

Finance, Performance and Accountability Subcommittee

FY2025-26 Funding Allocation Formula Approval

October 18, 2024



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.

November 1 Budget Request



REQUIRED

Approve

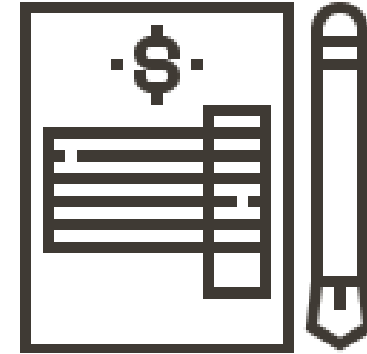
Performance Funding
metric weights for
Step 2.



REQUIRED

Recommend

how funding changes
should be distributed
through funding
formula.



OPTIONAL

Draft a statement to the
Governor on FY2025-26
higher education
funding.

Funding Allocation Formula Step 2 Weights

Performance Metric	% Weight
Resident Full-Time Enrollment	10%
First Gen Resident Headcount	5%
Credential Production	5%
Resident Pell Eligible Pop Share	20%
Resident URM Pop Share	20%
Overall Retention Rate	20%
Graduation Rate (100% of time)	10%
Graduation Rate (150% of time)	10%
TOTAL	100%

Determining Weights for FY 2025-26

- Weight level determines how much money through Step 2 is allocated based on that performance metric.
- The weights have not changed under the current model.

Last year's action:

Keep the FY 204-35 allocation model weights for all 8 performance metrics consistent with previous years.

This year's action:

What should the FY2025-26 allocation model weights be for each of the 8 performance metrics?

Performance Metric	2019-20	2022-23	2023-24	Change
Resident Enrollment (FTE)	139,895	127,366	131,891	-5.7%
Resident First Gen HC	77,143	67,295	69,948	-9.3%
Credential Production	48,031	45,454	69,948	45.6%
Resident Pell as % of HC	31.3%	26.9%	27.2%	-13.2%
Resident URM as % of HC	30.4%	32.6%	32.8%	8.0%
Retention Rate	74.3%	75.4%	76.8%	3.4%
Graduation Rate - 100%	33.0%	36.8%	38.4%	16.3%
Graduation Rate - 150%	51.9%	52.1%	54.1%	4.3%

FY 2024-25 Higher Education Allocation Formula

Total allocation: \$1.01B to Governing Boards

Additional funding: \$257.5M to SEPs, LDCs, ATCs

Total increase: 10.9% above FY 2023-24

Step 1 Funding

- \$7.3M for mission-based increases for rural-serving IHEs.
- \$31.9M to CUSOM, CSU Vet, LDCs, and ATCs

Step 2 Funding

- \$85.0M based on 8 statutory performance funding metrics.

Step 3 Funding

- No funding distributed.



Last year's action:

Distribute all available funding through Step 2 until base operational costs are met. Then distribute additional funds through Step 1.

This year's action:

What is the recommended proportion of total funding to flow through Step 1, Step 2, and Step 3 of the allocation formula?

Fiscal Year 2025-26 Performance Funding Allocation Scenarios

Governing Board	Flat Funding Scenario		Inflationary Increase Scenario	
	\$ Change	% Change	\$ Change	% Change
Adams State University	\$ (742,413)	-2.7%	\$ (6,208)	0.0%
CCCS	156,974	0.1%	8,061,144	2.8%
Colorado Mesa University	(214,402)	-0.4%	1,098,816	2.2%
Colorado School of Mines	187,362	0.5%	1,192,903	3.2%
CSU System	(349,372)	-0.2%	3,607,359	2.5%
CU System	128,276	0.1%	6,519,458	2.8%
Fort Lewis College	91,373	0.4%	718,185	3.1%
MSU - Denver	948,240	0.9%	3,733,592	3.7%
University of Northern Colorado	(112,049)	-0.2%	1,746,288	2.5%
Western Colorado University	(93,989)	-0.4%	569,759	2.3%
Governing Board Total	\$ -	0.0%	\$ 27,241,296	2.7%

Today's Commission Action

1. Approve **performance funding metric weights** for Step 2 of the FY2025-26 higher education funding allocation formula.
2. Recommend the **proportion of total funding** flowing through Step 1, Step 2, and Step 3 of the FY2025-26 higher education funding allocation formula.
3. *Optional: Draft a **statement to the Governor** on FY2025-26 higher education funding.*

Thank you.

