



Colorado Commission on Higher Education
HB 14-1319
Update and Funding Allocation
Model Recommendation

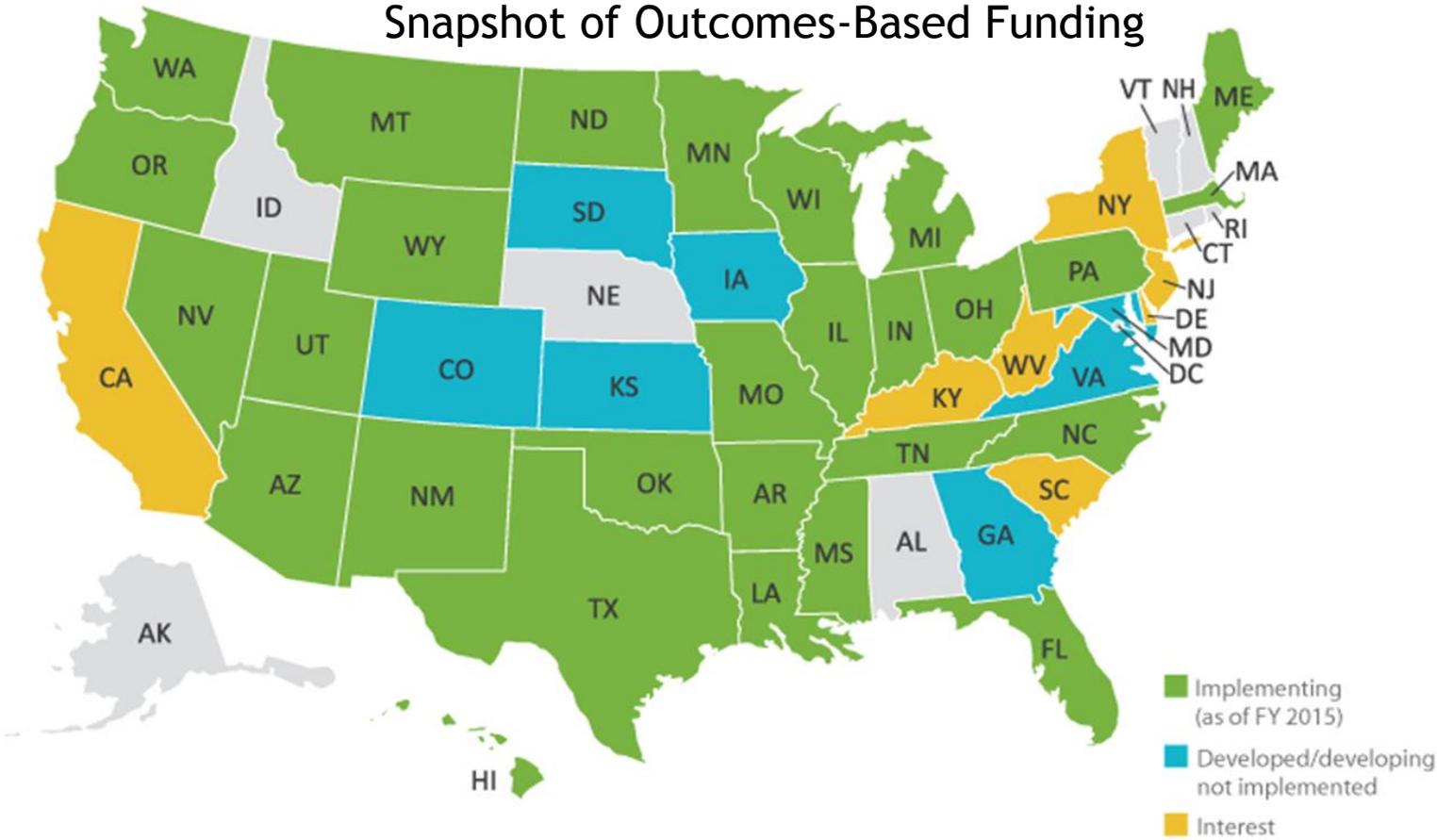
December 4, 2014



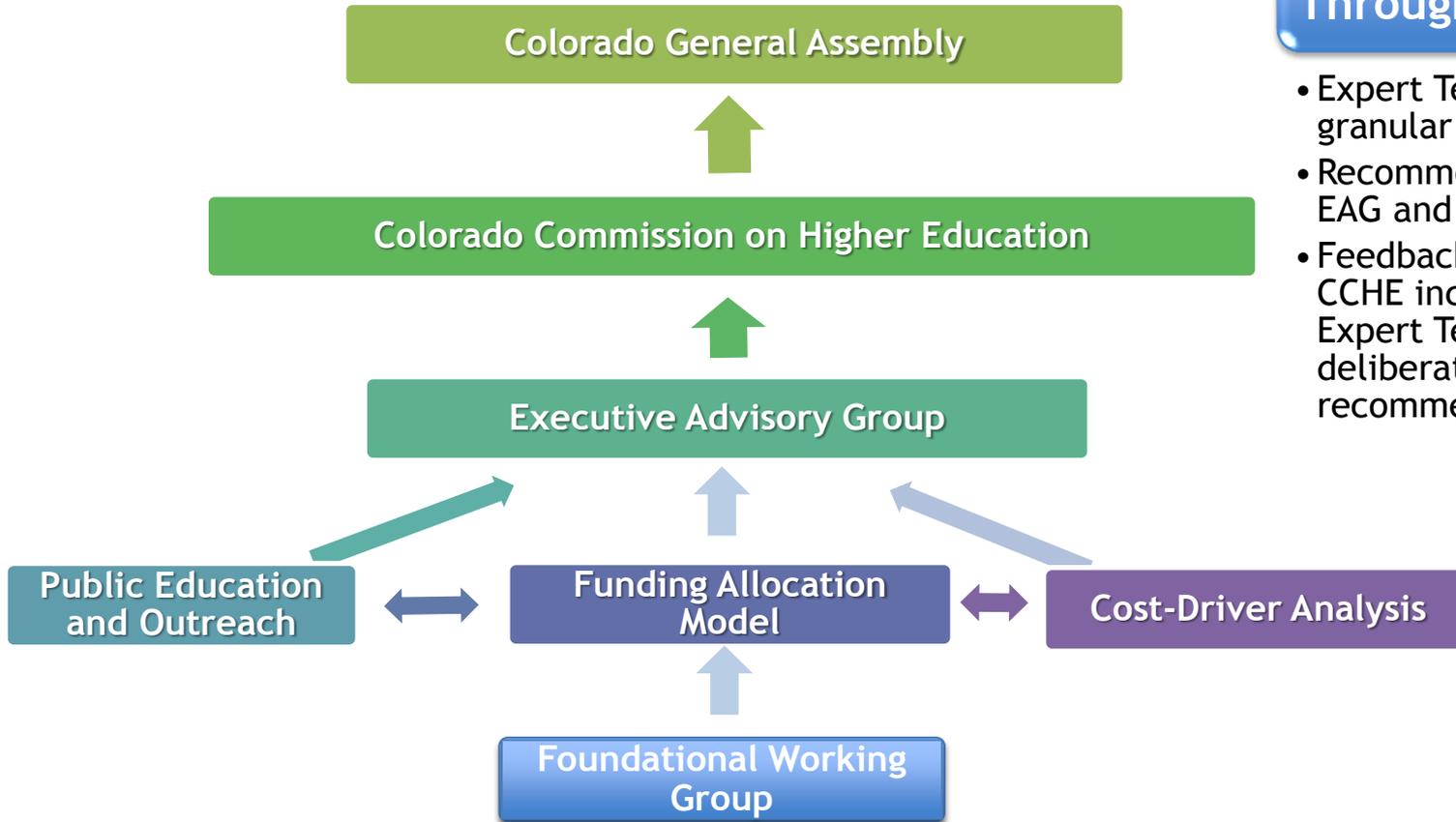
COLORADO
Department of
Higher Education

National Perspective

Snapshot of Outcomes-Based Funding



1319: Project Process

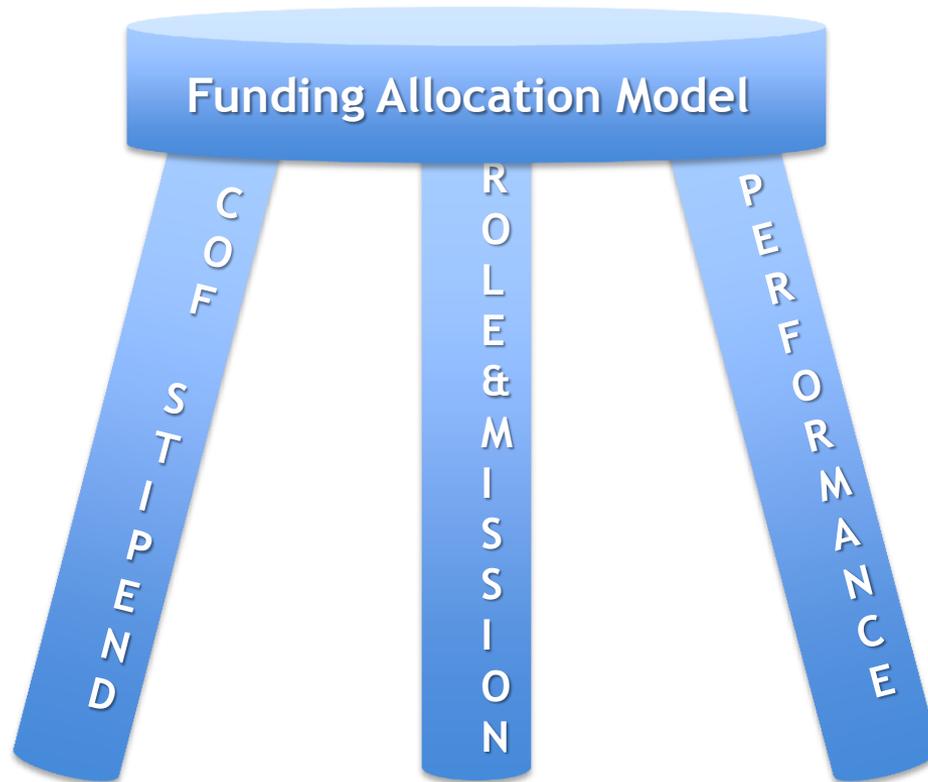


Iterative Process Throughout:

- Expert Teams worked at the granular level.
