

**Schedule 13**

**Funding Request for the FY 2015-16 Budget Cycle**

**Department of Higher Education**

PB Request Number BA-01

**Request Titles**

BA-01 Operating Increase for Public Colleges and Universities

Dept. Approval By:		_____	Supplemental FY 2014-15
		_____	Change Request FY 2015-16
		_____	Base Reduction FY 2015-16
OSPB Approval By:		X	Budget Amendment FY 2015-16

Line Item Information	Fund	FY 2014-15	Supplemental	FY 2015-16	Governor's	FY 2016-17
		Original Appropriation	Request	Base Request	Revised Request	Budget Amendment
	Total	\$2,881,380,858	\$0	\$2,883,341,470	\$82,880,875	\$47,880,875
	FTE	23,022.7	-	23,022.7	-	-
Total of All Line Items	GF	\$310,740,722	\$0	\$310,740,722	\$0	(\$10,404,825)
	CF	\$1,988,345,652	\$0	\$1,989,743,764	\$0	\$0
	RF	\$582,294,484	\$0	\$582,856,984	\$82,880,875	\$58,285,700
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2014-15	Supplemental	FY 2015-16	Governor's	FY 2016-17
		Original Appropriation	Request	Base Request	Revised Request	Budget Amendment
	Total	\$0	\$0	\$0	\$10,404,825	\$0
02. Colorado Commission on Higher Education - Strategic Performance Investment Program	GF	\$0	\$0	\$0	\$10,404,825	\$0
	Total	\$287,712,437	\$0	\$287,712,437	\$62,880,874	\$62,880,874
04. College Opportunity Fund Program - Fee-for-Service Contracts With State Institutions	GF	\$287,712,437	\$0	\$287,712,437	\$62,880,874	\$62,880,874

	<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$75,588,527)</b>	<b>(\$75,588,527)</b>
04. College Opportunity Fund Program - FY 2015-16 New Funding for Allocation January 2015	GF	\$0	\$0	\$0	(\$75,588,527)	(\$75,588,527)
	<b>Total</b>	<b>\$37,232,419</b>	<b>\$0</b>	<b>\$37,241,671</b>	<b>\$1,283,954</b>	<b>\$1,121,869</b>
	CF	\$24,395,131	\$0	\$24,402,133	\$0	\$0
05. Governing Boards - Trustees of Adams State University	FTE	327.1	-	327.1	-	-
	RF	\$12,837,288	\$0	\$12,839,538	\$1,283,954	\$1,121,869
	<b>Total</b>	<b>\$80,901,069</b>	<b>\$0</b>	<b>\$80,938,145</b>	<b>\$2,366,485</b>	<b>\$2,366,485</b>
	CF	\$58,873,818	\$0	\$58,901,894	\$0	\$0
05. Governing Boards - Trustees of Colorado Mesa University	FTE	657.9	-	657.9	-	-
	RF	\$22,027,251	\$0	\$22,036,251	\$2,366,485	\$2,366,485
	<b>Total</b>	<b>\$151,587,084</b>	<b>\$0</b>	<b>\$152,143,593</b>	<b>\$6,518,054</b>	<b>\$6,518,054</b>
	CF	\$107,905,891	\$0	\$108,308,275	\$0	\$0
05. Governing Boards - Trustees of Metropolitan State University of Denver	FTE	1,347.6	-	1,347.6	-	-
	RF	\$43,681,193	\$0	\$43,835,318	\$6,518,054	\$6,518,054

	<b>Total</b>	<b>\$28,974,209</b>	<b>\$0</b>	<b>\$28,982,412</b>	<b>\$1,058,770</b>	<b>\$899,367</b>
	CF	\$18,388,762	\$0	\$18,394,715	\$0	\$0
05. Governing Boards - Trustees of Western State College	FTE	234.8	-	234.8	-	-
	RF	\$10,585,447	\$0	\$10,587,697	\$1,058,770	\$899,367
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	<b>Total</b>	<b>\$494,012,011</b>	<b>\$0</b>	<b>\$494,163,390</b>	<b>\$12,200,774</b>	<b>\$11,183,897</b>
	CF	\$372,033,528	\$0	\$372,155,657	\$0	\$0
05. Governing Boards - Board of Governors of the Colorado State University System	FTE	4,324.7	-	4,324.7	-	-
	RF	\$121,978,483	\$0	\$122,007,733	\$12,200,774	\$11,183,897
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	<b>Total</b>	<b>\$52,386,216</b>	<b>\$0</b>	<b>\$52,398,066</b>	<b>\$1,358,086</b>	<b>\$1,358,086</b>
	CF	\$41,791,612	\$0	\$41,800,087	\$0	\$0
05. Governing Boards - Trustees of Fort Lewis College	FTE	392.1	-	392.1	-	-
	RF	\$10,594,604	\$0	\$10,597,979	\$1,358,086	\$1,358,086
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	<b>Total</b>	<b>\$1,035,486,324</b>	<b>\$0</b>	<b>\$1,035,715,022</b>	<b>\$16,713,606</b>	<b>\$15,347,499</b>
	CF	\$868,388,514	\$0	\$868,578,962	\$0	\$0
05. Governing Boards - Regents of the University Of Colorado	FTE	7,402.3	-	7,402.3	-	-
	RF	\$167,097,810	\$0	\$167,136,060	\$16,713,606	\$15,347,499
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	<b>Total</b>	<b>\$139,218,677</b>	<b>\$0</b>	<b>\$139,244,963</b>	<b>\$1,867,283</b>	<b>\$1,844,994</b>
	CF	\$120,549,221	\$0	\$120,572,132	\$0	\$0
05. Governing Boards - Trustees of the Colorado School of Mines	FTE	848.6	-	848.6	-	-
	RF	\$18,669,456	\$0	\$18,672,831	\$1,867,283	\$1,844,994
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	<b>Total</b>	<b>\$130,387,474</b>	<b>\$0</b>	<b>\$130,435,787</b>	<b>\$3,736,828</b>	<b>\$1,868,414</b>
	CF	\$93,030,447	\$0	\$93,067,510	\$0	\$0
05. Governing Boards - University of Northern Colorado	FTE	1,247.1	-	1,247.1	-	-
	RF	\$37,357,027	\$0	\$37,368,277	\$3,736,828	\$1,868,414
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	<b>Total</b>	<b>\$419,805,384</b>	<b>\$0</b>	<b>\$420,688,430</b>	<b>\$15,777,035</b>	<b>\$15,777,035</b>
	CF	\$282,339,459	\$0	\$282,913,130	\$0	\$0
05. Governing Boards - State Board for Comm Colleges and Occupational Ed System	FTE	6,240.5	-	6,240.5	-	-
	RF	\$137,465,925	\$0	\$137,775,300	\$15,777,035	\$15,777,035
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	<b>Total</b>	<b>\$14,693,860</b>	<b>\$0</b>	<b>\$14,693,860</b>	<b>\$1,404,459</b>	<b>\$1,404,459</b>
	CF	\$649,269	\$0	\$649,269	\$0	\$0
06. Local District Junior College Grants - Local District Junior College Grants	GF	\$14,044,591	\$0	\$14,044,591	\$1,404,459	\$1,404,459

	<b>Total</b>	<b>\$8,983,694</b>	<b>\$0</b>	<b>\$8,983,694</b>	<b>\$898,369</b>	<b>\$898,369</b>
07. Division of Occupational Education - Area Vocational School Support	GF	\$8,983,694	\$0	\$8,983,694	\$898,369	\$898,369

<p>Letternote Text Revision Required?      Yes    <input checked="" type="checkbox"/>    No</p> <p style="text-align: center;">_____</p> <p>Cash or Federal Fund Name and CORE Fund Number: n/a</p> <p>Reappropriated Funds Source, by Department and Line Item Name: CDHE College Opportunity Fund Fee-For-Service Contracts</p> <p>Approval by OIT?                              Yes    <input type="checkbox"/>    No                              <b>Not Required:</b>                              <input checked="" type="checkbox"/></p> <p>Schedule 13s from Affected Departments:                              n/a</p> <p>Other Information:</p>	<p><b>If Yes, describe the Letternote Text Revision:</b> Adjustments to the COF Stipend and Fee-for-Service Split for the Governing Board line items.</p>
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# COLORADO

## Department of Higher Education

Priority: BA-1  
Operating Increase for Public Colleges and Universities  
FY 2015-16 Budget Amendment

### *Cost and FTE*

- The Department of Higher Education requests a total of \$75,588,527 General Fund for institutions of public higher education. This request is made in keeping with the provisions of SB14-001 (tuition cap) and HB14-1319 (higher education performance funding). Of this sum, \$65,183,702 is for the institutions and \$10,404,825 is for the creation of the Strategic Performance Investment Program. The request reappropriates \$62,880,875 of the requested General Fund to the Governing Boards.

### *Current Program*

- In FY 2014-15, resident tuition increases were capped at no more than 6.0 percent in SB14-001. The legislation also established the same tuition cap for FY 2015-16.
- HB14-1319 reallocates all funding for these institutions based on performance and outcomes.

### *Problem or Opportunity*

- This FY 2015-16 request responds to statutory directives added in the 2014 Session. First, the State must continue the resident tuition cap set in SB14-001 of no more than 6.0 percent in FY 2015-16. Second, the State must request funding through the new HB14-1319 model which allocates funding based on performance and outcomes. Additionally, some institutions did not perform as well in the funding model. Targeted resources for institutions are necessary to “turn the ships to meet state policy goals.”

### *Consequences of Program*

- If the increase in funding for public higher education institutions is not provided, the institutions may not be able to limit their resident tuition increases in FY 2015-16.
- Without the Strategic Performance Investment Program and other transition funding to ensure smooth implementation of HB14-1319, some institutions would likely underperform and face greater fiscal instability as a result of the new funding allocation model.

### *Proposed Solution*

- This request contains \$65,183,702 General Fund for public higher education institutions to reward performance and keep resident undergraduate tuition increases in check. It also requests \$10,404,825 for a Strategic Performance Investment Program for a targeted grant distribution to institutions to improve outcomes on key policy and performance goals.



**COLORADO**  
 Department of Higher Education

John W. Hickenlooper  
 Governor

Lt. Governor Joseph Garcia  
 Executive Director

FY 2015-16 Funding Request | BA-1 January 15, 2015

**Department Priority: BA-1 (Replaces R-1)**  
**Request Detail: Operating Increase for Public Colleges and Universities**

Summary of Incremental Funding Change for FY 2015-16	Total Funds	General Fund
Year 2 Implementation the of College Affordability Act (on-going)	\$118,874,227	\$60,588,527
Affordability and 1319 Opportunity Funding (one year at a time)	\$9,190,350	\$4,595,175
Strategic Performance Investment Program (one year at a time)	\$10,404,825	\$10,404,825
<b>Total Request</b>	<b>\$138,469,402</b>	<b>\$75,588,527</b>

*This Budget Amendment wholly replaces the November 1 request, R-1 "Operating Increase for Public Colleges and Universities."*

House Bill 14-1319 implemented performance funding in Colorado public higher education. The legislation also changed the methodology and timeline for the FY 2015-16 higher education request that was to be submitted to the General Assembly. Specifically, Section 23-18-307 (2) (a), C.R.S. required that the November 1, 2014 budget request for higher education include only the total amount of funding and required that the Department of Higher Education provide a draft of the HB14-1319 performance funding metrics. Section 23-18-307 (2), C.R.S. also required that the January 15, 2015 request provide a detailed description of the fee-for-service model components at the Governing Board allocation level. As such, the November 1, 2014, budget request represented an aggregated dollar request submitted prior to when HB14-1319 performance funding was finalized. This January 15<sup>th</sup> Budget Amendment replaces the November 1 request and continues to respond to the requirements of Section 23-5-130.5 (2.5) (a), C.R.S. which mandated that tuition be capped at six percent or lower in FY 2015-16 (SB14-001).

<b>Table 1. January 15th Request Compared to November 1 Request</b>	
<b><i>November 1 General Fund Request</i></b>	
Year 2 Implementation of the College Affordability Act	\$60,588,527
HB14-1319 Transition Funding	\$15,000,000
<b>Total General Fund</b>	<b>\$75,588,527</b>
<b><i>January 15 General Fund Request (Replaces November 1)</i></b>	
Year 2 Implementation of the College Affordability Act (on-going)	\$60,588,527
Affordability & HB-14-1319 Opportunity Funding (one year at a time)	\$4,595,175

Strategic Performance Investment Program (one year at a time)	\$10,404,825
<b>Total General Fund</b>	<b>\$75,588,527</b>
<b>Net Increase/Decrease (January 15th Compared to November 1)</b>	<b>\$0</b>

### ***Higher Education FY 2015-16 Operating Request Highlights***

The Department of Higher Education requests a total of \$75.6 million General Fund in keeping with the provisions of SB14-001 (College Affordability Act) and HB14-1319 (Higher Education Performance funding). To this end, this request contains three components:

- (1) \$60.6 million in ongoing General Funds for College Affordability.
- (2) \$4.6 million to bring each of the Governing Boards to a total increase of at least 10.0 percent (*Affordability and 1319 Opportunity Funding*).
- (3) \$10.4 million (temporary/one year at a time request) for a *Strategic Performance Investment Program* (“S-PIP” grant fund) to provide performance investment transition funds for targeted Governing Boards whose performance in the Higher Education Performance Funding Model may not translate into a meaningful dollar return.

Of this \$75.6 million, \$65.2 million General Fund represents on-going funding and \$10.4 million General Fund represents one year at a time funding in FY 2015-16. No additional funding would be needed for private stipends, as both the number of students eligible for the College Opportunity Fund (COF) stipend and the requested stipend amount per credit hour did not increase. Table 2 provides additional details.

	FY 2015-16 Base	FY 2015-16 Operating Request	FY 2015-16 Temporary/ One Year Request	FY 2015-16 Requested Total Appropriation
Governing Boards Total	\$582,856,984	58,285,698	\$0	<b>\$641,142,683</b>
Local District Junior Colleges	\$14,044,591	1,404,459	\$0	<b>\$15,449,050</b>
Area Vocational Schools	\$8,983,694	898,369	\$0	<b>\$9,882,063</b>
Additional GB Affordability and HB14-1319	\$0	\$4,595,175	\$0	<b>\$4,595,175</b>
Strategic Performance Investment Program	\$0	\$0	\$10,404,825	<b>\$10,404,825</b>
<b>Total Request</b>	<b>\$605,885,269</b>	<b>\$65,183,702</b>	<b>\$10,404,825</b>	<b>\$681,473,796</b>

NOTE: Total includes all public Governing Boards, LDJC and AVS appropriations and base adjustments for FY 15-16. Appropriations and base adjustments include HB 14-1336, special bills SB14-001, SB14-211 appropriations, and SB13-033 base adjustments as per the SB 13-033 Legislative Council fiscal note and the FY 14-15 COF stipend amount of \$75 per credit hour or \$2,250 per FTE.

## Overview of the Higher Education FY 2015-16 Operating Request

This FY 2015-16 request is governed by two statutory requirements that were added in the 2014 legislative session. First, the State must continue with the second year of the College Affordability Act (SB14-001), which includes that resident tuition increases be limited to no more than 6 percent for FY 2014-15 and FY 2015-16. Second, the State must request funding in a manner consistent with successfully implementing HB14-1319. Now that HB14-1319 performance funding model outputs have been calculated and reviewed, it is apparent that some Governing Boards will be below the 10 percent funding increase intended to reduce the student/family share of the cost of higher education. As such, the request includes \$4.6 million in one-time allocations to Governing Boards to bring all Governing Boards to at least a 10 percent increase to help institutions improve their performance relative to the State’s new higher education funding model and continue the State’s efforts to reduce the cost of education for in-state students across all institutions.

Finally, the request seeks \$10.4 million for a HB14-1319 Strategic Performance Investment Program (S-PIP) to be administered by the Colorado Department of Higher Education. This program would advance the Governor’s and the General Assembly’s interests, as expressed in HB 14-1319, to stimulate change and improvement at and among institutions under the new higher education funding model.

**There are two primary components of this request:**

- Ensuring affordable tuition for students
- Helping institutions improve their performance relative to the State’s new higher education funding model.

### Implementation of the College Affordability Act (SB14-001)

Last year, the Governor requested, and the General Assembly approved in SB14-001, a historic \$60 million (11 percent) increase for public institutions of higher education. Tied to the 11 percent operating increase was a requirement that resident tuition increases be capped at no more than six percent for FY 2014-15 and FY 2015-16. The 11.0 percent General Fund increase provided in FY 2014-15 was an “across-the-board” increase allowing for the same percentage of operating increase to be applied to each Governing Board. This provided a degree of predictability and facilitated planning at the Governing Board level.

Without an increase in General Fund operating in FY 2015-16, the institutions may not be able to meet the six percent resident tuition cap without impacting services to students or contributing to financial instability at some institutions. Table 3 displays the percentage change in resident tuition rates in FY 2014-15 compared to the previous year.

