

## How Does the Model Work?

The model contains two key steps. The first step allocates flexible funding based on institutional needs, base funding concerns, specific institutional projects, and funding related to specific populations. The second is based around performance in the following Master Plan-aligned categories:

- Resident Enrollment
- Credential Production (based on 1319 weightings)
- Pell-eligible Students
- Underrepresented Minority Students
- Retention Rate
- Graduation Rate
- First Generation Students

First, each category of performance is assigned a weight (for example, performance in Credential Production determines how 20% of overall funding is distributed). Next, each metric is measured using a series of calculations that first look at a governing board's change in performance over time, then compares each governing board's change in performance to the change at other institutions statewide. A simplified version of the calculation steps is shown below:

		<b>BOARD A</b>	<b>BOARD B</b>	<b>BOARD C</b>	<b>TOTAL</b>
1	Governing Board's share of total funding, FY 2019-20	<b>10%</b>	<b>20%</b>	<b>70%</b>	<b>100%</b>
2	Average enrollment for 3 years (FY 2015-16 to FY 2017-18)	100	500	900	1,500
3	Average enrollment for 4 years (FY 2015-16 to FY 2018-19)	105	550	910	1,565
4	4-year average as a percent of 3-year average	<b>105.0%</b>	<b>110.0%</b>	<b>101.1%</b>	<b>104.3%</b>
5	Calibrate to 2019-20 share of funding (Row 1 x Row 4)	10.5%	22.0%	70.8%	103.3%
6	Adjust so that total = 100% (Board Share of Row 5 divided by Row 5 Total)	<b>10.2%</b>	<b>21.3%</b>	<b>68.5%</b>	<b>100.0%</b>

In the above example, all four governing boards demonstrate improvement in the metric via enrollment growth. But Board C still sees a decrease in their share of funding – even though they are improving, they are not improving as much as the other schools. As a result, they receive a slightly smaller share of funding in this section, as demonstrated by the percentage of funding in Row 6 relative to Row 1. This calculation is replicated for each of the seven metrics included in the performance section of the formula.

## What Is the Commission's Role?

The Commission could be involved in several ways. One option is for the institutions to annually submit proposals for step one funding to CCHE for consideration.

## Potential Outcomes

The Governor's budget request included a 2.5% increase for higher education operations. The institutions are currently advocating for a 7% increase for higher education operations in FY2020-21. This increase is distributed through both steps one and two. Step one includes base-building increases for certain governing board, which have been negotiated by the

institutions as a group. These adjustments reflect various budgetary needs and student success initiatives. In step two, the metrics are weighted as follows:

- Resident Enrollment – 10%
- Credential Production – 5%
- Pell-eligible Students – 20%
- Underrepresented Minority Students – 20%
- Retention Rate – 20%
- Graduation Rate – 20%
- First Generation – 5%

The outputs of the model (including SEP funding for CSU and CU) are as follows:

	Step One Increase	Step Two Increase	Total Funding Change over FY 2019-20	Total Percent Change over FY 2019-20
<b>Adams</b>	\$800,000	\$620,629	\$1,420,629	8.2%
<b>Mesa</b>	\$980,000	\$1,920,859	\$2,900,859	9.0%
<b>Metro</b>	\$2,300,000	\$3,788,519	\$6,088,519	9.6%
<b>Western</b>	\$350,000	\$887,239	\$1,237,239	8.2%
<b>CSU System</b>	\$350,000	\$10,041,492	\$10,391,492	6.2%
<b>FLC</b>	\$400,000	\$719,022	\$1,119,022	7.9%
<b>CU System</b>	\$0	\$14,992,071	\$14,992,071	6.2%
<b>Mines</b>	\$100,000	\$1,485,981	\$1,585,981	6.3%
<b>UNC</b>	\$750,000	\$2,471,511	\$3,221,511	6.9%
<b>CCCS</b>	\$2,000,000	\$12,077,665	\$14,077,665	7.4%