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MEMORANDUM

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TO: Interested Persons

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SUBJECT: 2015 Higher Education Enrollment and Tuition Revenue Forecast

Summary

This memorandum presents the 2015 Legislative Council Staff forecast of enrollment and tuition revenue for the state institutions of higher education. The forecast provides projections of the following by resident and nonresident student status for FY 2014-15 and FY 2015-16:

- full-time equivalent (FTE) student enrollment;
- College Opportunity Fund (COF) FTE enrollment; and
- tuition revenue.

Enrollment Forecast Summary

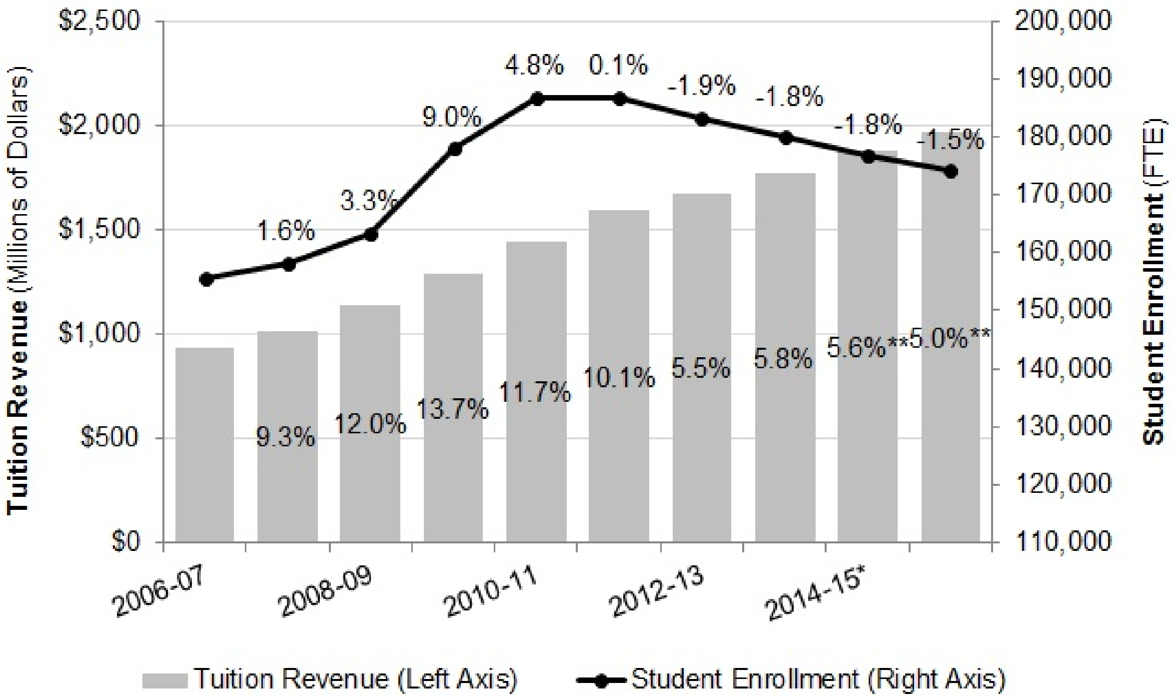
Enrollment in Colorado's public colleges and universities continues to decrease as the labor market improves and would-be students find jobs instead. FY 2014-15 will be the fourth consecutive year of declining enrollment on a full-time equivalent (FTE) basis, with statewide enrollment falling by about 3,250 FTE, or 1.8 percent, to 176,638 FTE. The decline will continue in FY 2015-16, when FTE enrollment is expected to fall a further 1.5 percent to 174,074 FTE. Expectations for enrollment are shown in Table 1 on page 5.

Resident and nonresident FTE enrollment are exhibiting opposite trends. Enrollment among resident Coloradans has steadily declined since the state began to emerge from the Great Recession in FY 2011-12. By contrast, nonresident enrollment continues to grow. The discrepancy can be attributed to two differences between the student populations. First, Colorado's economy recovered more quickly than the rest of the country, allowing resident students to reenter the labor force while attracting nonresident students motivated by a preferable environment for postcollegiate employment. Second, declining enrollment is most pronounced at two-year community colleges and four-year institutions catering to adult students, where enrollment is more susceptible to changes in economic conditions. These institutions tend to attract more resident students. Colorado's four-year research institutions, which draw higher shares of students from out-of-state, are less susceptible to enrollment declines during economic expansions and, in several cases, are reporting increased FTE enrollment.

Table 1 reports FTE resident and nonresident enrollment by governing board for the ten institutions administered at the state level. Additionally, projections for the state's two local district colleges, Aims Community College and Colorado Mountain College, are shown for informational purposes.

Figure 1 plots statewide FTE enrollment, on the right vertical axis, and tuition revenue, on the left vertical access, for all years since FY 2006-07.

