

CCHE Agenda  
June 14, 2000  
Teleconference  
Denver, Colorado  
9:00 a.m.

I. Approval of Minutes

II. Action Items

A. Financial Aid Allocation – Samson (20 minutes)

B. Intellectual Property Intellectual Property for CCHE Technology Advancement  
Group Program Contracts – Adkins/Hum (15 minutes)

**TOPIC: FINANCIAL AID ALLOCATION**

**PREPARED BY: SHARON M. SAMSON**

**I. SUMMARY**

Statutorily, the Commission is responsible for approving the annual allocation for the amounts appropriated in the Long Bill. This agenda item presents a new way to allocate state financial aid need-based, merit, and work-study dollars proposed model directs dollars to students with the least ability to pay and allocate merit dollars based on student enrollment. The proposed allocation model is strongly tied to the eligibility criteria of each program and becomes an essential step in implementing CCHE's new Financial Aid Policy goals. This is the first step toward achieving need-based funding levels that adequately represent the Colorado college-bound population.

The General Assembly appropriated \$76 million in financial aid during the past session, excluding the five categorical financial aid lines. Of that amount, \$38,399,077 is designated for need-based grants, \$14,371,810 for merit awards, \$14,811,367 for work-study, and \$3,800,000 for the Governor's Opportunity Scholarship. The allocation model is based on the calculated need of Level 1 students to allocate need-based dollars. It uses the percent of total need to allocate work-study, and the two federal match programs (i.e., Colorado Leveraging Education Access Program (CLEAP) and Supplemental Leveraging Education Access Program (SLEAP)). The model uses the actual number of degree-seeking students enrolled to allocate merit dollars.

The categorical programs, including Governor's Opportunity Scholarship, Nursing Scholarship, Native American Law/POW grants, are administered by CCHE. Consequently these funds were not part of the allocation formula. Governor's Opportunity Scholarships are allocated to institutions through a student nomination and qualification process. The Nursing Scholarship is a competitive program. The Native American funds and Law/POW grants are entitlements that go directly to eligible students.

The attachment details the specific amount that each institution will receive under the proposed allocation model.

**II. BACKGROUND**

At its April meeting, the Commission approved a new Financial Aid Policy that was designed around four policy goals:

- Maximize the amount of financial aid funds available for Colorado residents.
- Direct state need-based dollars to those with the least ability to pay.
- Direct merit dollars to students who demonstrate academic achievement.
- Recognize the importance of student responsibility in paying for higher education costs, either through scholarship, work-study, or outside employment.

The successful implementation of the new policy depends on building an allocation model that is consistent with the policy goals. An allocation working committee with both governing board and student representatives met five times to conceptualize and review alternative ways to allocate financial aid dollars.

During the past ten years, the dollars were allocated using a "fair share" model. Under this model, all institutions received a merit allocation increase equivalent to the increase in the merit line in the Long Bill and a share of the new merit need-based and work-study based on FTE. The fair share model was built on the following drivers:

- Protect the institutions by holding each institution harmless from student enrollment decreases.
- Guarantee each institution an increase in every allocation category.
- Minimize enrollment fluctuations by using three-year rolling average resident FTE.

This model provided stability for the institutions, but was not tied to eligible students. Consequently, financial aid

This model provides funding for the institutions, but was not able to engage students. Consequently, institutional allocations lagged the enrollment changes and the model tended to under-fund a large percentage of high need students.

### III. STAFF ANALYSIS

Traditional approaches to studying access address the availability of resources to institutions and the share of support from government sources. To allocate financial aid funds, student need, family contribution formulas, and ratio mechanisms are typically used. While all of these issues are important, the Commission’s new policy proposes that they be approached from the perspective of the student and placed in the broader context of policy goals of access accountability. From the students’ perspective, the primary affordability issue is whether they have sufficient financial resources to attend the college or university that meets their educational goals.

To develop a policy-driven allocation model, the financial aid allocation committee used CCHE’s policy goals to develop the framework. Three market share numbers were generated for each institution – (1) enrollment market share degree-seeking students and all graduate degree-seeking students (i.e., those eligible for financial aid), (2) market share of the students who qualify for need-based and (3) market share of the students with the highest level of need. Table 1 summarizes the market share of each governing board or sector.

