

# Dependent Tuition Benefit Task Force Recommendations

## *Members:*

Bill Kaempfer, Vice Provost & Associate Vice Chancellor for Budget & Planning, and Professor of Economics (Chair);  
David Frederick, Associate Professor, Leeds School of Business;  
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Greg Carey, Associate Professor, Department of Psychology;  
Gwen Pomper, Director, Office of Financial Aid;  
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## *Background:*

The Boulder Faculty Assembly requested that a task force of faculty and staff be put into place in order to address concerns about dependent tuition benefits. There are concerns about how funds that provide tuition benefits to dependents of CU faculty and staff employees have been managed. In addition, the benefits available do not seem to be appropriately announced to potential recipients.

## *Charge:*

1. Identify all sources of funds currently committed to supporting faculty/staff dependent scholarships and make sure all sources are being used toward their intended purpose.
2. Identify possible sources of additional support.
3. Examine the consequences of Amendment 41 on these activities.

## *Results:*

The Task Force met twice, once to receive its charge and talk about information that would be useful in making recommendations, and a second time to review information received and develop recommendations.

Sources of funding for faculty/staff dependent scholarships that were identified were:

- A. Faculty/Staff Scholarship Program – funded from proceeds of vending machine sales on campus. Financial Aid disburses awards of \$750/year/dependent to children of Boulder campus and CU System faculty and staff to attend in-state schools.

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- B. UCB Faculty and Staff Dependent Scholarship – funded by licensing revenue from Athletics. Non-renewable \$1,000 awards given to children of permanent, full-time employees of CU-Boulder, that may be used at any accredited post-secondary institution in the United States. The awards are allocated to a limited number of recipients by chance.

We note the following points about the Faculty/Staff Scholarship Program:

#### Funding Source:

- Current vending machine contracts with Pepsi and Canteen generate a guaranteed minimum commission of \$570,000 per year to the campus. Of this amount \$240,000 is set aside annually in a fund out of which Faculty/Staff Scholarships as well as Staff Council operating expenses are paid.
- Total vending revenue can (and probably does) exceed the \$570,000. One estimate suggests these commissions exceed \$1,000,000. However, the funding to the scholarship and staff council programs has been capped at \$240,000 regardless of actual campus revenue from these contracts. Why this is so is unclear. Furthermore, vending machine price changes are typically justified with some sort of reference to the scholarship program.
- Several units on campus—notably ATLAS, Law and Business—have acted autonomously to set up their own vending contracts. This practice may be disadvantageous to Faculty/Staff Scholarship Program funding both now and in the future.
- Vending contracts are set to expire in 2010.

#### Scholarship distributions:

- Although the award was increased in 1998-99 from \$500 to \$750, it should be noted that in real tuition cost terms the award has eroded.
- The scholarship award has not been readily advertised due to low availability of funds. If demand increased it would require that either the award amounts would be decreased (if everyone were to receive an award) or a selection process is developed to limit the number of awards.
- Scholarship distributions together with Staff Council expenses exceed the \$240,000/year allocation from vending revenue and a cash reserve roll-forward will probably be exhausted this fiscal year.

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	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	2010- 2011
●							
Revenue	(241,048)	(235,318)	(259,271)	(240,000)	(240,000)	(240,000)	(240,000)
Staff Council	96,866	96,866	101,439	104,482	107,617	110,845	114,170
Scholarships	170,355	175,830	166,362	180,000	180,000	180,000	180,000
Exp Over/(Under)							
Rev	26,173	37,379	8,530	44,482	47,617	50,845	54,170
Balance Sheet YE							
(Good)/Bad	(106,021)	(68,643)	(60,112)	(15,630)	31,986	82,832	137,002

*Prepared by UCB Office of Financial Aid and the Office of Planning, Budget and Analysis*

- Staff Council operating expenses are eligible for a standard factor increase allowing them to grow over time further reducing the funds available for Faculty/Staff Scholarships.
- A response to this budget shortfall has been to stop promoting the existence of the Scholarship in order to reduce usage.

The Task Force has the following recommendations with respect to the Faculty/Staff Scholarship Program:

1. Additional funds should be sought to expand the availability of the scholarship to all faculty and staff dependents who qualify.
2. Additional funds should be sought to increase the award recognizing both need and the deterioration of the buying power of this scholarship.
3. Once funding is sufficient, the availability of the scholarship should be responsibly announced to all eligible faculty and staff.
4. In order to assure adequate and equitable funding in this scholarship fund, the Staff Council operating budget should be funded by general funds in the same way that the Boulder Faculty Assembly budget is funded. Staff Council and the Faculty/Staff Scholarship Program should not compete for a fixed revenue source.
5. It appears that the intent of the Pepsi contract was to allocate one-half of proceeds to scholarships. The campus should return to this principle with one-half of total revenue, not the floor level, allocated to scholarships.
6. This principle should be applied to the Canteen contract and to the net revenue from all other individual food and beverage vendor contracts.
7. New contracts must incorporate the needs of this program into the parameters of their negotiations.

We note the following points about the Faculty and Staff Dependent Scholarship:

- This is an endowment funded scholarship.
- The funds into the endowment now come from the general fund budget and not Athletics (though Athletics General Fund budget is reduced accordingly). Roughly

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\$50,000 per year is allocated into each endowment which is enough for one additional staff and one additional faculty dependent award each year.