Figure 1
Higher Education Enrollment and Tuition Revenue, FY 2006-07 to FY 2015-16



Source: Department of Higher Education.
**Legislative Council Staff forecast for FY 2014-15 and FY 2015-16.*
***Assumes tuition rate increases will vary by institution and program and will not exceed 6.0 percent for resident or nonresident students at any institution.*
Note: Enrollment excludes local district colleges and private universities.

College Opportunity Fund. Stipends from the College Opportunity Fund (COF) are available to resident undergraduate students enrolling at public institutions administered at the state level. For FY 2014-15, COF stipends are equal to $75 per credit hour, a level set by the General Assembly. Reduced COF stipends equal to $38 per credit hour are available to students studying at three private universities in the state: Colorado Christian University, Regis University, and the University of Denver.

Table 1 shows expectations for FTE enrollment among students awarded COF stipends for public Colorado institutions. In general, COF FTE enrollment rises and falls with resident undergraduate student enrollment. However, students must apply to receive a stipend, and there is a limit of 145 credit hours for which a student may receive a stipend during his or her lifetime. Because of these requirements, COF FTE enrollment is less than resident undergraduate enrollment for the state as a whole.

Difference from previous forecast. Actual enrollment for FY 2013-14 was 179,892 FTE, or 514 FTE students above the 2014 Legislative Council Staff Forecast. This represents a forecast error of about 0.3 percent. For FY 2014-15, enrollment expectations have been revised to 176,638 FTE, down 0.4 percent from the 177,305 FTE projected in last year's forecast.

Risks to the forecast. Enrollment projections for different institutions carry different upside and downside risks. For example, some upside risk exists for enrollment at the University of Northern Colorado and Aims Community College, both located in Greeley. If oil prices remain below the break-even point for Weld County rigs, oil producers may cut employment, increasing enrollment at local colleges. By contrast, schools in other areas of the state may enroll fewer students because of an improving labor market. Further, enrollment trends at individual institutions may depend on developments unrelated to the economy, such as the establishment of a new program of study or the success or failure of a recruitment campaign. Institutional idiosyncrasies should keep upside and downside risks to the enrollment forecast approximately balanced for the state as a whole.

Tuition Revenue Forecast Summary

Tuition revenue to the state's institutions of higher education continues to increase. For FY 2013-14, tuition revenue totaled $1,774.3 million, up 5.8 percent from the previous fiscal year. Tuition revenue is expected to increase 5.6 percent to $1,873.8 million for FY 2014-15, and 5.0 percent to $1,968.0 million for FY 2015-16. Expectations for tuition revenue are shown in Table 2 on page 7.

Changes in tuition revenue are primarily driven by FTE enrollment and tuition rate increases. During the 2014 legislative session, the General Assembly adopted Senate Bill 14-001, which imposed a new cap on resident undergraduate tuition rate increases of 6.0 percent, replacing a previous cap of 9.0 percent in statute. Because tuition rate increases are expected to moderate as a result of this legislation, and because FTE enrollment is expected to decline, growth in tuition revenue is expected to decelerate in both FY 2014-15 and FY 2015-16.

About 70 percent of the anticipated increase in tuition revenue for FY 2014-15 is attributable to nonresident students. Tuition payments from nonresident students are expected to drive tuition revenue through the forecast period, because:

- nonresident tuition rate increases are not subject to the 6.0 percent cap in Senate Bill 14-001;
- nonresident FTE enrollment is projected to grow while resident FTE enrollment will likely continue to fall; and
- nonresident tuition rates are higher than those for residents.

Forecast methodology and risks to the forecast. The tuition revenue forecast applies tuition rate increases for all programs of study at each institution to the population of FTE students expected to enroll in those programs in both FY 2014-15 and FY 2015-16. For FY 2013-14, tuition revenue totaled $1,774.3 million, exceeding the 2014 tuition revenue forecast by $13.6 million, or 0.8 percent.

The forecast methodology does not account for institutional idiosyncrasies when translating changes in enrollment to changes in tuition. Tuition rate increases are applied differently at each institution. For example, some institutions offer opportunities for a student to continue paying the same tuition rate over the life of a four year degree program. For institutions with this type of payment schedule, tuition revenue will be overforecast because the methodology assumes that the entire population of students will absorb the full tuition rate increase. Comprehensive information on programs affecting tuition payments at all institutions is not available. For this reason, these programs are omitted from the forecast, resulting in both upside and downside risks.

The tuition revenue forecast incorporates the full amount of uncertainty in the enrollment forecast. Additionally, the forecast for FY 2015-16 anticipates tuition rate increases for all governing boards, many of which have not yet met to establish those increases. For most institutions, the forecast assumes resident tuition rate increases at or near the 6.0 percent limit; to the extent that governing boards adopt lower tuition rate increases, the forecast will be overstated. For nonresident students, assumptions for tuition increases are less predictable. The forecast assumes nonresident tuition rate increases based on information from the institutions and their historical patterns of increasing nonresident tuition rates.