**Table 3. Percent Change in Resident Tuition, FY 2013-14 to FY 2014-15 (Based on 30 Credit Hours)**

Institution	Percent Change
University of Colorado – Boulder	3.3 percent
University of Colorado – Colorado Springs	3.2 percent
University of Colorado – Denver	3.5 percent
Colorado State University	5.0 percent
Colorado State University – Pueblo	6.0 percent
Fort Lewis College	6.0 percent
University of Northern Colorado	4.8 percent
Adams State University	5.9 percent
Colorado Mesa University	5.8 percent
Metropolitan State University of Denver	6.0 percent

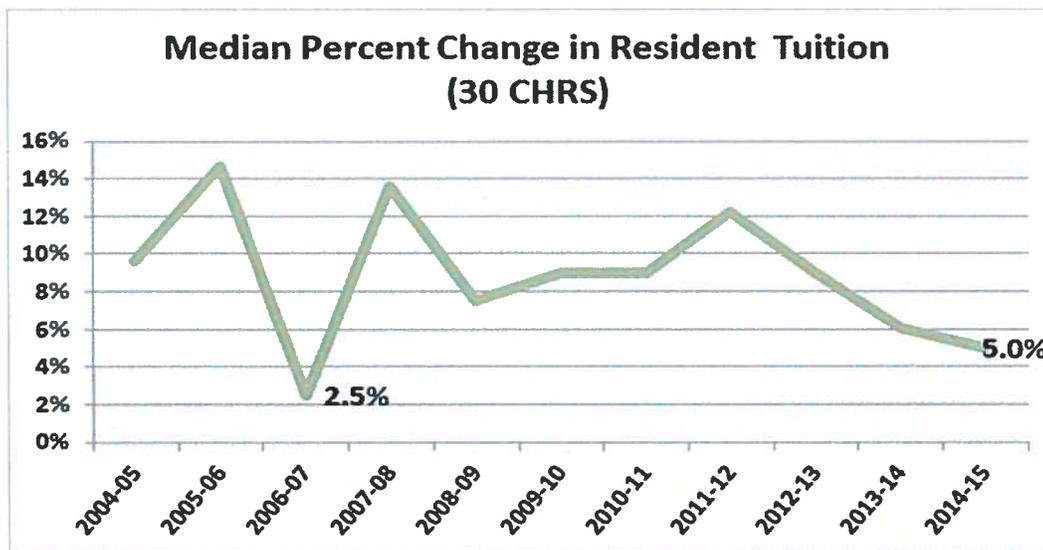
**Table 3. Percent Change in Resident Tuition, FY 2013-14 to FY 2014-15 (Based on 30 Credit Hours)**

Institution	Percent Change
Western State Colorado University	5.0 percent
Colorado School of Mines	2.7 percent
Aims Community College	0.0 percent
Colorado Mountain College	1.8 percent
Colorado Community College System	4.5 percent

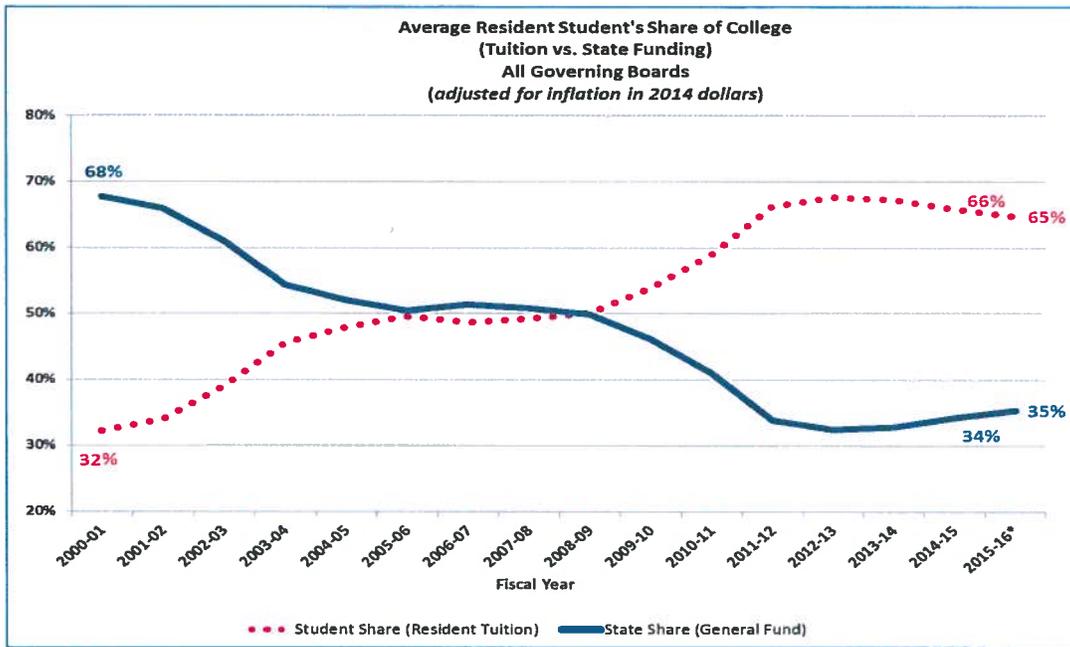
Note: Calculation is based on tuition figures considered "Base Tuition Rates" (30 credit hours) and do not include tuition differentials, etc. Student fees are not included.

A continued state investment to reduce the cost of education for in-state students accomplishes the following:

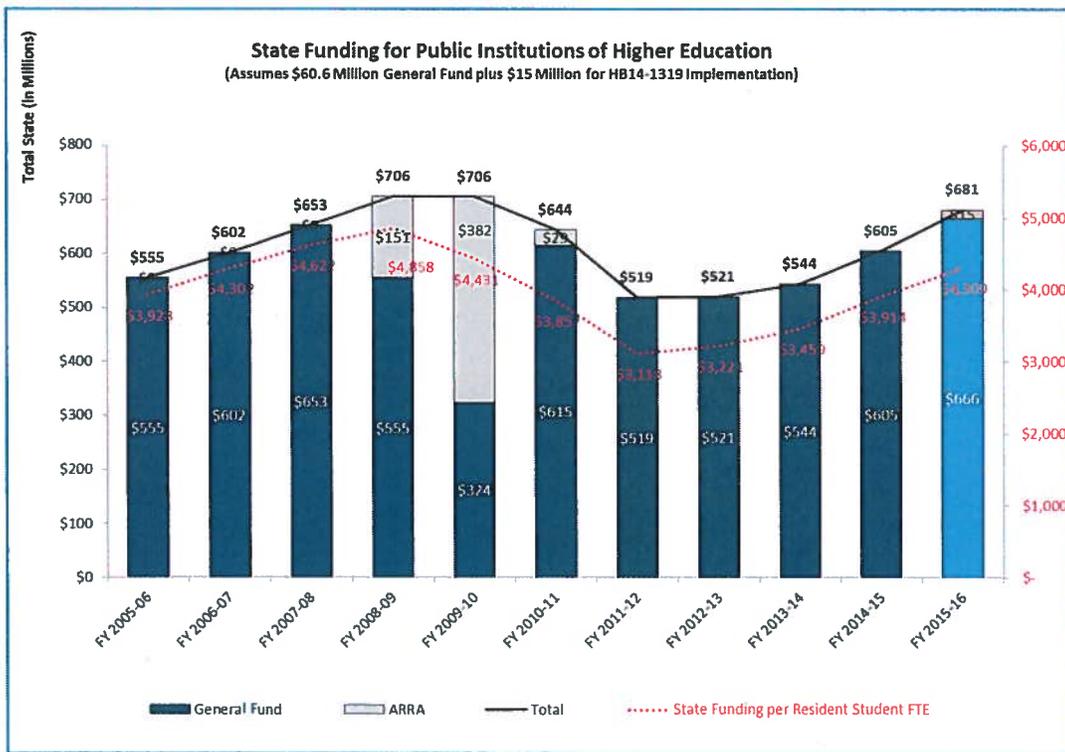
1. A greater level of certainty about the ability for all Governing Boards to sustain a six percent resident tuition cap even with the uncertainties of implementing the new funding model under HB 14-1319.
2. An incentive to keep resident tuition levels at and in some cases well below six percent for several Governing Boards including some of the higher cost research institutions. This would result in a second year of the lowest tuition increases since FY 2006-07.



3. The ability to hold the state versus student/family share of costs in place and even make further progress toward the goal of increasing the state share of a student's college education. The request would result in an additional one percent buy-down of the student's share of college (see chart which follows).



- This request would continue the State’s investment in higher education as state recovers from the Great Recession.



- Finally, while student debt levels vary tremendously and depend on many factors such as the availability of financial aid and the total cost of attendance, *The Project on Student Debt* notes that generally “higher costs at the state or college level are associated with higher average debt.” By helping keep resident tuition lower, this funding request would assist Colorado in moving out of the

“High Debt States category.” (Source: STUDENT DEBT AND THE CLASS OF 2012, Project on Student Debt, Institute for College Access & Success, Page 3.)

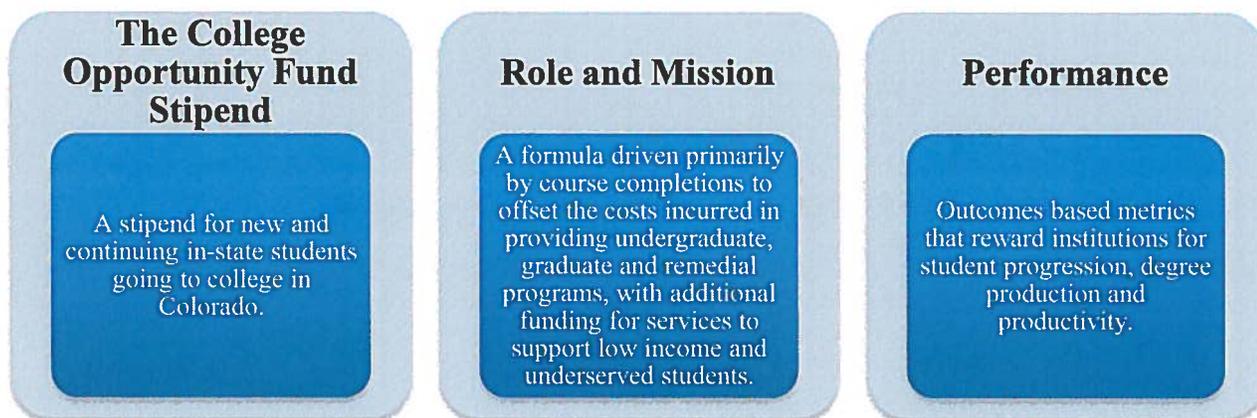
Continued implementation of the College Affordability Act informed the basis of the first component of the request. Intersecting with that goal is the implementation of HB14-1319, which represents a significant shift in how the State funds higher education. As a result, the Department requests additional one year at a time resources to help institutions improve outcomes, meet the goals of HB14-1319, and the Colorado Commission on Higher Education’s Master Plan.

### ***Overview of HB14-1319 Higher Education Performance Funding Model***

HB14-1319 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. Over the past five months CCHE, the Executive Advisory Group (EAG), the Funding Allocation Model Expert Team (FAMET) and engaged stakeholders have participated in a monumental effort to develop and implement a higher education funding model that is more transparent and understandable for Colorado taxpayers; provides greater tuition predictability with a goal of ensuring both accessible and affordable higher education for residents; and, harmonize with the statewide goals for higher education as articulated in the *CCHE’s Master Plan – Colorado Competes, A Completion Agenda for Higher Education*.

The new funding allocation model, adopted by CCHE on December 4, 2014, balances the policy goals of CCHE, the legislative directives of HB14-1319, the feedback from the public education and outreach activities conducted by the Department of Higher Education and is based upon national best practices in higher education financing.

As required by HB14-1319, the CCHE adopted funding model consists of three components:



It is important to note that the Governing Board allocations in the CCHE, EAG and FAMET approved draft-model were preliminary figures and were subject to change. Since the model was approved in early December, DHE staff and NCHEMS continued to refine, test and finalize the model programming, which included programming of the guardrails within the model. Overall, the changes were minimal.

Based on the 10 percent overall state budget operating increase, Table 4 provides a summary of proposed higher education allocations by Governing Board under the new funding model. The chart which follows includes the application of the “guard rails” provision, which states that the total fiscal year appropriation

for a Governing Board shall not change from the preceding fiscal year by a percentage that is more than five percentage points less than or five percentage points more than the percentage change in Total State Appropriation (23-18-305 (1) (a), CRS).

<b>Table 4. Summary of Proposed FY 2015-15 Appropriations by Governing Board</b>				
Governing Board	FY 2014-15 General Fund <sup>1</sup>	FY 2015-16 Total General Fund -- Results from Model w/ Guardrails <sup>2</sup>	Percent Change	FY 2015-16 General Fund Increase -- Results from Model w/ Guardrails <sup>2</sup>
Adams State University	\$12,839,538	\$13,961,407	8.7%	\$1,121,869
Colorado Mesa University	\$22,036,251	\$24,402,736	10.7%	\$2,366,485
Metropolitan State University	\$43,835,318	\$50,353,372	14.9%	\$6,518,054
Western State Colorado University	\$10,587,697	\$11,487,064	8.5%	\$899,367
Colorado State University	\$122,007,733	\$133,191,630	9.2%	\$11,183,897
Fort Lewis College	\$10,597,979	\$11,956,065	12.8%	\$1,358,086
University of Colorado	\$167,136,060	\$182,483,559	9.2%	\$15,347,499
Colorado School of Mines	\$18,672,831	\$20,517,825	9.9%	\$1,844,994
University of Northern Colorado	\$37,368,277	\$39,236,691	5.00%	\$1,868,414
Colorado Community College System	\$137,775,300	\$153,552,335	11.5%	\$15,777,035
Local District Junior Colleges	\$14,044,591	\$15,449,050	10.0%	\$1,404,459
Area Vocational Schools	\$8,983,694	\$9,882,063	10.0%	\$898,369
<b>Total -- Results from Model w/ Guardrails</b>	<b>\$605,885,269</b>	<b>\$666,473,797</b>	<b>10.0%</b>	<b>\$60,588,528</b>

<sup>1</sup> FY 2014-15 General Fund amount includes appropriations from HB14-1336, SB14-001, SB14-211, and a SB 13-033 base adjustment as per the SB 13-033 Legislative Council fiscal note.

<sup>2</sup> Includes \$60.6 million in requested base funding.

As demonstrated in Table 4, the proposed funding model is intended to incent behaviors to meet policy goals and is *not* intended for all state institutions to be treated the same. However, if a Governing Board receives a below average operational increase funding under the HB14-1319 model in the first year, it could jeopardize the continuation of services for their customer, the student, and the implementation of performance funding. In order for a Governing Board to increase performance, they will need to invest to provide effective and innovative student success services. This takes resources in the form of both time and money.

### ***Convergence of HB14-1319 Implementation with the College Affordability Act***

There are two sums contained in this budget amendment that are requested based on the College Affordability Act's (SB14-001) convergence with HB14-1319 in FY 2015-16. In order to implement the

second year of College Affordability Act in the context of HB14-1319 Higher Education Performance Funding, the following two funding adjustments are necessary:

- **\$60,588,537** state investment to make higher education more affordable within the HB14-1319 model (on-going), and
- **\$4,595,175** to help institutions improve their performance relative to the HB14-1319 model in order to reduce the cost of education for in-state students across all institutions (on-going funding, allocated as one-time funding to institutions).

These sums reflect the General Assembly's goal to increase the State's investment in higher education to reduce the student-family share of the cost of higher education while providing institutions time and resources to adjust to a new funding allocation model. Discussion of these two components follows:

***A. Year 2 Implementation of the College Affordability Act (\$60.6 million on-going)***

The Department requests an additional \$60.6 million General Fund for operating increases for public institutions of higher education. This sum is calculated upon the FY 2015-16 continuing base budget of \$605.9 million and calculates based on a 10.0 percent General Fund increase for public institutions of higher education. This FY 2015-16 request follows last year's investment that was tied to a resident tuition cap and codified in SB14-001.

Applying an assumption of a tuition cap of six percent or less to the FY 2015-16 continuing base budget, the Department estimates that the revenue needed to sustain a resident tuition cap of six percent or less is estimated at \$60.6 million. This sum is comprised of \$58.3 million for the Governing Boards, \$1.4 million for the Local District Junior Colleges, and \$0.9 million for the Area Vocational Schools.

***B. Affordability and 1319 Opportunity Funding (\$4.6 million on-going funding, allocated as one-time funding to institutions)***

In order to increase funding for all institutions by at least 10 percent, with greater increases determined through the new H.B. 14-1319 model, the Department requests \$4.6 million in General Funds (Affordability and 1319 Opportunity Funding). These funds will help institutions improve their performance relative to the State's new higher education funding allocation model and continue the State's efforts to reduce the cost of education for in-state students across all institutions. Also, bringing all Governing Boards to at least a 10 percent increase was an important factor in achieving unanimous support for the model. As per HB14-1319, the department will be making recommendations for tuition policy to the General Assembly on November 1, 2015 and it anticipates that this process will marry the Higher Education Performance Funding Model allocations and tuition policy for out-years. As such, the amount needed to bring institutions up to at least a 10% will be allocated to institutions as one-time funds. Table 5 illustrates the allocations by Governing Board after the application of \$4.6 million in *Affordability and 1319 Opportunity Funding*.

**Table 5. Summary of Proposed FY 2015-15 Appropriations by Governing Board (w/ Affordability and 1319 Opportunity Funding)**

<b>Governing Board</b>	<b>FY 2014-15 General Fund <sup>1</sup></b>	<b>FY 2014-15 General Fund <sup>2</sup></b>	<b>FY 2015-16 Total General Fund -- Results from Model w/ Guardrails <sup>2</sup></b>	<b>One Time Funding Required for 10% Increase</b>	<b>Percent Change</b>	<b>FY 2015-16 Total Allocation Request</b>
Adams State University	\$12,839,538	\$14,123,492	\$13,961,407	\$162,085	10.0%	\$14,123,492
Colorado Mesa University	\$22,036,251	\$24,239,876	\$24,402,736	\$0	10.7%	\$24,402,736
Metropolitan State University	\$43,835,318	\$48,218,850	\$50,353,372	\$0	14.9%	\$50,353,372
Western State Colorado University	\$10,587,697	\$11,646,467	\$11,487,064	\$159,403	10.0%	\$11,646,467
Colorado State University	\$122,007,733	\$134,208,506	\$133,191,630	\$1,016,877	10.0%	\$134,232,736
Fort Lewis College	\$10,597,979	\$11,657,777	\$11,956,065	\$0	12.8%	\$11,956,065
University of Colorado	\$167,136,060	\$183,849,666	\$182,483,559	\$1,366,107	10.0%	\$183,849,666
Colorado School of Mines	\$18,672,831	\$20,540,114	\$20,517,825	\$22,289	10.0%	\$20,540,114
University of Northern Colorado	\$37,368,277	\$41,105,105	\$39,236,691	\$1,868,414	10.0%	\$41,105,105
Colorado Community College System	\$137,775,300	\$151,552,830	\$153,552,335	\$0	11.5%	\$153,552,335
Local District Junior Colleges	\$14,044,591	\$15,449,050	\$15,449,050	\$0	10.0%	\$15,449,050
Area Vocational Schools	\$8,983,694	\$9,882,063	\$9,882,063	\$0	10.0%	\$9,882,063
<b>Total -- with 10% increase</b>	<b>\$605,885,269</b>	<b>\$666,473,796</b>	<b>\$641,142,684</b>	<b>\$4,595,174</b>	<b>10.8%</b>	<b>\$671,093,201</b>

<sup>1</sup> FY 2014-15 General Fund amount includes appropriations from HB14-1336, SB14-001, SB14-211, and a SB 13-033 base adjustment as per the SB 13-033 Legislative Council fiscal note..