- The Task Force’s investigation uncovered some irregularities in the funds posted to these accounts that have now been corrected.
- This scholarship currently makes awards to about 8 students per year selected randomly—half from the faculty dependent applicants and half from the staff dependent applicants.
- An additional quasi-endowment fund was established for both faculty and staff to allow contributions to help these awards grow. Only very small levels of contributions have been made to these accounts. As of 4/23/07, the faculty dependent scholarship endowment balance was \$4,480, and the balance in the staff dependent scholarship endowment was \$6,300.

UCB Faculty Dependent Endowed Scholarship  
Financial Analysis  
FY03 to FY07

		FY03 ending 6/30/03	FY04 ending 6/30/04	FY05 ending 6/30/05	FY06 ending 6/30/06	FY07 as of 6/30/07	
CU Foundation Principal Account 0159040	Beginning balance	\$0.00	\$50,181.97	\$55,991.44	\$80,535.73	\$136,298.14	
	Additions	\$50,181.97	\$5,809.47	\$24,544.29	\$55,762.41	\$49,644.70	
	Ending balance	\$50,181.97	\$55,991.44	\$80,535.73	\$136,298.14	\$185,942.84	
CU Foundation Earnings Account 0139040	Beginning balance	\$0.00	\$2,211.29	\$3,636.25	\$4,793.07	\$4,684.20	
	Additions	\$2,211.29	\$2,424.96	\$3,156.82	\$3,891.13	\$6,456.31	
	Withdrawals	\$0.00	(\$1,000.00)	(\$2,000.00)	(\$4,000.00)	(\$5,000.00)	
	Ending balance	\$2,211.29	\$3,636.25	\$4,793.07	\$4,684.20	\$6,140.51	
University Account 13450969	Beginning balance	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	Additions	\$0.00	\$1,000.00	\$2,000.00	\$4,000.00	\$5,000.00	**
	Withdrawals	\$0.00	(\$1,000.00)	(\$2,000.00)	(\$4,000.00)	(\$4,500.00)	* \$500 was refunded because the student was not enrolled in spring.
	Ending balance	\$0.00	\$0.00	\$0.00	\$0.00	\$500.00	

\*\* In 2006-07, OFA incorrectly identified a faculty member as a staff member in the random drawing, but it was corrected prior to paying the award. Therefore, there is an uneven distribution of awards between faculty and staff in that year. In 2007-08, we will award unevenly again, this time in favor of staff, with an equal distribution returning in 2008-09.

UCB Faculty/Staff Scholarship  
 Financial Analysis  
 FY03 to FY07

		FY03 ending 6/30/03	FY04 ending 6/30/04	FY05 ending 6/30/05	FY06 ending 6/30/06	FY07 as of 6/30/07
CU Foundation Principal Account 0159041	Beginning balance	\$0.00	\$50,181.97	\$55,991.44	\$80,535.73	\$136,298.14
	Additions	\$50,181.97	\$5,809.47	\$24,544.29	\$55,762.41	\$49,644.70
	Ending balance	\$50,181.97	\$55,991.44	\$80,535.73	\$136,298.14	\$185,942.84
CU Foundation Earnings Account 0139041	Beginning balance	\$0.00	\$2,211.30	\$3,636.26	\$4,793.08	\$4,684.21
	Additions	\$2,211.30	\$2,424.96	\$3,156.82	\$3,891.13	\$6,456.31
	Withdrawals	\$0.00	(\$1,000.00)	(\$2,000.00)	(\$4,000.00)	(\$3,000.00)
	Ending balance	\$2,211.30	\$3,636.26	\$4,793.08	\$4,684.21	\$8,140.52
University Account 13450970	Beginning balance	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Additions	\$0.00	\$1,000.00	\$2,000.00	\$4,000.00	\$3,000.00 **
	Withdrawals	\$0.00	(\$1,000.00)	(\$2,000.00)	(\$4,000.00)	(\$3,000.00)
	Ending balance	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

\*\* In 2006-07, OFA incorrectly identified a faculty member as a staff member in the random drawing, but it was corrected prior to paying the award. Therefore, there is an uneven distribution of awards between faculty and staff in that year. In 2007-08, we will award unevenly again, this time in favor of staff, with an equal distribution returning in 2008-09.  
 Prepared by the CU-Boulder Office of Financial Aid.

The Task Force has the following recommendations to make with respect to the UCB Faculty and Staff Dependent Scholarship:

1. Vigorous attempts should be made to add to the quasi-endowment in order to get them to the level of more than \$25,000 per fund needed to keep them from being discontinued. If contributions are increased, it will need to be determined if the award amount should go above \$1,000 or if the number of awards should be increased.
2. The availability of the scholarship should be announced to all eligible faculty and staff.

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Regarding item #3 of the charge, it was determined by the university's legal counsel that scholarships for dependents are not affected by Amendment 41, since they are given by the university and not by an individual.

References:

Summary of Constitutional Amendment 41 and Guidelines on Gifts to University Employees, dated January 22, 2007. (Top of pg. 4, Q & A #1.)

<https://www.cusys.edu/news/amendment41/downloads/A41-Summary-QnA.pdf>

CU's Amendment 41 In-Depth website:

<https://www.cusys.edu/news/amendment41/>