**Table 1: Market Share by Governing Board**

--	MARKET SHARE	
	Enrollment of Degree Seeking Students	Level 1 Need
State Colleges	13.3%	16.4%
State Board of Ag.	12.3%	14.1%
CU system	21.4%	18.1%
CSM	1.0%	1.1%
UNC	4.5%	5.5%
Community Colleges	35.8%	34.1%
AVS	4.1%	1.0%
Private	3.9%	5.0%
Proprietary	4.4%	6.0%

Comparing the *99-00 Allocation* column of Table 2 to the *Level 1 Need* column of Table 1 shows disparities between the need-based student enrollment levels and the prior financial aid allocation. These market shares were benchmarks to test the validity of the 2000-2001 allocations. The model recognizes that while no governing board or institution is losing dollars, the share of dollars should shift.

**Table 2: Need-Based Allocation by Governing Board**

--	NEED-BASED ALLOCATION		
	99-00 Allocation	New Dollars	Total Allocation
State Colleges	16.5%	5.0%	15.9%

State Board of Ag.	16.0%	9.0%	15.6%
CU System	20.9%	19.0%	20.8%
CSM	1.8%	0.1%	1.7%
UNC	5.9%	0.1%	5.6%
Community Colleges	24.5%	41.0%	25.3%
Area Vocational Schools	0.7%	3.0%	0.9%
Private	7.7%	0.5%	7.3%
Proprietary	5.9%	23.0%	7.5%

When the Commission revised its Financial Aid Policy in April, the new policy recognized that existing financial recipients may retain their eligibility under the "old" guidelines. Consistent with this priority, the proposed allocation model does not redistribute the total allocation, but directs only the new dollars. It affects appropriately five percent of the need-based appropriation and four percent of the merit appropriation.

The primary change in the financial aid allocation philosophy is that the dollars flow with the students. This change in focus means that the dollars will be directed toward those institutions that enroll students with the least ability to pay. The "New Dollars" column illustrates the shift in funding philosophy.

The working committee explored several ways to distribute the need-based dollars, including prorating the dollars share of students with Expected Family Contribution (EFC) = 0 attending a particular college, the percent of enrolled students whose income level is 150 percent above PELL eligibility (i.e., approximately family income of \$45,000 or below). The final proposed allocation formula prorates the new dollars using the percent of student need calculated for Level 1 students. It directs a greater percentage of the dollars to the community colleges, area vocational schools, and three four-year colleges (Adams State, Mesa State, and University of Southern Colorado).

The working committee recommended using the same formula for allocating work-study funds. However, the work-study allocation included only undergraduates. This approach is consistent with the policy parameter that limits work-study awards to undergraduate students.

In the past, CCHE allocated 92 percent of state merit dollars based on the undergraduate FTE and the balance on doctoral student enrollment. The final proposal is based on total in-state student headcount. To calculate merit allocations, the formula multiplies 3.5 percent of undergraduate students by the actual tuition and fees and 2 percent of the graduate enrollment by the graduate tuition. Since the merit base is also protected for 2000-01, the \$895,000 new merit dollars were directed to the institutions that were disproportionately funded.

The *New Dollars* column of Table 2 shows the percent of the current year financial aid appropriation that is being directed to those institutions that are proportionally under-funded. In some cases, the governing board summary data camouflages increased support for need-based students because some institutions under a governing board may be over-funded while others are under-funded compared to their student demographics. The major shifts in new money this year include:

Need Based – Community colleges, ASC, MESA, USC, area vocational schools, receive greater amounts of ne

need-based funds with FLC and WSC remaining stable. All other institutions receive proportionately less.

Merit – In general, highly selective colleges and two-year community colleges with enrollment increases received the greatest merit increases.

**Table 3: 2000-01 Allocation Summary by Type of Institution**

--	Need-based	Work Study	Merit
Public Four-Year	23,056,458	9,456,891	9,299,975
Public Two-Year	9,818,551	4,143,502	1,131,320
Area Vocational Schools	338,877	96,175	147,015
Non-Publics	2,826,762	1,114,272	813,944
Proprietary	2,910,355	250,527	422,126
PERCENT	Need-based	Work Study	Merit
Public Four-Year	59.5%	62.8%	64.7%
Public Two-Year	25.3%	27.5%	27.0%
Area Vocational Schools	0.9%	0.6%	1.0%
Non-Publics	7.3%	7.4%	5.7%
Proprietary	7.5%	1.7%	0.1%

This year's allocation is a transition step with full implementation occurring in a three-year period. The impact of this year's allocation is fairly minimal because the 1999-2000 institutional base is protected, approximately 95 percent appropriation. Because the community colleges continue to be significantly under-funded relative to their need-based population in this year's allocation, next year's allocation (2001-02) will take a more aggressive approach to redirect dollars. Staff proposes to protect a progressively smaller share of the base in each of the next three years. When the model is fully implemented, the enrollment market share should be equivalent to the percent of merit funds allocated to that particular institution and the percent of students that qualify for need-based funds (Level 1 Need) should be equivalent to the percent of need-based dollars allocated. To further simplify administration and reporting, dollars allocated for programs to proprietary schools are being converted to the need-based program.

#### **IV. STAFF RECOMMENDATION**

**That the Commission approved the proposed allocation model, the allocations for the 2000-2001 Financial A dollars ([Attachment A](#)), and the three-year transition plan.**

#### **Appendix A**

#### **STATUTORY AUTHORITY**

C.R.S. 23-3.3-601 - Scholarship and grant program – funding. The commission shall use a portion of any money remaining after meeting the requirements of parts 2 and 3 of this article to provide other programs of financial assistance based upon financial need, merit, talent, or other criteria established by the commission for students enrolled at institutions.

Colorado Commission on Higher Education (CCHE)  
 June 14, 2000  
 Agenda Item II, A  
 Attachment A

2000-01 FINANCIAL AID ALLOCATION								
1	2	3	4	5	6	7	8	--
--	NEED	WORK-STUDY	MERIT	GOS	CLEAP	SLEAP	FY 00-01 TOTAL ALLOCATION	
<b>Adams State</b>	722,478	377,696	220,000	64,067	44,686	8,147	1,437,074	--
<b>CSM</b>	644,977	267,554	508,419	84,000	38,727	4,250	1,547,927	--
<b>CSU</b>	4,091,986	1,651,517	1,786,829	362,800	182,389	34,163	8,109,684	--
<b>Fort Lewis</b>	619,834	248,274	310,070	57,097	23,730	7,964	1,266,969	--
<b>Mesa State</b>	1,244,303	584,439	368,032	115,000	51,213	17,105	2,380,092	--
<b>Metro State</b>	3,759,241	1,857,165	1,201,131	162,960	117,260	44,130	7,141,887	--
<b>UCB</b>	3,984,137	1,482,782	1,881,731	76,698	186,721	31,763	7,643,832	--
<b>UCCS</b>	1,180,257	472,797	471,185	81,174	45,023	12,337	2,262,773	--
<b>UCD</b>	1,924,473	594,775	769,522	268,402	50,466	15,391	3,623,029	--
<b>UCHSC</b>	958,953	111,369	196,934	0	11,944	2,005	1,281,205	--
<b>UNC</b>	2,162,912	926,480	875,186	717,600	139,511	20,622	4,842,311	--
<b>USC</b>	1,338,601	656,474	346,478	295,486	81,543	15,554	2,734,136	--
<b>Western State</b>	424,306	225,569	234,358	25,555	33,893	5,282	948,963	--
--	--	--	--	--	--	--	--	45,219,882
<b>Aims</b>	707,328	276,452	370,182	0	29,505	9,257	1,392,724	--
<b>Arapahoe</b>	597,403	256,889	356,023	80,000	26,971	7,803	1,325,089	--

<b>CCA</b>	522,737	221,242	249,764	72,000	4,244	7,640	1,077,627	--
<b>CCD</b>	1,242,376	565,209	405,553	80,840	28,576	18,858	2,341,412	--
<b>CMC</b>	309,529	98,049	167,696	66,000	15,899	3,648	660,821	--
<b>CNCC</b>	153,841	59,550	58,514	10,714	7,720	1,609	291,948	--
<b>Front Range</b>	1,355,076	601,741	659,067	80,000	50,056	21,267	2,767,207	--
<b>Lamar</b>	217,899	96,075	57,154	96,000	5,111	3,166	475,405	--
<b>Morgan</b>	197,894	94,757	74,910	20,000	5,397	3,631	396,589	--
<b>NJC</b>	333,859	140,758	145,558	39,137	8,597	4,499	672,408	--
<b>Otero</b>	386,717	161,882	91,887	55,000	12,509	5,876	713,871	--
<b>Pikes Peak</b>	1,406,050	602,026	486,098	246,429	54,136	23,745	2,818,484	--
<b>Pueblo</b>	1,110,645	487,363	266,654	100,000	35,233	17,662	2,017,557	--
<b>Red Rocks</b>	662,982	219,401	377,257	5,200	18,300	8,792	1,291,932	--
<b>Trinidad</b>	614,215	262,108	115,507	180,000	19,315	10,057	1,201,202	--
--	--	--	--	--	--	--	--	19,444,276
<b>Delta Montrose</b>	96,675	0	38,037	0	0	0	134,712	--
<b>Emily Griffith</b>	61,083	30,660	0	0	0	0	91,743	--
<b>San Juan</b>	88,089	34,724	49,305	33,646	3,688	1,351	210,803	--
<b>TH Pickens</b>	93,030	30,791	59,673	17,150	2,604	1,265	204,513	--
--	--	--	--	--	--	--	--	641,771
<b>CC</b>	215,009	145,595	73,363	30,000	9,965	1,394	475,326	--
<b>DU</b>	1,362,403	517,933	449,019	90,000	24,344	4,173	2,447,872	--
<b>Regis</b>	1,249,350	450,744	300,850	126,074	20,564	7,450	2,155,032	--

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<b>American Beauty</b>	49,336	--	0	--	0	--	49,336	--
<b>Art Institute</b>	397,551	170,567	66,739	--	11,674	6,031	652,562	--
<b>Blair JC</b>	225,535	--	26,390	--	2,065	3,312	257,302	--
<b>Co Aero Tech</b>	119,587	--	41,107	--	1,581	1,678	163,953	--
<b>Coll America of CO</b>	3,000	--	--	--	--	--	3,000	--
<b>Colo Tech</b>	332,108	--	78,168	--	580	3,587	414,443	--
<b>Columbine 1</b>	27,541	-	0	--	1,082	447	29,070	--
<b>Columbine 2</b>	20,087	--	0	--	1,050	249	21,386	--
<b>Columbine 3</b>	20,587	--	0	--	1,067	353	22,007	--
<b>Concorde</b>	174,609	--	17,031	--	0	0	191,640	--
<b>Denver Inst Tech</b>	400,616	--	61,465	--	0	0	462,081	--
<b>Denver Tech</b>	415,764	--	54,436	--	1,039	181	471,420	--
<b>Glenwood Beauty</b>	21,979	--	0	--	124	766	22,869	--
<b>International Beauty</b>	42,204	--	0	--	11,217	9,765	63,186	--
<b>Parks</b>	379,950	25,547	57,895	--	1,210	1,179	465,781	--
<b>RMC A and D</b>	98,036	54,413	9,607	5,000	--	--	167,056	--
<b>TTI</b>	81,865	--	--	--	--	--	81,865	--
<b>TTI-GJ</b>	50,000	--	--	--	--	--	50,000	--
<b>Westwood</b>	50,000	--	--	--	--	--	50,000	3,638,957



**Prepared: June 9, 2000**

--	38,951,003	15,061,367	14,434,784	3,800,000	1,422,529	409,404	--	--
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Colorado Commission on Higher Education (CCHE)  
June 14, 2000  
Agenda Item II, B

**TOPIC: INTELLECTUAL PROPERTY PROVISION FOR  
CCHE-TECHNOLOGY ADVANCEMENT GROUP CONTRACT**

**PREPARED BY: JEANNE ADKINS, RICK HUM, JEFF RICHARDSON**

**I. SUMMARY**

The intellectual property provision for CCHE-TAG programs will be changed from that formerly used by CATI. The former policy relinquished all intellectual property rights to the university hosting the program with no provision for sharing the revenue such property might generate. This practice was criticized in the recent legislative audit. This former practice will be replaced by one that fairly shares revenue among all funding parties in proportion to their financial support of a project. To limit administrative costs, the new policy will apply only to projects that generate substantial cumulative net revenue (\$1 million or more). The universities participated in developing and are supportive of this approach. The new practice will be implemented through an intellectual property article included in each CCHE-TAG program contract with the universities.

**II. BACKGROUND**

The CATI contracts have included the following language:

**Article XI – Intellectual Property.** The Commission hereby assigns to the Contractor (institution) all of its right, title and interest in and to inventions, improvements, applications and patents developed in the course of the work contemplated hereunder.

The General Assembly and the State Auditor's Office have raised concerns about the investment made by the state through CATI and now CCHE with all the intellectual property being assigned to the institution at which the research is performed. This issue was highlighted again with the distribution of the proceeds from the sale of Colorado SuperNet.

The CCHE-TAG staff has worked with the universities that host the research programs (CU, CSU, and CSM) to raise the issue and seek a reasonable settlement. The universities all report that it is rare to have patents produce licensing income that exceeds the cost of researching and filing for the patent. We also recognize that creating a system for accounting for each individual patent would likely cost more in administration than the value that might be obtained.

**III. STAFF ANALYSIS**

**Current Agreement Reached:** CCHE-TAG proposed a "block-buster" concept that would define a proportional sharing of intellectual property revenue when the net revenue from a particular invention or creative work exceeds \$1 million. The universities all agreed that this was a conceptually fair and reasonable provision to include in future contracts. The attached article, to be incorporated into all TAG program contracts, has been developed in conjunction with the universities and the Attorney General's Office. This provision can be implemented in FY 2000/2001.

**Future Discussions:** Many of the current CCHE-TAG programs fund "seed-grants" that when successful attract substantial industry funding for follow-on projects with commercial value. Since CATI funding was not needed for these follow-on projects, intellectual property provisions are negotiated between the institution and the industry partner(s). The universities have agreed to work with us to continue discussions on how we can develop intellectual property agreements that support the concept that the early investment in these seed grants should be weighted proportionately than investments made later in the process.

**IV. STAFF RECOMMENDATION**

The Commission shall delegate the approval of the concepts and language of the Intellectual Property Article, attached, to a subcommittee of three Commissioners. It is recommended that the subcommittee allow staff to refine the article.

to a subcommittee of three Commissioners. It is recommended that the subcommittee allow staff to refine the spe language as needed with the universities and the Attorney General's Office.

## **Appendix A**

### **STATUTORY AUTHORITY**

C.R.S. 23-1-196.5. Duties and powers of the commission with regard to advanced technology. 3(e) Enter into ny contract or agreement not inconsistent with this article for the benefit of the centers.

[Attachment](#): Proposed IP Article for Future CCHE-TAG Contracts

## Proposed IP Article for Future CCHE-TAG Contracts

### Article \_\_: Intellectual Property

Discoveries or inventions from research performed during the term of a CCHE-TAG grant will be subject to the current patent, intellectual property & technology transfer policies of the institutions where the work is performed. The amount of each party's participation in proceeds from intellectual property shall be guided by the principle that each party's share of net revenue shall be proportionate to the party's proportion of support for the work or research giving rise to the invention.

For the purposes of this section, the following definitions shall apply:

1. "**Research Project**" refers to a project funded through a CCHE-TAG program as defined in the Program Plan of a CCHE-TAG program or in the contractual document of sub-recipients of CCHE-TAG funds.
2. "**Intellectual Property**" refers to a single invention or creative work protected by patent or copyright resultant from a **Research Project**. **Intellectual Property** is considered to exist from date of filing for patent or copyright protection.
3. "**Contractor**" includes research foundations, enterprises or other legal entities established by the Contractor to handle patents, technology transfer and commercialization of faculty inventions.
4. "**Cumulative**" means summed over all of the years after existence of the **Intellectual Property**.
5. "**Net Revenue**" means gross revenues less any **Contractor** direct and indirect costs associated with obtaining, perfecting, protecting, and marketing the **Intellectual Property** to commercial developers, including reimbursement for patent costs, research contracts in conjunction with licenses, infringement judgements and revenue distributions to co-inventing institutions. Net Revenue includes any revenue that is subsequently distributed to the faculty in connection with **Contractor** policies or faculty contracts, and the **Net Revenue** is not reduced by such distributions. **Net Revenues** include revenue from the sale of any securities obtained by **Contractor** as a part of a licensing agreement for the **Intellectual Property**.
6. "**Total Cost of the Research**" means contributions to the **Research Project** from all sources, including **Contractor**, CCHE-TAG, industry, foundations, federal and state governments. Contributions include both direct and indirect costs.

If **Contractor** receives **Cumulative Net Revenue** from **Intellectual Property** in excess of \$1 million, and if that **Intellectual Property** was the result of a **Research Project** which was supported partially by CATI and/or CCHE-TAG funding, then CCHE-TAG shall receive a share of all **Net Revenue** in excess of \$1 million, in proportion to CATI and/or CCHE-TAG's share of the **Total Cost of the Research**.

The distribution resulting from the sale of NewSuperNet, Inc., is not subject to this agreement. All funds returned to CCHE-TAG shall be reinvested in direct grants for new and continuing research projects within Higher Education. In the event the CCHE-TAG programs are eliminated or no longer support research projects within Higher Education, a new revenue distributions will revert back to the contractor.