

TOPIC: NEW COMMISSION POLICY REGARDING TREATMENT OF OTHER REVENUES IN NCHEMS-GAP ALLOCATION MODEL

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I. BACKGROUND

Please refer to the Background section for agenda item II, B “NEW COMMISSION POLICY REGARDING ADJUSTING NCHEMS-GAP ALLOCATION MODEL FOR RESIDENT FTE” for more background and context for this agenda item.

The process agreed to with the CEOs for the consideration and approval of disaggregated policy components of the NCHEMS-gap funding allocation model is for the Commission’s Policy Committee to work with staff to develop a proposal for submission to the Governor’s Office for the FY09-10 budget. Action to adopt a formal gap closure allocation model policy would follow at a subsequent Commission meeting.

One of the policy concerns expressed by the institution CEOs during last year’s funding model discussion was whether or not other revenue sources, such as research dollars or foundation support, should be considered when determining the total funding gap at each institution or when allocating limited state General Funds. 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.

II. STAFF ANALYSIS

The policy included as Attachment A of this agenda item describes how institutional revenue generated from sources other than state and local appropriations and resident and nonresident tuition (the revenue sources used to establish the NCHEMS funding gap for each institution) should be treated or considered in the long term NCHEMS-gap closure allocation model. These sources of revenue include, but are not limited to, indirect cost recoveries from research grants, foundation support, and gifts and donations.

The only revenue sources included in the original NCHEMS funding study were state and local appropriations and total resident and nonresident tuition revenues. The data for Colorado and peer institutions was pulled from the Integrated Postsecondary Education Data Systems (IPEDS), a national source of comparable, self-reported institutional data administered by the U.S. Department of Education. In IPEDS, state and local appropriations and tuition revenues are the only revenue sources for which there is comparable national data. IPEDS reported data for research and grant dollars is available; however, the IPEDS database does not provide the amount from these sources peer institutions use to cover operating expenses through indirect cost

recoveries. While it is certainly feasible to accurately determine the amount of revenue these other sources contribute to the general operation of Colorado institutions, the only way to do so for peer institutions would be to survey each peer individually and it is unlikely that adjusting for these revenue sources on both the Colorado and peer institutions sides would affect the total funding gap or each institution's percentage of the gap significantly. The Department believes the costs to administer such a survey would, in the end, outweigh the benefits and, therefore, recommends the Commission not consider revenue from these funding sources when developing the long term funding model for Colorado institutions of higher education.

III. STAFF RECOMMENDATION

That the Commission approve the policy provided in Attachment A Regarding Treatment of Other Revenues in NCHEMS-Gap Allocation Model.

STATUTORY AUTHORITY

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