Chairman James Polsfut called the meeting to order at 9:40 AM.

Commissioners James Polsfut, Hereford Percy, Larry Beckner, Dave Edwards, Happy Haynes, Patty Pacey, Regina Rodriguez, Greg Stevinson and BJ Scott were in attendance. Commissioner Jill Brake attended via conference call. Commissioner Michael Plachy was excused. Also in attendance were Advisory Committee members Dr. Toni Larson, Dr. Abe Harraf and Kelly Fox and Ruth Annette Carter.

Commissioner Percy moved to approve the minutes of the May 20, 2010 special meeting. The motion was seconded by Commissioner Edwards and unanimously passed.

DISCUSSION OF TUITION FLEXIBILITY IMPLEMENTATION

Draft Financial Accountability Plan (FAP) - Deputy Director Dr. Kim Poast briefed the Commission on the changes staff had incorporated into the draft FAP. Based on feedback from the commissioners and the institutions, more qualitative questioning has been added throughout the FAP, peer analysis comparisons were included, and a section was added to address under-represented and under-served students. One of the goals of these changes was to ensure common metrics, while still giving the institutions the opportunity to provide their own data.

Constituent groups including institutional presidents, chief financial officers, chief academic officers, financial aid officers and data advisory groups offered feedback to staff.

Feedback included the need for common metrics for measuring student debt load, the development of a consultative process given the timeline of the FAP and measuring metrics based on three years rather than the originally suggested five years.

Executive Director Rico Munn added that there will be further discussion and feedback before staff asks the CCHE to adopt the FAP.

Commissioner Pacey asked how student debt load will be measured. Dr. Poast stated that staff are still developing the proper metrics. Although there will not be consequences for measuring debt load, it is an important benchmark and so should utilize common metrics.

Director Munn also pointed out that statute does not presume any specific amount of debt is too much.
Commissioner Stevinson suggested that the more information provided by the institutions in the FAP the better to help in the Commission’s decision making process.

Commissioner Pacey asked if the number of institutions that will seek to raise tuition above nine percent was known. Chairman Polsfut responded that he believed there were only a handful of institutions that will do so based on past tuition increases and market conditions. Advisor Kelly Fox, the institutional CFO representative, mentioned that until the institutions have an indication of what the general funds from the State will be, most institutions will be unable to make that decision. Director Munn added that the more inflexible the process is—i.e. being locked into whatever the economic situation is in September—the fewer institutions will apply. But with a process that allows for some flexibility and ongoing discussion, there may be more institutions applying.

**Key Components of Institutional Flexibility Process as Accepted by CCHE on May 20, 2010** – Dr. Poast started the discussion with the third item under CCHE Allocation Principles in the SB03 Implementation Process document. The item reads *Allocation should preserve the “status quo”*. Staff and Commissioners understand that status quo means keeping “lights on, doors open”. The institution CFOs indicated that status quo could mean many things and may be too open-ended. Commissioner Pacey suggested preserving the institutions instead. Commissioner Beckner suggested that since the Higher Education Strategic Planning process is addressing this issue, the Commission may be premature in taking a position on preserving all the institutions as they exist. Director Munn explained that SB03 is a temporary measure that should approve plans from two to five years. Chairman Polsfut suggested the title of the document read CCHE Interim Allocation Principles for clarification purposes.

Commissioners also discussed incorporating “what if” scenarios into the process relating to the strategic plan and the upcoming budget.

**General Fund Allocation Narrative that Reflects CCHE Guidance** - Mark Cavanaugh, Chief Financial Officer, went over the FY 2011-12 allocations draft proposal. He explained that staff intentionally did not include actual numbers in the draft, as discussions can be derailed around specific numbers rather than conceptual ideas. The arbitrary number of $500 million was used for the lowest possible dollar amount provided to higher education from the state’s general fund. If the amount is lower than $500 million, a system of allocation for survival would be used. If the number is above $500, an allocation model would be used under which three factors would be blended: prior year base funding levels; total revenue allocation; and an enrollment factor. This proposal would be a short term recommendation, not a permanent allocation methodology.

**SB 10-003 Financial Accountability Plan Submission Timeline As Amended, With Adjustments For Forecast Scenarios** – Director Munn briefed the Commission on the components of the timeline.

- The Office of State Planning and Budgeting does an annual quarterly revenue projection in late June;
- The CCHE annual deadline for submission of recommendations regarding tuition occurs in the first part of October;
The FAP submission time frame must take into account distribution of templates, submission of plans, and ample time for a collaborative feedback process with institutional presidents and chief financial officers;

The recommended timeframe coincides with the strategic planning process;

Notification to institutional governing boards about decisions by the end of 2010 will enable institutions to plan accordingly.

Director Munn said that the institutions have indicated that they prefer to know the Joint Budget Committee’s higher education budget allocation before they submit plans, which would put the CCHE review of tuition recommendations beginning in April of 2011. This would not give institutions time to revise their plans, should that be necessary. If the timeline is pushed back to the spring of 2011 the institutions will have only four to six weeks to change directions before the fall semester starts. Director Munn also reminded Commissioners that the plan submission will not be the actual tuition setting; instead it is an application for more discretion regarding tuition setting.

Director Munn noted that there may be more institutions applying for tuition increases over nine percent if the review process is this Fall instead of next Spring when there is a better idea of the general fund dollar amount for higher education. Built into the process is the ability to make adjustments to the plan.

**ACTION ITEM**

**SB 10-03 FAP TIMELINE** - This item recommends that the CCHE accept institutional FAPs from August 2, 2010-September 6, 2010; and that final recommendations be submitted to the JBC by December 10, 2010

Commissioner Haynes moved to adopt the process timeline for reviewing the FAPs. The motion was seconded by Commissioner Scott and unanimously passed.

**Public Comment** – Mr. George Walker of Denver expressed his pleasure with the emphasis on low and middle income student needs, underrepresented student needs and student loan reduction.

Commissioner Beckner moved to adjourn. The motion was seconded by Commissioner Stevinson. The meeting was adjourned at 12:22 pm.