Chairman Kaufman called the meeting to order at 1:20pm.

Chairman Dick Kaufman, Vice Chair Patty Pacey, Commissioners Larry Beckner, Jeanette Garcia, Happy Haynes, Monte Moses, Jim Polsfut, Regina Rodriguez and BJ Scott attended. Also in attendance were CCHE Advisory Committee members Toni Larson, Michael Mincic, Ruth Annette Carter and Laura Rutz. Advisors Frank Novotny and Keith Owen attended via conference call.

Commissioner Scott moved to approve the minutes of the October 4, 2012 CCHE meeting. The motion was seconded by Commissioner Pacey and passed unanimously.

Father John Fitzgibbons, President of Regis University, welcomed the Commission to the campus. He said that Regis is very proud of the strong collaborative relationship they have enjoyed with the State. Regis currently serves 14,600 students in three colleges: Regis College, which offers master’s degrees in education and biomedical science; The Rickard Hartman College for Professionals offers professional doctoral degrees in nursing, pharmacology and physical therapy; and the College for Professional Studies offers ground based courses at the six campuses in the state. Regis University also has a unique dual language program offered in partnership with the Anna G. Mendez University in Puerto Rico. The school has had great success with first generation, low-income students through partnerships with Arrupe Jesuit High School, the Denver Scholarship Foundation and the Challenge Foundation. Regis University is the 18th largest employer in the City and County of Denver.

**EXECUTIVE DIRECTOR REPORT**

Lt. Governor Joe Garcia, Executive Director of the Department of Higher Education, informed the Commission of the morning’s press conference when the Governor presented his proposed budget for FY 2013-14. There is a request for additional money for higher education in the excess of $37 million, which includes general fund operating dollars, additional amounts for financial aid, and additional amounts for Native American student scholarships at Ft. Lewis College.

Lt Governor Garcia also reported that the state hosted a visit from Bill and Melinda Gates of the Bill and Melinda Gates Foundation. Although the visit focused primarily on the K-12 projects they are supporting, they emphasized that they supported higher education projects as well. The Gates are focused on the College Completion agenda and pointed to Colorado as a model for the rest of the nation, not just in K-12 but in the collaborations between K-12 and higher education.
PUBLIC COMMENT

George Walker, of Denver, complimented the Denver Post and Colorado Public Radio for their coverage of the proposed school measures for increased taxes but still questions how the $3 to $4 billion in the Lobato fund figures into the funding coordination. Mr. Walker believes that the public is confused about what funding is needed and where it can be obtained.

ACTION ITEMS

Student Appeals: Recommendation for Approval of Revised CCHE Policy I, Part T.

Vice Chair Pacey moved to hold this item over until the December 6, 2012 CCHE meeting. The motion was seconded by Commissioner Rodriguez and unanimously passed.

Degree Authorization Act: Recommendation for Approval of Revisions CCHE Policy, Section I, Part J – Heather DeLange, Academic Policy Officer, presented this item as the final recommendation for adoption of the revised policy. Ms. DeLange reviewed the five major conceptual changes to the policy:

1. Renewal, maintenance, and revocation of authorization
2. Establishment of a fee schedule
3. Data collection
4. Collection of student records
5. Financial integrity by means of surety

Ms. DeLange noted a change in the fee schedule from the last presentation to the Commission at the October 4, 2012 meeting. The Department will collect $75,500 from the private institutions through annual assessments, rather than $96,000, as previously described. This allows a lowering of annual fees for the institutions. The fees will fluctuate annually based on changes in enrollments, the number of institutions authorized to operate in the state, and the number of institutions operating under a provisional or probationary authorization.

Advisor Larson, Independent Higher Education Representative, commented that this has been a wonderful process for establishing the rules and there’s been a lot of collaboration and the work that Ms. DeLange has done on this project is greatly appreciated.

Commissioner Rodriguez moved to approve and adopt the revised Degree Authorization Act policy as CCHE Section I, Part J. The motion was seconded by Commissioner Scott and unanimously passed.

Approval of Fiscal Year 2013-14 General Fund Budget Allocation – Mark Cavanaugh, Chief Financial Officer, brought two recommendations to the Commission for approval. The first recommendation is to approve the FY2013-14 General Fund Allocation model.
The budget mark included a recommendation to increase General Fund for governing board operations by $30 million from the FY 2012-13 level of $513 million to $543 million. The recommendation represents a 5.8 percent increase from FY 2012-13 and a restoration of about 15 percent of the $193 million General Fund that had been cut from public higher education since the most recent funding “high point” of $706 million last attained with assistance of the Recovery Act (ARRA) in FY 2009-10.

