

**TOPIC: NEW COMMISSION POLICY REGARDING ADJUSTING  
NCHEMS-GAP ALLOCATION MODEL FOR RESIDENT FTE**

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## **I. BACKGROUND**

The Commission last year endorsed the effort to develop a funding model for the allocation of state General Fund support to governing boards based on the National Center for Higher Education Management Systems (NCHEMS) funding study, which established a funding gap for each state institution when compared to comparable peer institutions. The revenue gap between each Colorado institution and their peer revenue average was to become the basis for the allocation of FY08-09 and subsequent years state General Fund.

Because consensus among institutions could not be reached in time for the FY08-09 budget submission, the eventual allocation model approved by the Commission was not based on the NCHEMS funding gap; instead, the Commission approved a model that allocated an across-the-board percentage increase to each governing board. The institutions' Chief Executive Officers (CEOs) raised a number of policy concerns that prevented the use of the NCHEMS funding gap as the basis for FY08-09 General Fund allocations. However, agreement was reached to address these concerns individually in order to reach consensus on a NCHEMS based approach to the FY09-10 state funding recommendation. It was agreed that these concerns would be disaggregated and vetted through the Commission's Policy Committee, the Commission as a whole during a study session, the CEOs and the institutions' Chief Financial Officers (CFOs) prior to recommending Commission approval.

The Department is required to submit to the Governor's Office of State Planning and Budgeting (OSP) its initial FY09-10 budget request by August 1, 2008. In order to meet this deadline, these policy concerns must be addressed.

## **II. STAFF ANALYSIS**

One of the policy concerns the institution CEOs expressed during last year's funding model discussion was ensuring the funding model developed to distribute state General Funds was based solely on resident students. Although this item was scheduled for study session during the Commission meeting on June 5, 2008, time constraints prevented adequate discussion. Since that meeting, this policy has been further reviewed by the CEOs and, as agreed at the June Commission meeting, is now presented for action.

The revenue and enrollment data pulled from the Integrated Postsecondary Education Data Systems (IPEDS) to determine each institution's per student full time equivalent (FTE) funding gap includes total tuition revenue from both resident and nonresident students. Although nonresident tuition revenue is included in each institution's per FTE NCHEMS funding gap, for

the purposes of allocating state General Funds for resident instruction, this per FTE gap should be multiplied by resident students to arrive at an institutional and a statewide resident FTE gap from which the allocation of state funds would be based.

The draft policy for action is included as Attachment A of this agenda item and describes how the NCHEMS gap analysis would be adjusted to account for resident students for the purpose of allocating state funds. In addition, the policy recognizes the need for governing boards to have greater flexibility to set tuition rates and fees to meet their operating expenditures and to improve program quality. Further, the policy recognizes that some institutions, because of institutional role and mission or current tuition rates, may lack the ability to raise tuition rates and fees to the extent necessary to make progress towards achieving funding parity with peer institutions.

### **III. STAFF RECOMMENDATION**

**That the Commission approve the policy provided in Attachment A Regarding Adjusting NCHEMS-Gap Allocation Model for Resident FTE.**

### **STATUTORY AUTHORITY**

**C.R.S. 23-1-105 (8)**