<sup>2</sup> Includes \$60.6 million in requested base funding.

***Strategic Performance Investment Program (S-PIP) (\$10.4 million one-year at a time)***

The passage and implementation of HB14-1319 represented a significant shift in how the State funds higher education. Previously, base funding for institutions was based on historical allocations, with annual adjustments based on available funds rather than specific state policy goals. HB14-1319 dramatically changed that by requiring that funding be based on common, measurable, and updatable factors and metrics. But, due to several of the specific parameters contained in HB14-1319, (its reallocation of all institutional operating base funding, and its immediate implementation) the Department recognized, as other states with performance funding models have, there is a need to assist institutions in transitioning from the previous allocation method to the new funding formula.

The timing of the model creation and one-cycle implementation makes it impossible for Governing Boards to make adjustments to practices that may result in better performance in the first year without transition funds. For those institutions that face a below average operational increase, reduced funding in the first few years of implementation will likely hamper those Governing Boards' ability to increase performance in such areas as retention and graduation rates, especially for the most disadvantaged students. This could result in a downward spiral effect for underperforming institutions, resulting in reduced performance in

future years and, in turn, continued decreases in state funding, especially when the statutory “guard rails” are removed in five-years. As stated by Colorado State University’s Chancellor Michael Martin at the December 2014 JBC Higher Education Hearings, “Universities are large ships with relatively small rudders, and so, to re-steer them takes a bit of navigation.”

In order to assist institutions in gaining the tools they need to “turn their ships to meet state policy goals,” the Department is requesting \$10.4 million in a temporary (one-year at a time) funding to implement its *Strategic Performance Investment* program. Supported by national higher education performance funding experts, this fund is critical to ensure optimum success for HB14-1319 higher education performance funding in Colorado. A 2013 study by the National Association of State Budget Officers (NASBO) suggested that states move in the direction of “an investment approach” based on goals and results.<sup>1</sup> Additionally, this type of fund is specifically supported by the National Center for Higher Education Management Systems (NCHEMS). The Department contracted with NCHEMS to assist in the design of the model required by HB14-1319. Dennis Jones, President of NCHEMS has relayed the following to the Colorado Department of Higher Education:

*The funding model is intended to create incentives and rewards for institutions that produce outcomes that contribute to the goals of the Master Plan. The intent of the model is not to punish institutions for poor performance—the objective is to ensure that all institutions make positive contributions to the goals. In order to assist those institutions to meet the policy goals outlined in HB14-1319 funding model, the CDHE is requesting the creation of a Strategic Performance Investment Fund that will be used to fund specific developmental efforts at a limited number of institutions. These strategic investment funds would be vital in helping institutions—while in transition to a new funding model—advance the statewide and Master Plan goals.*  
~Dennis Jones, NCHEMS President

A number of states have already adopted similar programs. For example, in 2012, the Massachusetts legislature created the [Performance Incentive Fund \(PIF\)](#) as a key component of the state’s master plan for higher education. The Performance Incentive Fund (PIF) is a competitive grant program that supports public campuses in creating or strengthening programs that advance the state’s master plan goals. For example, one Massachusetts institution used the grant funds to implement a program with the goal of increasing student retention and reducing time to completion. This program provides student support and offers a path for students to earn 30 credits in three semesters. In its two years of existence, the program has increased the number of students earning 30 credits before the start of their second year from 30 percent in fall 2010 to 63 percent in fall 2012. First funded at \$2.5 million in FY 2012, Performance Incentive Fund (PIF) grants were awarded to 18 campuses in the 2011–12 academic year. The legislature increased Performance Incentive Fund (PIF) funding to \$7.5 million for FY 2013 and sustained that level of funding for FY 2014.

For Colorado, the creation of the Strategic Performance Investment Program would provide the State, CCHE and institutions with an important fiscal tool to achieve the goals outlined in the State’s Master Plan and to improve results under the State’s new funding model in the future. Under the Strategic Performance Investment Program, CCHE, in cooperation with the JBC, will have a process and the resources necessary to make funding available to institutions who propose creative ways to accelerate progress on student outcomes and/or achieve efficiencies or cost savings.

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<sup>1</sup> *Improving Postsecondary Education through the Budget Process: Challenges and Opportunities*. The National Association of State Budget Officers (NASBO), Spring 2013.

1. This approach will allow CCHE and institutions of higher education to identify best practices for outcomes improvement and cost-savings or cost-avoidance initiatives which can be duplicated. Such best practices can serve as a repository from which all institutions will be able to learn and benefit—creating a more effective, efficient and affordable state-wide system of higher education.
2. The Strategic Performance Investment Program serves both as a way to rapidly improve outcomes and as a necessary tool to help ensure a successful transition to a robust, data-driven performance model while reducing the risk of unforeseen consequences. Colorado has gained national attention by boldly setting on a rapid performance path and the Strategic Performance Investment Program will help smooth the transition for all the public institutions to successfully and sustainably participate in the new performance-driven model.

The Department requests that CCHE be given the authority to award \$10.4 million to institutions for strategic investments to improve performance under the new funding allocation model, based on specific criteria discussed in detail below.

**Process:** To implement the strategic investment program, CCHE would issue a request for proposals centering on helping institutions improve their performance in the policy areas highlighted in the HB14-1319 funding allocation model. The request for proposals would be issued in March 2015 with the proposals due in May 2015. In May, an advisory committee comprised of interested stakeholders, such as legislators, CCHE members, and community members, would evaluate the proposals and award one-time funding to institutions on July 1, 2015.

There are three evaluation criteria, described below, and in their proposals each Governing Board must indicate which criteria their plan targets. Each application will include a short narrative explanation of the project, identify the specific criteria their project will meet, and provide an explanation of how outcomes will be measured using data. Outcomes must be measurable through data in order for the submission to be considered. **Note that in the first year, priority will be given to institutions receiving below 10% in the funding allocation model prior to the adjustment to comply with the SB14-001 resident tuition cap.**

**Criteria:** There are three proposed criteria based on HB14-1319 outcome areas. Governing Boards should identify how their proposal will be measured under the selected criteria.

- **Student Success:** Improving student progress (retention) and increasing the number of students who complete degree and certificate programs (completions). An example of this program could be a recipient Governing Board utilizing the funds to create or strengthen student support service programs that would lead toward improved student retention (e.g. academic tutoring, assistance in course selection).
- **Closing Achievement Gaps:** Programs that help close achievement gaps among students from underrepresented ethnic, racial and income groups in all areas of educational progress (Pell-eligible/Underrepresented minorities).
- **Operational Efficiencies:** Assessing institutional capacity to better allocate resources that improve performance under the HB14-1319 funding allocation model. Capacity may refer to infrastructure improvements, consolidation of administrative functions, or utilizing existing capacity to generate savings that can allow for additional resources to be reallocated to improve outcomes in the policy areas highlighted in the HB14-1319 funding allocation model.

In addition to the criteria, Governing Boards must demonstrate that the funds made available under this program be used to supplement, and not supplant current or previously funded activities. In other words, the use of Strategic Performance Investment Program funds by a Governing Board may *not* result in a decrease in other funds for a particular activity, which, in the absence of the Strategic Performance Investment Program funds, would have been available to conduct the activity.

It is anticipated that CCHE would approve the funding awards in time for funding to be released at the beginning of the FY 2015-16 fiscal year. Once awards have been determined, the Department would provide a preliminary report to the Joint Budget Committee on which institutions were awarded funds and how the funds will be used. The Department would also require institutions receiving an award to report on the progress that has been made toward improving performance under the new funding allocation model at year-end. The Department would then include a final report with the submission of the November 1 budget request. The report would describe the implementation status of each project; highlight any best practices and new approaches for innovation and success, lessons learned and suggestions for expanding use of best practices to a larger scale.

Potential uses of S-PIP funds include:

- Use one-time strategic investment program funds to spearhead efforts to streamline administrative tasks. For example, numerous universities across the country have or are in the process of implementing shared service center business models. Typically, only tasks common across programs are brought to shared services in such areas as finance, research administration, information technology, human resources, etc. The shared services model can help trim costs by improving how back-office tasks are handled. Successful project implementation requires start-up investment with savings being generated in future years. In addition to achieving savings the shared services business model also frees up resources for the academic and research mission of the university.
- Expanding or implementing programs that support entering students with a need for developmental (remedial) English/math coursework in order to aid their progress through developmental levels through intensive instruction prior to fall entry.
- *The University of Northern Colorado*. Implementation of the Student Success Collaborative (SSC) – an online data-driven advising support system. The SSC provides faculty and staff with thorough, accurate, consistent information about the progress of students with certain common characteristics. Analytics help advisers identify potential difficulties for students and offer these students targeted services. SSC compares a student’s academic performance to program-specific longitudinal data on other UNC students and predicts needed support. It notifies advisers when students are not on track to complete critical courses or when a student’s performance in a crucial course indicates a need for additional help.
- *Western State Colorado University*. Marketing to enhance the recruitment of students. Western has traditionally relied almost exclusively on word-of-mouth communications. Over the past decade, aggressive marketing efforts by other regional four-year institutions have put Western at a significant competitive disadvantage, and it is imperative that we invest in efforts that better position ourselves in the student marketplace. Through the development of greater multi-media capabilities and field technology development, we will be able to more effectively deliver target marketing efforts to both traditional and non-traditional prospective students and their communities.

With this, Western will grow its enrollment and broaden its student diversity, leading to better performance under the HB14-1319 formula.

- *Adams State University.* In order to strengthen academic advising, Adams is pursuing acquisition of real-time student interactive online degree mapping software. A robust and fully functional electronic advising system for Adams State students can drastically improve the consistency, accuracy and effectiveness of academic advising. Such a system can make a significant impact on advising services for students and improve retention and graduation rates at Adams State University. Monitoring degree progress and degree requirements of each student is currently done manually at Adams State University, usually with hard copy advising forms or individual electronic files. The current methods for advising do not optimize degree completion for students, leave room for human error in the advising process, and a student's degree plan exists in multiple locations with multiple versions. Ellucian's Degree Works solution has been researched by several stakeholders across campus over the last several months and appears to be an ideal fit for Adams State University. With recent Title IV and NCAA regulations pertaining to degree monitoring (150% loan limitation especially) and the need for accurate and effective advising, it important that ASU moves toward a comprehensive degree mapping academic advising solution.

In each of the transition years (FY 2015-16 to FY 2019-20, mirroring the guardrail transition provided in HB14-1319), DHE will request and justify funding one year at a time for S-PIP in the upcoming fiscal year. The adjustment to the HB14-1319 model to bring all institutions up to a funding level that would ensure low tuition is a component that would be allocated to institutions on a one year at a time basis.

This funding will be separate and distinct from the base performance funding allocation model that was developed by the Department's HB14-1319 vendor NCHEMS. There are several reasons that CCHE and Department recommend that the transitional funding be outside of the base portion of the HB14-1319 performance funding model and the definition of "total state appropriations", including:

1. The funds in the model distort the HB14-1319 base and impact the "guard rail" provision.
2. If the funds are not differentiated, the percentage change in "total state appropriations" increases. This would have the effect of increasing base appropriations with one-time funds to "specialty education programs," "local district junior colleges" and "area vocational schools" (Section 23-18-304 (1) (a) (I), C.R.S.).
3. The funds cannot be guaranteed to be used to improve performance in the policy objectives of HB14-1319 if they are run through the model. Nor would the funds be tracked separately or reported on to the General Assembly and CCHE.

### ***Requested Statutory Changes to Implement Request***

Please note that this request also seeks statutory changes to implement our request. The Executive respectfully requests that the JBC sponsor this legislation. These changes include the following:

1. **Total Governing Board Appropriation and Base Adjustments and Special Appropriations Bills and Total State Appropriation (TSA).** This request seeks a statutory change to include base adjustments and special appropriations bills in the definition of "total Governing Board appropriations" as found in Section 23-18-302 (9). Specifically, that the total Governing Board

appropriation as of November 1 of each year is defined as the previous year's Long Bill appropriation, legislation enacted in the budget year with a special appropriation or fiscal impact as defined in the final fiscal note as of Nov. 1, and any base adjustments from previous years' legislation and fiscal notes.

2. **Total State Appropriation (TSA) Waiver for One-Time Funding.** The request also seeks a waiver from the statutory requirement to increase specialty education programs, local district junior colleges and the area vocational schools at the same rate of increase from the previous fiscal year in total state appropriations only for the \$4.6 million in one-time funding allocations to governing boards to bring institutions' increases up to at least 10%, and for any allocations made to a governing board from the \$10.4 million Strategic Performance Investment Program (\$15 million total). The Department is requesting the one-time funds to help institutions that are under the 10 percent increase to help institutions improve their performance relative to the State's new higher education funding model and continue the State's efforts to reduce the cost of education for in-state students across all institutions. These funds are strategically targeted to institutions that are subject to the new model and the waiver is needed for the transition funds to act as an aid to institutions that need funding to successfully transition to the new model. Because using the \$15 million in one-time funds in the Total State Appropriation formula diminishes the ability of these limited funds to be used as transition funds they should not be considered a part of total state appropriations, as defined by Section 23-18-302 (10) C.R.S.
3. **Creation of Strategic Performance Investment Program Under CCHE.** This request seeks a statutory change to the authority of the Colorado Commission on Higher Education in order to implement the Strategic Performance Investment program.
4. **Waiver on the Financial Aid Calibration.** This request seeks a waiver from the statutory requirement for the financial aid calibration found in Section 23-3.3-103, C.R.S. This statute requires that annual appropriations for student financial assistance increase by at least the same percentage as the aggregate percentage increase of all General Fund appropriations to institutions of higher education. For FY 2015-16, this waiver is requested in order to target limited resources to public institutions of higher education this year in keeping with the requirements of SB14-001 and HB14-1319. Additionally, this waiver is requested in contemplation of the resources separately requested for the College Opportunity Scholarship Initiative in FY 2015-16 and is mindful of the substantial investment in financial aid that was made in FY 2014-15 far beyond the requirements of this section.

*Attachments:*

- Attachment A: Calculations for Governing Board Requested Allocations
- Attachment B: HB14-1319 Model Support Letter
- Attachment C: One-page HB14-1319 Funding Model Overview
- Attachment D: Final HB14-1319 Report

Attachment A: Calculations for Governing Board Requested Allocation

Table 1 — FY 14-15 Total State Appropriation Calculation

Governing Board	FY 14-15 Appropriation <sup>1</sup>	Remove Specialty Education Programs	FY 15-16 Base Adjustment (SB 13-033)	FY 14-15 Total State Appropriation <sup>2</sup>
Adams State University	\$ 12,837,288	\$ -	\$ 2,250	\$ 12,839,538
Colorado Mesa University	\$ 22,027,251	\$ -	\$ 9,000	\$ 22,036,251
Metropolitan State University of Denver	\$ 43,681,193	\$ -	\$ 154,125	\$ 43,835,318
Western State Colorado University	\$ 10,585,447	\$ -	\$ 2,250	\$ 10,587,697
Colorado State University System	\$ 121,978,483	\$ (48,482,289)	\$ 29,250	\$ 73,525,444
Fort Lewis College	\$ 10,594,604	\$ -	\$ 3,375	\$ 10,597,979
University of Colorado System	\$ 167,097,810	\$ (55,919,409)	\$ 38,250	\$ 111,216,651
Colorado School of Mines	\$ 18,669,456	\$ -	\$ 3,375	\$ 18,672,831
University of Northern Colorado	\$ 37,357,027	\$ -	\$ 11,250	\$ 37,368,277
Colorado Community College System	\$ 137,465,925	\$ -	\$ 309,375	\$ 137,775,300
<b>Total</b>	<b>\$ 582,294,484</b>	<b>\$ (104,401,698)</b>	<b>\$ 562,500</b>	<b>\$ 478,455,286</b>

<sup>1</sup> FY 2014-15 General Fund amount includes governing board appropriations from HB 14-1336, SB 14-001, and SB 14-211.

<sup>2</sup> Total State Appropriation includes FY 2014-15 governing board appropriations and FY 2015-16 SB 13-033 base adjustments, less specialty education programs.