The Department developed and found consensus on an allocation model for the governing boards. The allocation agreed upon represents a combination of three equal parts. Each dollar will be split three ways:

- One third is based on a proportional increase calculated from each governing board’s proportional share of state General Fund for FY 2012-13;
- One third is based on a proportional restoration of each governing board’s share of the $193 million General Fund cut that has been experienced since FY 2008-09; and
- One third is based on a proportional restoration of the average funding per resident student funding level in FY 2008-09 at the most recent final enrollment levels by governing board (to acknowledge recent enrollment growth).

Blending the three components from the earlier models results in a percent increase range across the governing boards between 4.5% and 6.6%.

The second recommendation is to approve the letter to comply with statute and the finding and recommendation of the OSA in the June 2012 Colorado Opportunity Fund (COF) Performance Audit.

The Office of the State Auditor completed an audit of the Colorado Opportunity Fund. The audit included a finding that the Department had failed to meet the statutory requirement to annually submit a request to the General Assembly to adjust COF stipend funding to reflect the rate of inflation and eligible enrolment growth. This request has not been submitted in recent years as it would have been in conflict with the Governor’s statewide budget priorities and budget request given recent state revenue levels. The Commission and the Department did not ask for money that wasn’t available. Nevertheless, the Department is required to build the request and submission.

With inflation and enrollment increases the COF request, the letter from the Commission to the Joint Budget Committee, is for an additional $149 million General Fund in FY 2013-14. The letter also states “This submission does not address any increases related to COF fee-for-service (FFS) contract funding which is held flat from FY 2005-06 to FY 2013-14. Assuming no increase to fee-for-service contracts, total General Fund needed to meet this requirement would be $675 million General Fund ($413 million COF Stipend and $262 million COF FFS)”.

The Lt. Governor and the Commission believe it is important that the General Assembly and the public understand, in very real terms, the degree to which the higher education budget has shrunk.
Commissioner Haynes moved to approve the FY2013-14 General Fund Allocation model and approve the letter to comply with statute and the finding and recommendation of the OSA COF Performance Audit. The motion was seconded by Commissioner Moses and unanimously passed.

DISCUSSION ITEMS

Financial Aid Allocation Discussion – Celina Duran, Financial Aid Officer, continued the ongoing discussion regarding the financial aid allocation method. At its October meeting, the Commission charged staff with the task of identifying ways to allocate funds that support the values of the Commission and the goals of the Master Plan. Regarding access for students, there was a preference for approaches that consider both full-time and part-time students. The Commission has also expressed interest in a model that, along with alignment with the goals of the Master Plan, includes predictability for institutions and incentives for students and institutions.

Changes to the Pell Grant have meant an increase to the number of eligible students. The Commission may choose to maintain the allocation target to Level 1 (150% of Pell eligibility) or to narrow the allocation to Pell eligible students. Currently, the Commission’s allocation method adjusts award amounts based upon institutional cost tiers. The FY2013 allocation rates are as follows: Tier 1 awards $899 per student; Tier 2 awards $799 per student and Tier 3 awards $655 per student. If the allocation method were a flat rate instead, there is still diminished buying power, as the award would only be $755 per student.

The Commission had stated, in past CCHE meetings, their preference for incorporating retention and progress incentives into the state’s financial aid program. Progressive incentives provide an increasing allocation rate by grade level to the institutions. This method supports retention and encourages students to progress through the system and encourages timely completion. Under this approach, the Commission could choose to eliminate eligibility at a certain credit hour ceiling (for example, 130-140 credit hours or beyond). Another option would be to provide a lesser allocation rate to ‘advanced’ seniors at a certain credit hour threshold. With this option, an institution would be eligible for increasing amounts of state assistance for students up to and through 120 or 130 credits (or some other level), but would begin to lose eligibility for completion incentives, thereafter. This policy would ensure that no students lose funding, but would also make clear the state’s interest in timely completion.

Changes in federal policies, generally flat state funding for need based aid, and dramatic increases in student enrollments have fundamentally altered the effectiveness of the Commission’s current financial aid allocation method. Without intentional redirection, the effectiveness of the current financial aid allocation method will continue to diminish as a result of changes to inputs outside of the influence of the Commission or the institutions operating in the state.

