

Behind the headlines

Here's a roadmap for following the debate on higher ed budget

By Frank Waterous

Senior Policy Analyst

With state cuts to higher education leading the news recently, we thought that some explanation of why the issue is so important -- especially this year -- might be helpful.

As the largest target in the state's General Fund budget that is "discretionary," and thus can be trimmed by legislators, higher education often faces cuts. This year, the cuts total about \$450 million. If those cuts were to take place, it would reduce higher education's General Fund appropriation by more than half, and state support for higher education would revert to levels last seen in the 1980s.

Such massive cuts to higher education would leave individual colleges little choice but to make up part of their shortfall through significant tuition increases. Some colleges have discussed increases ranging from 9 percent to 32 percent if the cuts can't be avoided. This would have severe implications for

college access and affordability in our state.

Even if Pinnacol is an option, it's one-time money

To make up for \$300 million of the proposed cuts, our state legislature has been considering plans to take money from Pinnacol Assurance, a "quasi-governmental" workers' compensation company originally created by the state. However, even if legislators craft such a plan -- and it's by no means certain that they will -- Pinnacol funds are "one-time money." That is, the money will help to cover only this year's shortage, and it is not a long-term solution for funding higher education.

The possible cuts to higher education also produce a further dilemma this year: They could keep our state from receiving much-needed federal stimulus money earmarked for education.

Stimulus money has a Catch-22

As part of the American Reinvestment and Recovery Act (the federal stimulus), Colorado is in line to receive \$620 million in education-specific stabilization funds -- money intended to shore-up state K-12 and higher education budgets through the next two years. The catch is that, in order to receive these federal funds, Colorado must maintain state support for both K-12 and higher education at no less than 2005-06 levels. If it does not, both K-12 and higher education could lose out. While waivers of this "maintenance of effort" requirement will be available, it appears that Colorado will not qualify for one because of certain funding provisions in our state constitution.

As a further and equally critical complication this year, an additional pot of \$4.35 billion in federal education grant funding called "Race to the Top" is also being made available on a competitive basis to the states. Colorado is well-positioned to receive some of this money because of innovative preschool-through-postsecondary education reforms made or proposed in the last few years. However, at least one criterion for winning Race to the Top funding would likely be showing how well the state used the federal stimulus money. So, if we don't receive

the stimulus money because of draconian higher education cuts ... you get the picture.

In the end, there's more to consider

Here at the Bell, all of this leads us back to the necessity for broad-scope fiscal reform in Colorado. The temporary money from Pinnacle Assurance and the federal stimulus package may help our colleges and universities survive the near-term challenges of the current recession, but unless we also eliminate the "ratchet effect" of the Arveschoug-Bird formula we will simply be postponing the pain.

Even if the economy is well on its way to recovery, once these temporary funds go away, we will have to reduce funding for higher education and other programs to a much lower base set at recessionary levels. Senate Bill 228 this year is designed to prevent this from happening.

And ultimately, we need to engage in a serious statewide discussion about matching state revenues to our long-term aspirations. We cannot be competitive in the 21st century if we continue to constrain our higher education system and other important public structures with 20th century budget rules and funding levels.

The Bell is non-profit, non-partisan policy center. We conduct objective research, and we advocate public policies that reflect progressive values. Our mission is to make Colorado a state of opportunity for all.

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