Table 2 — FY 15-16 Governing Board Requested Allocation Overview

Governing Board	FY14-15 Total State Appropriation <sup>1</sup>	FY 15-16 Final Model (w/ Adjusted Base)	% Change in Appropriation from FY14-15 to FY15-16	Guard Rail Adjustments	FY15-16 Final Model (w/ Guardrails Applied)	% Change in TSA from FY14-15 to FY15-16 (w/ Guardrails Applied)	One-time Allocation to Bring All Up to 10%	FINAL ALLOCATION FY15-16 (Base + One-Time)	% Change from FY14-15 to FY15-16 (w/ One-Time Applied)	SEP at 10% Increase	FY15-16 Total Allocation Request	FY15-16 Total Allocation Request % Change from FY14-15
Adams State University Board	\$12,839,538	\$13,971,259	8.81%	\$ (9,853)	\$13,961,407	8.74%	\$162,085	\$14,123,492	10.00%		\$14,123,492	10.00%
Colorado Mesa Board	\$22,036,251	\$24,423,520	10.83%	\$ (20,783)	\$24,402,736	10.74%	\$0	\$24,402,736	10.74%		\$24,402,736	10.74%
Metropolitan State Board	\$43,635,318	\$50,870,227	16.05%	\$ (516,855)	\$50,353,372	14.87%	\$0	\$50,353,372	14.87%		\$50,353,372	14.87%
Western State Board	\$10,587,697	\$11,494,963	8.57%	\$ (7,899)	\$11,487,064	8.49%	\$159,403	\$11,646,467	10.00%		\$11,646,467	10.00%
Colorado State University Board	\$73,525,444	\$79,916,754	8.69%	\$ (65,642)	\$79,861,112	8.62%	\$1,016,877	\$80,877,989	10.00%	\$53,330,518	\$134,208,507	10.03%
Fort Lewis College Board	\$10,597,979	\$11,967,992	12.93%	\$ (11,927)	\$11,956,065	12.81%	\$0	\$11,956,065	12.81%		\$11,956,065	12.81%
University of Colorado Board	\$111,216,651	\$121,057,886	8.85%	\$ (85,677)	\$120,972,209	8.77%	\$1,366,107	\$122,338,316	10.00%	\$61,511,350	\$183,849,666	10.03%
Colorado School of Mines Board	\$18,672,831	\$20,534,029	9.97%	\$ (16,203)	\$20,517,825	9.88%	\$22,289	\$20,540,114	10.00%		\$20,540,114	10.00%
University of Northern Colorado Board	\$37,368,277	\$38,373,291	2.69%	\$ (863,400)	\$39,236,691	5.00%	\$1,868,414	\$41,105,105	10.00%		\$41,105,105	10.00%
Community College System Board	\$137,775,300	\$153,690,895	11.55%	\$ (138,560)	\$153,552,335	11.45%	\$0	\$153,552,335	11.45%	\$114,841,868	\$153,552,335	11.45%
<b>Total</b>	<b>\$478,455,286</b>	<b>\$526,300,815</b>		<b>\$0</b>	<b>\$526,300,815</b>		<b>\$4,595,175</b>	<b>\$530,895,991</b>			<b>\$645,737,859</b>	

<sup>1</sup> Total State Appropriation includes FY 2014-15 governing board appropriations (HB 14-1336, SB 14-001 and SB 14-211) and FY 2015-16 SB 13-033 base adjustments, less specialty education programs.

Table 3 — DHE BA-01 Schedule I3 Walk-through

Governing Board	FY14-15 Appropriation	FY15-16 Base Adjustment (SB 13-033)	Schedule I3 Increase FY15-16	FY15-16 Request <sup>2</sup>
Adams State University	\$ 12,837,288	\$ 2,250	\$ 1,283,954	\$ 14,123,492
Colorado Mesa University	\$ 22,027,251	\$ 9,000	\$ 2,366,485	\$ 24,402,736
Metropolitan State University of Denver	\$ 43,681,193	\$ 154,125	\$ 6,518,054	\$ 50,353,372
Western State Colorado University	\$ 10,585,447	\$ 2,250	\$ 1,058,770	\$ 11,646,467
Colorado State University System	\$ 121,978,483	\$ 29,250	\$ 12,200,774	\$ 134,208,507
Fort Lewis College	\$ 10,594,604	\$ 3,375	\$ 1,358,086	\$ 11,956,065
University of Colorado System	\$ 167,097,810	\$ 38,250	\$ 16,713,606	\$ 183,849,666
Colorado School of Mines	\$ 18,669,456	\$ 3,375	\$ 1,867,283	\$ 20,540,114
University of Northern Colorado	\$ 37,357,027	\$ 11,250	\$ 3,736,828	\$ 41,105,105
Colorado Community College System	\$ 137,465,925	\$ 309,375	\$ 15,777,035	\$ 153,552,335
<b>Total</b>	<b>\$ 582,294,484</b>	<b>\$ 562,500</b>	<b>\$ 62,880,875</b>	<b>\$ 645,737,859</b>





December 11, 2014

The Honorable Kent Lambert  
Chair, Joint Budget Committee  
Colorado General Assembly  
200 E. 14<sup>th</sup> Avenue, Third Floor  
Legislative Services Building  
Denver, CO 80203

Dear Senator Lambert:

As you know, for the past six months Colorado's public system of higher education has diligently worked to develop a new funding formula for allocating state operating funds for higher education pursuant to House Bill 14-1319. A robust and transparent process has included extensive statewide public outreach and thousands of hours of work of various subcommittees including the participation of you and several of your legislative colleagues as members of the Funding Allocation Model Expert Team (FAMET) and the Executive Advisory Group (EAG).

**As the leaders of public higher education in Colorado we unanimously endorse the FY 2015-16 funding model that was approved by CCHE on December 4<sup>th</sup>. We respectfully request that the JBC adopt the model and use of transition funding as recommended.**

**We also unanimously endorse the Governor's budget request, which included a 10.0 percent base funding increase of \$60.6 million. In addition, we all recognize the importance of the \$15.0 million in transitional funding and believe that it is critical that this funding remain for at least five years to support a smooth transition to the House Bill 14-1319's model. This significant requested operating increase was the key to reaching agreement on the model.**

The model reflects House Bill 14-1319 and uses a transparent funding methodology that is tied to actual data that can be tracked. After incorporating the Governor's budget request, the new model results in base operating increases that range from approximately 2.9 to 16.4 percent by governing board. The guardrail provisions of House Bill 14-1319 result in this range being adjusted to a 5.0 percent increase on the low end and a 15.0 percent increase on the high end. After implementation of the guardrail, the

recommendation then uses a portion of the \$15.0 million transition funding pot, which results in no single governing board receiving less than a 10.0 percent increase over its FY 2014-15 appropriation.

Using a portion of the transition funding this way will allow all governing boards to comply with the second year of the 6 percent undergraduate resident tuition cap required by law. How the remaining portion of the \$15 million will be allocated is yet to be determined. This first year consensus adjustment and allocation is important because it will help keep a quality postsecondary credential within reach for all Colorado students attending any one of our public colleges or universities.

We recognize that no funding model is perfect and that we can anticipate adjustments and refinements in future years. Nevertheless, a recommendation that can be supported unanimously this year allows for institutional planning and is ultimately a positive result for Colorado families and students. Therefore we strongly encourage the Joint Budget Committee and members of the General Assembly to join us in supporting this collective recommendation.

We deeply appreciate the assistance of the Committee in this effort in addition to the work on the FY 2015-16 request and look forward to a productive legislative session.

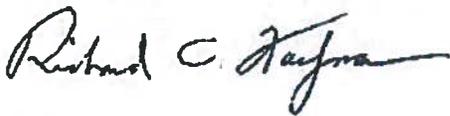
Thank you,



Lt. Gov. Joseph A. Garcia, Executive Director  
Colorado Department of Higher Education



Bruce D. Benson, President  
University of Colorado System



Richard Kaufman, Chairman  
Colorado Commission on Higher Education



Dr. Nancy J. McCallin, President  
Colorado Community College System



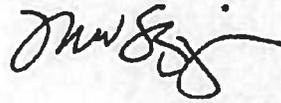
Tim Foster, President  
Colorado Mesa University



Kay Norton, President  
University of Northern Colorado



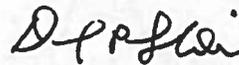
Dr. Steven M. Jordan, President  
Metropolitan State University at Denver



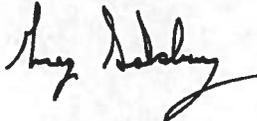
Dr. M. W. Scoggins, President  
Colorado School of Mines



Dr. Michael V. Martin, Chancellor  
Colorado State University System



Dr. David Svaldi, President  
Adams State University



Dr. Greg Salsbury, President  
Western State Colorado University

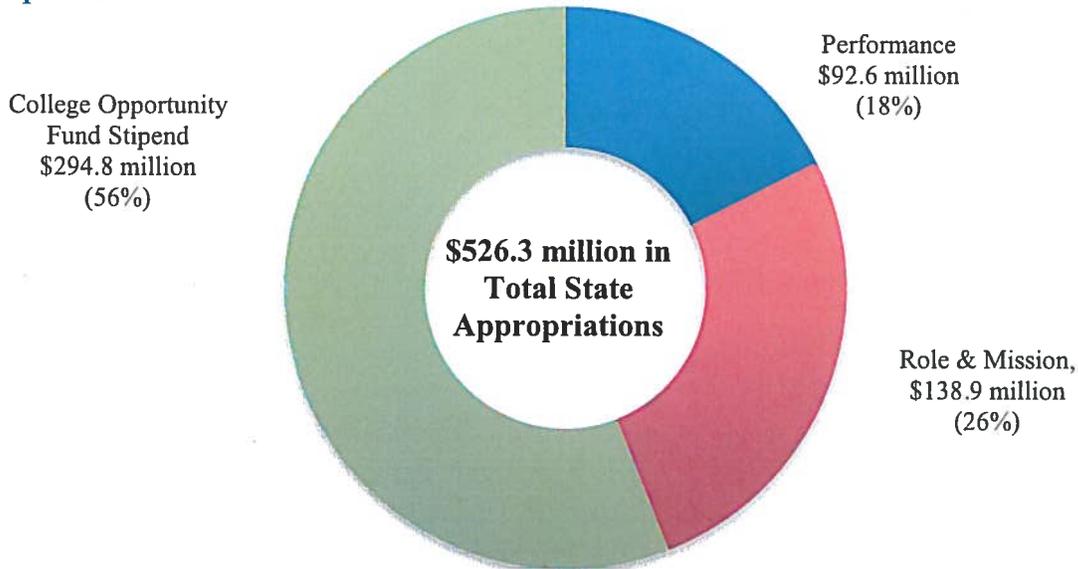


Dr. Dene Kay Thomas, President  
Fort Lewis College

**Cc:** Representative Millie Hamner, Joint Budget Committee, Vice-chair  
Representative Dave Young, Joint Budget Committee  
Representative Bob Rankin, Joint Budget Committee  
Senator Kevin Grantham, Joint Budget Committee  
Senator Pat Steadman, Joint Budget Committee  
Ms. Amanda Bickel, Chief Legislative Analyst, Joint Budget Committee  
Mr. Henry Sobanet, Director, Governor's Office of State Planning and Budgeting  
Ms. Alexis Senger, Chief Analyst, Governor's Office of State Planning and Budgeting  
Ms. Donna Lynne, Co-Chair, House Bill 14-1319 Executive Advisory Group



# HB 14-1319 Funding Model, FY 2015-16 Allocations by Model Component



## College Opportunity Fund Stipend

**\$294.8 million (56% of Total State Appropriations)**

Resident student stipends authorized under the College Opportunity Fund Program 23-18-201, et.seq. The COF stipend is set at \$75 per credit hour and is based on enrollment projections included in the 2014-2015 Long Bill.

**The COF stipend is set at \$75 per credit hour**

## Role & Mission

**\$138.9 million (26% of Total State Appropriations)**

Role and mission fee-for-service contracts authorized under Section 23-18-303 (3) and comprised of 3 metrics:

1. Weighted Credit Hours. Completed student credit hours multiplied by a weighted discipline cluster according to a recognized cost-informed matrix .
2. Pell-Eligible and Underepresented Minority Students (URM). Based on a percentage of the COF stipend, provides funding support low-income and underserved populations
3. Tuition Stability Factor. Additional factor to help to ensure institutions can continue to comply with SB 1 and the 6% tuition cap.

## Role & Mission Factors

(\$ in millions)

Tuition Stability Factor  
\$19.5  
(14%)



Pell-Eligible/URM,  
\$18.8,  
(13%)

Weighted Credit Hours  
\$102.6  
(73%)

## Performance

**\$92.6 million (18% of Total State Appropriations)**

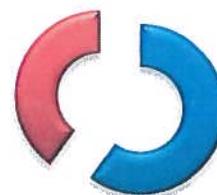
Performance funding fee-for-service contracts authorized under Section 23-18-303 (4) C.R.S. and is comprised of two metrics:

1. Completion and Retention. Rewards institutions for number of students they transfer, retain, and confer degrees/certificates (60% of Performance Funding).
2. Volume Adjusted Awards, rewards performance in a manner that recognizes institutional performance in relation to size and capacity (40% of Performance Funding).

## Performance Metrics

(\$ in millions)

Volume Adjusted Awards  
\$37.0  
(40%)



Completion and Retention  
\$55.6  
(60%)





**COLORADO**

**Colorado Commission on  
Higher Education**

Department of Higher Education

# **HB 14-1319 Funding Allocation Model Final Report**

1560 Broadway, Suite 1600 • Denver, Colorado 80204 • (303) 866-2723  
LT. GOVERNOR JOSEPH GARCIA, EXECUTIVE DIRECTOR



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January 15, 2015

Members of the Colorado General Assembly:

In May 2014, the Colorado General Assembly and Governor John Hickenlooper tasked the Colorado Commission on Higher Education (CCHE) and the Colorado Department of Higher Education (CDHE) with developing a new performance-based allocation model for the State's operational funding for public institutions of higher education. Given just over eight months to lead the efforts and accomplish this goal, the CCHE, all of the Governing Boards of the public institutions of higher education, and the CDHE deliver to you a completed, unanimously agreed-upon funding allocation model that reallocates base funding around three primary policy priorities:

- Fund enrollment through the College Opportunity Fund (COF) Stipend;
- Honor each institution's unique role and mission, including access to higher education in the rural areas of our state; and
- Reward performance - specifically retention and completion, including transfers from a community college to a 4-year institution.

We embarked on this project with optimism but also great trepidation. Colorado is near the bottom of the nation in its funding for higher education, so the stakes were incredibly high as we worked to build consensus and collaboration to reallocate base funding in a way that aligned with state policy goals. At CDHE, we committed ourselves to a public, transparent, inclusive process to create the new formula and agreed with our stakeholders to create a simple, clear formula that demonstrated direct links to the policies of the CCHE Master Plan and those identified in statute. Not only did we accomplish this goal but the public, transparent, and inclusive process developed for this project will continue as we further examine the funding allocation model and evaluate the need for future refinements but also its impact on meeting state goals and the work of the CCHE to develop tuition policy, as required by HB 14-1319.

Importantly, the process of creating this new model opened up difficult policy discussions. Across the nation, the higher education financial model is becoming unacceptable as reductions in state funding lead to high tuition which in turn leads to high levels of student debt. It is in this context that we must wrestle with and address difficult issues such as affordability, completion, closing the attainment gap, and creating better linkages to our K-12 and workforce partners. We all have the same aspiration - to create an affordable, accountable and high-quality public higher education system for the State of Colorado that is accessible to all Coloradans without regard to their geographic location or their financial means. Creating this system will help us reach the Master Plan goal that 66% of Coloradans have a postsecondary credential by 2025 to support our future workforce needs.

Respectfully Submitted,

Lt. Gov. Joseph A. Garcia,  
Executive Director of the Colorado Department of Higher Education

## Executive Summary

In response to HB 14-1319, the Colorado Commission on Higher Education (CCHE) developed and recently adopted a new base funding formula to allocate state general fund dollars among the State's public institutions of higher education.

Through this model, which is unanimously supported by both CCHE and all of the affected governing boards, base funding will be allocated according to the following components:

- **College Opportunity Fund Stipend** - Provides funding for the number of Colorado resident students being served by an institution.
- **Role & Mission** - Helps to offset the costs incurred in providing undergraduate, graduate and remedial programs to students in a manner that recognizes who the institution serves, how it serves students and the environment in which it serves students.
- **Performance** - Rewards institutions for the number of students the institution transfers, retains, and confers degrees/certificates. In addition, rewards performance in a manner that recognizes institutional performance in relation to an institution's size and capacity.

Over the past eight months the Colorado Department of Higher Education (CDHE) and CCHE led an inclusive and transparent process to create and finalize a model that is **unanimously supported** by all affected governing boards. Included in this process and the decision making were legislators and members of the Joint Budget Committee; current and former higher education commissioners; business leaders; non-profit organizations; leaders of state higher education institutions; and advocates representing students, parents and faculty.

These individuals served as members of our Public Education & Outreach Team, Funding Allocation Model Expert Team (FAMET), Executive Advisory Group (EAG) and participated in a monumental effort to develop and implement a higher education funding model that is more transparent and understandable for Colorado taxpayers; improves predictability for institutions to engage in long-term financial planning and tuition setting, with a goal of ensuring both accessible and affordable higher education for residents; meets the directives of the legislation; and, harmonizes with the statewide goals for higher education as articulated in [CCHE's Master Plan - Colorado Competes, A Completion Agenda for Higher Education](#).

The new base funding allocation formula, adopted by CCHE on December, 4, 2014, is a balance of the policy goals of CCHE; the legislative directives of HB 14-1319; and the feedback from the public education and outreach activities conducted through the project process. Further, it is based upon national best practices in higher education financing.

## Introduction

HB 14-1319 was passed by the Colorado General Assembly and signed by the Governor in May 2014. The bill eliminated the existing funding structure for how state General Fund dollars are allocated to public institutions of higher education as of Fiscal Year 2015-16, and directed the Colorado Commission on Higher Education (CCHE) to develop and adopt a new base funding allocation formula for these funds within specified parameters.