- Recommendations made to EAG and CCHE.
- Feedback from EAG and CCHE incorporated into Expert Team discussions, deliberations, and final recommendations

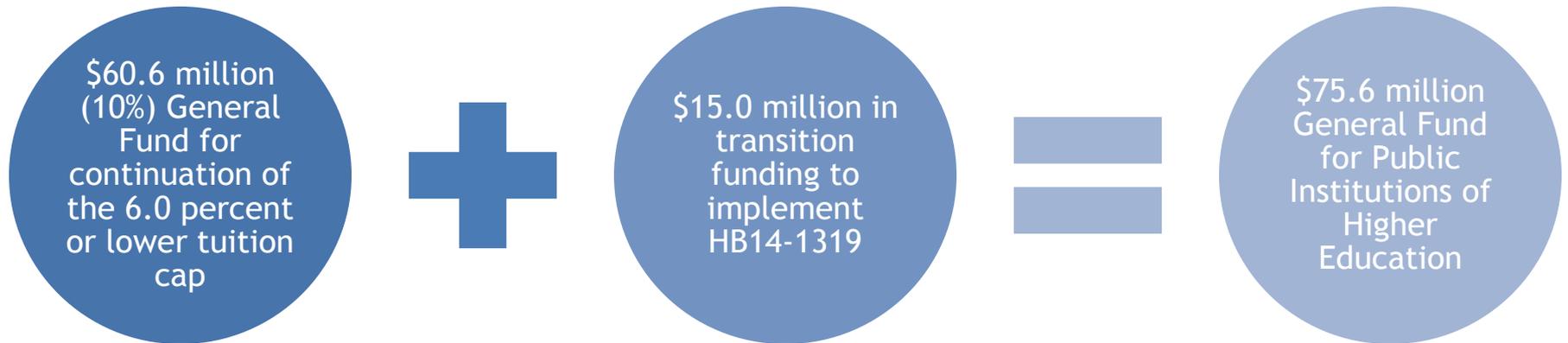
Three Legged Stool

A Careful Balance of Policy, Directives, and Practicality



HB 14-1319 Project Process

Fiscal Year (FY) 2015-16 Governor's Budget Request



PROJECT OVERVIEW

CDHE established a project structure and process with *purpose and intent* to:

Meet the directives of the bill;

Ensure that diverse Colorado voices are heard and incorporated into the conversation; *and*

Achieve a quality end product that can be embraced as a sound mechanism for state funding of public institutions of higher education while meeting the priorities and goals of Colorado.

CDHE has engaged in a very *transparent, inclusive and iterative process* involving:

Affected institutions, current and former higher education commissioners, business leaders, leaders of state higher education institutions, non profit organizations, and advocates for students, parents, faculty and provosts.

Feedback and interaction with the public through 17 regional meetings across Colorado.

PROJECT DEADLINES

2014

November 1 - CDHE and CCHE shall submit budget request for FY 2015-16

- Include draft of the factors and metrics, with their weights.
- Does not include the specific allocation to each governing board.

2015

January 1 - CCHE shall determine role and mission factors and performance funding metrics for fee-for-service contracts. (NOTE: the internal CDHE deadline is December 5, in order to be prepared to present this new model during the JBC and Smart Act hearings held in December)

January 15 - CDHE and CCHE shall submit an updated budget request with the proposed funding allocation model.

November 1 (and each November 1 thereafter) - CDHE and CCHE shall submit annual budget request for the following fiscal year (2016-17) that includes a detailed description of the proposed funding allocation model.

November 1 - CCHE shall submit to the Joint Budget Committee and the Education Committees of the House and Senate new tuition policies. These shall:

- Ensure both accessible and affordable higher education for Colorado's residents.
- Reflect the level of state funding for the institutions and need of each institution to enhance the quality of educational programs and offerings, and strengthen the financial position of the institution.

2016

July 1 (and each July 1 thereafter until 2020) - CCHE shall submit a written report to the Joint Budget Committee and the Education Committees of the House and Senate on the status of the implementation of 1319 and make any recommendations for changes.

PROJECT PRINCIPLES

HB 14-1319 requires the Colorado Commission on Higher Education (CCHE) to develop a new base funding formula to allocate state general fund dollars among the State's public institutions of higher education.

In order to ensure Colorado higher education is of value, affordable, accessible, and high quality; and, seen as a public good, all decisions regarding the development of this new funding formula should:

- Align project outcomes with Master Plan goals, which are:

Increase the attainment of high quality postsecondary credentials across the academic disciplines and throughout Colorado by at least 1,000 new certificates and degrees each year to meet anticipated workforce demands by 2015.

Improve student success through better outcomes in basic skills education, enhanced student support services and reduced average time to credential for all students.

Enhance access to ensure that the system reflects the changing demographics of the state while reducing attainment gaps among students from underserved communities.

Develop resources, through increases in state funding, that will allow public institutions of higher education to meet projected enrollment demands while promoting affordability, accessibility and efficiency.

- Promote clarity, simplicity and predictability in the allocation of state funds to public institutions of higher education.
- Evaluate Colorado public institutions of higher education on accurate and comparable data.
- Respect the individual role and mission purposes of each Colorado public institution of higher education with regard to operational authority and flexibility.

HB 14-1319 Legislative Intent

Funding for higher education should be based on the needs of the state, the people of Colorado, and the students. *Section 1, Page 2, 23-18-301(1)(b)*

Ensure that tax dollars are being used to achieve state policy goals, higher education must be funded in a manner that is transparent and understandable. *Section 1, Page 3, 23-18-301(2)(a)*

To achieve state policy goals, performance metrics must be established that are consistent and predictable. *Section 1, Page 3, 23-18-301(2)(b)*

It is essential that Colorado make wise use of its investment in higher education to increase the number of Coloradans who have earned a high-quality postsecondary credential. *Section 1, Page 2, 23-18-301(1)(d)*

Colorado's limited state resources must be used in a way that provides incentives for state institutions of higher education to achieve the policy goals adopted by the General Assembly and the Colorado Commission on Higher Education. *Section 1, Page 2, 23-18-301(1)(g)*

With a consistent and predictable funding model for higher education, state institutions of higher education will be able to engage in long-term financial planning that will benefit students through more predictable tuition and fees. *Section 1, Page 3, 23-18-301(2)(c)*

It is important that all Coloradans have access to affordable higher education and that higher education services are available in all geographic areas of the state. *Section 1, Page 2, 23-18-301(1)(e)*

It is critical that the rate of postsecondary participation by low-income Coloradans and minorities, who are currently underrepresented, be increased. *Section 1, Page 2, 23-18-301(1)(f)*

If higher education is funded in a manner that is transparent and understandable, Coloradans, and especially Colorado Taxpayers, will more easily understand the benefit realized from Colorado's investment in its higher education system. *Section 1, Page 3, 23-18-301(2)(d)*

HB 14-1319 Legislative Directives

The components of the 'new' fee-for service contracts developed by the Commission "must" be fairly balanced between role and mission factors and performance metrics. *Section 1, Page 5, 23-18-303(2)*

Each role and mission factor may be applied differently to institutions, but similar institutions must be treated similarly. *Section 1, Page 14, 23-18-306(2)(b)(III)*

Each performance funding metric must be applied uniformly to all governing boards. *Section 1, Page 14, 23-18-306(2)(b)(IV)*

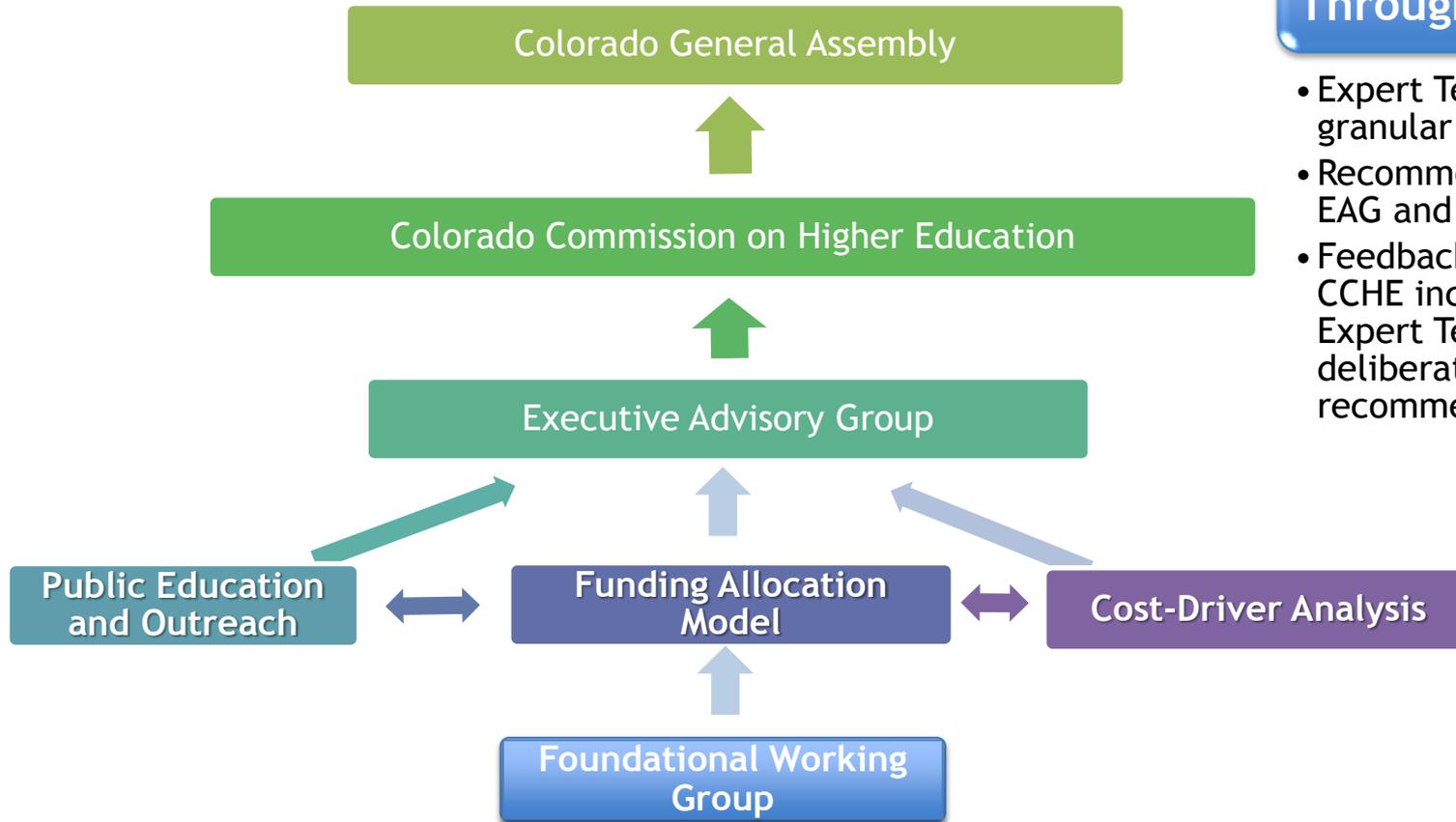
COF Stipend must be at least 52.5% of Total State Appropriations for the applicable state fiscal year, except that percentage may be less than 52.5% as a result of adjustments for actual enrollment. *Section 1, Page 12, 23-18-305(2)(a)*

Each role and mission factor and performance funding metric must be transparent and measurable. *Section 1, Page 14, 23-18-306(2)(b)(II)*

CCHE shall work in consultation with interested parties to determine the role and mission factors and performance funding metrics. *Section 1, Page 14, 23-18-306(2)(a)*

Each role and mission factor and performance funding metric must be tied to the policy goals established by the General Assembly and by the Commission in its Mater Plan. *Section 1, Page 14, 23-18-306(2)(b)(I)*

