

Draft Updated 3/4 --- Steps 1 and 3 of HB 20-1366 Funding Formula

HB20-1366 states that prior to calculating performance funding recommendations, the Commission, in conjunction with the department and in collaboration with the Governing Boards, may recommend an additional amount of funding for Step 1.

HB 20-1366 states that step 1 is for base building funding to support progress toward Master Plan goals, which may include addressing base funding disparities or funding priorities not addressed through the performance funding metrics. The bill states that the Commission should focus its funding recommendations on broad institutional, systemwide, or state policy goals. Step 1 can also be used to address a school's additional cost to serve resident, first-generation undergraduate students.

HB 20-1366 states that after calculating funding recommendations for steps 1 and 2, the Commission, in conjunction with the Governing Boards, may recommend an additional amount of temporary funding to address goals in the systemwide master planning process, or other areas identified by CCHE. Furthermore, it states that additional funding received in step 3 must be allocated for a specified period of time, is not ongoing base funding and is not included in subsequent state fiscal years or in the calculation of the total state appropriation.

A majority of governing boards believe that any funding through steps 1 and 3 should be in addition to funding provided in step 2 to cover, at a minimum, the base cost increases of institutions.

Process for the CCHE to make funding recommendations using steps 1 and 3.

The following outlines the process for which steps 1 and 3 should be used by the CCHE to make its annual funding recommendations for the next fiscal year's budget request,¹ consistent with HB 20-1366.

- The Commission will establish a policy goal(s) by May,² in collaboration with the Department and Governing Boards, for its funding recommendation to the legislature and Governor's office using the following process:
 - Governing Boards will recommend a policy goal(s) by early April² to the Commission to consider for the use of steps 1 or 3.
 - The Student Success and Academic Affairs and Fiscal Affairs committees of the Commission will review the recommendations from the Governing Boards and make a recommendation on a policy goal(s) to the full Commission. The Commission will consider and decide upon the policy goal(s) by May.²
- The annual policy goal(s) established by the Commission should provide for consistency over a period time. Although the Commission may advance new goals annually, each goal and related funding needs to be carefully evaluated and established to allow adequate time to achieve the desired outcome.
- Funding would be distributed to all Governing Boards in steps 1 or 3 to meet the policy goal(s), as appropriate.

¹ For example, the annual funding recommendation made during calendar year 2021 would be for the FY 2022-23 budget request.

² The policy goal(s) will need to be established earlier than May in future years, e.g., March, in order to meet the Governor's office budget schedule.

- The amount of recommended funding, and the mechanism for distributing the funding to institutions, would depend on the policy goal(s). The overall funding amount and distribution methodology will be established in advance of Commission budget request approval and developed in collaboration with the Department and Governing Boards.
- Under certain circumstances, the Commission, in collaboration with the Department and Governing Boards, may decide to recommend funding in steps 1 and/or 3 only to selected Governing Boards to meet certain goals or priorities. The methodology for determining which Governing Boards would be recommended for additional funding would depend on the circumstances and would be established in collaboration with the Department and Governing Boards. The methodology could involve an application process. If used, the application process and criteria for award would be developed in collaboration with the Department and Governing Boards.
- The Commission will make its annual funding recommendation to the legislature and Governor's office by September.²