The legislation specifically required:

- (1) The project to be completed by January 1, 2015, less than eight months from the time it was signed into law;
- (2) CCHE to engage in a facilitated process with “interested parties” and to incorporate the feedback into the final product; and, ultimately,
- (3) Funding be awarded to the colleges and universities based on Role and Mission Factors - offsetting the costs of providing programs, while acknowledging the uniqueness of the individual institution - as well as Performance Metrics - number of students transferred, retained, and conferred.
- (4) CCHE provide tuition policy recommendations to the General Assembly by November 1, 2015.

This report provides a summary of the HB 14-1319 project and adopted model and includes:

- A History of Higher Education Funding in Colorado
- The HB 14-1319 Project Process
- An Overview of the CCHE Adopted Model
- Next Steps and Version 2.0

HB 14-1319 represents a significant change in how the State funds higher education. Previously, funding for institutions was based on historical allocations and available funds rather than specific state policy goals. HB 14-1319 dramatically changed that by requiring that the allocation of state funding be based on common, measurable, and updatable factors and metrics.

To develop and implement the model, the Colorado Department of Higher Education (CDHE) contracted with two vendors. The Keystone Center, in conjunction with Engaged Public, was selected for the public education and outreach facilitation. The National Center for Higher Education Management Systems (NCHEMS) was selected for the cost driver analysis and construction of the base funding allocation model. In addition, CDHE created an intentional project structure to implement the legislation that consisted of three subject matter expert teams. These teams worked with CDHE, CCHE and the vendors directly on the three essential aspects of this project: public

engagement and outreach; a study examining what is at the root of postsecondary costs; and, the funding model itself.

Over the past eight months CDHE and CCHE led an inclusive and transparent process to create and finalize a model that is unanimously supported by all affected governing boards. Comprised of three components – the College Opportunity Fund Stipend, Role & Mission and Performance – the *CCHE Funding Allocation Model* balances policy goals of CCHE, the legislative directives of HB 14-1319, and the feedback from the public education and outreach activities conducted by CDHE with Keystone and Engaged Public. Specifically, the new funding model will incent:

- **Increased postsecondary credential attainment** by rewarding institutions for the credentials granted, including a bonus for STEM and health care credentials;
- **Improved student success and outcomes** by allocating funds to offset the costs of providing basic skills education and rewarding student retention/progress;
- **Increased success for low-income and underrepresented minority students;** and
- **Continued access to affordable higher education in all geographic areas** of the state by rewarding the performance of smaller/rural institutions and the role and mission of all of the State’s institutions of higher education.

Moving forward, CDHE and CCHE, in consultation with the interested parties, will continue to refine and evaluate the model to ensure that the indicators, methodology, and funding allocation processes continue to align with the policy goals of CCHE, the Governor, and the General Assembly.

This report serves as an overview of the *CCHE Funding Allocation Model*, which has the support of Colorado’s public college and university presidents. A letter expression support of the model from the CEOs of Colorado’s governing boards can be found in Appendix A. This report also provides a brief history of higher education funding in Colorado and outcomes/performance based funding for higher education across the states; details the process and guiding principles used to reform higher education funding; and, includes a detailed summary of the adopted model, and a discussion of a process to make any needed modifications to the model in future fiscal years.

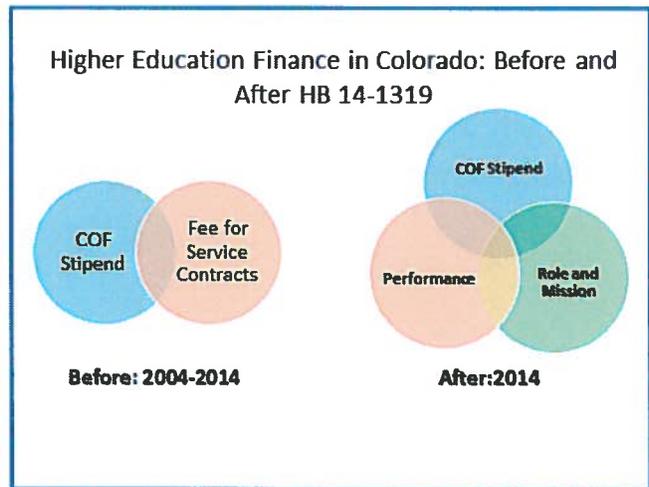
## Higher Education Funding in Colorado

The passage and implementation of HB 14-1319 represented a significant change in how the State allocates funds to public institutions of higher education. Previously, funding for institutions was based on historical allocations, with annual adjustments based on available funds rather than specific state policy goals. The legislation dramatically changes this by requiring that funding be based on common, measurable, and updatable factors and metrics.

According to the Joint Budget Committee Higher Education Briefing Document, Colorado has gone through numerous higher education funding methods over the decades. At one time, funding was determined through detailed line items. By the early 1990s, appropriations for each governing board were consolidated into single line items. However, CCHE and the General Assembly still applied budget adjustments based on a mandated cost model, in which various costs and revenue components were analyzed for each governing board. By the mid-1990s, the methodology changed again to an inflation-based approach, in which governing boards received increases based on the Consumer Price Index (CPI) plus changes in enrollment. Additional adjustments were addressed through decision items or separate legislation including a performance based funding component added in the early 2000s.

In 2004, the General Assembly moved the State to the student stipend and fee for service model in effect through FY 2014-2015. Known as the College Opportunity Fund (COF), the intent of this model was for money to “follow the student” through a stipend payment, along with a mechanism for purchasing various services through Fee-For-Service (FFS) contracts. Higher education institutions no longer received direct state funding through General Fund appropriations. Annual reappropriated funds made in the Long Bill to the COF trust are designated with a split between stipend payments and FFS contract payments in the Long Bill letternote text. Staff and institutions have historically referred to stipends as COF and contract payments as FFS. For the last decade, this approach continued to focus on the total funding needed per institution through the combination of fee-for-service and stipend moneys. In effect, this has been a base plus/minus approach.

HB 14-1319 represents a significant change in how the State allocates funds to public institutions of higher education. The legislation eliminated the negotiated fee-for-service/COF approach and required it be replaced by a formula that funds the fee-for-service contracts based on achieving state goals, while working within the structure of the existing College Opportunity Fund. The COF stipend has been retained with the addition of the new fee-for-service contracts containing the role and mission and performance funding components.



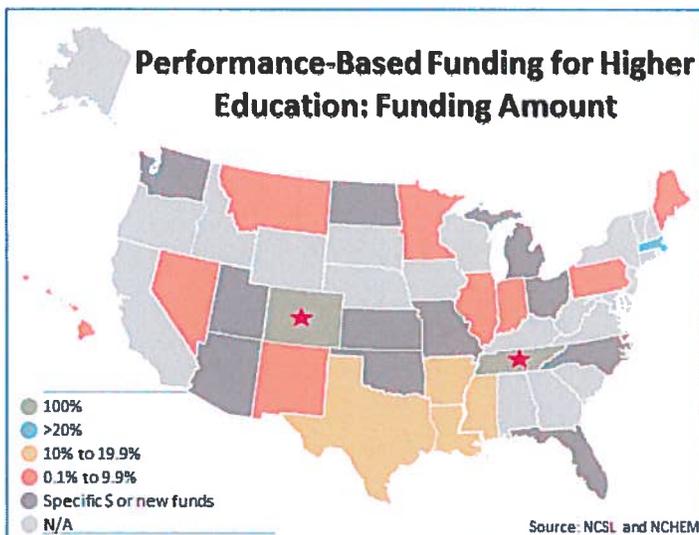
### A National Shift in Higher Education Funding

Colorado is not the only state that has transitioned to an outcomes- or performance-based funding method. Funding formulas that allocate some amount of funding based on performance and outcomes indicators are gaining traction across the nation.

Although this idea is not new, states are seeking ways to tie institutional performance and outcomes to funding.

According to the National Conference of State Legislatures (NCSL), at least 25 states have funding allocation models in place disbursing state moneys for higher education, at least in part, based on performance. A handful of other states are currently in the process of developing models based on similar premises. However, there are differences in how the formulas are derived and applied in the various states. Among the states that have moved to some type of performance-based methodology, most allocate to both two-year and four-year institutions based on performance, while others tie performance funding only to a subset of institutions. For example, Massachusetts, Texas, and Washington only fund their two-year institutions through a performance-based formula. Further, Arizona, Florida, and Pennsylvania only fund their four-year institutions in this manner. Colorado will fund both two-year and four-year institutions through the new performance-based funding allocation model.

Additionally, Colorado will allocate the entire state appropriation for most state institutions of higher education through the new performance-based funding model with specialty education programs, such as medical and veterinary medicine, and local district junior colleges and area vocational schools being treated in a block grant fashion. In comparison, most states who have implemented a performance-based approach provide a base allocation and then distribute only between 5% and 25% through performance funding. The map to the right illustrates the percentage of money each state flows through their performance model. Some states identified certain dollar amounts or are allocating only the increase in state funds over the previous year based on performance.



Based upon the experiences of other states’ performance-based funding models, the Department and CCHHE sought to align its work with best practices from around the country, from organizations including the National Conference of State Legislatures, National Governors Association Center for Best Practices, the Education Commission of the States, the National Center for Higher Education Management Systems (NCHEMS), HCM Strategists, and others.

## HB 14-1319 Project Process

To successfully implement HB 14-1319, 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.

### PROJECT PRINCIPLES

CCHE's July 2014 retreat was used as the launch for the HB 14-1319 Project. Members of the Executive Advisory Group (EAG) were invited to participate in the presentations and discussions during the first day.

Through a facilitated conversation, managed by The Keystone Center, EAG members formulated a set of project principles to guide the discussions and decisions throughout the project. These principles were further refined and then formally recommended by the EAG and adopted by the CCHE at subsequent meetings.

#### *HB 14-1319 PROJECT PRINCIPLES*

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.
- 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.

The bill specifically required this to be done in a transparent manner in consultation with "Interested Parties", which are defined in the bill as including but not limited to *"the governing boards of institutions, institution administrators, higher education advocates, students, faculty, nonprofit education organizations, and members of the business community."*

CDHE underwent a very rigorous Request for Proposal (RFP) process to select the two vendors for the project, following the Department of Personnel and Administration rules and guidelines. The Keystone Center, in conjunction with Engaged Public, was selected for the public education and outreach facilitation. The National Center for Higher Education Management Systems (NCHEMS) was selected for the base funding allocation model construction.

In addition, the HB 14-1319 project structure consisted of three subject matter expert teams that worked with the CDHE and the vendors directly on the three essential aspects of this project: public engagement and outreach, a study examining what is at the root of postsecondary costs, and the funding allocation model itself. The following is a brief description of the subject matter expert teams:

#### Public Education & Outreach Team

The focus of this Team was to (1) help project participants and leaders understand the higher education priorities of the stakeholders across the state and how these priorities should impact how consideration is given to the weighting of the funding model metrics and factors within the formula, and (2) educate the public about the role of higher education and its importance to our state and our economy.

The Public Education and Outreach Team was made up of the following members:

- Luis Colon - Business Consultant, Xcelente Marketing - *Business Advocate and CCHE Representative*
- Wade Buchanan - President, Bell Policy Center - *Non-Profit Organization*
- Mike Martin - Chancellor, Colorado State University System - *Research Institutions*
- Greg Salsbury - President, Western State Colorado University - *Four-Year Institutions*
- Millie Hamner - State Representative, Chair House Education Committee, Colorado General Assembly - *Legislator*
- Taryn Flack - *Student Representative*
- Ruth Annette Carter - *Parent Representative*
- Jeff London - MSU, Denver - *Faculty Representative*
- Diane Hegeman - Arapahoe Community College - *Provost Representative*
- Inta Morris - Chief Advocacy & Outreach Officer, CDHE

#### **Funding Allocation Model Expert Team (FAMET)**

The heart of the charge in HB 14-1319 is the creation of a new funding allocation model. FAMET was charged with developing a funding allocation model that balanced the policy goals of CCHE, the legislative directives of HB 14-1319, and incorporated the feedback from the public education and outreach activities.

The Funding Allocation Model Expert Team was made up of the following members:

- Hereford Percy - Commissioner, CCHE - *Business Advocate and CCHE Representative*
- Nancy Todd - State Senator, Senate Education Committee, Colorado General Assembly - *Legislator*
- Alexis Senger - Chief Analyst, Office of State Planning and Budgeting - *Governor's Representative*
- Jeanne Adkins - President Strategic Options and Solutions, Colorado Mesa University
- Brad Baca - Executive Vice President, Chief Operating Officer, Western State Colorado University
- Ed Bowditch - Legislative Liaison, Fort Lewis University
- Steve Kreidler - Vice President of Administration, Finance and Facilities, Metropolitan State University of Denver
- Bill Mansheim - Vice President for Finance and Government Relations, Adams State University
- Michelle Quinn - Senior Vice President, Chief Financial Officer, University of Northern Colorado
- Todd Saliman - Chief Financial Officer, University of Colorado
- Rich Schweigert - Chief Financial Officer, Colorado State University

- Mark Superka - Chief Financial Officer, Colorado Community Colleges System
- Kirsten Volpi - Executive Vice President for Finance and Administration, Colorado School of Mines
- Dr. Beth Bean - Chief Research Officer, CDHE

### Cost Driver Analysis Team

While not specifically called for in the legislation, this project was incorporated to inform the other aspects of the HB 14-1319 implementation and address future decisions to be made regarding funding and tuition policies. The Team is scheduled to conclude their work by June 2015.

The Cost Driver Analysis Team is comprised of:

- Patty Pacey - Commissioner, CCHE - *Business Advocate and CCHE Representative*
- Jessie Ulibarri - State Senator, Colorado General Assembly - *Legislator*
- Alexis Senger - Chief Analyst, Office of State Planning and Budget - *Governor's Representative*
- Jeanne Adkins - President Strategic Options and Solutions, Colorado Mesa University
- Julie Feier - Associate Vice President of Finance and Administration, Western State Colorado University
- Peter Han - Chief of Staff and Vice-President of External Relations, Colorado School of Mines
- Heather Heersink - Budget Director, Adams State University
- Chad Marturano - Senior Director of Budget and Strategic Planning, University of Colorado System
- George Middlemist - Associate Vice President of Administration and Finance and Controller, Metro State University
- Bridget Mullen - Director of Budget and Finance, Colorado State University System
- Steve Schwartz - Vice President of Finance and Administration, Fort Lewis College
- Mark Superka - Chief Financial Officer, Colorado Community College System
- Cindy Thill - Special Assistant to the Senior Vice President for Administration, University of Northern Colorado
- Diane Duffy - Chief Financial Officer, CDHE

### Executive Advisory Group (EAG)

The subject matter expert teams worked at the granular level and reported to the Executive Advisory Group (EAG) - an advisory group comprised of legislators, current and former higher education commissioners, business leaders, leaders of state higher education institutions, and advocates for students, parents, faculty and provosts.

The EAG was charged with digesting the work that the Expert Teams had conducted; helping to resolve any conflicts that may have arisen through the granular process; providing guidance, as necessary, to the expert teams for additional issues to take into consideration; and, ultimately making a clear recommendation about what is best for Colorado to CCHE for consideration and action.

The final decision maker, and the body ultimately responsible for adopting the final funding allocation model, was the CCHE. CCHE was provided with regular reports on the progress of the project; helped to resolve any conflicts that were not able to be resolved at the EAG level; provided guidance, when necessary to the EAG for issues to take into consideration; and, ultimately, adopted the new funding model.

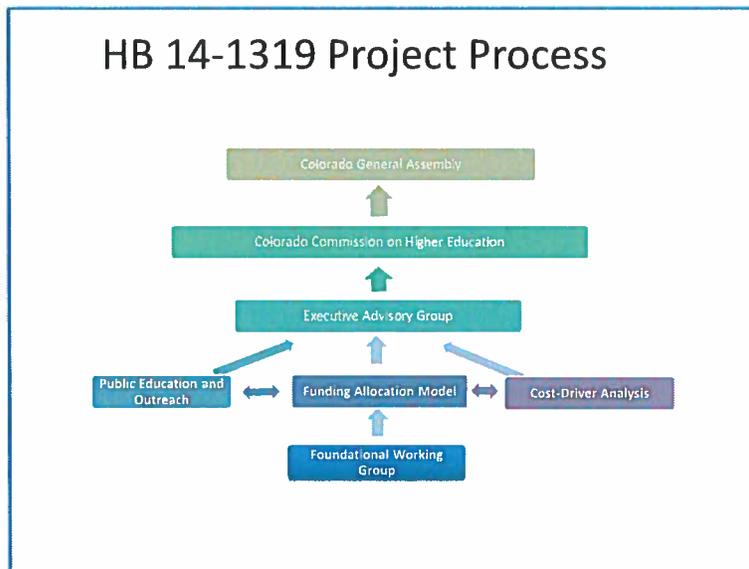
The Executive Advisory Group was comprised of the following members:

Co-Chairs

- Lt. Governor Joseph A. Garcia - Lt. Governor and Executive Director, CDHE - *representing CDHE and the Governor*
- Dr. Donna Lynne - Executive Vice President, Kaiser Permanente - *representing the business community*

Members

- Mr. Jim Chavez - Executive Director, Latin American Education Foundation - *representing students*
- Mr. Tim Foster - President, Colorado Mesa University - *representing four-year rural institutions*
- Mr. Russ George - President, Colorado Northwestern Community College - *representing access institutions and career and technical education (two-year and four-year)*
- Dr. Monte Moses - Commissioner, Colorado Commission on Higher Education - *representing CCHE*
- Dr. Pam Shockley-Zalabak - Chancellor, University of Colorado at Colorado Springs - *representing four-year research institutions*
- Mr. Greg Stevinson - President, Denver West Realty Inc. - *representing the intersection of business & higher education*
- The Honorable Pat Steadman - State Senator, Colorado General Assembly - *representing senate democratic caucus*
- The Honorable Kent Lambert - State Senator, Colorado General Assembly - *representing senate republican caucus*
- The Honorable Jenise May - State Representative, Colorado General Assembly - *representing house democratic caucus*
- The Honorable Jim Wilson - State Representative, Colorado General Assembly - *representing house republican caucus*



## Public Education & Outreach Process

The focus of the public education and outreach efforts were to: (1) help project participants and leaders understand the higher education priorities of the stakeholders across the state, and how these priorities should impact what consideration is given to the calculation and weighting of the metrics and factors within the funding allocation model; and, (2) educate the public about the role of higher education and its importance to our state and our economy. The outreach process consisted of three components:

### Key Informant Interviews

As a first step in the outreach process, Keystone and Engaged Public conducted 25 phone/in-person interviews with key stakeholders. The purpose of these interviews was to identify opportunities, concerns and provide a baseline understanding of perspectives in order to better inform the design of the subsequent community meetings.