Finance, Performance and Accountability Subcommittee

2025 Formula Review Committee Membership Feedback Overview

October 18, 2024



Special Called FPA Meeting

On October 4, the FPA Subcommittee met for a special called meeting to begin conversations around development of workgroup membership. As a result of that conversation, Commissioners asked the Department to reach out to CEOs and CFOs to solicit feedback on working group membership composition and initial thoughts on a possible working group membership selection process.

DRAFT FRC Working Group Membership

DISCUSSED AT OCTOBER 4 SPECIAL CALLED FPA MEETING AND DISTRIBUTED FOR FEEDBACK

- Adams State University Rep
- CO Mesa University Rep
- CO School of Mines Rep
- Fort Lewis College Rep
- Metro State Univ Rep
- Univ of Northern CO Rep
- Western CO Univ Rep
- CU System Rep
- CU Institution Rep
- CSU System Rep
- CSU Institution Rep
- CCCS System Rep
- CCCS Institution Rep
- CCCS Institution Rep
- LDC Institution Rep
- ATC Institution Rep

16 Institutional Representatives

- Joint Budget Committee Rep
- Senate Ed Committee Rep
- House Ed Committee Rep
- Governor’s Policy Office Rep
- Governor’s OSPB Rep
- President of the Senate Rep
- Speaker of the House Rep

7 Government Representatives

- CCHE Commissioner
- CCHE Commissioner
- CDHE Executive Director

- *CDHE CFO (support staff)*
- *CDHE CPRO (support staff)*

3 Agency Representatives

CEO and CFO Outreach

- The Department contacted **all CEOs and CFOs** of IHEs impacted by the formula (GBs, LDCs, ATCs) on **Wednesday, October 9**.
- Outreach requested that recipients provide feedback on the **composition of the FRC working group and initial thoughts on the process for selecting committee representatives**.
- The DRAFT FRC working group membership document was attached and provided on the website.
- Responses were requested by EOD on **Tuesday, October 15**.

CEO and CFO Outreach Responses

- Of the **13 IHEs contacted**, the Department received the following responses:
 - Membership Composition Feedback
 - **6 of 13 CEOs**
 - **10 of 13 CFOs**
 - Membership Selection Feedback
 - **1 of 13 CEOs**
 - **4 of 13 CEOs**
- While the feedback from institutions varied, several **consistent ideas** were identifiable.

Common Feedback Themes - CEOs



Membership Composition 6 Respondents

- 3 of 6 CEO respondents indicated they agreed with or did not raise concerns about the draft membership presented.
- 3 of 6 CEO respondents indicated they would like to see the draft membership change to reflect 1 representative per GB.
- 2 of 6 CEO respondents indicated they would like to see additional representation for external voices (e.g., faculty, students, funding formula researchers).

Membership Selection 1 Respondent

- CEO responses focused on membership composition rather than providing feedback on possible membership selection processes.
- Only 1 CEO offered feedback on this portion of the feedback request.
- This CEO stated they would like for the GB CEO to nominate possible representatives from a pool guided by the Commission.

Common Feedback Themes - CFOs



Membership Composition 10 Respondents

- 2 of 10 CFO respondents indicated they agreed with or did not raise concerns about the draft membership presented.
- 8 of 10 CFO respondents indicated they would like to see the draft membership change to reflect 1 representative per GB.
- Majority of respondents stated they believed system offices can properly represent member campuses.
- 3 of 10 CFO respondents indicated they would like to see the LDCs (Aims and CMC) each be represented on the committee.

Membership Selection 4 Respondents

- All 4 CFO respondents indicated they would like the Governing Boards to be able to pick their representatives.
- 3 of 4 CFO respondents requested the option to identify or utilize a designee as needed for scheduling or subject matter dictates.
- General feedback included a request to better understand the purpose and process before selecting members.
- As with the CEO respondents, the Department received less feedback on this request.

REVISED FRC Working Group Membership

AS RECOMMENDED FOR DISCUSSION BY COMMISSIONER WALMER IN OCTOBER 17 EMAIL

- Adams State University Rep
- CO Mesa University Rep
- CO School of Mines Rep
- Fort Lewis College Rep
- Metro State Univ Rep
- Univ of Northern CO Rep
- Western CO Univ Rep
- CU System Rep
- CSU System Rep
- CCCS System Rep
- Aims CC Rep
- CO Mtn College Rep
- ATC Institution Rep

13 Institutional Representatives

- Joint Budget Comm Staff Rep
- Senate Ed Committee Rep
- House Ed Committee Rep
- Governor's Policy Office Rep
- Governor's OSPB Rep
- President of the Senate Rep
- Speaker of the House Rep

7 Government Representatives

- CCHE Commissioner
- CCHE Commissioner
- CDHE Executive Director
- *CDHE CFO (support staff)*
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Discussion



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2025 Formula Review Working Group Membership Development Feedback

CDHE Outreach Email – Wednesday, October 9

Good afternoon, all.

