and enrollment data to Legislative Council Staff, and LCS develops an independent forecast informed by this information. In recent years, including in FY 2023-24, LCS tuition projections have been better than the institutions'. For FY 2024-25, LCS' forecast is \$23.7 percent higher than the institutions' (a variance of 0.9 percent) and, for FY 2025-26, LCS' forecast is \$13.7 million higher (0.5 percent).

R1 STAFF RECOMMENDATION – 1.0% GENERAL FUND REDUCTION/4.5% RESIDENT TUITION AND 3.0% NONRESIDENT TUITION INCREASE				
LINE ITEM	TOTAL	GENERAL FUND	CASH FUNDS (TUITION)	REAPPROPRIATED FUNDS (DOUBLE COUNT ORIGINATING AS GF)
State Board for Community Colleges and Occupational Education State System Community Colleges	19,786,250	0	22,632,489	-2,846,239
Colorado Mountain College	-130,368	-130,368	0	0
Aims Community College	-154,799	-154,799	0	0
Area Technical College Operating Support	-223,523	-223,523	0	0
	\$115,999,710	-\$12,663,566	\$140,818,152	-\$12,154,876

The analysis below focuses primarily on funding for the institutions and tuition. The discussion of whether and how to assign financial aid increases (or any decreases) is included in the financial aid section of this write-up.

Analysis

Basis for the staff recommendation:

- The public institutions emphasize that, like other sectors of state government, they must address **inflationary increases**. They typically provide a model of their “base core minimum costs” that identifies these inflationary needs.
- Components of the institutions’ “base core minimum” cost calculation and their assumptions about tuition revenue have changed from year-to-year, while the concept has remained stable. This year, they recognized that their benefits calculation has been overstated.
- **Staff concurs with the general concept that institutions face inflationary pressures** like other components of state government. Further, **staff considers the current proposal to recognize inflationary pressures at a 2.8 percent level to be reasonable. Staff simply emphasizes that this is a model** used by the institutions to discuss inflationary pressures and is not necessarily predictive of needs at an individual institution level.
- The institutions’ model is built around assuming a stable enrollment, that all costs are fixed, and that they must provide salary and benefits commensurate with the rest of state government. **In reality:** (1) Enrollment is not stable. Resident student enrollment declined for an extended period at most institutions, though it now stabilizing or increasing again at most. At the same time large research institutions have seen an increase in nonresident enrollment, which supports their bottom line. (2) Particularly at institutions that rely heavily on adjunct faculty, not all costs are fixed. (3) For most of their employees, institutions are not required to provide increases commensurate with the rest of state government. Salary and benefits for non-classified will not go up at the same level as increases for state statewide, because institutions that are relying heavily on cash funds from tuition may not have sufficient resources to provide larger salary increases. While

model does not represent reality, it does reflect the spending pressures the institutions face, particularly with respect to staff compensation and maintaining employment levels (even when student enrollment may be falling).

- **The tables below provide ways to look at the situation from a state government and institutional perspective.** Note that this is different from a student perspective, which legislators must also keep in mind. The tables below are built on the staff recommendation assumptions: a 1.0 percent decrease in General Fund support, a 4.5 percent increase in resident tuition, and a 3.0 percent increase in nonresident tuition, and reflect enrollment and tuition expectations within these parameters, based on the Legislative Council Staff forecast. As noted, these totals are the result of various factors, but enrollment is a key component.
- Legislative Council Staff forecasts for Resident and Nonresident students are shown below. As shown, at most institutions' enrollment is now projected to be increasing, after an extended decline. However, as reflected in tables below, there is considerable variation among institutions which, in turn, results in different results from percentage changes in resident or nonresident tuition.
- **Staff encourages legislators to explore how modifying assumed tuition versus General Fund support, as well as the portion of the funding formula used, change institutions' projected revenue picture. The model may be accessed here, on the General Assembly's website: https://co-lcs.shinyapps.io/co_higher_ed_finance/**