### Community Meetings

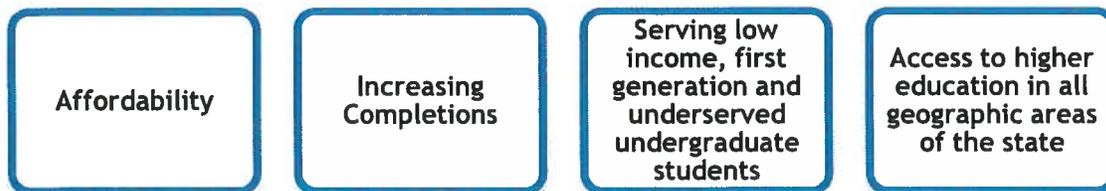
From September 17, 2014 to October 14, 2014, Keystone and Engaged Public conducted 16 meetings statewide with 425 attendees. These meetings were held at institutions as well as community locations which helped ensure a diversity of voices and sectors. Meetings were held in:

➤ Alamosa	➤ Aurora
➤ Boulder	➤ Colorado Springs
➤ Craig	➤ Denver
➤ Durango	➤ Fort Collins
➤ Glenwood Springs	➤ Golden
➤ Grand Junction	➤ Greeley
➤ Gunnison	➤ Pueblo
➤ Sterling	➤ Trinidad

### Online Outreach

An online tool - Mind Mixer - was utilized to gather input from those who were unable to attend the meetings or preferred to be reached in a non-traditional manner using Mind Mixer, additional feedback was solicited from 135 students.

The following emerged as the top priority areas for participants in the public education and outreach process:



## Key Policy Issues Considered Through the Process

The development of the new *CCHE Funding Allocation Model* was done using the project principles as guidance; incorporated the public education and outreach input; and, constructed upon the decision points recommended by FAMET and EAG, and ultimately approved by CCHE.

### USING STUDENT UNIT RECORD DATA IN THE FUNDING MODEL

The implementation of the HB 14-1319 model is unique in the nation for its grounding in an individual Student Unit Record Data within a relational database. Data for the performance funding allocation model are based upon the official data collection system for postsecondary education in Colorado, the Student Unit Record Data Systems, known as SURDS.

SURDS has over 25 years of data collected from our public colleges and universities regarding admissions, enrollment, financial aid, remediation, course information and degree completion.

Using this rich data source and flexible database approach allows for scalability while increasing sustainability through a more efficient data structure which requires less data manipulation and maintenance. The ability to track a student record through the model improves data integrity, leading to a more reliable measurement of indicators. The individual student level data allows for more accurate measure of outcomes and progress over time versus snapshots of aggregate data.

Finally, the intent is that the database built for the model will complement the Cost Driver Analysis still to come, and allow both aspects of the project to work off of one another.

This monumental effort to develop and implement a new funding allocation model - that complied with the legislative directives outlined in HB 14-1319 *and* incentivized institutions to achieve the statewide goals for higher education - did not come easily. Important and very complicated policy issues were discussed and vetted by the FAMET and EAG, and resolved through collective agreement by those involved. Many of these conversations and resulting collaborative decisions were made with the help of professional facilitators. Each decision is inextricably linked to the others and was ultimately part of the compromise necessary to “make the model work.”

Of the many policy issues discussed, two issues stood out and were resolved through this iterative and very public process:

#### **Student Count (Resident/Non Resident)**

A robust discussion took place over several FAMET and EAG meetings before a final recommendation was developed and forwarded to CCHE for action. In these discussions a number of important policy issues were vetted - public perception; recognizing overall institutional performance; understanding the inability to separate programmatic costs offered to resident vs. non-resident; and, providing incentives to achieve statewide performance goals. After several discussions about the issues pertaining to student counts, both the

FAMET and EAG voted to recommend, and CCHE unanimously approved, including all students throughout the model with the exception of the additional funding provided for Pell-eligible and underrepresented minorities within the Role & Mission component - because both of these funding pools are based off of a percentage of COF stipend, for which only resident students are eligible.

**Underrepresented Minorities**

Through the public education and outreach process, the message was clear from across the state that Colorado needs to place an emphasis on meeting the needs of the “at risk” student population. In addition, the Colorado Commission on Higher Education’s Master Plan recognizes the significant attainment gap for these students and includes a goal to reduce this gap through increased postsecondary credentials.

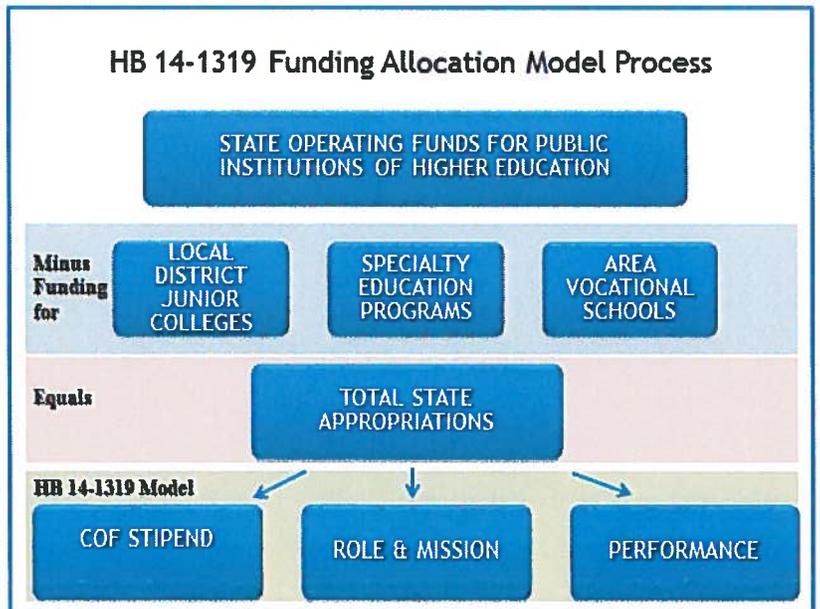
To meet the attainment goals in the Master Plan, emphasis on the success of underrepresented minorities is essential. Using Colorado data, the underrepresented minorities that have the greatest challenges with post-secondary credential attainment include Native Americans, Hispanics, and African Americans. Through the project process, it was decided that Pacific Islanders would also be captured within the definition of underrepresented minorities for the purpose of the funding model. The new funding allocation model acknowledges the importance of meeting the needs of these populations and provides increased funding to colleges and universities to support low-income and minority students.

Appendix B includes detailed issue briefs on student count and underrepresented minorities.

**The CCHE Adopted Funding Allocation Model**

As required by HB 14-1319, the *CCHE Funding Allocation Model* consists of three components: The College Opportunity Fund (COF) Stipend, Role & Mission factors, and Performance metrics. Each component has specific characteristics and parameters, which are driven in large part by the statutory requirements of HB 14-1319.

Further, the legislation specifies that only “Total State Appropriation”, not total state allocation, shall be distributed through the funding allocation



model. To calculate what constitutes “Total State Appropriation”, one starts with the total appropriation provided by the General Assembly for institutions of higher education and carves out funding for programs that will not receive their allocations through the model—Specialty Education Programs, Area Vocational Schools and Local District Junior Colleges (also excludes student financial aid and capital funds). “Total State Appropriations” is then run through the model and allocated to governing boards via the three model components.

### Important Statutory Requirements for Appropriations

#### Total State Appropriation (TSA)

Total state appropriation means, for a state fiscal year, the sum of the total amount appropriated to the governing boards of the state institutions of higher education for fee-for-service contracts determined pursuant to section 23-18-303, C.R.S and the amount of the appropriation to the college opportunity fund established in section 23-18-202, C.R.S. for student stipends. *Section 23-18-302 (10), C.R.S.*

#### Appropriations for Specialty Education Programs (SEP), Area Vocational Schools (AVS) and Local District Junior Colleges (LDJC)

Funding must be equal to such contract for the preceding year, plus-or-minus the same change in the *total state appropriation* and allows for a funding increase for these programs in excess of the percentage increase in the *total state appropriation*, or a decrease less than percentage decrease in the *total state appropriation*. *Section 23-18-304, C.R.S.*

#### College Opportunity Fund Stipend

Student stipends authorized under the College Opportunity Fund Program (23-18-201, et.seq.); and must be at least 52.5 percent of “total state appropriation” *Section 23-18-305 (2) (a), C.R.S.*

#### Role & Mission Fee-for-service Contracts

Each fee-for-service contract must include both role and mission and performance funding, and it is the General Assembly’s intent that the components of the fee-for-service contracts be “fairly balanced” between role and mission factors and performance metrics. *Section 23-18-303 (2), C.R.S.*

Based on the statutory parameters, the *CCHE Funding Allocation Model* is broken down into four sequential worksheets (dashboards) that follow the model allocation method and are based on the statutory requirements set forth in HB 14-1319. The four dashboards are:

1. *Budget*
2. *Role & Mission*
3. *Performance*

#### 4. Final Model Output

Each dashboard includes a set of adjustable policy levers. The following summarizes the components of the model with weights for each factor and metric. Additional details on the model components and weights can be found in Appendix C and the full model with each dashboard can be found in Appendix D.

### 1. Budget Dashboard

The budget dashboard contains the basic starting points for the model, including:

- The appropriation (state funding amount) for institutions of higher education;
- The option to provide an additional increase to “Specialty Education Programs (SEP),” “Area Vocational Schools (AVS)” and “Local District Junior Colleges (LDJC);”
- “Total state appropriation” (the amount to be distributed through the model)
- The COF stipend rate; and
- The percentage split between Role and Mission and Performance.

The following table includes the *Budget Dashboard* weights in the *CCHE Funding Allocation Model*.

Budget Dashboard	
Model Component	Model Weight
Full Appropriation Amount	Assumes the 10% increase from the Governor’s requested budget for FY 2015-16.
Additional Increase for SEP/AVS/LDJC	As required by statute, funding must be equal to such contract for the preceding year, plus-or-minus the same change in the Total State Appropriation.
Total State Appropriation	Full appropriation to institutions of higher education less appropriations SEP, AVS and LDJC.
The COF Stipend Rate	COF stipend is set \$75 per credit hour and is equal to 56% of “total state appropriation.”
The split between Role & Mission and Performance	Role & Mission: 60% Performance: 40%

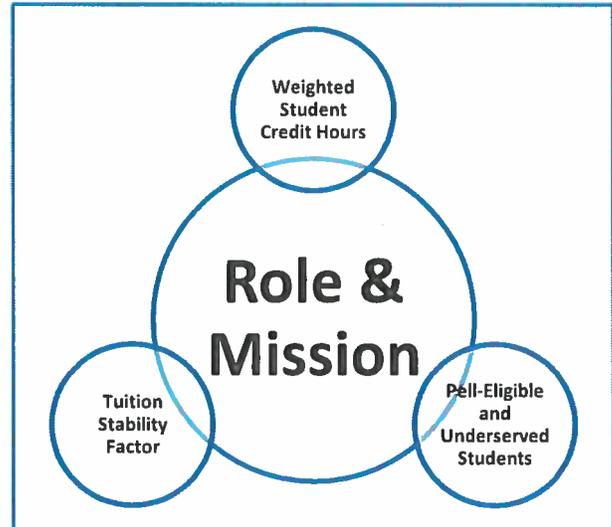
### 2. Role & Mission Dashboard

The Role & Mission factors are designed to help offset the costs incurred in providing undergraduate, graduate and remedial programs to students in a manner that recognizes who the institution serves, how it serves students and the environment in which it serves students. Specifically, HB 14-1319 requires that the Role & Mission factors be comprised of funding to offset the costs of providing programs - undergraduate [23-18-303(3)(a), C.R.S.]; graduate [23-18-303(3)(c), C.R.S.]; and remedial [23-18-303(3)(d), C.R.S.] This is accomplished by using completed courses as measured by completed student credit hours, called Weighted Student Credit Hours. Student credit hours are weighted by discipline cluster that is cost informed

and was developed by the National Center for Higher Education Management Systems (NCHEMS).

In addition, the legislation specifically requires dedicated funding for support services for Pell-eligible students, which must be funded at a level equal to at least 10% of the COF stipend [23-18-303(3)(b), C.R.S.] The CCHE adopted model also provides an additional amount of funding to offset the costs of support services for underrepresented minority students, which is also based on a percentage of the COF Stipend.

Finally, the model includes the Tuition Stability Factor, which is an additional Role & Mission factor pursuant to 23-18-303 (3)(e), C.R.S., and is a flat dollar amount to help ensure institutional affordability.

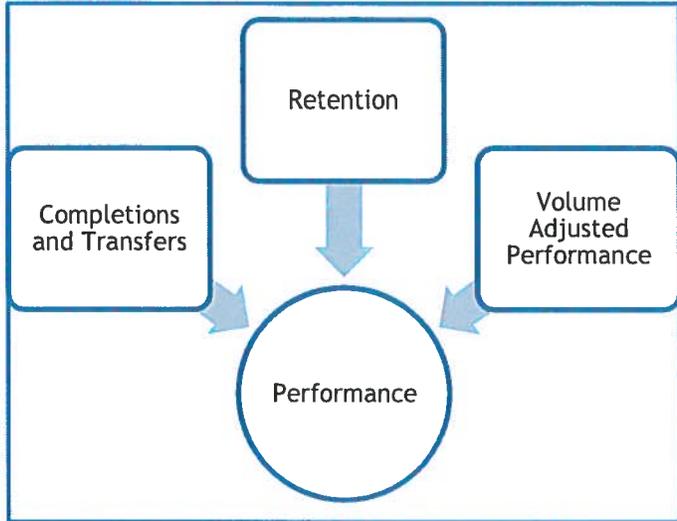


The following provides a description of how each Role & Mission factor is calculated in the *CCHE Funding Allocation Model*:

Role & Mission		
Role & Mission Factor	Measurement in HB 14-1319 Model	Model Weight
Weighted Credit Hours	Allocates funding to institutions based upon completed courses as measured by completed student credit hours. Student credit hours are weighted by discipline cluster in an expanded matrix that is cost informed and was independently developed by the National Center for Higher Education Management Systems (NCHEMS).	See Appendix D
Support Services for Pell-eligible Students	Uses Pell-eligible and undergraduate student credit hours as a percent of the College Opportunity Fund Stipend (COF).	10% of COF Stipend
Underrepresented Minority Students	Uses underrepresented minorities (URM) undergraduate student credit hours as a percent of the College Opportunity Fund Stipend (COF).	5% of COF Stipend
Tuition Stability Factor	A flat dollar amount to help ensure institutions can continue to comply with the College Affordability Act, which includes a 6 percent tuition cap on resident tuition.	See Appendix D

### 3. Performance Dashboard

The Performance metrics reward institutions for the number of credentials awarded and students transferred [23-18-303(4)(a), C.R.S.]; as well as academic progress/retention [23-18-303(4)(b), C.R.S.]. These metrics are based on the student counts at each institution who are reaching these thresholds. In addition, **CCHE Funding Allocation Model** includes an additional metric pursuant to 23-18-303 (4)(c), C.R.S. that rewards performance in a manner that recognizes institutional performance in relation to their size and capacity.



As required in statute, the model includes specific weights related to the academic award level and identifies STEM and health care as “high priority” subjects that receive a higher weight. Additional bonuses are provided for completions awarded to and transfers of Pell-eligible (required by statute) and underrepresented minority student populations.

**Completion and Transfer** weights are as follows:

Completion and Transfer								
Demand Indication	Transfer (0.25)	Certificates (0.25)	Associates (0.50)	Bachelors (1.00)	Graduate Certificate (0.25)	Masters (1.25)	Specialists (1.25)	Doctoral (1.75)
STEM and Health (1.5)	n x .25	n x 1.5 x 0.25	n x 1.5 x 0.50	n x 1.5 x 1.0	n x 1.5 x 0.25	n x 1.5 x 1.25	n x 1.5 x 1.25	n x 1.5 x 1.75
All Others (1)		n x 1.0 x 0.25	n x 1.0 x 0.50	n x 1.0 x 1.0	n x 1.0 x 0.25	n x 1.0 x 1.25	n x 1.0 x 1.25	n x 1.0 x 1.75

Additional Undergraduate Completion/Transfer Bonus for Priority Populations	
Priority Population	CCHE Adopted Model Weight
Pell-Eligible	1.5
Underserved Populations	1.5

**Retention** is measured at each institution by assessing the numbers of students at 25%, 50%, and 75% momentum points toward a degree. For four-year institutions, this is the number of students who cross the threshold of completing 30 credit hours, 60 credit hours and 90 credit hours, while at two-year institutions, those thresholds are 15 credit hours, 30 credit hours and 45 credit hours. There are no additional population bonuses for the retention metric.