Commissioner Pacey asked if there are Pell eligible students who are not receiving monies, Ms. Duran replied that there are students in the file that are Pell eligible by income levels, but do not
receive Pell. The discussion then supported the narrowing of eligibility to provide a larger amount of monies per FTE, to increase the buying power of the student. Commissioner Haynes asked whether making any changes to the allocation will make a difference, since the aid goes to the institutions rather than the students and the institutions allocate the monies. Ms. Duran said that while there is no intention to change the institutions financial aid flexibility, the option to lower the grant award level at credit hours does create an incentive to retain students at the institution. She believes that if the goal is to retain Pell eligible students, and institutions are successful in retaining and graduation Pell students, the Commission is doing something good with their financial aid allocation. Lt. Governor Garcia agrees the incentive to retain Pell eligible students, through financial aid, is an important goal.

Dr. Gianneschi said that the progressive incentives option reinforces some of the concepts in the Master Plan, such as progress in attaining a degree and credit hour accumulation. This option addresses the Bell Policy concerns about full time and part time students. This option has no bias towards either. There are also direct incentives to the institutions to pay attention to the students who are of critical importance to the Commission. This option also provides an additional incentive to transfer students. He also mentioned the possibility of imposing a credit hour cap. There are limitations on life time Pell eligibility and there is a 145 credit hour life time limit of the Colorado Opportunity Fund (COF), thus encouraging timely completion. Lt. Governor Garcia added that a focus on the credit hour ceiling might cause the institutions to be more focused on the beginning of a student’s enrollment.

In regards to the advance senior allocation (over 120 credit hours), Commissioner Moses asked if there would there be a permanent sunset of the allocation beyond some credit hour accumulation (160 hours, 170) under this model. Dr. Gianneschi replied that the Commission could decide to provide credit hour thresholds. Commissioner Moses liked that idea, since the financial aid monies would be better spent by not continuing to allocate to a student in their 7th or 8th year of college with no certainty of completion. Commissioner Polsfut agreed that it makes sense to have a disincentive at a certain point. Dr. Gianneschi stated that the NCHEMS data showed that state financial aid seemed to play a positive role in retention, credit hour accumulation and transfer among low income student and had less of an impact on the highly able students.

Commissioner Haynes believes the institutions are in agreement with the Commission regarding the use of financial aid to achieve completion incentives.

Dr. Gianneschi asked the Commission if there was general support for the proposed progressive incentives model or if there was anything that was discussed that the Commission did not support. Commissioner Rodriguez asked if there might be unintended consequences that the institutions might see that the Commission isn’t seeing at this point in time and whether there will be opportunities for the institutions to weigh in if there is something the Commission is missing. Ms. Duran replied that there would be ample opportunity. Dr. Gianneschi added that there may be some unintended consequences and the feedback from the institutions will be important. He also mentioned that another advantage of this option for the institutions is it provides much more allocation predictability year to year.
Ms. Duran, in referring back to how much the Pell eligibility has changed, stated that it will be important for the Department to monitor Pell. If there is too much fluctuation in Pell, the Commission might consider moving away for Pell eligible and staying with a flat EFC.

**Master Plan Update** – Dr. Matt Gianneschi, Deputy Executive Director, reported on the progress of the performance contracts with the institutions. The Commission invited each institution to prepare their own performance indicators for the four goals adopted by the Commission in early 2012. Each institution had been requested to submit this feedback to the Department on or before Friday, October 26. In general, the feedback from the institutions about the contract document has been consistent. The one concern a few institutions had were in regards to the paragraph that deals with admissions and remedial policies, due to the Commission’s current consideration of modifications to the remedial and admissions policy. The request is to not have to re-negotiate the contracts should the policies change. The institutions asked that the section be removed from the contract at this point so that the Commission has the flexibility to make those changes. The feedback also indicated that the institutions are not seeking additional flexibility, except for one capitol review from an institution.

Dr. Gianneschi explained that the area vocational schools have never had a contract with the Commission and have just started submitting data to the Department. Their first annual report will be submitted to the Commission in 2013. Dr. Gianneschi and Commissioner Moses met with them and are redrafting parts of the contract, as the schools are governed by K-12 school boards and not free standing higher education governing boards.

Commissioners and staff liaisons have held meetings with the public institutions and their governing boards since the October 4th CCHE meeting. Staff presented the performance indicators that were discussed at these meetings to the Commission for each institution. The Commissioner liaisons will continue to refine the indictors with the goal of having final drafts of the contracts at the December 6th CCHE meeting.

Commissioner Moses moved to adjourn. The motion was seconded by Commissioner Haynes. The meeting was adjourned at 4:15 pm.