

TOPIC: DRAFT INTERIM POLICY REGARDING TUITION SHARE ASSUMPTION
IN NCHEMS ALLOCATION MODEL

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I. BACKGROUND

Please refer to the Background section for the preceding agenda item “REGARDING INFLATION ADJUSTMENT TO NCHEMS ALLOCATION MODEL” for the overall background and context for this agenda item.

The process agreed to with the CEOs for the consideration and approval of these policy components of the NCHEMS-gap model is for the Commission’s Policy Committee to work with staff to develop a proposal. That will be reviewed with the CEOs and then by the Commission in a study session. Action to adopt a policy would follow at a subsequent Commission meeting. This will be the first occasion for the Commission to address one of these policies 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.

This draft policy has been reviewed and approved by the Commission’s Policy Committee but remains a matter about which the CEOs disagree and their views diverge considerably. Some needed corrections to the draft as presented to the CEOs are indicated by brackets [].

II. SUMMARY

The policy for discussion, included as Attachment A to this study session item, would establish as part of the NCHEMS-gap model *an assumption* about the expected share of total revenue for each institution or system that should come from tuition. As tuition revenue share is a reciprocal of state share in the NCHEMS-gap allocation model, such an assumption is necessary to inform a calculation of how to allocate general funds (state share) each fiscal year.

The model anticipates reaching the tuition and state share goals over the (regrettably) extended period of years required for Colorado’s institutions to achieve peer parity. For example, if that takes ten years, we would expect the tuition share of a given institution to move one tenth of the distance from its current tuition share to its goal tuition share next year.

The policy is labeled as “interim” to recognize that the policy climate regarding tuition may change markedly, depending on the outcome of any November ballot measures that may affect higher education finances.

The chart that follows the draft policy sets out the current state and tuition shares for each institution and its national peers, and then the goals for state share and tuition share that the policy would establish for each institution (and as a weighted average for the community college

system). Consistent with the state's unfortunate standing as 49th in the nation in state support for higher education, the chart shows that most of the peer groups enjoy a greater level of state support than Colorado's institutions. Therefore, most of the changes in tuition share anticipated by the draft policy are decreases and depend on increases in state share. The Policy Committee believed that it was advisable to limit to 5% any expected change from an institution's current tuition share. That is because any greater decrease would depend on assuming growth in state support that is unrealistic given the state's fiscal condition and the constitutional constraints of TABOR and its 6% limit on annual increase in overall general fund appropriations.

This policy is simply to establish a convention to use in the NCHEMS-gap allocation model and should not be confused with the annual exercise in recommending actual tuition levels for a given academic year. However, as indicated in the draft policy, it does ultimately depend upon the institutional governing boards having the discretion to make the annual tuition decisions necessary to make the expected progress toward their tuition share goals.

ATTACHMENT A

Draft interim policy regarding tuition and the target under the NCHEMS-gap allocation model for the portion of total revenue that should come from tuition and academic fees.

As we work to bring all institutions to total revenue parity with their national peers, the Commission recognizes that a proper allocation of general fund state support to each institution should be correlated to an assumption and goal regarding the reasonable degree to which each institution may be expected to rely on revenue from tuition and academic fees (tuition share). Just as we seek to close the total revenue gap proportionately each year, each institution should be expected to make proportionate progress each year in reaching its tuition share goal. This policy is termed “interim” to recognize that pertinent circumstances may change, e.g., long bill or other statutory provisions, and necessitate revision.

As a general rule, the tuition share goal for an institution should be set to correspond to the average tuition share determined by NCHEMS for its peer institutions (rounded to the nearest 5%), but, except as noted, should not vary by more than 5% from the institution’s current tuition share as determined by NCHEMS. The exception [is] ~~are: (1) the University of Colorado Health Sciences Center (UC-HSC), for which as an interim matter tuition share should be set at 65% [35%] as a practical necessity pending completion of a pending independent study of how best to manage the annual budgeting process for UC-HSC; and (2) the Colorado State University Pueblo, for which a tuition increase to its peers’ level would substantially undermine its current mission.~~ Tuition shares for the various community colleges should be set according to each college’s peers and weighted by enrollment to calculate an aggregated tuition share for the community college system. When an institution achieves its tuition share goal, it may adjust tuition at a rate not to exceed the Higher Education Cost Adjustment rate.

The Commission finds that for such a tuition policy to be workable, the governing boards of each institution should have the authority and discretion to set tuition and fees to meet the expectations of this policy and that limits on tuition increases may not work if the state is not able to fund progress toward an institution’s general fund “share” in a given year. It also recognizes that initial implementation of this policy is feasible in part due to the fact that tuition levels at Colorado institutions are generally below the tuition levels of their national peers. The tuition flexibility contemplated by this policy is not unlimited, and, to assure affordability and access for need-eligible resident undergraduate students, significant increases in tuition should be linked to the availability from all sources of comparable increases in financial aid.

In order for this policy to be practicable, the Commission also finds that it is necessary for the legislature to provide greater flexibility in tuition spending authority to comport with actual COF-eligible enrollment levels for a given fiscal year.

| | Peer State Share Actual | Peer Tuition Share Actual | CO State Share Actual | CO Tuition Share Actual | State Share Goal rounded to 5% toward Peer Actual | Tuition Share Goal rounded to 5% toward Peer Actual |
|------------------------|-------------------------|---------------------------|-----------------------|-------------------------|---|---|
| UCHSC | 86% | 14% | 62% | 38% | 65% | 35% |
| UCB | 52% | 48% | 20% | 80% | 25% | 75% |
| UCCS | 52% | 48% | 34% | 66% | 40% | 60% |
| UCD | 48% | 52% | 30% | 70% | 35% | 65% |
| CSU | 61% | 39% | 43% | 57% | 50% | 50% |
| UNC | 50% | 50% | 41% | 59% | 45% | 55% |
| Mines | 48% | 52% | 34% | 66% | 40% | 60% |
| FLC | 54% | 46% | 48% | 52% | 55% | 45% |
| CSU Pueblo | 50% | 50% | 60% | 40% | 55% | 45% |
| Adams | 60% | 40% | 65% | 35% | 60% | 40% |
| Mesa | 54% | 46% | 65% | 35% | 60% | 40% |
| Metro | 54% | 46% | 55% | 45% | 55% | 45% |
| Western | 60% | 40% | 58% | 42% | 60% | 40% |
| CCCS wt'd. avg. | 77% | 23% | 60% | 40% | 65% | 35% |
| CC Detail | | | | | | |
| Arapahoe | 77% | 23% | 51% | 49% | | |
| Aurora | 77% | 23% | 59% | 41% | | |
| Denver | 77% | 23% | 59% | 41% | | |
| CNCC | 84% | 16% | 60% | 40% | | |
| Front Range | 74% | 26% | 51% | 49% | | |
| Lamar | 82% | 18% | 87% | 13% | | |
| Morgan | 84% | 16% | 72% | 28% | | |
| Northeastern | 82% | 18% | 68% | 32% | | |
| Otero | 84% | 16% | 85% | 15% | | |
| Pueblo | 77% | 23% | 85% | 15% | | |
| Pikes Peak | 74% | 26% | 58% | 42% | | |
| Red Rocks | 77% | 23% | 49% | 51% | | |
| Trinidad | 82% | 18% | 85% | 15% | | |