

## **Minutes of the Colorado Commission on Higher Education Meeting**

**May 2, 2008**

Acting Chairman James Polsfut called the meeting to order at 1:15 pm.

Commissioners Larry Beckner, Jill Brake, Patricia Pacey, Michael Plachy, James Polsfut, Edward Robinson, Greg Stevinson and James Stewart were in attendance. Commissioner Richard Ramirez attended via conference call. Also in attendance were Advisory Committee members Dr. Mark Malone, Dr. Toni Larson, Dr. Alan Lamborn, Phil Fox, Jack Wylie and Darryl Bonds.

Commissioner Beckner moved to approve the minutes of the April 11, 2008 meeting. The motion was seconded by Commissioner Stevinson and unanimously passed.

President Steve Jordan welcomed the Commission to Metropolitan State College of Denver and gave the Commissioners a brief overview of the college and the programs offered.

Commissioner Brake moved to nominate Commissioner James Polsfut for Chairman of the Commission. The motion was seconded by Commissioner Robinson and unanimously passed.

Dr. Mark Malone advised the Commission that his term as the Colorado Commission on Higher Education Advisory Committee faculty representative was ending and introduced Donna Theimer, Professor of Business at Trinidad State Junior College, as the nominee to replace him. Commissioner Stevinson moved to accept the nomination of Professor Theimer to the Advisory Committee. The motion was seconded by Commissioner Robinson and unanimously passed.

### **INFORMATION ITEMS**

**Legislative Update** – John Karakoulakis, Director of Legislative Affairs, informed the Commission that the 2008 General Assembly session is expected to end May 6, 2008. Senate Bills 218 and 233, along with House Joint Resolution 1042, all deal with the Federal Mineral Lease allocation for higher education capital construction and setting up certificates of participation to finance capital construction projects. These pieces of legislation have received bi-partisan support and are moving quickly through the process. Senate Bill 212, the post-secondary alignment bill or CAP4Kids, was sent back to the Senate for acceptance of House amendments.

### **STUDY SESSION ITEMS**

**Draft Policy regarding Requirements for Funds to Supplement Requests for State-Supported Capital Construction** – Diane Lindner, Chief Financial Officer, briefed the Commission on a draft policy clarifying the expectation for cash and other funding sources to supplement state capital construction funds. This policy is needed by both the Commission and

the Capital Development Committee as they prioritize capital projects. With funds available through the Federal Mineral Lease Act monies, more projects can be funded if institutions utilize more cash because the projects can be bonded through certificates of participation over the life of the certificates, now considered to be 20 years. The policy states that projects or institutions bringing other funds or cash funds to supplement state funded requests would be viewed positively in the Commission's overall prioritization process. The policy also allows the Commission to consider an institution's ability to pay in relationship to the proportion of funding sources requested and allows but does not require the Commission to develop guidelines to clarify more specific cash expectations. This policy would ensure that an institution or governing board receives recognition for prior cash contributions and takes into consideration an institution's ability to fundraise.

Cliff Robinson, Chief Fiscal Officer for the Colorado Community College System, stated that the System's concerns regarding ability to fundraise and treating projects more openly had been addressed in the draft policy.

**Draft Policy regarding Inflation Adjustments to NCHEMS Allocation Model** – Diane Lindner recalled for the Commission their 2007 endorsement of the effort to develop a new model for the allocation of state general fund support based on a peer analysis study by the National Center for Higher Education Management Systems (NCHEMS). The NCHEMS 2006 study showed that Colorado institutions were \$840 million behind the average of their national peers in total state support and tuition revenue per student FTE. In 2007 the NCHEMS peer analysis was updated, approved by the institutions and ratified by the Commission. The revenue gap between Colorado's institutions and their peers was to become the basis for an allocation of FY2009 general funds and subsequent years' state support. In early 2008, the institutions' Chief Executive Officers made a decision to defer implementation of the NCHEMS-gap model, as it is called, to FY2010 due to their inability to resolve a number of details associated with the model. The CEOs agreed to use a proportional share model for the FY2009 budget. The Joint Budget Committee rejected the proportional share model and instead implemented a version of the NCHEMS-gap model in the Long Bill.

The draft policy for discussion would establish an initial allocation of general funds to each governing board calculated by the rate of inflation (as estimated by the State Office of Planning and Budgeting) for the fiscal year in question applied to its previous fiscal year allocation. General funds remaining after the inflation adjustment would be allocated according to NCHEMS-gap calculations, the details of which are the subject of other draft policies.

**Draft Interim Policy regarding Tuition Share Assumption in NCHEMS Allocation Model** – Diane Lindner informed the Commission that this draft policy would take the NCHEMS-gap model and establish a Colorado policy on what the tuition versus State share of revenue should be for each institution. This draft policy has been reviewed and approved by the Commission's Policy Committee but the CEOs' views diverge considerably.

The policy would establish as part of the NCHEMS-gap model an assumption about the expected share of total revenue for each institution that should come from tuition. This assumption is necessary to inform a calculation of how to allocate the state share general funds each fiscal year.

The model anticipates reaching the tuition and state share goals over the period of years required for Colorado's institutions to achieve peer parity.

This policy would 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. The goal is to decrease the tuition portion as the state general fund increases.

Dr. Alan Lamborn, CCHE Advisory Committee, suggested the goal ought not to be ending up at a particular place in terms of tuition versus state shares, but rather to calculate the state contribution.

Dr. Steven Jordan, President of Metropolitan State College of Denver, reiterated his belief in the need for a model that takes into account the interaction between general fund and tuition; he suggested that it is impossible to make decisions about one not understanding how it will impact the other.

Robert Moore, Vice President of Budget and Finance for the University of Colorado-Boulder, encouraged the Commission not to abandon all the work that been done on the NCHEMS model and to continue with good public dialog.

Bruce Benson, President of the University of Colorado System, urged the Commission to seek other funding sources for the institutions, including financial aid available from Washington DC that the US Secretary of Education had informed him of.

Dr. Lamborn stated on behalf of the Colorado State University's Board of Governors that the Board would object to any CCHE policy that restricted the Board's authority to set tuition. He said that the preceding discussion would allay their concerns.

Chairman Polsfut gave the Department staff guidelines regarding what the Commission will need in order to meet the August 1<sup>st</sup> deadline for Y2010 budget requests to the OSPB.

Commissioner Brake moved to adjourn. The meeting was adjourned at 2:50 pm.