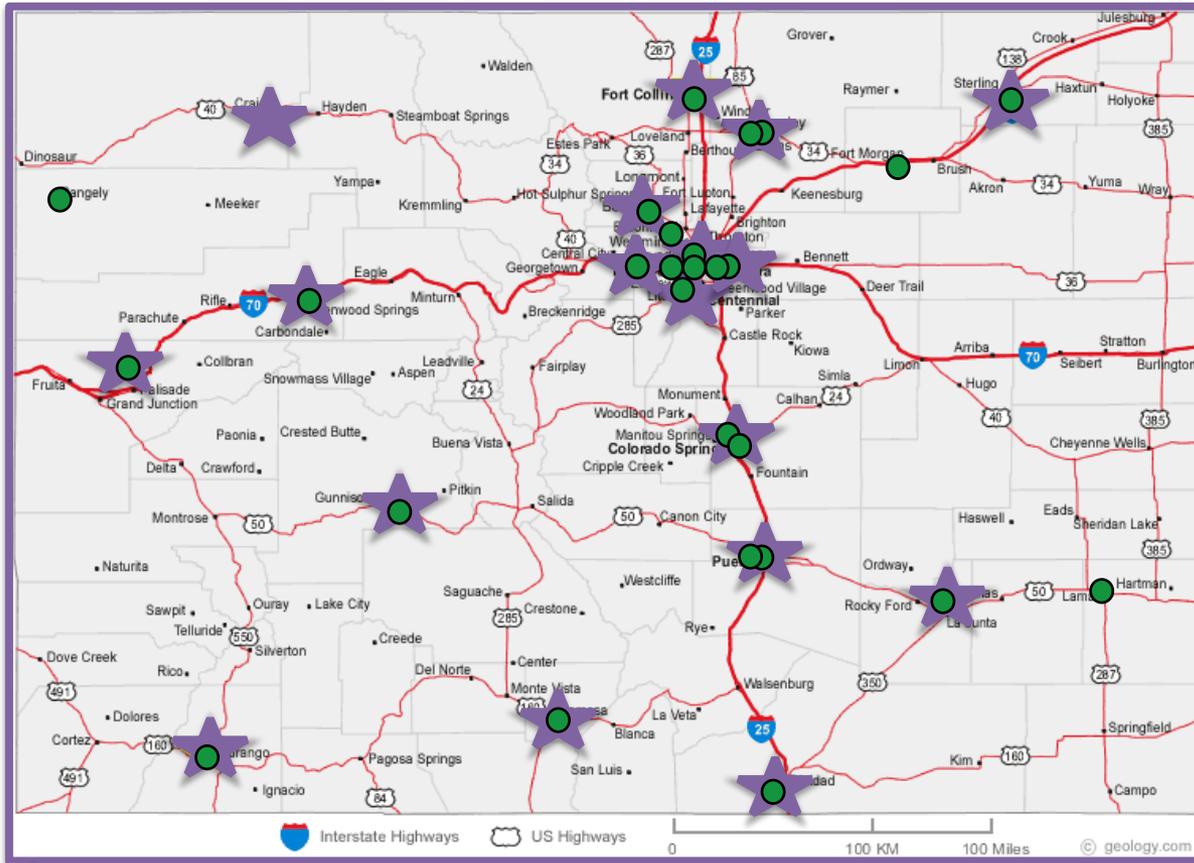
1319: Project Process



Iterative Process Throughout:

- Expert Teams worked at the granular level.
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1319: Feedback from Public Education and Outreach



Affordability

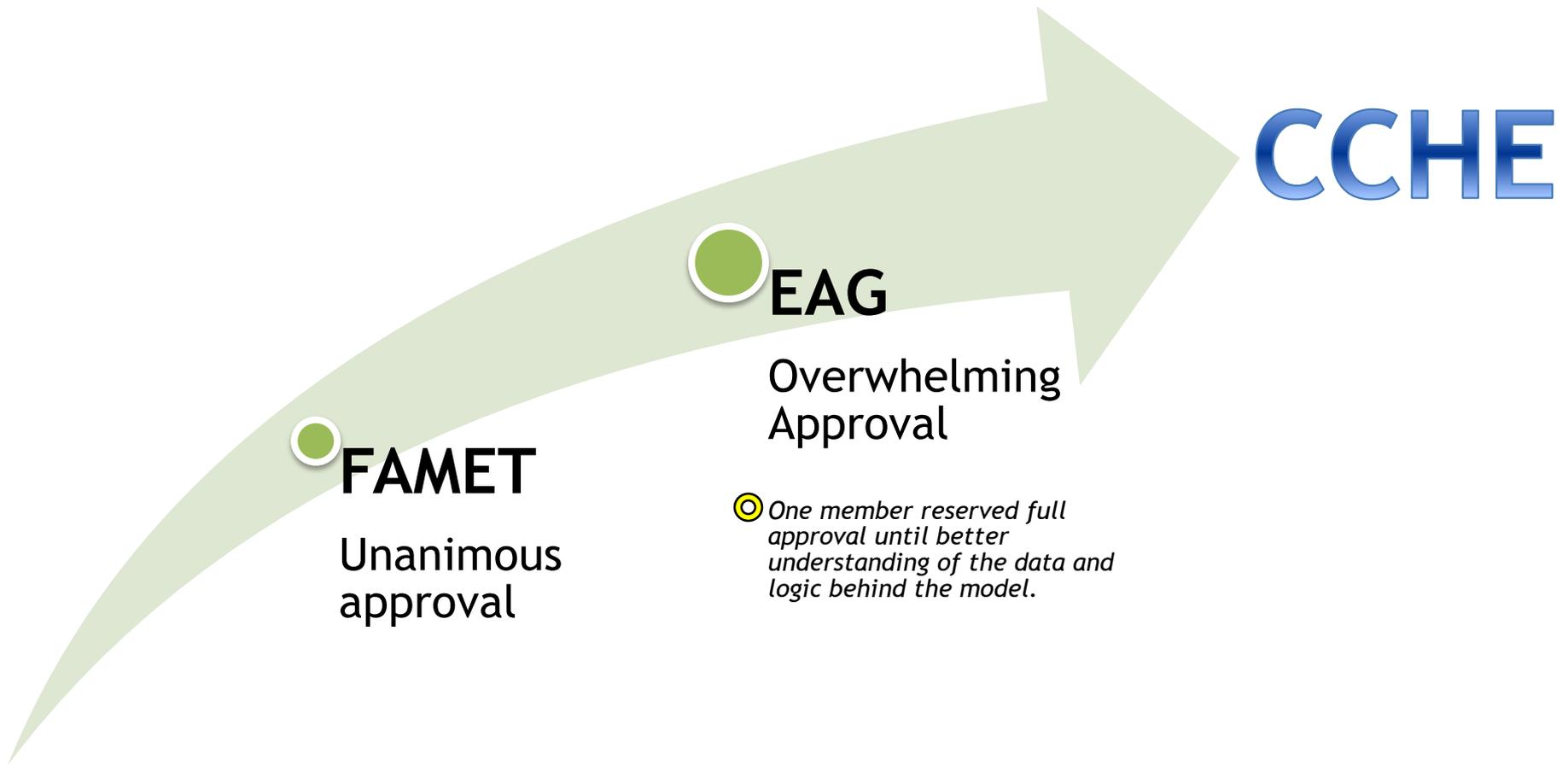
Increasing Completions

Providing Needed Services to Low Income and Under Represented Minority Students

Access to higher education in all geographic areas of the state

- ★ Location of public education and outreach meeting
- Public Institution of Higher Education (main campus)