Supporting Tables

FY 2024-25 v. FY 2025-26 <u>GENERAL FUND</u> FUNDING FORMULA AT 1.0% DECREASE IN PERFORMANCE SECTION OF MODEL ("STEP 2")				
	FY 2024-25	FY 2025-26	CHANGE	PERCENTAGE CHANGE
Adams State University	\$28,009,295	\$27,022,134	-\$987,161	-3.5%
Colorado Mesa University	48,852,113	48,327,040	-525,073	-1.1%
Metropolitan State University	102,212,951	102,104,141	-108,810	-0.1%
Western Colorado University	24,677,246	24,332,060	-345,186	-1.4%
Colorado State University System	244,573,710	241,782,342	-2,791,368	-1.1%
Fort Lewis College	23,123,891	22,971,850	-152,041	-0.7%
University of Colorado System	345,453,960	342,068,103	-3,385,857	-1.0%
Colorado School of Mines	37,054,876	36,859,314	-195,562	-0.5%
University of Northern Colorado	68,939,345	68,121,765	-817,580	-1.2%
Community College System	292,590,037	289,743,798	-2,846,239	-1.0%
Colorado Mountain College	13,036,832	12,906,464	-130,368	-1.0%
Aims	15,479,910	15,325,111	-154,799	-1.0%
Area Technical Colleges	22,352,277	22,128,754	-223,523	-1.0%
TOTAL	\$1,266,356,443	\$1,253,692,876	-\$12,663,567	-1.0%

FY 2024-25 and FY 2025-26 Recommended Tuition Cash Funds Appropriation (4.5 percent tuition increase for residents, 3.0 percent nonresident)

	FY 2024-25 (revised for LB supplemental)	FY 2025-26	Change	Percentage Change
Adams State University	\$24,093,039	25,341,891	1,248,852	5.2%
Colorado Mesa University	82,978,422	90,259,491	7,281,069	8.8%
Metropolitan State University of Denver	109,848,100	111,472,703	1,624,603	1.5%
Western State Colorado University	22,065,671	22,972,140	906,469	4.1%
Colorado State University System	553,548,320	581,413,920	27,865,600	5.0%
Fort Lewis College	47,288,543	47,627,044	338,501	0.7%
University of Colorado System	1,359,224,761	1,421,492,888	62,268,127	4.6%
Colorado School of Mines	214,801,528	229,347,643	14,546,115	6.8%
University of Northern Colorado	73,484,560	75,590,887	2,106,327	2.9%
Community College System	326,826,193	349,458,682	22,632,489	6.9%
Total Tuition Revenue	\$2,814,159,137	\$2,954,977,289	\$140,818,152	5.0%

**FY 2024-25 TUITION CASH FUNDS COMPONENTS
(USED FOR FY 2025 SUPPLEMENTAL ADJUSTMENT & BASE FOR FY 2026 ESTIMATES)**

	RESIDENT	NONRESIDENT
Adams State University	\$13,447,403	\$10,645,636
Colorado Mesa University	64,635,199	18,343,223
Metropolitan State University	98,615,356	11,232,744
Western Colorado University	11,724,080	10,341,591
Colorado State University System	247,373,137	306,175,183
Fort Lewis College	9,738,463	37,550,080
University of Colorado System	592,164,086	767,060,675
Colorado School of Mines	80,859,410	133,942,118
University of Northern Colorado	54,475,951	19,008,609
Community College System	301,718,224	25,107,969
Total	\$1,474,751,309	\$1,339,407,828

Staff Recommendation: Total Amount Reflected in the Long Bill from State Support, Tuition, Fees, Other Sources FY 2025-26: Staff Recommendation of 4.5% resident and 3.0% nonresident increases and 1.0 percent General Fund reduction

	FY 2024-25 Revenue Estimate (revised)	FY 2025-26 Revenue Estimate	Change	Percentage Change
Adams State University	\$56,088,274	56,357,927	\$269,653.32	0.5%
Colorado Mesa University	141,178,402	148,018,908	6,840,506	4.8%
Metropolitan State University	249,630,332	250,996,125	1,365,793	0.5%
Western Colorado University	52,329,474	52,913,153	583,679	1.1%

Staff Recommendation: Total Amount Reflected in the Long Bill from State Support, Tuition, Fees, Other Sources FY 2025-26: Staff Recommendation of 4.5% resident and 3.0% nonresident increases and 1.0 percent General Fund reduction

	FY 2024-25 Revenue Estimate (revised)	FY 2025-26 Revenue Estimate	Change	Percentage Change
Colorado State University System	887,792,173	913,125,229	25,333,056	2.9%
Fort Lewis College	76,947,525	77,133,985	186,460	0.2%
University of Colorado System	1,803,657,857	1,856,830,727	53,172,870	2.9%
Colorado School of Mines	275,326,657	292,991,630	17,664,973	6.4%
University of Northern Colorado	159,169,637	160,762,462	1,592,825	1.0%
Community College System	669,338,106	689,605,835	20,267,729	3.0%
TOTAL	\$4,371,458,437	4,498,735,981	\$127,277,544	2.9%

