

# Show Me the Money:

## *Funding Allocation Formula Overview and Next Steps*

Colorado Commission on Higher Education 2024 Summer Retreat

*Facilitator - Commissioner Eric Tucker*

*Presenters - DHE CFO Crystal L. Collins & Budget Director Corey Evans, Advisor Mark Superka*

July 25, 2024



# Today's Discussion

---

1. Overview of Current Funding Mechanisms
2. Overview of Statutory Charge for Formula Review Process
3. Overview of SHEEO Funding Formula Review Process Guidance and Best Practices



# Legislative Declaration

1. Increase the number of Coloradans who have earned a high-quality postsecondary credential. – C.R.S. 23-18-301 (1)(d)
2. Increase the rate of participation of low-income and currently underrepresented minority students. – C.R.S. 23-18-301 (1)(f)
3. Incentivize state institutions of higher education to achieve the policy goals adopted by the General Assembly and the CCHE Master Plan. – C.R.S. 23-18-301 (1)(g)

# Legislative Declaration – continued

1. To ensure tax dollars are being used to achieve state goals, higher education must be funded in a manner that is transparent and understandable. – C.R.S. 23-18-301 (2)(a)
2. To accomplish these state goals, must establish performance metrics that are consistent, predictable, and focused on improved performance. – C.R.S. 23-18-301 (2)(b)

# How Do IHEs Currently Receive Operating Support?

- C.R.S. 23-18-303.5 outlines the use of fee-for-service (FFS) contracts to support institutions of higher education for the delivery of higher education services for the benefit of the state and its residents.
- FFS contracts provide appropriated state support through the funding formula, PLUS any Special Education Program support, PLUS any limited purpose funding associated with specific bills LESS any funding appropriated through College Opportunity Fund (COF) student stipends.

# CO Higher Education Funding Formula

## House Bill 20-1366

- Reps. Esgar and McCluskie
- Sens. Zenzinger and Rankin
- New funding model began in 2021-22
- Under the new funding formula, FFS contracts based on three (3) components:
  - Ongoing additional funding (Step 1);
  - Performance funding (Step 2); and
  - Temporary additional funding (Step 3)
- Make funding recommendations for these components as part of the annual budget process.

# Step 1

## Ongoing Additional Funding

---

Prior to calculating performance funding, the Commission may recommend additional funding to add to the base for the following purposes:

- Progress toward master plan goals, including addressing base funding disparities or funding priorities not addressed through performance funding
- Additional costs associated with educating resident first-gen undergrad students

***Recommendations should be focused on broad institutional, systemwide, or state policy goals.***



- FY2022 Model - **\$40.81M** through Step 1
  - ***First-Gen FTE, First-Gen HC, URM HC, Pell HC, URM retention rate***
  - *Fall 2020 data only (not based on avg growth)*
  - *Except for First-Gen FTE and HC (Fall 2019)*
- FY2023 Model - **\$50M** through Step 1
  - ***Same metrics as FY2022 model***
  - *All data in Step 1 held constant except First-Gen HC updated to Fall 2020*
- FY2024 Model - **\$27M** through Step 1
  - ***Same metrics as FY2022 and FY2023 model***
  - *All data updated to Fall 2021*
- FY2025 Model - **\$7.3M** through Step 1
  - ***Mission-based increase for Rural Serving IHEs***

# Step 2

## Performance Funding

---

After calculating funding recommendations addressing base building, the Commission shall calculate performance funding for each Governing Board based on the rate of change over time on each performance metric.

- Even though this is referred to as “Step 2,” this portion of the formula is the main tool to distribute funds to institutions, including:
  - Previous year’s Step 1 funds,
  - Existing base funding, and
  - Any new funding for common policies, including salary, HLD, and other mandatory costs.



- FY2022 Model - **\$31.4M** through Step 2
  - 4.7% increase over FY2021
  - \$8.5M to SEPs, LDCs, ATCs
- FY2023 Model - **\$44.2M** through Step 2
  - 6.0% increase over FY2022
  - \$11.1M to SEPs, LDCs, ATCs
- FY2024 Model - **\$68.2M** through Step 2
  - 8.3% increase over FY2023
  - \$17.7M to SEPs, LDCs, ATCs
- FY2025 Model - **\$85.0M** through Step 2
  - 9.3% increase over FY2023
  - \$20.9M to SEPs, LDCs, ATCs
  - \$10.86M to address Medicaid match at CU Anschutz



# Step 3

## Temp Additional Funding

---

After calculating ongoing additional and performance funding, the Commission *may* recommend additional temporary funding to make progress toward master plan goals or for any other purpose.

- These funds are not base building and are, therefore, not incorporated into Step 2 in future fiscal years.



*No funding has been recommended through Step 3 since the implementation of the model.*

# Current Formula Operation Overview

- Current performance funding model utilizes eight (8) metrics aligned with the 2020 Master Plan.
- Each performance metric is **weighted** to determine the relative influence on the funding recommendations.
- Each metric measures performance over time within each Governing Board (GB).  
4 most recent years of data  
3 oldest years of data
- This rate of change is then multiplied by the GB's role and mission share based on the share of total appropriation in previous fiscal year to get "**GB R&M adj share.**"
- Sum GB R&M adjusted shares to determine "**Total R&M adj. share.**"

## Current Performance Funding Metrics

- Resident student full-time enrollment (FTE) [SURDS];
- Credential completion [SURDS];
- Resident Pell-eligible student population share [SURDS];
- Resident underrepresented minority student population share [SURDS];
- Retention rate [IPEDS];
- 100% Graduation rate [IPEDS];
- 150% Graduation rate [IPEDS]; and
- Resident first-generation UG student population share [SURDS].

# Current Formula Operation Overview

	Adams	Mesa	Metro	Western	CSU System	FLC	CU System	Mines	UNC	CCCS		23-24 Base
FY23-24 Allocation	23,503,197	44,685,411	93,227,346	20,178,587	134,408,922	19,004,629	215,833,343	33,574,131	63,055,632	269,147,853		916,619,051
Role and Mission Adjustment	2.56%	4.88%	10.17%	2.20%	14.66%	2.07%	23.55%	3.66%	6.88%	29.36%		

Credential Production (unweighted)	Adams	Mesa	Metro	Western	CSU System (no Vet Med)	FLC	CU System (no Anschutz)	Mines	UNC	CCCS		
2019-20	601	2,076	3,308	388	5,950	319	11,617	1,005	2,531	20,236		48,031
2020-21	530	2,010	3,449	318	5,771	319	11,787	1,063	2,404	19,632		47,283
2021-22	585	1,937	3,415	392	5,738	315	11,769	1,197	2,256	18,358		45,962
2022-23	543	2,111	3,118	365	5,560	274	11,756	1,185	2,152	18,390		45,454
3 yr Average AY 2019-20 to AY 2021-22	572	2,008	3,391	366	5,820	318	11,724	1,088	2,397	19,409		
4 yr Average AY 2019-20 to AY 2022-23	565	2,034	3,323	366	5,755	307	11,732	1,113	2,336	19,154		
A Change	98.7%	101.3%	98.0%	99.9%	98.9%	96.6%	100.1%	102.2%	97.4%	98.7%		
B Role and Mission Adjustment	2.56%	4.88%	10.17%	2.20%	14.66%	2.07%	23.55%	3.66%	6.88%	29.36%		
C = A * B Change * R & M Adj.	2.53%	4.94%	9.97%	2.20%	14.50%	2.00%	23.56%	3.74%	6.70%	28.98%		99.1%
D = C share of total Share of Total	2.55%	4.98%	10.05%	2.22%	14.63%	2.02%	23.77%	3.78%	6.76%	29.23%		100.00%
												From Sum HUD
Result	1,279,064	2,494,729	5,035,333	1,111,473	7,325,908	1,011,527	11,904,651	1,891,681	3,386,782	14,640,627		50,081,773
FY 2023-24 Amount	1,142,329	2,148,414	4,500,594	1,012,891	6,607,375	920,257	10,706,804	1,713,436	3,040,948	12,881,084		44,674,134
FY 2024-25 Amount	1,279,064	2,494,729	5,035,333	1,111,473	7,325,908	1,011,527	11,904,651	1,891,681	3,386,782	14,640,627		50,081,773
Change from FY 2023-24	136,734	346,314	534,739	98,582	718,533	91,269	1,197,848	178,245	345,834	1,759,543		5,407,640
% Change from FY 2023-24	12.0%	16.1%	11.9%	9.7%	10.9%	9.9%	11.2%	10.4%	11.4%	13.7%		12.1%

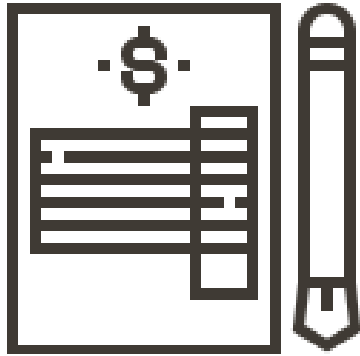
# Current Formula Operation Overview

Total Model Output											
	Adams State	Colorado Mesa	MSU - Denver	Western Colorado	CSU System	Fort Lewis	CU System	CO School of Mines	Northern Colorado	CCC System	GBs Subtotal
FY 2023-24 Base State Funding	23,503,197	44,685,411	93,227,346	20,178,587	134,408,922	19,004,629	215,833,343	33,574,131	63,055,632	269,147,853	916,619,051
<b>Step 1: Master Plan and Base Adjustment Funding</b>											
FY 2024-25 Percent Change	10.4%	0.0%	0.0%	12.1%	0.0%	12.8%	0.0%	0.0%	0.0%	0.0%	0.8%
FY 2024-25 State Funding Change (Including SEP) Change	2,433,805	-	-	2,433,805	-	2,433,805	-	-	-	-	7,301,415
<b>Step 2: Performance Funding</b>											
FY 2024-25 Percent Change	8.8%	9.3%	9.6%	10.2%	9.3%	8.9%	9.6%	10.4%	9.3%	8.7%	9.3%
FY 2024-25 State Funding Change	2,072,293	4,166,702	8,985,605	2,064,854	12,486,018	1,685,457	20,748,847	3,480,745	5,883,713	23,442,184	85,016,418
FY 2024-25 State Funding Total (Including SEP)	25,575,490	48,852,113	102,212,951	22,243,441	146,894,940	20,690,086	236,582,190	37,054,876	68,939,345	292,590,037	1,001,635,469
<b>Step 3: Temporary Funding</b>											
FY 2024-25 State Funding Change	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>											
FY 2024-25 Total Funding Change	4,506,098	4,166,702	8,985,605	4,498,659	12,486,018	4,119,262	20,748,847	3,480,745	5,883,713	23,442,184	92,317,833
FY 2024-25 Total Funding	28,009,295	48,852,113	102,212,951	24,677,246	146,894,940	23,123,891	236,582,190	37,054,876	68,939,345	292,590,037	1,008,936,884
FY 2024-25 Total Percent Change	19.2%	9.3%	9.6%	22.3%	9.3%	21.7%	9.6%	10.4%	9.3%	8.7%	10.1%

Total Model Output					
	CSU SEP	CU SEP	Colorado Mtn College	Aims CC	ATCs
FY 2023-24 Base State Funding	89,388,030	89,685,579	11,930,297	14,166,012	20,455,069
<b>Step 1: Master Plan and Base Adjustment Funding</b>					
FY 2024-25 Percent Change	9.3%	21.5%	9.3%	9.3%	9.3%
FY 2024-25 State Funding Change (Including SEP) Change	8,290,740	19,274,191	1,106,535	1,313,898	1,897,208
<b>Step 2: Performance Funding</b>					
FY 2024-25 Percent Change	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2024-25 State Funding Change	-	-	-	-	-
FY 2024-25 State Funding Total (Including SEP)	-	-	-	-	-
<b>Step 3: Temporary Funding</b>					
FY 2024-25 State Funding Change	-	-	-	-	-
<b>Total Funding</b>					
FY 2024-25 Total Funding Change	8,290,740	19,274,191	1,106,535	1,313,898	1,897,208
FY 2024-25 Total Funding	97,678,770	108,959,770	13,036,832	15,479,910	22,352,277
FY 2024-25 Total Percent Change	9.3%	21.5%	9.3%	9.3%	9.3%

Total Model Output	
	Total
FY 2023-24 Base State Funding	1,142,244,038
<b>Step 1: Master Plan and Base Adjustment Funding</b>	
FY 2024-25 Percent Change	3.4%
FY 2024-25 State Funding Change (Including SEP) Change	39,183,986
<b>Step 2: Performance Funding</b>	
FY 2024-25 Percent Change	7.4%
FY 2024-25 State Funding Change	85,016,418
FY 2024-25 State Funding Total (Including SEP)	1,001,635,469
<b>Step 3: Temporary Funding</b>	
FY 2024-25 State Funding Change	-
<b>Total Funding</b>	
FY 2024-25 Total Funding Change	124,200,404
FY 2024-25 Total Funding	1,266,444,442
FY 2024-25 Total Percent Change	10.9%

# November 1 Budget Request



Detailed description of Step 1 and Step 3 funding, if any.



Changes in amount of Performance Funding through Step 2, if any.



Change to Performance Funding metric weights, if any.

# Statutory Funding Formula Review

*C.R.S. 23-18-306 (2)(a) “Commencing in 2026 and every five years thereafter, the commission shall review the funding formula...and by November 1, 2026...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 containing proposed changes...and any recommendations for legislative changes.”*

**In conducting the review, the commission and department may:**

- Convene one or more meetings with interested parties to discern potential issues from stakeholders.
- Conduct analyses of issues identified by stakeholders and identify possible solutions.
- Engage with institutions to strive for consensus on any proposed changes.
- Develop a set of changes to recommend to the governor and general assembly committees in the required report.

# Formula Review Best Practices

Establish the need for a review in rule or statute.

Clearly define the scope of the review to level set stakeholder expectations.

Adopt a set of review principles and operating assumptions.

Encourage a manageably-sized, diverse workgroup membership.

Create an endorsed workgroup charge based on stakeholder feedback.

Use an agreed upon method to determine consensus.

**Communicate routinely. Engage stakeholders. Be transparent.**

# Thank You!

---

July 25, 2024