APPROVAL OF MODEL



EAG Recommended Model Overview: Funding Allocations

Increase in Appropriations



FUNDING ALLOCATIONS

Total Appropriations for Higher Education

Full Appropriations	\$665,855,077
Projected Appropriations plus SEP only	\$640,523,963
New Total State Appropriations for Model (TSA)	\$525,682,095
Specialty Ed Programs New	\$114,841,868
Local District Junior College Amount	\$15,449,050
Area Vocational Schools Amount	\$9,882,063

Budget Percentage Increase

10.00%

SEP Additional Increase

0.00%

EAG Recommended Model Overview: Funding Allocations

FUNDING ALLOCATIONS

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Area Vocational Schools Amount	\$9,882,063

Budget Percentage Increase

10.00%

SEP Additional Increase

0.00%

Total State Appropriations

EAG Recommended Model Overview: COF Stipend

COF Stipend

Total Awarded from COF Stipend	\$294,582,075
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Percent of Appropriation Dedicated to COF Stipend

	56.0%
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COF Stipend must be 52.5% or greater.

COF Stipend Rate

COF Stipend per Credit Hour
\$75

COF Stipend Rate, Must be at
least 52.5% of Total State
Appropriations

EAG Recommended Model Overview: Role and Mission and Performance Allocations

Role & Mission and Performance Allocations

Total in Role and Mission Allocation	\$138,660,012
Total: Performance	\$92,440,008

Role and Mission Split Percentage

60%

Performance Split Percentage

40%

EAG Recommended Model

Overview: Role and Mission (Pell & URM)

ROLE AND MISSION

Governing Board	Dollars Awarded to Pell	Dollars Awarded to URM	Dollars Awarded to Tuition Stability Factor	Dollars Awarded to Weighted Credit Hours	Total Awarded from Role and Mission
Adams State University Board	\$211,403	\$76,041	\$4,000,000	1,666,660	5,973,333
Colorado Mesa Board	\$663,813	\$126,348	\$1,000,000	3,301,272	5,110,432
Colorado School of Mines Board	\$156,315	\$36,536	\$2,250,000	5,936,977	8,382,828
Colorado State University Board	\$1,502,238	\$420,984	\$1,000,000	19,104,332	22,027,524
Community College System Board	\$6,049,651	\$1,457,566	\$1,000,000	19,118,606	27,626,012
Fort Lewis College Board	\$170,085	\$42,694	\$0	2,344,326	2,657,104
Metro State University Board	\$1,603,703	\$476,469	\$0	6,266,946	10,351,137
University of Colorado Board	\$2,166,766	\$602,026	\$1,500,000	34,666,166	38,968,959
University of Northern Colorado Board	\$666,666	\$197,914	\$6,000,000	6,701,736	13,566,506
Western State Board	\$113,426	\$17,636	\$2,750,000	1,216,816	4,097,178
Grand Total	\$13,326,347	\$3,456,502	\$19,500,000	102,373,264	136,660,012

Pell Carveout
10.0%

URM Carveout
5.0%

Pell-Eligible and URM as a Percentage of the COF Stipend

Applied to In-State Student Counts Only

EAG Recommended Model

Overview: Role and Mission (Tuition Stability Factor)

ROLE AND MISSION

Governing Board	Dollars Awarded to Pell	Dollars Awarded to URM	Dollars Awarded to Tuition Stability Factor	Dollars Awarded to Weighted Credit Hours	Total Awarded from Role and Mission
Adams State University Board	\$211,403	\$78,041	\$4,000,000	1,885,800	5,973,333
Colorado Mesa Board	\$583,813	\$125,348	\$1,000,000	3,301,272	5,110,432
Colorado School of Mines Board	\$158,315	\$38,538	\$2,250,000	5,938,977	8,382,828
Colorado State University Board	\$1,502,228	\$420,954	\$1,000,000	19,104,332	22,027,524
Community College System Board	\$8,049,851	\$1,457,588	\$1,000,000	19,118,808	27,626,012
Fort Lewis College Board	\$170,085	\$42,894	\$0	2,344,325	2,557,104
Metro State University Board	\$1,803,703	\$478,489	\$0	8,288,948	10,351,137
University of Colorado Board	\$2,188,788	\$802,025	\$1,500,000	34,898,188	38,988,999
University of Northern Colorado Board	\$888,858	\$197,914	\$8,000,000	6,701,735	13,586,508
Western State Board	\$113,428	\$17,938	\$2,750,000	1,215,815	4,097,179
Grand Total	\$13,328,247	\$3,458,502	\$19,500,000	102,373,264	138,680,012

Pell Carveout
10.0%

URM Carveout
5.0%

Tuition Stability Factor

HB 14-1319 allows the Commission to establish up to two additional role and mission factors, including but not limited to *institutional affordability*.

This factor also provides further resources to governing boards in order to ensure compliance with the six percent resident tuition cap (S.B. 14-001) without impacting services to students or contributing to financial instability of institutions.

EAG Recommended Model

Overview: Role and Mission (Weighted Completed Credit Hours)

ROLE AND MISSION

Governing Board	Dollars Awarded to Pell	Dollars Awarded to URM	Dollars Awarded to Tuition Stability Factor	Dollars Awarded to Weighted Credit Hours	Total Awarded from Role and Mission
Adams State University Board	\$211,403	\$78,041	\$4,000,000	1,885,860	5,975,303
Colorado Mesa Board	\$583,813	\$125,348	\$1,000,000	3,301,272	5,110,432
Colorado School of Mines Board	\$158,315	\$38,538	\$2,250,000	5,938,977	8,385,828
Colorado State University Board	\$1,502,228	\$420,864	\$1,000,000	19,104,332	22,027,524
Community College System Board	\$8,049,851	\$1,457,588	\$1,000,000	19,118,808	27,626,012
Fort Lewis College Board	\$170,085	\$42,894	\$0	2,344,325	2,557,104
Metro State University Board	\$1,803,703	\$478,489	\$0	8,288,948	10,351,137
University of Colorado Board	\$2,188,788	\$802,025	\$1,500,000	34,898,188	38,988,999
University of Northern Colorado Board	\$888,858	\$187,914	\$8,000,000	6,701,738	13,558,508
Western State Board	\$113,428	\$17,938	\$2,750,000	1,215,815	4,097,179
Grand Total	\$13,328,247	\$3,458,502	\$19,500,000	102,373,264	138,660,012

Pell Carveout
10.0%

URM Carveout
5.0%

PURPOSE

Offset the cost incurred in providing remediation classes and undergraduate & graduate programs.

