TOPIC: FY 2011-12 GENERAL FUND ALLOCATION

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I. SUMMARY

At the last Commission meeting staff was directed to develop an FY 2011-12 allocation model that addressed specific concerns. Today, staff is recommending that the Commission take final action on a model that addresses allocation principles as well as the concerns specified by the Commission at the last meeting.

II. BACKGROUND

At the August 5th CCHE meeting, staff presented an FY 2011-12 General Fund allocation model as an Action Item that distributed $450 million based on a total revenue approach and then distributed approximately $105 million for institutions that have experienced significant enrollment increases since the economic downturn as well an adjustment for the Anschutz Medical Campus (AMC), and the Professional Veterinary Medical School (PVM). (see **Model #1 provided for comparison)** The model was voted on by the commission but ultimately not adopted. A primary concern with that model expressed at the last meeting was the significant range of percentage reductions among the Governing Boards. Staff was directed to see if there was a way to continue to meet the allocation principles set out by the Commission while reducing the variance in the percentage reductions among the Governing Boards. Secondly, staff was asked to approach the institutions again to see if there was any opportunity to gain greater consensus around the FY 2011-12 allocation.

After the meeting staff developed a model designed to reduce the range of reductions while still addressing the CCHE allocation principles in an understandable and equitable way across the Governing Boards. **Model #2** was prepared as a discussion document for the CFOs to consider at an August 19th meeting. It represents an effort to reduce the percentage variance by starting with a distribution of $500 million and blending the total revenue reduction with a General Fund reduction in a 60/40 split. In addition, the distribution between enrollment and AMC/PVM is split 60/40. The model was presented and discussed with the CFOs on August 19th and while they did not endorse the model they generally considered it to be an improvement.

Subsequent to the CFO meeting, the research institutions and some of the state colleges (CU, CSU, Mines, UNC, ASC, WSC and FLC) coalesced around the previously considered “Three-Part” allocation ([1]**Model #3**) as preferable to either **Model #1** or **Model #2.** The “Three-Part” allocation concept was presented as early as last January and was considered again in July. Recall that the Three-Part allocation is based on a 50/50 split of total revenue reduction and General Fund proportionate reduction and distributes $10 million for recent enrollment growth.

1 Model #3 as attached has been adjusted with current enrollment and other data updates.

On September 1st the coalition provided the attached letter in support of **Model #3** set at $555 million along with a statement asking the Commission to resist any reductions greater than the approximately $150 million in reductions already taken by the system in recent years to meet state budget balancing priorities. Note that the Community Colleges, Mesa State and Metro State do not support **Model #3.**

III. STAFF ANALYSIS

As described above, staff created **Model #2** as an alternative designed to address the concerns raised by the Commission at the August meeting but it was not supported by the CFOs. CCHE and the Department have continued to leave open the opportunity for the institutions to develop or adopt an FY 2011-12 allocation model that meets Commission principles. **Model #3** considers and utilizes tuition flexibility by blending a 50 percent total revenue reduction and protects unique programs like AMC and PVM through the General Fund proportionate reduction. The primary advantage to **Model #3** is added viability through the support of the majority of Colorado Governing Boards which is greater support than any model has received to date. The disadvantage to **Model #3** is (1) that it does not address recent enrollment growth as fully as other models and (2) does not have the support of all the Governing Boards.

Finally, it is important to point out that Model #3 does not build in a planning amount that is lower than the current budget mark of $555 million. For this reason, we have provided **Model #4** to demonstrate the same Three-Part allocation at $500 million. At a fund level below $500 million it may be necessary to change the allocation to meet the CCHE principle of protecting the "status quo."

IV. STAFF RECOMMENDATIONS

Staff recommends approving Model #4 as the FY 2011-12 General Fund allocation model.

STATUTORY AUTHORITY

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