LCS Higher Education Enrollment Forecast

	FY 2024-25 (revised)		FY 2025-26		FY 25 to FY 26		
	Resident	Nonresident	Resident	Nonresident	% Change Resident	% Change Nonresident	% Change Total
Adams	1,483.0	838.8	1,501.4	845.5	1.2%	0.8%	1.1%
Mesa	7,037.8	1,167.7	7,396.3	1,185.6	5.1%	1.5%	4.6%
Metro	11,527.0	472.5	11,589.7	509.5	0.5%	7.8%	0.8%
Western	1,704.9	533.1	1,724.5	527.9	1.2%	-1.0%	0.6%
CSU System	18,892.2	9,744.9	19,077.3	9,901.9	1.0%	1.6%	1.2%
Fort Lewis	1,310.0	1,679.4	1,349.3	1,614.8	3.0%	-3.8%	-0.8%
CU System	40,926.9	19,844.0	41,268.8	19,957.8	0.8%	0.6%	0.7%
Mines	4,280.1	3,305.0	4,360.2	3,432.2	1.9%	3.8%	2.7%
UNC	5,147.6	833.1	5,079.5	827.2	-1.3%	-0.7%	-1.2%
Community Colleges	48,834.0	1,960.2	50,106.9	1,968.4	2.6%	0.4%	2.5%
Total	141,143.5	40,378.6	143,453.8	40,770.7	1.6%	1.0%	1.5%

INSTITUTION VIEWPOINT: TOTAL REVENUE PER STUDENT FY 2025-26 LONG BILL (WITH STAFF RECOMMENDATION)

	FY 2024-25 REVENUE PER SFTE	FY 2025-26 REVENUE PER SFTE	% CHANGE
Adams State University	\$24,158	\$24,014	-0.6%
Colorado Mesa University	17,205	17,248	0.2%
Metropolitan State University	20,803	20,745	-0.3%
Western State Colorado University	23,382	23,491	0.5%
Colorado State University System	31,002	31,510	1.6%
Ft. Lewis College	25,740	26,023	1.1%
University of Colorado System	29,680	30,327	2.2%
Colorado School of Mines	36,298	37,600	3.6%

INSTITUTION VIEWPOINT: TOTAL REVENUE PER STUDENT FY 2025-26 LONG BILL (WITH STAFF RECOMMENDATION)			
	FY 2024-25 REVENUE PER SFTE	FY 2025-26 REVENUE PER SFTE	% CHANGE
University of Northern Colorado	26,614	27,217	2.3%
Community College System	13,177	13,242	0.5%
Total or Weighted Avg.	\$24,082	\$24,420	1.4%

STUDENT VIEWPOINT: FY 2025-26 PROJECTED TUITION AND MANDATORY FEE REVENUE PER STUDENT FTE AT 4.5% RESIDENT & 3.0% NONRESIDENT TUITION INCREASE			
	RESIDENT TUITION	NONRESIDENT TUITION	FEES (ALL STUDENTS)
Adams State University	\$9,533	\$13,046	\$1,665
Colorado Mesa University	9,603	16,220	864
Metropolitan State University	8,694	21,029	3,075
Western Colorado University	7,181	20,056	2,417
Colorado State University System	13,676	32,370	3,044
Fort Lewis College	7,772	23,000	2,183
University of Colorado System	15,093	40,015	1,181
Colorado School of Mines	19,740	41,746	3,437
University of Northern Colorado	11,054	23,504	2,876
Community College System	6,456	13,193	380

How Much Funding?

In determining funding for the institutions, the Committee must address the questions both of **how much funding** to provide and then **how to allocate it**.

- **Every 1.0 percent increase in General Fund for the higher education funding model, which must include an aligned financial aid adjustment, costs \$15.6 million** (assuming a statutory change to authorize certain FY 2024-25 financial aid decreases). This includes **\$12.7 million** for the governing boards and \$2.9 million for financial aid. If a reduction is taken, the reduction to financial aid is optional.
- **Every 1.0 percentage change in resident tuition is anticipated to provide \$14.7 million in additional revenue for the institutions overall.** Every 1.0 percent change in nonresident tuition provides approximately \$13.4 million in revenue, but this is unevenly distributed among institutions and those that are more reliant on nonresident revenue feel they are constrained by market forces.
- **Funding for higher education has historically been driven by the revenue available to the General Assembly.** The Committee could establish the minimum General Fund it wishes to provide for higher education during the figure setting process, but staff anticipates that both the final amount and the allocation plan may not be settled immediately.