- Robust Multi State Study
- Factors in all types of institutions, who they serve and how they serve them
- Meets the requirements of the legislation



EAG Recommended Model

Overview: Performance (Weights by Level)

PERFORMANCE	
Governing Board	Dollars Awarded to Completion and Retention
Adams State University Board	\$888,918
Colorado Mesa Board	\$1,783,202
Colorado School of Mines Board	\$1,843,221
Colorado State University Board	\$10,108,570
Community College System Board	\$12,790,887
Fort Lewis College Board	\$1,117,738
Metro State University Board	\$8,218,357
University of Colorado Board	\$17,432,939
University of Northern Colorado Board	\$3,874,928
Western State Board	\$832,278

- Transfer Weight
0.25
- Certificate Weighting
0.25
- Associate Weight
0.5
- Baccalaureate Weight
1
- Grad. Certificate Weight
0.25
- Master Weight
1.25
- Specialist Weight
1.25
- Doctorate Weight
1.25

- Completion Weight
85%
- Retention Weight
15%
- URM Bonus
1.5
- Pell Bonus
1.5
- Priority Bonus
1.5

Total Weighted Completions



RETENTION

Two-Year Institutions

- 15 credit hours
- 30 credit hours
- 45 credit hours

Four-Year Institutions

- 30 credit hours
- 60 credit hours
- 90 credit hours

Completion/Transfer Weights by Level

EAG Recommended Model

Overview: Performance (Bonuses)

- Transfer Weight
0.25
- Certificate Weighting
0.25
- Associate Weight
0.5
- Baccalaureate Weight
1
- Grad. Certificate Weight
0.25
- Master Weight
1.25
- Specialist Weight
1.25
- Doctorate Weight
1.25

PERFORMANCE	
Governing Board	Dollars Awarded to Completion and Retention
Adams State University Board	\$885,918
Colorado Mesa Board	\$1,763,200
Colorado School of Mines Board	\$1,843,221
Colorado State University Board	\$10,108,570
Community College System Board	\$12,790,857
Fort Lewis College Board	\$1,117,738
Metro State University Board	\$5,215,357
University of Colorado Board	\$17,432,939
University of Northern Colorado Board	\$3,674,925
Western State Board	\$632,278

Total Weighted Completions



- Completion Weight
85%
- Retention Weight
15%
- URM Bonus
1.5
- Pell Bonus
1.5
- Priority Bonus
1.5

- Statute specifies award must be based on subject and level.
- CCHE Master Plan identifies the priority need subjects.

Population and Priority Bonus UG Completions and Transfers

EAG Recommended Model

Overview: Performance (Volume Adjusted Performance)

Dollars Awarded to Volume Adjusted Awards Dollars Awarded to Performance

\$4,084,028	\$4,971,844
\$2,958,480	\$4,721,692
\$4,002,028	\$3,938,149
\$4,019,374	\$14,125,944
\$2,368,758	\$15,158,818
\$3,772,988	\$4,890,724
\$3,657,082	\$8,872,438
\$3,999,781	\$21,432,700
\$4,038,815	\$7,710,740
\$3,988,884	\$4,821,182

Volume Adjusted Performance

Volume Adjusted Performance

- HB 14-1319 allows the Commission to establish up to four additional performance metrics.
- Allows smaller institutions to compete in the Performance portion of the model.
- Allows for recognition of the “rate” of completions/transfers.

Volume Adjustment Factors

Awards per SFTE	\$38,878,000
Completion & Retention	\$55,484,008
Total: Performance	\$92,440,008

Two-Pass Total on SFTE

100.27307

Volume Adjustment
40%

Volume Adjustment Total
100.27307

Volume Adjusted Performance
as % of total performance
funding

EAG Recommended Model

Overview: Final Output

FUNDING BY GOVERNING BOARD

Governing Board	Total Awarded from COP Stipend	Total Awarded from Role and Mission	Dollars Awarded to Performance	Total Allocation from Model	Total Allocation with SEP	Previous Year's Allocation	Percentage Change
Adams State University Board	\$3,014,775	\$5,973,333	\$4,971,844	\$13,959,952	\$13,959,952	\$12,837,321	8.75%
Colorado Mesa Board	\$14,609,400	\$5,110,432	\$4,721,892	\$24,441,524	\$24,441,524	\$22,027,253	10.99%
Colorado School of Mines Board	\$6,291,600	\$8,382,828	\$5,936,149	\$20,610,577	\$20,610,577	\$18,669,466	10.40%
Colorado State University Board	\$44,015,100	\$22,027,524	\$14,125,944	\$80,168,567	\$133,499,085	\$73,496,160	9.08%
Community College System Board	\$109,407,525	\$27,626,012	\$15,156,616	\$152,190,153	\$152,190,153	\$137,465,917	10.71%
Fort Lewis College Board	\$4,545,825	\$2,557,104	\$4,890,724	\$11,993,653	\$11,993,653	\$10,594,613	13.21%
Metro State University Board	\$31,613,100	\$10,351,137	\$8,872,438	\$50,836,675	\$50,836,675	\$43,681,225	16.38%
University of Colorado Board	\$61,134,600	\$38,965,959	\$21,432,700	\$121,533,258	\$183,044,608	\$111,178,395	9.31%
University of Northern Colorado Board	\$17,177,550	\$13,568,506	\$7,710,740	\$38,456,796	\$38,456,796	\$37,357,034	2.94%
Western State Board	\$2,772,600	\$4,097,178	\$4,621,162	\$11,490,940	\$11,490,940	\$10,585,430	8.55%

GUARDRAILS

HB 14-1319 specifies, for the first five years, that no governing board's allocation from the model may be greater than or less than 5% of the percentage change in Total State Appropriations.

