

TOPIC: DRAFT 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, D, “NEW COMMISSION POLICY REGARDING FUNDING MODEL – UP FRONT INFLATION ADJUSTMENT”, for more background and context for this agenda item.

This draft policy concerns disaggregated policy components of the NCHEMS-gap funding allocation model. The institutions’ Chief Executive Officers (CEOs) agreed to a process of having the Commission’s Policy Committee work with staff to develop a proposal for submission to the Governor’s Office for the FY09-10 budget. That final recommended model will be reviewed with the CEOs and then by the Commission in a study session. Action to adopt a formal gap closure allocation model policy will follow at a subsequent Commission meeting. This is the second opportunity for the Commission to address some of these policy components in study session. The study session is meant to be an opportunity to receive additional input from the institutions and the public and to have informal discussion among the Commissioners.

One of the policy concerns expressed by the 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 in determining the total funding gap at each institution or in allocating limited state General Funds.

This draft policy has been reviewed by the Commission’s Policy Committee, the CEOs, and the CFOs.

II. SUMMARY

The draft policy for discussion is included as Attachment A. It describes how institutional revenue generated from sources other than state and local appropriations and resident and nonresident tuition 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 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 reporting for research

and grant dollars are 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. 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.