- **It will be difficult for students to bear cost increases at the 4.5 percent level.** Even if the JBC chooses to take deeper cuts in institutional funding, staff does not recommend allowing resident tuition to rise above 4.5 percent at the most. If rates are too high, fewer students will enroll, particularly among lower income students who are most price sensitive.
- **If the JBC has sufficient revenue available to go higher than this amount of General Fund, and to reduce the student tuition figure, staff would support that.** There is ample evidence that the state higher education system is “underfunded” in comparison to other states, and staff is supportive of additional increases for the institutions to the extent the General Assembly has sufficient resources. However, **the JBC may want to see where it stands with the March revenue forecast before making final decisions about higher education funding.** The public higher education institutions are an industry with nearly \$11.1 billion in combined annual revenues and over \$8.3 billion in expendable net assets at the end of FY 2023-24. Particularly the large research institutions rely far more heavily on tuition and other cash revenues than the General Fund. Thus, a 1.0 percent General Fund decrease will have modest impacts from the perspective of many of the institutions, though it represents a large amount from a state budget perspective.
- **Ultimately, institutions will ensure that their expenditures align with their revenue.** Staff believes it is appropriate to recognize inflationary pressures on institutional budgets but also recognizes that the General Assembly will not be able to fully compensate for some trends, like declining enrollment, and institutions may need to do some related retrenching.

Considerations in Determining Higher Education Funding

As discussed during staff’s budget briefing (supporting materials attached here also):

- Higher Education Funding as a share of State General Fund is close to a 20 year high at **10.7 percent.**
- Since FY 2018-19, state General Fund for the Department has increased by \$660.4 million (65.8 percent; or 31 percent after adjusting for inflation).
- **State support is important to institutions, but looks less significant in the context of overall institutional operations.** Consider these three numbers from FY 2023-24:

	FY 2023-24
State General Fund	\$1,110,636
Education and General Revenue (GF+Tuition+Select Other Sources)	\$4,389,473
Total Revenues from Adjusted Financial Statements with auxiliary operations*	\$11,092,447

*The University of Colorado System is a major driver of this amount, but most institutions have revenue that exceeds their “educational and general” budgets by 30-100 percent.

- **Most institutions are currently in strong financial shape**, with significant reserves and liquidity. **Expendable assets (a way of thinking about reserves) were \$8.3 billion** in FY 2018-19 or about 35 percent greater than reserves in FY 2018-19.
- Institutions are not required to follow state funding decisions for most of their staff, although they may attempt to do so. In many cases, institutional increases for faculty and staff are greater or lower than state policy/Colorado WINS agreements, based on the combination of available revenue available to them.
- **Colorado’s Support for Public Higher Education is low compared to other states.** The state was ranked **47th in state support per student FTE in FY 2023** compared to other states in the annual State Higher Education Finance (SHEF) report. In FY 2022-23, Colorado provided \$6,603 per student FTE using the SHEF methodology. **To get to the U.S. average in FY 2022-23 of \$11,040 per student FTE, Colorado would have needed to increase funding by 67.2 percent.**
- **High costs borne by students have short and long term consequences for students.** As staff has highlighted in the past:
 - Studies indicate that student participation is inversely related to higher education cost.
 - About 36 percent of students graduating from Colorado public institutions graduated with student loans. Loan payments have long-term implications for students’ ability to make other investments in their future.

How to Allocate Available Funds Among Institutions?

Allocation Method Requested

Additional background on the higher education funding model is provided in the staff budget briefing and in an attachment to this packet.³