Based on the Governor's proposed budget for FY 2015-16, the application of these guardrails will adjust all institutions to no less than a 5% increase and to no more than a 15% increase.

Percentage Change from Prior Year

Model outcomes based on hypothetical changes in future appropriations *(see attachment)*

Three Scenarios:

Scenario 1: High-level increases in appropriations

Scenario 2: Low-level and stable increases in appropriations

Scenario 3: Decrease in appropriations, simulating an economic downturn

Model Strengths

- Introduces performance funding in a meaningful way.
- Represents a consensus of affected governing boards.
- Follows the intent of the statues and input from stakeholders.
- Connects with the CCHE Master Plan.
- Compliance with SB 1.
- Model is customizable and flexible, given the prescriptive legislation.
- Allows for dynamic forecasting.
- Helps keep tuition increases in check.
- Uses unit record data.

HB 14-1319 Policy Intentions

- Create transparency in how state general fund dollars are spent.
- Establish a funding mechanism that is understandable to Colorado taxpayers.
- Base funding allocations to institutions on enrollment, retention, and performance.
- Target limited resources toward shared policy goals.
- Change behaviors to reflect and align with shared policy goals.
- Improve the successes of our at-risk students.
- Allow tuition policy to adjust to reflect the variation of the model output.
- Better understand the costs and cost drivers for our institutions.

Challenges to the Effectiveness of Performance Funding *(other state experiences)*

Insufficient institutional capacity

Inappropriate performance funding measures

Insufficient state financial support

Institutional resistance

Concerns about quality?

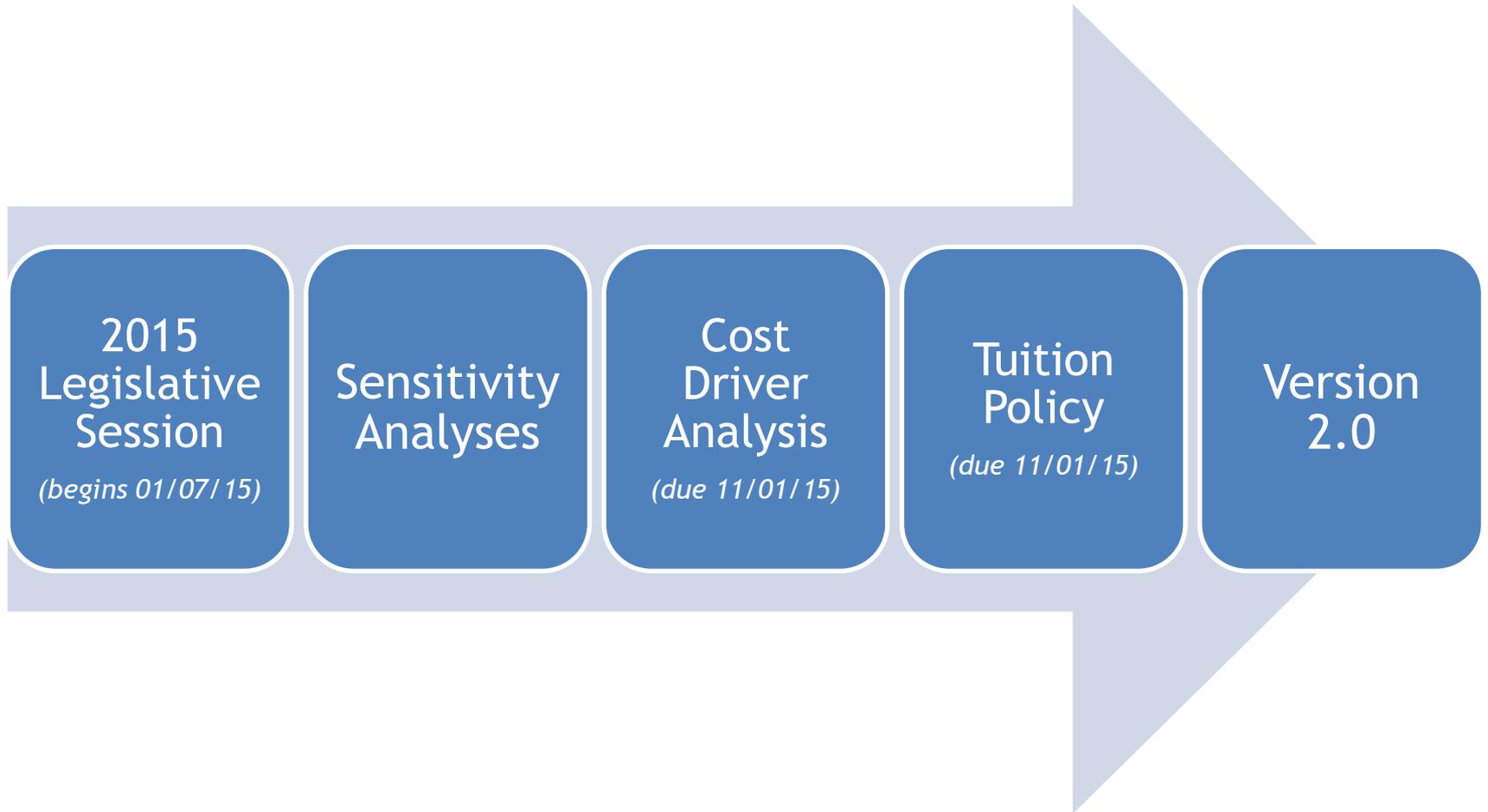
Outcomes are largely a function of the preparation of the incoming student

Sustainability and long-term effectiveness

Governor's Proposed Transitional Funding - \$15 million

- FAMET and EAG recommend using a portion of this transitional funding to ensure all institutions receive at least a 10% increase in funding over last year.
- Discussion with CCHE on additional options and ideas.

HB 14-1319 Next Steps





Questions



COLORADO
Department of
Higher Education