

**TOPIC: NEW COMMISSION POLICY REGARDING PERIODIC REVIEW  
OF PEER INSTITUTIONS FOR NCHEMS-GAP**

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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 this year is whether or not an explicit policy should be in place to govern when and for what reasons an institution's NCHEMS peers will be reevaluated.

## **II. STAFF ANALYSIS**

The draft policy for discussion is included as Attachment A of this agenda item and describes a process to guide the periodic reevaluation of each institution's peers. It is the intent of the Commission and the Department of Higher Education (Department) to utilize the NCHEMS funding study as a basis for allocating state General Funds to each governing board. In other words, after adjusting for inflation (pursuant to the policy the Commission approved on June 5, 2008), an institution with larger funding gaps would receive a greater percentage of the remaining General Funds available than an institution with a smaller gap. The current peer groups were ratified by the Commission in September 2007 and are based on a variety of factors, including: similarity of role and mission; the mix of programs offered; and the size of the institution.

Given how critical an institution's peers are to determining future state funding allocations, the draft policy would allow institutions to request that their peer institutions be reevaluated every three years. Upon a request from an institution, the Department will contract with NCHEMS to review and revise as necessary the institution's peer institutions. Each institution may request this review every three years beginning in April 2010 – approximately three years after the current peers were approved by the Commission – and it would be up to the Commission to approve these revisions at their discretion. The policy would also allow the Commission to consider revisions to an institution's peers due to extenuating circumstances in between the three year review periods if needed. Finally, the draft policy specifies that the peer and Colorado institution data that drives the NCHEMS funding study will be updated annually with the most up to date Integrated Postsecondary Education Data Systems (IPEDS) data.

### **III. STAFF RECOMMENDATION**

**That the Commission approve the policy provided in Attachment A Regarding Periodic Review of Peer Institutions for NCHEMS-Gap.**

### **STATUTORY AUTHORITY**

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