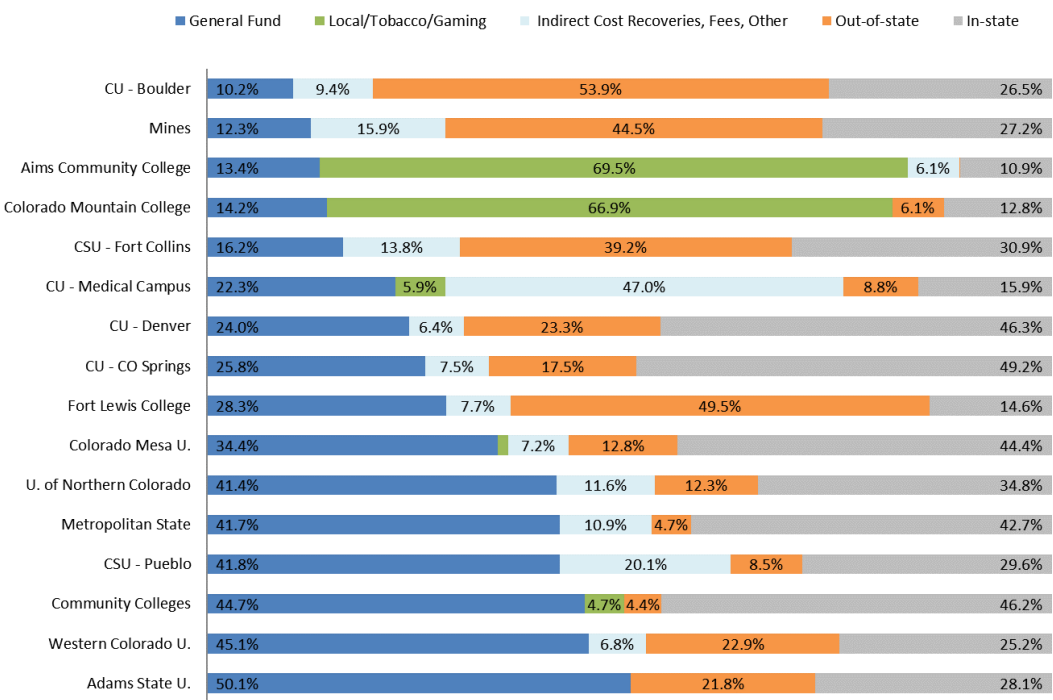
- This year, **the Governor’s Office and the institutions requested that funding in the model passes through what is called “Step 2” or “Performance Funding”.** This portion of the model functions as base funding for the institutions. It shifts with calculated performance outcomes, but only very slowly over time and in very small increments. When funding is added into the Performance Funding” model, it is largely distributed consistent with the current shares of funding for the higher education institutions. However, the impact of even small variations are quite visible this year when considering how institutions will address inflationary increase.
- **“Step 1” of the model, also known as “Ongoing Additional Funding” is a mechanism available to the General Assembly if it wishes to target funding toward particular types of institutions and particular state needs**, based on higher education Master Plan goals. For the last three years, the General Assembly has used five different components for allocating Step 1 funds (First-generation student FTE; First-generation student headcount

³ /https://leg.colorado.gov/sites/default/files/fy2025-26_hedbrf1_0.pdf

as described in statute; underrepresented minority (URM) Race/ethnicity; Pell headcount; and retention of URM students. Most of these components direct larger shares of funding to community colleges and other institutions serving disadvantaged populations.) **While staff has not included use of these components this year in the staff recommendation, the Committee should note that this portion of the model provides the Committee with significant flexibility, even at the level of assisting particular institutions that appear to be struggling with additional support.**

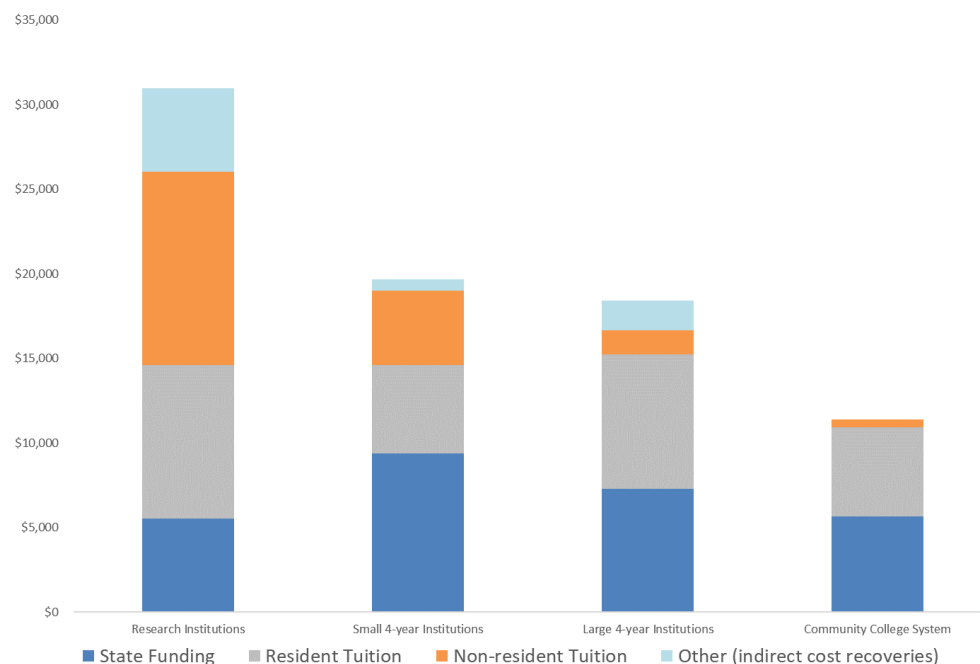
The following charts highlight the differences in both amount and sources of funding for the state institutions.

