

TOPIC: FUNDING ALLOCATION FORMULA UPDATE

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I. SUMMARY

This agenda item provides an overview of the proposed funding formula developed by the state's institutions and to discuss the CCHE's role in the approval of funding requests through the proposed formula.

II. BACKGROUND

The state's institutions have proposed a new funding formula for allocating state funding for public higher education. The proposed formula incorporates this past year's work and the consensus formed around the broad goals of the Governor, the CCHE Master Plan, and the state's public institutions. The formula has received positive reception from the legislature and the Governor's office. The intention is for this formula to be utilized for the FY 2020-21 budget and be viable for the five-year period until the next review required under SB 19-095. The Joint Budget Committee voted to move forward with drafting legislation for the funding formula proposal.

III. STAFF ANALYSIS

An overview of the proposed funding formula will be shared and discussed at the meeting. Staff believe the formula developed by the institutions meets the goals for the formula revision process. Broadly, the proposal meets the following goals:

- Clear, transparent performance metrics that allocate the entire General Fund appropriation;
- An emphasis on Pell, URM, and First Generation student access and success;
- Recognition of graduation rates and completions; and
- Sufficient stability in institutional funding to help ensure student success.

The proposed formula allocates all state funding to the state's diverse public higher education institutions in a more transparent manner than the current law formula. It does this by measuring performance over time for each institution, instead of comparing performance directly with other institutions. Specifically, the formula allocates funds based on an institution's change in performance in various metrics using rolling averages of prior year outcomes. This approach rewards institutions for progressing toward state goals while also recognizing the need for funding stability to ensure student success and institutional viability. Furthermore, it enables smaller institutions to be rewarded for their progress in the same manner as larger institutions.

The metrics, and weights assigned to each to allocate funding, are as follows. The weight given to each category could be adjusted each year if desired.

Resident enrollment -- 10%
Credential production -- 5%
Pell students -- 20%
Underrepresented minority students -- 20%
Retention rate -- 20%
Graduation rate -- 20%
First Generation students - 5%

Institutions that demonstrate greater improvement in these metrics will receive larger increases in funding. Therefore, this proposal creates an incentive for institutions to improve directly in the funding allocation methodology, and rewards institutions for making progress on the state's higher education goals.

In addition to allocating funding through the above metrics, the proposal allows for targeted, initiative-based funding in a separate part of the formula for individual governing boards. Each governing board would have the opportunity to formally state its need for a specific level of additional funding in a more transparent manner than the current funding formula. These initiatives could be requested through the annual Governor's budget request and subjected to CCHE approval. This separate component of the formula also includes a metric to provide funding to institutions based on their enrollment of first-generation students.

The Joint Budget Committee has voted to draft legislation to enact the statutory changes needed to implement the formula starting with FY 2020-21. Staff is developing proposed language for the legislation regarding CCHE's role in approving funding requests from institutions for specific initiatives through the formula.

IV. STAFF RECOMMENDATIONS

Staff recommends that the Commission provide comment regarding its role in approval of funding requests through the formula to guide the preparation of language for inclusion in legislation.

V. STATUTORY AUTHORITY

23-18-306 Duties and powers of the commission – department - role and mission factors and performance metrics - consultation with interested parties - facilitator - reports - definition – repeal

(5.5) (a) Commencing in 2019 and every five years thereafter, the commission shall review the funding formula established pursuant to this section and, by November 1, 2019, and November 1 every five years thereafter, submit a report to the governor, the joint budget committee of the general assembly, and the education committees of the senate and the

house of representatives, or any successor committees, containing changes to the funding formula and any recommendations for legislative changes.

(b) In conducting the review required by subsection (5.5)(a) of this section, the commission and the department shall:

(I) Convene one or more meetings with interested parties to discuss the existing funding model and to learn of issues raised by the interested parties;

(II) Conduct an analysis of the issues identified by interested parties and possible solutions;

(III) Engage directly with the institutions to strive for consensus among the institutions on any proposed changes; and

(IV) If applicable, develop a set of changes to recommend to the governor and committees of the general assembly.

(c) Notwithstanding the provisions of section 24-1-136 (11)(a)(I), the reporting requirement pursuant to this subsection (5.5) continues indefinitely.

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ATTACHMENTS: