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**BILL ANALYSIS: HB 14-1319      Higher Education Funding**

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**ACT SUMMARY**

This Act requires the Colorado Commission on Higher Education (CCHE), the statewide coordinating board for the higher education system, to develop a new funding formula to allocate state general fund dollars among the State's public institutions of higher education within specified parameters. The legislation lays out an aggressive time frame and specifically charges the CCHE to engage in a facilitated process with "interested parties" and ultimately adopt and weight funding factors in a new base-funding allocation formula that includes role and mission factors as well as performance metric factors.

The intent of this new funding model is to, in part, determine and implement a mechanism that is more transparent and understandable for Colorado taxpayers; provides tuition predictability while ensuring both accessible and affordable higher education for residents; and, does so in harmony with the statewide goals for higher education as articulated in the CCHE's Master Plan – *Colorado Competes, A Complete Agenda for Higher Education*.

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**SECTION 1**

**23-18-301 Legislative Declaration**

Subsection (1):

- a) Higher education is an economic engine for Colorado;
- b) Funding for higher education should be based on the needs of the state;
- c) Colorado ranks third in the country for the percentage of citizens between age 25 and 64 with a college degree, largely due to in-migration;
- d) It is essential that Colorado make wise use of its investment in higher education to increase the number of citizens who have earned a high-quality postsecondary credential;
- e) It is important to ensure access to affordable higher education regardless of income, race, gender, age, or academic preparation and that such services should be available in all geographic areas of the state;
- f) It is critical to increase the rate of postsecondary education participation by low income residents and minorities at Colorado's institutions of higher education; and,
- g) Limited state resources should be focused to achieve policy goals adopted by the General Assembly and **CCHE**.

Subsection (2):

- a) Higher education should be funded in a transparent and understandable manner;
- b) These goals can be accomplished by establishing performance metrics that are consistent and predictable, and can be amended to reflect the changing goals of the system;
- c) A consistent and predictable funding model can help to provide more predictable tuition and fees; and,

- d) A transparent and understandable funding model will help residents and taxpayers recognize the benefits realized from higher education investments.

### 23-18-302 Definitions

Among other things, the Act defines:

- (7) "Pell Eligible Student" as an undergraduate student who qualifies for the Federal Pell Grant or for a grant through a successor program.
- (10) "Total State Appropriation" is the sum of the total appropriated amounts to (1) the governing boards of the state institutions of higher education for fee-for-service contracts and (2) the College Opportunity Fund for student stipends.

### 23-18-303 Fee-For-Service Contracts

- (1) Fiscal Years 2015-16, and each fiscal year thereafter, allows each state institution of higher education to annually negotiate a fee-for-service contract (for Role and Mission and Performance funding).
- (2) Each fee-for-service contract must include "role and mission" funding and "institutional performance" funding.
- The components of the fee-for-service contracts must be fairly balanced between role and mission factors and performance metrics.
- (3) Role and Missing Funding - this component shall be based on the following factors:
- a) Institutional mission:
- Selectivity;
  - Number of campuses;
  - Rural or urban location;
  - Low student enrollment, affecting ability to meet operational costs;
  - Undergraduate programs with a high cost per student;
  - Whether or not institution conducts research.
- b) Support Services for Pell-Eligible, First Generation, and Underserved Undergraduate Students:
- Must provide funding for costs associated with providing additional support services for Pell-Eligible undergraduate students – must be at least 10% of the amount of the College Opportunity Fund stipend;
  - May provide funding for costs associated with providing additional support services for First-Generation and Underserved Students – *Commission must first establish a consistent definition and data collection method for identifying these student populations.*
- c) Graduate Programs:
- Shall consider high cost per student programs, such as law, business, science, technology, engineering, and mathematics
- d) Remediation - Costs associated with providing effective basic skills courses:
- Shall determine how to measure successful remediation.
- e) Additional Factors - up to two additional factors may be included:
- Must be distinguishable from other factors;
  - May consider, but not limited to: institutional affordability, cost studies, technology transfer, and provision of career and technical programs.

- (4) Performance Funding - this component shall be based on the following factors:
- a) Completion
    - An amount for each certificate or degree awarded;
    - An amount for each student who transfers from a community college to another institution after completion of a certain number of credit hours;
    - Commission shall establish the amount to be awarded for each, based on the subject level of credential;
    - The amount shall be increased for each Pell-eligible;
    - The amount may be increased for First-Generation or Underserved Students, if such consideration was also included under Role and Mission.
  - b) Retention
    - Number of students who make academic progress – completion of 30, 60 or 90 credit hours;
    - Commission may include a component related to an increase in the institution’s retention rate;
    - A community college that receives an incentive for a transfer student, cannot also receive a retention bonus for that student in the same year.
  - c) Additional Metrics - up to **four** additional metric, that *reflect and support the policy goals adopted in the Master Plan*, may be included:
    - Must be distinguishable from other metrics;
    - May consider, but are not limited to: workforce placement, closing the achievement gap, limiting student loan debt, and controlling institutional administrative costs.
- (5) Colorado School of Mines – may study and recommend a different funding structure that:
- Strengthens the institution and its specialized education programs; and,
  - Ensures academic quality and continued opportunities for resident students who meet the admissions criteria.
- (6) All of these funding provisions must comply with the requirements set forth in 23-18-305, which specifies parameters on funding levels.
- (7) State institutions who enter into a fee-for service contract cannot charge more for a basic skills course than a general education course.
- (8) Allows institutions to use funding received under this section as financial assistance for in-state students to reduce the student’s share of in-state tuition.

**23-18-304 Funding for Specialty Education Programs – Area Vocational Schools – Local District Junior Colleges**

- (1) Specialty Education Programs
- (a)(I) Allows certain specialty education programs to negotiate a fee-for-service contract:
    - CU Health Science Center Campus, and CSU Veterinary Medicine Program;
    - Funding must be equal to such contract for the preceding year, plus-or-minus the same change in the Total State Appropriation.
  - (a)(II) Allows for a funding increase for these two programs in excess of the percentage increase in the Total State Appropriation, or a decrease less than percentage decrease in the Total State Appropriation
    - Shall take into account that these programs are high-cost, low-enrollment programs.

(b) Allows CCHE to recommend, and the JBC to act on, designating new programs as “Specialty Education Programs” and get funded as such.

(2) Vocational Schools

- (a) Direct grants made to eligible area vocational schools must be equal to such contract for the preceding year, plus-or-minus the same change in the Total State Appropriation;
- (b) CCHE may recommend that direct grants increase in excess of the percentage increase in the Total State Appropriation, or decrease less than percentage decrease in the Total State Appropriation.

(3) Junior College Districts

- (a) Direct grants made to eligible junior college districts must be equal to such contract for the preceding year, plus-or-minus the same change in the Total State Appropriation;
- (b) CCHE may recommend that direct grants increase in excess of the percentage increase in the Total State Appropriation, or decrease less than percentage decrease in the Total State Appropriation.
- (c) Colorado Mountain College may elect to participate in this funding mechanism. If chooses to do so, funding provisions shall be applied in the same manner as other institutions.

(4) Specialty Education Programs, Area Vocation Schools, local District Junior Colleges and CCHE are encouraged to develop funding models that include metrics to ensure these programs meet policy goals established by the General Assembly and the Master Plan.

**23-18-305 Total Appropriations**

(1) Governing Board Appropriations:

- (a) For Fiscal Years 2015-16 through 2019-20, the total appropriation to a governing board shall not change plus-or-minus more than 5% than the change in Total State Appropriations from the preceding year.
- (b) Beginning in Fiscal Year 2020-21, CDHE may recommend to the JBC that they adjust the appropriation for a governing board as necessary to comply with the provisions of the previous section.

(2) College Opportunity Fund:

- (a) Requires the total annual appropriation to COF be at least 52.5% of the Total State Appropriation.
  - Allows for an adjustment to this percentage to adjust for actual enrollment.
- (b) (I) Allows for deviation from the 52.5% in the event of an economic downturn. (II) 52.5% does not apply if Tabor refunds are triggered.

(3) Allows the JBC to treat an institution as a Specialty Education Program, if the application of the new fee-for-service contracts has resulted in the financial instability and potential closure.

- Would require the institution to submit a plan for achieving financial stability.

(4) If SB 52 is triggered, performance based funding will be in addition to amounts received from a fee-for service contract.

**23-18-306 Duties and Powers of the Commission**

(1) Defines “Interested Parties” to include but not be limited to “the governing boards of institutions, institution administrators, higher education advocates, students, faculty, nonprofit education organizations, and members of the business community.”

- (2) Legislative Directive
  - (a) By January 1, 2015, requires CCHE to determine the role and mission factors and performance funding metrics for fee-for-service contracts.
    - To be done in consultation with interested parties
    - Establish each factor and metric and the weight associated with each.
  - (b) CCHE shall determine, and CDHE shall implement each factor and metric:
    - I. Must be tied to goals established by the General Assembly and the CCHE Master Plan.
    - II. Must be transparent and measurable
    - III. Role and Mission factors may be applied differently to each institution, but similar institutions *should* be treated similarly
    - IV. Performance Measures must be applied uniformly to all governing boards
- (3) Outline of Process
  - (a) May 2014-Dec 2014, CCHE shall convene meetings to develop factors and metrics
  - (b) CCHE shall retain a facilitator to assist with process
  - (c) CCHE may organize its work in the manner it chooses
  - (d) After initial creation of the model, CCHE may continue to meet with interested parties to review implementation and make recommendations
- (4) Beginning July 1, 2016, and each July thereafter through July 1, 2020, CCHE shall submit a written report to the Legislature on the status of the implementation and any recommendations for statutory changes.
- (5) Legislative Declaration:
  - It is vital the Colorado's higher education is accessible and affordable to all residents
  - Tuition policies are important to ensuring affordability and sustainability of the system
  - It is imperative that CCHE and governing boards work cooperatively to structure and ongoing tuition policy for the state
  - By November 1, 2015, CCHE shall submit to the Legislature tuition policies that ensure both accessible and affordable higher education for residents
    - Tuition policies must also reflect:
      - Level of state funding needed for institutions
      - The need of each institution to enhance the quality of programs and offerings to strengthen their financial position
    - Tuition policy recommendations must be developed in consultation with governing boards and interested parties using an inclusive and transparent process.
- (6) CCHE shall adopt policies or procedures necessary to implement.
- (7) CDHE shall comply with these requirements when submitting its budget request.

**23-18-307 Budget Reporting**

- (1) CDHE shall report progress on the directives of this bill in their 2014 presentation to the Legislature and provide draft factors and metrics, with their weights
- (2) Higher education budget FY 2015-16
  - (a) By November 1, 2014 CDHE and CCHE shall submit a budget for higher education for FY 2015-16 and a draft of factors and metrics, with their weights.
  - (b) By January 15, 2015 CDHE and CCHE shall submit an updated budget request that includes:

- I. A detailed description of the fee-for-service contract factors, metrics, and values assigned for each
  - II. Specific details for each institution on how the fee-for-service contract is applied, the level of funding requested for each factor and metric
- (3) Higher education budget FY 2016-17, and each year thereafter, the November 1 budget request shall include:
- (a) A detailed description of the fee-for-service contract factors, metrics, and values assigned for each
  - (b) Specific details for each institution on how the fee-for-service contract is applied, the level of funding requested for each factor and metric.
- (4) Allows the JBC to apply different weights to the factors and metrics than the values determined by CCHE.

## **SECTION 2**

Makes statutory changes to conform to this Act.

## **SECTION 3**

Repeals 23-5-130, existing provisions for governing boards fee-for-service contracts.

## **SECTION 4**

Amends 23-18-202 – College Opportunity Fund:

- (1)(c) If COF stipend enrollment projections results in insufficient funds to meet the COF stipend, allows CDHE to transfer up to 10% of the annual total governing board appropriation for the institution, from cash spending authority between stipends and fee-for service contracts.
- (2)(c) The COF stipend is no longer required to grow by inflation in the Commissions annual budget request.

## **SECTION 5**

Modifies the definition of “Students share of in-state tuition” to conform to this Act.

## **SECTION 6**

Allows institutions governed by the Board of Regents to use funding received under this section as financial assistance for in-state students to reduce the student’s share of in-state tuition

## **SECTIONS 7-17**

Makes statutory changes to conform to this Act.

## **SECTIONS 18-19**

Appropriations

- FY 2013-14: \$45,207
- FY 2014-15: \$804,986 and 3.0 FTE

## **SECTION 20**

Safety Clause