

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

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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.

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 agenda item was brought for action to the Commission at their July 2008 meeting, it was tabled until the September meeting to allow for further consideration.

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.

It is possible to determine the amount of revenue these other sources contribute to the general operation of Colorado institutions. However, 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, while counting these funds "against" an institution could act as a disincentive to pursue these funding sources. The costs to administer such a survey could, in the end, outweigh any benefits. Staff 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)