Retention Weights (completed credit hours)	
Credit Hours Accumulated	CCHE Adopted Model Weight
15/30	.25
30/60	.50
45/90	.75

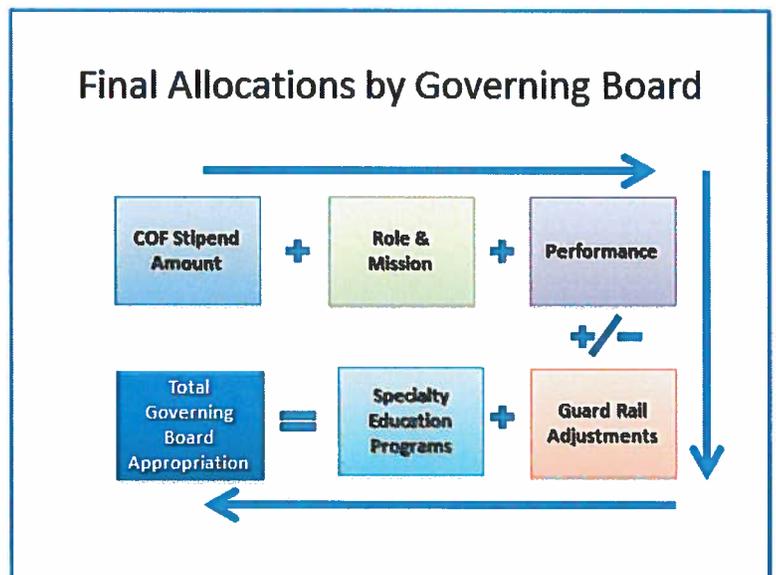
**The Volume Adjusted Awards** metric, is an additional metric (pursuant to (23-18-303 (4)(c), C.R.S.) that rewards performance in a manner that recognizes institutional performance in relation to their size and capacity. The Volume Adjusted Awards metric is calculated by taking an institution’s weighted award total divided by the number of Student Full-time Equivalent (SFTE) and then indexing it to the state average.

#### 4. Final Output Dashboard

The Final Output Dashboard includes a summary of allocations to Governing Board from each of the model components: COF Stipend, Role & Mission, and Performance. This dashboard also demonstrates the impact of the “guardrail” provision applications and appropriations for “Specialty Education Programs” to produce the final allocation by governing board.

##### Guardrails - Transitioning to the New Model

To ease the transition into the new outcomes-based model for all institutions, allowing time to understand the impact of the model and adjust operations, HB 14-1319 includes the application of “guardrails”. The guardrails ensure that no institution receives a change in base funding from the previous year that is 5% less than or greater than the change in Total State Appropriation.



These guardrails are to be applied for the first five fiscal years, FY 2015-16 through FY 2019-20, after which, funding will be allocated based solely on the model calculations. Beginning in FY 2020-21, use of the guardrails is optional.

In the *CCHE Funding Allocation Model*, the “guardrails” are applied utilizing a three-pass methodology. The first pass brings down the allocation of all governing boards whose model allocation put them above the uppermost guardrail limit. The second pass allocates the “above guardrail funding” to those governing boards below the lowermost guardrail. In the third pass, if any governing boards remain below the lowermost guardrail, funding is taken proportionally from each governing board above the lowermost guardrail until all institutions are within the lower and upper guardrails parameters.

## Next Steps & Version 2.0

The project process was created to ensure that all recommendations and decisions along the way were fully vetted and considered from diverse viewpoints. The intensely inclusive and collaborative process for implementing HB 14-1319 proved to be highly successful. It created great support and cultivated ownership for the recommendations that ultimately became the *CCHE Funding Allocation Model*. CDHE and CCHE will continue this inclusive approach as we monitor the implementation of the current model structure and move forward into future fiscal years.

### Model Modifications - Development and Implementation Process

Prior to setting the allocations for the 2016-17 Fiscal Year, CDHE and CCHE will again engage in an open and transparent process with interested parties to discuss the development and implementation of any needed modifications. Currently, CDHE believes only minor adjustments are needed to the current funding allocation model to establish longitudinal measurements of performance rather than shifting funds each year based on changing criteria.

- **Funding Allocation Model Review Team**

The Department will continue a scaled down version of the original process by creating a Funding Allocation Model Review Team (FAMRT) comprised of expert representatives from our colleges and universities and staffed by CDHE. This team will meet quarterly, or as needed, to discuss any proposed recommended changes to the current model.

- **CCHE Subcommittee**

A subcommittee of the CCHE will also be created to review any recommendations from the FAMRT; provide feedback to the Team; and ultimately make final recommendations to the full CCHE for action.

- **Colorado Commission on Higher Education**

CCHE will again be the final decision making body for any recommended (1)

changes to the funding allocation model and/or (2) legislative changes needed to implement.

Lastly, the Department will continue to work closely and transparently with the Office of State Planning and Budget (OSPB) and Joint Budget Committee (JBC) analysts, who have been key partners in the current process.

### **Model Improvements**

There were several proposed ideas that arose during the process that were not able to be fully vetted and potentially included in the initial model structure, due to the rapid implementation timeline of the model. These included, but are not limited to, the following concepts:

- **Successful Remediation**  
The current model provides an incentive to colleges and universities for completed remedial courses. An additional “successful remediation” metric could be added to include an incentive for the actual successful completion of an English and/or math gateway course, within 30 credit hours.
- **Technology Transfer and Innovation**  
An economic innovation metric had been discussed in the initial implementation, but in the end was recommended to be examined for possibly including this metric in later versions of the model once a metric definition could be created and agreed upon.
- **Adult Populations**  
Including an additional financial incentive for retention and graduation of adult students was briefly discussed. Adding this incentive would align with targeting populations that are critical to Colorado meeting our current credential attainment and workforce goals.
- **Meeting CCHE Goals**  
A thorough review of the alignment between the CCHE Master Plan goals - credential attainment, student success, and closing the attainment gap - and the performance funding model will occur. Among other things, a refinement of the weights for target populations will be explored as a method for advancing and meeting CCHE state goals.
- **College Opportunity Fund Stipends**  
The *CCHE Funding Allocation Model* uses enrollment projections in the 2014-2015 Long Bill for the COF Stipend allocation to governing boards for the upcoming fiscal year. The Department, in consultation with the JBC and OSPB, will study alternatives for version 2.0 of the model and the 2016-2017 COF Stipend allocations to the governing boards.

### Data Improvements

As stated earlier, Colorado's new funding allocation model is unique because of its underlying longitudinal and student level database platform. In order to create the most robust, dynamic and responsive model possible, it was decided to use Student Unit Record Data (SURDS) to feed the funding allocation model, as opposed to aggregate data. Colorado is the first state to base their funding model on such granular data, resulting in more than eight million total records in the funding allocation model database. Using SURDS allows CDHE to load and manage future year's data and allow for more dynamic and longitudinal analysis of trends in this data.

However, because of the short timeframe provided by the legislation, there were several components of the data that will continue to evolve and improve over time. These components include, but are not limited to, the following:

- **First Generation Students**  
Currently, the Department is unable to collect information on first generation students. The Department will work with our higher education institutions to develop a common definition and collection method for this valuable variable.
- **Tracking Retention**  
A more refined methodology for tracking retention at the 30-60-90 momentum points will be developed. While not a concern in this base year, this metric will become more challenging to measure over time and will benefit from a thoroughly revised methodology.
- **Weighting of Completed Credit Hours**  
The Department will work with NCHEMS and the Data Advisory Group to ensure that course file reporting and how this data is applied within the model are fully aligned.

## Appendix A. CEO Letter of Support



December 11, 2014

The Honorable Kent Lambert  
 Chair, Joint Budget Committee  
 Colorado General Assembly  
 200 E. 14th Avenue, Third Floor  
 Legislative Services Building  
 Denver, CO 80203

Dear Senator Lambert:

As you know, for the past six months Colorado's public system of higher education has diligently worked to develop a new funding formula for allocating state operating funds for higher education pursuant to House Bill 14-1319. A robust and transparent process has included extensive statewide public outreach and thousands of hours of work of various subcommittees including the participation of you and several of your legislative colleagues as members of the Funding Allocation Model Expert Team (FAMET) and the Executive Advisory Group (EAG).

As the leaders of public higher education in Colorado we unanimously endorse the FY 2015-16 funding model that was approved by CCHE on December 4th. We respectfully request that the JBC adopt the model and use of transition funding as recommended.

We also unanimously endorse the Governor's budget request, which included a 10.0 percent base funding increase of \$60.6 million. In addition, we all recognize the importance of the \$15.0 million in transitional funding and believe that it is critical that this funding remain for at least five years to support a smooth transition to the House Bill 14-1319's model. This significant requested operating increase was the key to reaching agreement on the model.

The model reflects House Bill 14-1319 and uses a transparent funding methodology that is tied to actual data that can be tracked. After incorporating the Governor's budget request, the new model results in base operating increases that range from approximately 2.9 to 16.4 percent by governing board. The guardrail provisions of House Bill 14-1319 result in this range being adjusted to a 5.0 percent increase on the low end and a 15.0 percent increase on the high end. After implementation of the guardrail, the

recommendation then uses a portion of the \$15.0 million transition funding pot, which results in no single governing board receiving less than a 10.0 percent increase over its FY 2014-15 appropriation.

Using a portion of the transition funding this way will allow all governing boards to comply with the second year of the 6 percent undergraduate resident tuition cap required by law. How the remaining portion of the \$15 million will be allocated is yet to be determined. This first year consensus adjustment and allocation is important because it will help keep a quality postsecondary credential within reach for all Colorado students attending any one of our public colleges or universities.

We recognize that no funding model is perfect and that we can anticipate adjustments and refinements in future years. Nevertheless, a recommendation that can be supported unanimously this year allows for institutional planning and is ultimately a positive result for Colorado families and students. Therefore we strongly encourage the Joint Budget Committee and members of the General Assembly to join us in supporting this collective recommendation.

We deeply appreciate the assistance of the Committee in this effort in addition to the work on the FY 2015-16 request and look forward to a productive legislative session.

Thank you,



Lt. Gov. Joseph A. Garcia, Executive Director  
Colorado Department of Higher Education



Bruce D. Benson, President  
University of Colorado System



Richard Kaufman, Chairman  
Colorado Commission on Higher Education



Dr. Nancy J. McCallin, President  
Colorado Community College System



Tim Foster, President  
Colorado Mesa University



Kay Norton, President  
University of Northern Colorado



Dr. Steven M. Jordan, President  
Metropolitan State University at Denver



Dr. M. W. Scoggins, President  
Colorado School of Mines



Dr. Michael V. Martin, Chancellor  
Colorado State University System



Dr. David Svaldi, President  
Adams State University



Dr. Greg Salsbury, President  
Western State Colorado University



Dr. Dene Kay Thomas, President  
Fort Lewis College

- Cc:**
- Representative Millie Hamner, Joint Budget Committee, Vice-chair**
  - Representative Dave Young, Joint Budget Committee**
  - Representative Bob Rankin, Joint Budget Committee**
  - Senator Kevin Grantham, Joint Budget Committee**
  - Senator Pat Steadman, Joint Budget Committee**
  - Ms. Amanda Bickel, Chief Legislative Analyst, Joint Budget Committee**
  - Mr. Henry Sobanet, Director, Governor's Office of State Planning and Budgeting**
  - Ms. Alexis Senger, Chief Analyst, Governor's Office of State Planning and Budgeting**
  - Ms. Donna Lynne, Co-Chair, House Bill 14-1319 Executive Advisory Group**

## Appendix B. HB 14-1319 Issue Briefs: Student Count (Resident/Non Resident)

The Colorado Commission on Higher Education (CCHE) adopted funding allocation model counts all students (residents and non-residents) throughout the model, with the exception of Pell-eligible and underrepresented minorities (URM) under the Role and Mission components. The reason for this is that they are tied to the College Opportunity Fund stipend, for which, only resident students will be counted.

### BACKGROUND

Early in the HB 14-1319 project process, the question was raised about the students within the factors and metrics of the model - should the model count all students or resident students only? *The legislation was intentionally silent on this issue, purposefully leaving it to the project process to address.*

A robust discussion took place over several Funding Allocation Model Expert Team and Executive Advisory Group meetings before a final recommendation was developed and forwarded to CCHE for action. In these discussions a number of important policy issues were vetted - public perception; recognizing overall institutional performance; understanding the inability to separate programmatic costs associated with resident and non-resident; and, providing incentives to achieve statewide performance goals.

The Colorado Commission on Higher Education's Master Plan - [Colorado Competes, A Completion Agenda for Higher Education](#) - focuses on the achievements of all students in Colorado. In addition, the legislation itself calls for recognizing the total number of students performing under "transfers", "retention", and "completions".

Further, after reviewing prior fee-for-service contracts there has not been a distinction between services provided to residents versus services provided to non-residents. On campuses, services are made available to all students and are not segregated by residency; and, classrooms have both residents and non-residents in courses studying alongside one another. Only the College Opportunity Fund (COF) stipend is specifically targeted to provide funding to governing boards based on the number of resident undergraduates.

### WHAT DOES THE DATA TELL US?

A close examination of the Pell-eligible credit hour data shows that the ratio of resident to non-resident students is less than 10% statewide, with campuses near the border of the state having a larger concentration. In addition, while the overall percentage of non-resident completers statewide is not significant, there are higher concentrations of completers at some campuses. The data further indicates that at least 30% of the non-resident students remain in Colorado following graduation and contribute to our economy.

### WHERE WILL THE MONEY GO?

All of the state funding provided through the CCHE Adopted Funding Allocation Model will be provided to institutions to offset costs of providing undergraduate and graduate programs and reward outcomes under the Performance metrics. No funding is provided to any student, nor will any state funding offset the tuition or fees that are paid by non-resident students. Rather, all state funding provided to our colleges and universities helps support in-state students and keep resident tuition affordable.

### THE DECISION

After several discussions about the issues pertaining to students counts, both the Funding Allocation Model Team and the Executive Advisory Group voted to recommend, and CCHE unanimously approved, including all students throughout the model with the exception of the additional funding provided for Pell-eligible and Under Represented Minorities under the Role & Mission component.

## Appendix B. HB 14-1319 Issue Briefs: Underrepresented Minorities

HB 14-1319 recognizes the increased costs associated with providing critical support services to our low-income and minority students. First, the legislation requires an increase in the funding allocation to colleges and universities within the new funding allocation model, in the Role and Mission component, to offset costs associated with providing needed services to Pell-eligible students. Second, it provides the option of providing a similar funding allocation based on the number of underserved/underrepresented minorities and first generation students being served.

Through the public education and outreach process, the message was clear from across the state that Colorado needs to place an emphasis on meeting the needs of the “at risk” student population. In addition, the Colorado Commission on Higher Education’s Master Plan - [Colorado Competes, A Completion Agenda for Higher Education](#) - recognizes the significant attainment gap for these students and sets as its goal the reduction of this gap through increased postsecondary credentials.

### BACKGROUND

Research shows that underrepresented minorities do less well, even after correcting for income (and also “readiness”). - [Georgetown Center on Education and the Workforce](#)

- Race matters, controlling for readiness: High-scoring African Americans and Hispanics go to college at the same rates as similarly high-scoring whites, but drop out more often and are less likely to graduate with a Bachelor's degree.
- Race matters, controlling for income: Lower income African-Americans and Hispanic students do not do as well as lower income whites.
  - White students in the lower half of family income distribution drop out of college much less frequently than African-Americans and Hispanics.
  - Lower income whites get Bachelor's degrees at nearly twice the rate of African Americans and Hispanics and obtain fewer sub-baccalaureate degrees.

### CCHE MASTER PLAN

In 2010, during the Master Planning process, several years of data were examined by CDHE staff to identify where Colorado has demographic gaps in post-secondary attainment. CDHE consulted with The National Center for Higher Education Management Systems (NCHEMS) to align the URM definition to national standards. Based upon the educational disparities of Hispanic, African American, Native American, and Pacific Islanders these minority groups were defined as URM because they have a significantly lower postsecondary retention and attainment rates.

### INCORPORATING UNDERREPRESENTED MINORITIES INTO THE FUNDING ALLOCATION MODEL

To meet the attainment goals in the Master Plan, emphasis on the success of underrepresented minorities is essential. The new funding allocation model acknowledges the importance of meeting the needs of these populations and provides increased funding to colleges and universities as follows:

- an amount equal to **10%** of the College Opportunity Fund Stipend for each Pell-eligible student served, and
- an amount equal to **5%** of the College Opportunity Fund Stipend for each underrepresented minority student served.

## Appendix C. Funding Allocation Model Definitions and Weights

Role & Mission Factor Definitions and Data Sources		
Factor	Definition	Date Source
<b>Weighted Credit Hours</b>	Utilizing a weighted credit hour taxonomy, this calculation accounts for the role and mission factors spelled out in the legislation, under Section 23-18-303(3). The weighted credit hour factor allocates funding to institutions based upon completed courses as measured by student credit hours. Student credit hours are weighted by discipline cluster in an expanded matrix that is cost informed and was independently developed by the National Center for Higher Education Management Systems (NCHEMS).	Student Unit Record Data System (SURDS)
<b>Pell-eligible</b>	Completed credit hours for resident undergraduate Pell eligible students summed by institution. Credit is given for this metric if a student has been Pell eligible at any time from academic years 2010 to academic year 2014. Use Pell-eligible credit hours as a percent of the College Opportunity Fund (COF) stipend (must never be less than 10 percent of COF).	Student Unit Record Data System (SURDS)
<b>Underrepresented Minorities</b>	Completed credit hours for Underrepresented minorities (URM) summed by institution. The underrepresented minority distinction is given to self-identified Hispanic, Black, Pacific Islander, and Native American as defined in the Colorado Commission on Higher Education’s Master Plan.	Student Unit Record Data System (SURDS)
<b>Tuition Stability Factor</b>	A flat dollar amount to help to ensure institutions can continue to comply with the College Affordability Act, which includes a 6 percent tuition cap on resident tuition.	N/A

Role & Mission Factor Weights	
Factor	Weight
<b>Weighted Credit Hours</b>	See chart below
<b>Pell-eligible</b>	10% of the COF Stipend
<b>Underrepresented Minorities</b>	5% of the COF Stipend
<b>Tuition Stability Factor</b>	N/A (flat dollar amount). For FY 2015-16, \$19.5 million (or 2% of the model total) is allocated through the tuition stability factor.