Proportion of Funding from the State versus Students FY 23-24



Note: The majority of Fort Lewis College out-of-state tuition revenue originates as state General Fund, due to the Native American Tuition Waiver.

REVENUE PER STUDENT FTE BY FUNDING SOURCE FY 2023-24



Notes: For purposes of chart, research institutions include the four campuses of the University of Colorado, Colorado State University at Fort Collins, the University of Northern Colorado, and the Colorado School of Mines; small 4-year institutions include Adams State University and Western Colorado University; large 4-year institutions include Metropolitan State University at Denver and Colorado Mesa University.

Staff is happy to work with members on alternative distribution scenarios. JBC staff and Thomas Rosa, the General Assembly’s data scientist who developed the data visualization tool for higher education funding, are available to work with JBC Members to explore options, if desired.

→ R1/BA Financial Aid Components

Request

The request includes an aligned increase of \$2,300,000 General Fund for Need Based Grants as part of the R1 Request

Recommendation

Section 23-3.3-103, C.R.S. requires that the annual appropriations for student financial assistance created in Article 3.3 of Title 23, which includes need-based aid and work-study, among other components, increase, in total, by at least the same percentage as the aggregate percentage increase of all General Fund appropriations to institutions of higher education. As a

result, every annual request for funding for the institutions includes a calculation for “aligned” financial aid.

- **The staff recommendation does not include an increase or a decrease to financial aid as part of the recommendation for an overall cut pursuant to R1/BA1.** Statute requires aligned increases. Associated with this, staff assumes that decreases should not exceed decreases for the governing boards but that decreases would be allowed, rather than required.
- The recommendation not to change financial aid takes into consideration the following considerations:
 - *The staff **recommendation already includes reducing financial aid in FY 2024-25**, in net, by \$1,079,942, which requires a related statutory change to authorize a deviation from the aligned financial aid requirement. Staff is continuing this cut in the base for FY 2025-26*
 - The staff recommendation also includes additional adjustments for FY 2025-26 that **reduce support for Need Based Grants** by a further \$1,131,447 to offset the restoration of funding for students who were homeless in high school and an increase in costs for the foster youth financial assistance program.
 - The staff recommendation includes an option for reducing the cost of the Dependent Tuition Assistance Program, which is estimated to reduce financial aid support by approximately \$250,000 in FY 2025-26, if adopted.

Analysis

Aligned Financial Aid Calculation

The table below shows the aligned financial aid calculation, with the recommended FY 2024-25 supplemental adjustments to financial aid, that will be used to calculate aligned financial aid based on the JBC’s R1 decisions.

Base for Aligned Financial Aid Increase, including FY 2024-25 Long Bill Supplemental Change		
		Share of Total
Base FY 2024-25 Governing Board Support (proportionate financial aid increase for any amount above this) Includes: College Opportunity Fund program (except COF stipends at private institutions) and General Fund grants for the local district colleges and area technical colleges. Excludes some certain limited purpose appropriations per 23-3.3-103.	\$1,272,744,442	81.3%
Base FY 2024-25 Financial Aid. Includes all appropriations for programs authorized in Article 3.3 of Title 23. This currently includes Need Based Aid, Work Study, the Dependent Tuition Program, the Colorado Opportunity Scholarship Initiative, Career and Technical Education scholarships, Fourth Year Innovation Pilot, Foster Youth and Homeless Youth Financial Assistance; amounts are adjusted in the Long Bill	292,956,085	18.7%
Total	\$1,565,700,527	

Based on the total increase approved for R1, different amounts will be required for financial aid, based on financial aid alignment. Once the total amount for aligned financial aid is

determined, the Committee may decide how that additional funding is allocated within the budget. The Executive Request is to place all funding in the Need Based Grants line item. That is also staff's recommendation, along with a footnote expressing legislative intent regarding prioritization of students.

As discussed separately below, however, the JBC could choose a different existing line item or could create a new, more restrictive line item name, e.g. Need Based Grants for Colorado Undergraduate Resident Students at Public Institutions if it wishes to impose greater control over CCHE's use of funds. The relevance of such a change will depend on final funding amounts.