



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

**HB 19-1093**

# FINAL FISCAL NOTE

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<b>Drafting Number:</b>	LLS 19-0261	<b>Date:</b>	May 20, 2019
<b>Prime Sponsors:</b>	Rep. Wilson Sen. Todd	<b>Bill Status:</b>	Postponed Indefinitely
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<b>Bill Topic:</b>	HIGHER EDUCATION FIXED-RATE TUITION CONTRACTS
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<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue <input checked="" type="checkbox"/> State Expenditure <input type="checkbox"/> State Transfer	<input type="checkbox"/> TABOR Refund <input type="checkbox"/> Local Government <input type="checkbox"/> Statutory Public Entity
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The bill would have required that state four-year institutions of higher education offer fixed-rate tuition contracts. The bill would have decreased tuition revenue and increased workload for institutions of higher education on an ongoing basis.

<b>Appropriation Summary:</b>	No appropriation would have been required.
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<b>Fiscal Note Status:</b>	This fiscal note reflects the introduced bill. The bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.
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## Summary of Legislation

Under current law, governing boards of state institutions of higher education may choose to offer a fixed rate tuition contract to resident students and must establish guidelines that indicate the degree of flexibility the student has to change degree programs without voiding the contract. This bill requires that four-year institutions offer fixed-rate tuition contracts to resident students for all bachelor degrees offered at each campus. Community colleges and state two-year institutions may choose to offer a fixed-rate tuition option.

The bill specifies that fixed-rate tuition contracts must include the same rate for all students who are admitted to the same class and enrolled in the same degree program, and must be valid until the student either completes the degree, 140 credit hours, or five years, whichever occurs first. Advanced Placement, International Baccalaureate, and concurrent enrollment course credit does not count towards the credit limitations. In addition, the bill adds that:

- institution program guidelines must include the transferability of the fixed rate contract among campuses of the institution; and
- a student with a fixed-rate tuition contract who transfers to another state institution is eligible for a fixed-rate tuition at the transfer institution at the same fixed tuition rate that the student would have received had they initially started at the transfer institution.

## **Background**

The General Assembly appropriates funding for the state higher education system, which is distributed among institutions through a funding formula, and caps increases in resident, undergraduate tuition through the Long Bill. Actual tuition levels are set by the governing boards of each institution. In FY 2018-19, resident undergraduate tuition increases cannot exceed 3.0 percent for most governing boards.

## **State Revenue**

**Higher education tuition revenue.** The bill will decrease the total amount of tuition revenue collected by four-year institutions of higher education that must adopt fixed-rate tuition contracts. This is based on the assumption that tuition will continue to increase under current law, and that some institutions of higher education would have collected additional tuition from all students in years that the General Assembly allowed tuition to increase. Because institutions of higher education are enterprises, tuition revenue is not subject to TABOR.

The decrease in tuition revenue will vary among institutions and depend on many factors, including the institution's current tuition policies, how institutions choose to set their fixed-rate tuition across student classifications and degree programs, and the number of new students in future years. For instance, the University of Colorado-Boulder and Adams State University currently offer tuition guarantee programs, but would need to modify those programs to align with the bill. Other institutions do not currently have fixed-rate tuition policies in place.

For illustrative purposes, institutions have estimated that the tuition revenue decreases may range from \$400,000 to \$9.0 million in FY 2019-20, depending on the institution. Those increases are expected to increase in future years. In FY 2021-22, the third year of the implementation, institutions have estimated that the revenue decrease may be between \$2.0 million and \$19.0 million, depending on the institution. It should be noted that the institution estimates may be based on different assumptions related to participation in fixed-rate funding contracts, enrollment, retention rates, projected institutional revenue and expenditures, and future state funding levels. This fiscal note will be updated as more information becomes available.

## **State Expenditures**

Beginning in the current FY 2018-19, the bill increases costs and workload for four-year institutions to adopt fixed-rate tuition policies. Costs may include staff, computer programming, and billing changes. The increase will vary among institutions based on their current resources and tuition policies. No change in appropriations for higher education is required.

## **Effective Date**

The bill was postponed indefinitely by the House Education Committee on March 14, 2019.

## **State and Local Government Contacts**

Higher Education