<b>Weighted Credit Hour Taxonomy</b>					
<b>CIP CODE</b>	<b>Discipline Cluster</b>	<b>Lower Division</b>	<b>Upper Division</b>	<b>Masters</b>	<b>Doctoral/Pro.</b>
<b>Liberal Arts, Math, Social Science, Languages, and Others Cluster</b>					
05	Area, Ethnic, Cultural & Gender Studies	1.0	2.0	4.0	5.0
09	Communication, Journalism	1.0	2.0	4.0	5.0
16	Foreign Languages, Literature & Linguistics	1.0	2.0	4.0	5.0
19	Family, Consumer, & Human Sciences	1.0	2.0	4.0	5.0
23	English Languages & Literature	1.0	2.0	4.0	5.0
24	Liberal Arts and Sciences, General Studies	1.0	2.0	4.0	5.0
25	Library Sciences	1.0	2.0	4.0	5.0
27	Mathematics & Sciences	1.0	2.0	4.0	5.0
28	ROTC	1.0	2.0	4.0	5.0
29	Military Technologies	1.0	2.0	4.0	5.0
30	Interdisciplinary Studies	1.0	2.0	4.0	5.0
38	Philosophy & Religious Studies	1.0	2.0	4.0	5.0
42	Psychology & Applied Psychology	1.0	2.0	4.0	5.0
45	Social Sciences	1.0	2.0	4.0	5.0
54	History	1.0	2.0	4.0	5.0
99	Honors Curriculum, Other	1.0	2.0	4.0	5.0
<b>Basic Skills Cluster</b>					
32	Basic Skills and Remediation (as flagged)	1.5	--	--	--
<b>Business Cluster</b>					
44	Public Administration and Social Services	1.0	2.0	4.0	6.0
52	Business Management, Marketing & Related	1.0	2.0	4.0	6.0
<b>Education Cluster</b>					
13	Education	1.5	2.0	2.5	5.0
<b>Services Cluster</b>					
31	Parks, Recreation, Leisure, Fitness Studies	1.5	2.0	3.0	4.0
12	Personal & Culinary Services	1.5	2.0	3.0	4.0
43	Security & Protective Services	1.5	2.0	3.0	4.0
<b>Visual and Performing Arts Cluster</b>					
50	Visual & Performing Arts	1.5	2.5	5.0	5.0
<b>Trades and Technology Cluster</b>					
46	Construction Trades	2.0	2.5	--	--
47	Mechanics Repair Technologies	2.0	2.5	--	--
48	Precision Production	2.0	2.5	--	--
49	Transportation & Materials Moving	2.0	2.5	--	--
<b>Sciences Cluster</b>					
01	Agricultural Sciences and Related Operations	2.0	3.0	5.0	8.0
03	Natural Resources & Conservation	2.0	3.0	5.0	8.0
11	Computer & Information Sciences	2.0	3.0	5.0	8.0
26	Biological & Biomedical Sciences	2.0	3.0	5.0	8.0
40	Physical Sciences	2.0	3.0	5.0	8.0
<b>Law Cluster</b>					
22	Legal Professions and studies	2.0	2.0	4.0	4.0
<b>Engineering and Architecture Cluster</b>					

Weighted Credit Hour Taxonomy					
CIP CODE	Discipline Cluster	Lower Division	Upper Division	Masters	Doctoral/Pro.
04	Architecture	2.0	3.0	5.0	8.0
14	Engineering	2.0	3.0	5.0	8.0
15	Engineering Technologies	2.0	3.0	5.0	8.0
<b>Health Cluster</b>					
51	Nursing & Allied Health Professions	2.0	2.0	5.0	6.0

Performance Metric Definitions and Data Sources		
Metric	Definition	Data Source
<b>Completion</b>	<p>The number of certificates or degrees awarded an institution and the number of students who transfer from a community college to another institution after the completion of a minimum of 18 credit hours. The amount to be awarded for each certificate or degree is based on the subject and level of the credential.</p> <p>Certificates will be counted when issued for:</p> <ul style="list-style-type: none"> <li>• Programs spanning one year (24 credit hours) or more; or</li> <li>• If program is less than one year (24 credit hours) and meets the federal “gainful employment” definition, or represents the highest award earned at stop-out.</li> </ul> <p>Students earning multiple certificates in an academic year will have each earned certificate count as a separate outcome. A community college that receives an incentive for a transfer student cannot also receive a retention bonus for that student in the same year.</p> <p>The value shall be increased for each credential earned or transfer of a Pell-eligible undergraduate student and/or an undergraduate student designated as “underserved”, as defined by the CCHE Master Plan.</p>	Student Unit Record Data System (SURDS)
<b>Retention</b>	<p>The number of students who make the following steps of academic progress:</p> <p>Four-year institutions -number of students who cross the threshold of completing:</p> <ul style="list-style-type: none"> <li>• 30 credit hours</li> <li>• 60 credit hours</li> <li>• 90 credit hours</li> </ul> <p>Two-year institutions - number of students who cross the threshold of completing:</p> <ul style="list-style-type: none"> <li>• 15 credit hours</li> <li>• 30 credit hours</li> <li>• 45 credit hours</li> </ul> <p>Concurrent enrollment will be included and each student will be counted only once at each academic progress interval.</p>	Student Unit Record Data System (SURDS)

Performance Metric Definitions and Data Sources		
Metric	Definition	Data Source
Volume Adjusted Awards	The Volume Adjusted Awards metric is calculated by: <ol style="list-style-type: none"> <li>1. Dividing an institutions total weighted degree total by SFTE = "Awards per FTE"</li> <li>2. Indexing individual institutions' "Awards per FTE" to the state average "Awards per FTE"</li> <li>3. Multiply "indexed awards per FTE" by total "awards per FTE" funding to get allocation by institution for this metrics</li> </ol>	Student Unit Record Data System (SURDS)  Budget Data Book

### Performance Metric Weights

Completion and Transfer (CCHE Adopted Model Weight)								
Demand Indication	Transfer (0.25)	Certificates (0.25)	Associates (0.50)	Bachelors (1.00)	Graduate Certificate (0.25)	Masters (1.25)	Specialists (1.25)	Doctoral (1.75)
STEM and Heath (1.5)	n x .25	n x 1.5 x 0.25	n x 1.5 x 0.50	n x 1.5 x 1.0	n x 1.5 x 0.25	n x 1.5 x 1.25	n x 1.5 x 1.25	n x 1.5 x 1.75
All Others (1)		n x 1.0 x 0.25	n x 1.0 x 0.50	n x 1.0 x 1.0	n x 1.0 x 0.25	n x 1.0 x 1.25	n x 1.0 x 1.25	n x 1.0 x 1.75

Additional Undergraduate Completion/Transfer Bonus for Priority Populations	
Priority Population	CCHE Adopted Model Weight
Pell-Eligible	1.5
Underserved Populations	1.5

Retention Weights (completed credit hours)	
Credit Hours Accumulated	CCHE Adopted Model Weight
15/30	.25
30/60	.50
45/90	.75

After the points have been calculated for the completion and retention metrics, weights are then uniformly applied to the counts for each institution.

Completion and Retention Metric Weights	
Completion	85%
Retention	15%

### **Volume Adjusted Awards**

This metric functions as a “carve out” off the top of the amount allocated to the Performance component of the model. In the adopted model, 40% of Performance funds are allocated via the Volume Adjusted Awards Metric.

## Appendix D. Final Model Dashboards

### Budget Dashboard

#### FUNDING ALLOCATIONS

##### Total Appropriations for Higher Education

Full Appropriations for Higher Education	\$666,473,827
Specialty Education Programs Amount	\$114,841,868
Local District Junior College Amount	\$15,449,050
Area Vocational Schools Amount	\$9,882,063
New Total State Appropriations for Model (TSA)	\$526,300,815

##### Budget Percentage Increase

10.00%

##### SEP Additional Increase

0.00%

##### COF Stipend

Total Awarded from COF Stipend	\$294,835,172
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##### COF Stipend per Credit Hour

\$75

##### Percent of Appropriation Dedicated to COF Stipend

56.0%

COF Stipend must be 52.5% or greater.

##### Role & Mission and Performance Allocations

Total in Role and Mission Allocation	\$138,879,386
Total: Performance	\$92,586,257

##### Role and Mission Split Percentage

60%

##### Performance Split Percentage

40%

### Role and Mission Dashboard

#### 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 TSF \$4,000,000	Adams State University Board	\$211,403	\$78,041	\$4,000,000	1,060,529	5,977,972	Pell Carveout 10.0%
	Colorado Mesa Board	\$683,813	\$125,348	\$1,000,000	3,259,433	5,088,503	
Community College TSF \$1,000,000	Colorado School of Mines Board	\$158,315	\$39,538	\$2,250,000	5,854,783	8,300,610	URM Carveout 5.0%
	Colorado State University Board	\$1,502,228	\$420,084	\$1,000,000	18,839,790	21,782,088	
CSU TSF \$1,000,000	Community College System Board	\$6,049,651	\$1,457,556	\$1,000,000	20,445,425	28,952,632	
CU TSF \$1,500,000	Fort Lewis College Board	\$170,085	\$42,084	\$0	2,311,884	2,524,642	
	Metro State University Board	\$1,003,703	\$478,489	\$0	8,154,448	10,238,637	
	University of Colorado Board	\$2,168,768	\$602,025	\$1,500,000	34,214,745	38,485,538	
	University of Northern Colorado Board	\$688,658	\$197,914	\$8,000,000	8,808,836	13,475,708	
	Western State Board	\$113,426	\$17,936	\$2,750,000	1,212,984	4,094,056	
Fort Lewis TSF \$0	Grand Total	\$13,328,247	\$3,458,502	\$10,500,000	102,582,637	138,879,386	
Mesa TSF \$1,000,000							
Metro State TSF \$0							
Mines TSF \$2,250,000							
Northern TSF \$8,000,000							
Western TSF \$2,750,000							

### Performance Dashboard

PERFORMANCE				
Transfer Weight 0.25	Governing Board	Dollars Awarded to Completion and Retention	Dollars Awarded to Volume Adjusted Awards	Dollars Awarded to Performance
Certificate Weighting 0.25	Adams State University Board	\$884,907	\$4,091,369	\$4,976,295
Associate Weight 0.5	Colorado Mesa Board	\$1,773,358	\$2,903,170	\$4,736,528
Baccalaureate Weight 1	Colorado School of Mines Board	\$1,839,041	\$4,099,404	\$5,938,444
Grad. Certificate Weight 0.25	Colorado State University Board	\$10,083,040	\$4,025,733	\$14,109,382
Master Weight 1.25	Community College System Board	\$12,981,229	\$2,309,501	\$15,330,730
Specialist Weight 1.25	Fort Lewis College Board	\$1,115,203	\$3,778,955	\$4,894,158
Doctorate Weight 1.25	Metro State University Board	\$5,203,529	\$3,662,867	\$8,866,396
	University of Colorado Board	\$17,393,403	\$4,008,089	\$21,399,492
	University of Northern Colorado Board	\$3,868,591	\$4,042,300	\$7,709,791
	Western State Board	\$630,945	\$3,095,195	\$4,626,039

**Total Weighted Completions**

**Volume Adjustment Factors**

Awards per SFTE	\$37,034,503
Completion & Retention	\$55,551,754
<b>Total: Performance</b>	<b>\$92,586,257</b>

**Two-Pass Total on SFTE**  
100,27307

**Volume Adjustment**  
40%

**Volume Adjustment Total**  
100,27307

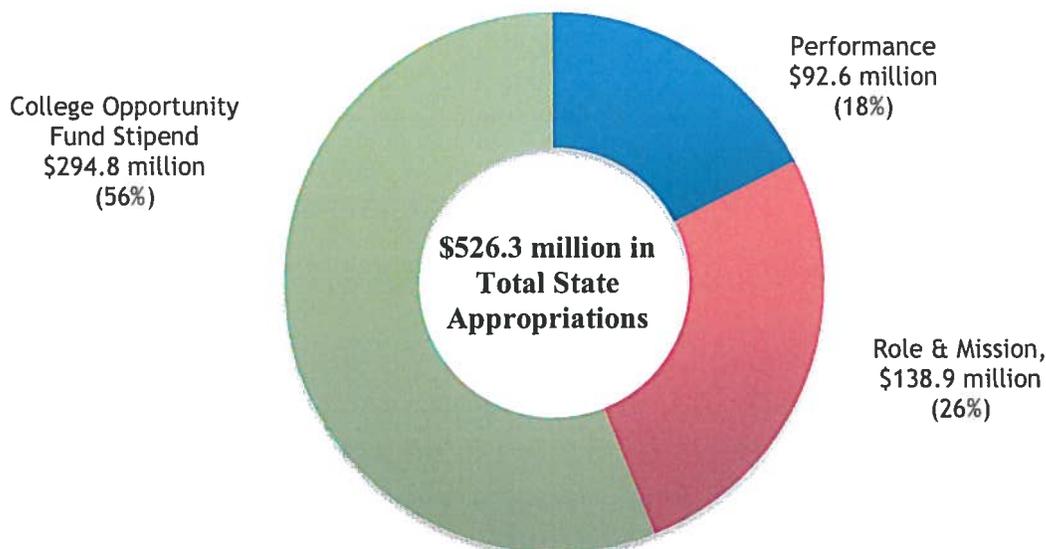
**Governing Board**

- Adams State University Board
- Colorado Mesa Board
- Colorado School of Mines Board
- Colorado State University Board
- Community College System Board
- Fort Lewis College Board
- Metro State University Board
- University of Colorado Board
- University of Northern Colorado Board
- Western State Board

### Final Model Output Dashboard

FUNDING BY GOVERNING BOARD									
Governing Board	Total Awarded from COF Stipend	Total Awarded from Role and Mission	Dollars Awarded to Performance	Total Allocation from Model	Total Allocation with SEP	Percentage Change (w/o SEP Included)	Percentage Change (with SEP Included)	Guardrail-Implemented Totals	Guardrail-Implemented Percentage Change
Adams State University Board	\$3,016,992	\$5,977,972	\$4,976,295	\$13,971,259	\$13,971,259	8.81%	8.81%	\$13,961,407	8.74%
Colorado Mesa Board	\$14,618,398	\$5,068,593	\$4,736,528	\$24,423,520	\$24,423,520	10.83%	10.83%	\$24,402,736	10.74%
Colorado School of Mines Board	\$6,294,965	\$8,300,619	\$5,938,444	\$20,534,029	\$20,534,029	9.97%	9.97%	\$20,517,825	9.88%
Colorado State University Board	\$44,044,384	\$21,762,988	\$14,109,382	\$79,916,754	\$133,247,272	8.69%	9.21%	\$79,861,112	8.62%
Community College System Board	\$109,407,533	\$28,952,632	\$15,330,730	\$153,690,895	\$153,690,895	11.55%	11.55%	\$153,552,335	11.45%
Fort Lewis College Board	\$4,549,191	\$2,524,642	\$4,894,158	\$11,967,992	\$11,967,992	12.93%	12.93%	\$11,956,065	12.81%
Metro State University Board	\$31,767,193	\$10,236,637	\$8,866,396	\$50,870,227	\$50,870,227	16.05%	16.05%	\$50,353,372	14.87%
University of Colorado Board	\$61,172,856	\$38,485,538	\$21,399,492	\$121,057,886	\$182,569,236	8.85%	9.23%	\$120,972,209	8.77%
University of Northern Colorado Board	\$17,188,793	\$13,475,708	\$7,708,791	\$38,373,291	\$38,373,291	2.69%	2.69%	\$39,236,691	5.00%
Western State Board	\$2,774,867	\$4,094,056	\$4,626,039	\$11,494,963	\$11,494,963	8.57%	8.57%	\$11,487,064	8.49%

## Appendix E. Summary of Model Components (FY 2015-16 Request)



### College Opportunity Fund Stipend \$294.8 million (56% of Total State Appropriations)

Resident student stipends authorized under the College Opportunity Fund Program 23-18-201, et.seq. The COF stipend is set at \$75 per credit hour and is based on enrollment projections included in the 2014-2015 Long Bill.

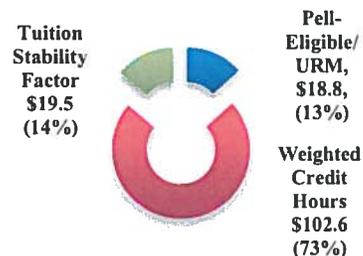
**The COF stipend is set at \$75 per credit hour**

### Role & Mission \$138.9 million (26% of Total State Appropriations)

Role and mission fee-for-service contracts authorized under Section 23-18-303 (3) and comprised of 3 metrics:

1. Weighted Credit Hours. **Completed** student credit hours multiplied by a weighted discipline cluster according to a recognized cost-informed matrix
2. Pell-Eligible and Underepresented Minority Students (URM). Based on a percentage of the COF stipend, provides funding support for resident low-income and underrepresented student populations
3. Tuition Stability Factor. Additional factor to help to ensure institutions can continue to comply with SB 1 and the 6% tuition cap.

#### Role & Mission Factors (\$ in millions)



### Performance \$92.6 million (18% of Total State Appropriations)

Performance funding fee-for-service contracts authorized under Section 23-18-303 (4) C.R.S. and is comprised of two metrics:

1. Completion and Retention. Rewards institutions for number of students they transfer, retain, and confer degrees/certificates (60% of Performance Funding).
2. Volume Adjusted Awards, rewards performance in a manner that recognizes institutional performance in relation to size and capacity (40% of Performance Funding).

#### Performance Metrics (\$ in millions)

