STATE BOARD FOR COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION
March 12, 2025

TOPIC: FY 26 Tuition-Setting Considerations

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

RELATIONSHIP TO THE STRATEGIC PLAN:
- Economic Mobility
- Education for All
- Partner of Choice

EXPLANATION: During the month of April, the Board sets tuition levels for the subsequent fiscal year—in this case, for FY 2025-26. 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.

<u>Background</u>
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 since FY 2017-18.

In his FY 2025-26 budget request, the Governor recommended to the JBC a 2.3% resident tuition rate increase cap and a 2.4% nonresident tuition rate increase cap for all governing boards. The JBC is conducting initial figure-setting for higher education on March 10 and March 12, so we will have a better idea of what JBC staff will be recommending after those meetings are 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 in the next week after figure-setting. 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.

<u>Common Questions</u>

What are the key factors other states use in setting tuition levels?
If one looks at latest 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 2025-26?

The State of Colorado faces a very challenging budget environment in FY 2025-26. According to Legislative Council and JBC staff, there is only $304 million in new funds available for General Fund obligations. The Medicaid request for additional funds for FY 2025-26 alone is $335 million. Requests regarding employee salary/benefits, K-12 school finance, provider rate increases, and judicial branch requests total an additional $661 million on top of Medicaid. And, it is unclear how (or how much of) a voter-approved $350 million transfer of General Fund to the Peace Officer Training and Support Fund required under Proposition 130 will be accounted for in FY 26. None of the above factor in additional State appropriations for higher education or CCCS.

In the FY 2025-26 budget, the Governor's November request increased higher education state appropriations operating funding of 7.8 million, which translated into an additional $2.3 million for CCCS on a base of $293.4 million—a 0.8% increase for CCCS. However, the Governor's budget also included targeted cuts within specific specialty fee-for-service appropriations at CCCS of $4.1 million—resulting in a net proposed reduction of $1.8 million (or 0.6%).

Independent of the Governor's budget request, a coalition of higher education governing boards came together to propose an alternate request to the Joint Budget Committee. This request is for $50 million in additional state appropriations, coupled with the 2.3% resident tuition rate increase. That would result in a 4% increase in state appropriations for CCCS or an additional $11.7 million.

The Joint Budget Committee is conducting higher education figure-setting on March 10 and March 12. 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 2025-26?

In FY 2023-24, CCCS revenues allocated from Amendment 50 were $30.1 million, up from $28.6 million the prior fiscal year. FY The FY 2024-25 gaming tax revenue stream, which determines the allocation for FY 2025-26 (remember that FY 2025-26 allocated revenues will actually be earned in FY 2024-25), is essentially flat over the prior fiscal year fiscal year to date.

Through January 2025, compared to at the same time last fiscal year, adjusted gross proceeds (AGP) are up 0.7% and gaming tax revenues are flat, at 0.0% change. 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 2024-25)

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%
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%

Fiscal Year	Resident Tuition Rate (per credit hour)	Percent Change
FY 22-23	$156.40	2.0%
FY 23-24	$164.20	5.0%
FY 24-25	$169.10	3.0%
Average Change	$4.00	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 2024-25)

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%
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%

Fiscal Year	Non-resident Tuition Rate (w/o dorms) (per Credit Hour)	Percent Change
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%
FY 23-24	$673.90	5.0%
FY 24-25	$694.10	3.0%
Average Change	$15.87	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, the Board implemented a set of rates for rural colleges that wanted to participate. For FY 2024-25, this rate is $282.00.

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

Table 3 outlines the FY 2024-25 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 2024-25 Resident Tuition and Fee Rates of Colorado Higher Education Institutions

Institution	FY 2024-25 Tuition	FY 2024-25 Fees	FY 2024-25 Tuition and Fees
Colorado School of Mines	$18,390	$2,984	$21,374
University of Colorado--Boulder	$12,312	$1,690	$14,002
Colorado State University--Ft. Collins	$10,609	$2,699	$13,308
University of Colorado--Denver	$11,700	$1,023	$12,723
University of Colorado--Colorado Springs	$10,318	$1,858	$12,176
Colorado State University--Pueblo	$8,846	$3,228	$12,074
University of Northern Colorado	$9,047	$2,854	$11,901
Western State Colorado University	$7,308	$4,009	$11,317
Metropolitan State University of Denver	$9,135	$1,989	$11,124
Colorado Mesa University	$9,436	$1,200	$10,636

Institution	FY 2024-25 Tuition	FY 2024-25 Fees	FY 2024-25 Tuition and Fees
Fort Lewis College	$7,776	$2,118	$9,894
Adams State University	$6,120	$3,703	$9,823
Colorado Community College System*	$5,073	$615	$5,688

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

The Governor has requested to cap resident tuition increases at 2.3%, but it is too early to gauge what the other governing boards may implement for FY 2025-26.

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 2024, Colorado's base resident community college tuition and fee levels are about 10.6% 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 can skew the national data). A semi-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 2024-25 enrollment levels, a 1% increase in resident tuition rates would raise approximately $3.0 million system wide. A 1% increase in non-resident tuition rates would raise approximately $265,000 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 2024-25 staffing levels, a 1% increase in salary (including PERA, AED, and SAED) across the system would cost approximately $3.7 million. As a result, for every 1% in salary increase, it would take an estimated 1.1% resident and non-resident tuition increase to cover this additional cost. In his FY 2025-26 budget, the Governor requested a 2.5% 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.

As discussed during last several years' 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 was more challenging. And, the rise of inflation the prior 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?
State budget issues could have a negative impact on PERA, potentially resulting in additional employer share costs. 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.

And, uncertainty in federal funds, particularly in areas that provide support services to first generation, low income and underrepresented students, will certainly need to be watched in terms of whether tuition increments designed to replace federal revenue in order to maintain these vital services to students make sense, given the lack of state appropriations available.

In FY 2024-25, we saw substantial mandatory classified employee salary adjustments come online through step increases negotiation via collective bargaining agreements. Future step increases related to these agreements will drive budget impacts that normally would be covered by a mix of state appropriations and tuition—but in the current state budget environment will put further pressure to cover these costs with tuition rate increases.

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 0.8% in need-based financial aid for FY 2025-26 that is in line with the operating funds request increase, as required per statute. For context, in FY 2024-25, CCCS students were allocated $77.2 million in need-based financial aid. Given the state budget situation, it is unclear how the General Assembly will approach State need-based financial aid during figure-setting.

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 a primary source of financial aid for community college students. In FY 2024-25, the Pell maximum amount is $7,395—flat compared to the prior fiscal year. For FY 2025-26, the Department of Education released a dear colleague letter at the end of January 2025 outlining that under the current continuing federal budget resolution, the maximum Pell amount would be the same amount: $7,395.

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 $80,000 adjusted gross income for single filers and $160,000 for married joint filers. The credit phases out up to $90,000 adjusted gross income for single filers and $180,000 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.