Hope this email finds you well. On Friday, October 4, the Colorado Commission on Higher Education had a special called meeting of the Finance, Performance, and Accountability (FPA) committee to discuss best practices for creating a formula review committee working group and methods for communication.

At the conclusion of the meeting, Commission members requested that the Department reach out to the CEOs and CFOs at our public institutions with the DRAFT FRC Working Group membership for feedback on the composition of the working group and initial thoughts on the process for identifying the representative on the committee.

Please find attached the draft five-year FRC working group membership document. This document is also available on the Department's [website](#).

Please provide any comments or feedback on the draft membership, including the composition or process for identifying representatives, by emailing crystal.collins@dhe.state.co.us before Tuesday, October 15 at 5PM.

We look forward to working together over the next several months to review the higher education allocation model.



Response Summary

- 7 of 13 CEOs contacted provided feedback on draft membership composition
- 1 of 13 CEOs contacted provided feedback on membership selection process

CEO Feedback

- I think the list is good and catches all the major voices.
- I also think asking CEO's to nominate folks from within some parameters the Commission would define makes sense.
 - You might ask the System CEO to nominate from within the institutional CFO, CAO and CEO pools or to justify if they wanted to nominate an institutional rep outside that group.
- My thinking there is you keep the committee formed of high-level folks who can speak on behalf of their organizations and yet have the skills to assure the working group makes progress. Same could be done for members of the governing boards. But in the end, you all would control who you picked from those nomination pools so you can balance the working group for all sorts of things.
- The membership looks inclusive.
- I understand the logical argument for giving more representation to the community college system, CSU, and CU. However, it could also be argued that representatives at the institutional level will allow the system to take the lead. Funding is distributed to a governing board and not an individual institution.
- I think there are too many people on the working group and it will be difficult to stay focused, make decisions, and move this forward. I highly recommend just having one representative from the respective governing boards. With larger systems, they are used to having one spokesperson.
- Given that I do not believe that the members represent "votes" on how the model will be formulated, I would like to suggest that each governing board be limited to one member. As representatives, a single member should be able to represent their governing board's position. The formula review committee is already pretty large and adding multiple voices from a governing board that will essentially be saying the same thing just adds noise.



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- I appreciate the opportunity to review the membership. The fact that all the governing boards are represented is a good thing.
- My first preference, at this point, is to simply continue with the formula we have. It seems to work fine and I feel the risks, particularly for the small institutions, are simply too high if we open it up. If we are going to open it up, we will need to be very careful to ensure we can continue to advance equity, mobility, access, and opportunity.
- We need to have equal representation from the governing boards on the committee. Allowing our systems to have two reps on this group while others have just one creates a notable disadvantage for single campus institutions like mine. The current proposal risks drowning out certain perspectives while boosting others and will not cultivate the balanced, open dialogue that we need in this review process.
- We need to include space for external voices and expert perspectives. Several constituencies that aren't included in your list are eager to contribute to this work, including: Trustees, employers, students. While these groups don't need the same level of engagement as those on your proposed committee, there needs to be ways for these groups to offer their input.
- Additionally, we would benefit from hearing from other states/SHEEOs and outside experts as part of this process. It will help broaden our perspective on what is possible when it comes to HE funding.



Response Summary

- 10 of 13 CFOs contacted provided feedback on draft membership composition
- 1 of 13 CFOs contacted provided feedback on membership selection process

CFO Feedback

- This looks good to us. Let us know when you need reps, we are talking about that now.
- Our stance is that it would be more equitable for all governing boards to only have a single representative.
- I know my CEO shared some concerns about dual representation from some systems, which would be a concern if formal voting were expected for group decision making with all representatives having an equal vote.
- One other question, which may depend on method of selection for representatives and whether you have feedback from other IHEs for representative recommendations: Would you expect the group to be made up mostly of CEOs, CFOs, or people at other levels, e.g., directors, AVPs, etc.?
- One suggestion we have is to make the IHE representatives align with the CFO group in terms of the number of slots. 1 per Gov Board, 1 CMC, 1 Aims, 1 Rep from the ATCs. This will help eliminate redundant feedback for those of us representing systems, knowing that we can adequately represent the views of all our campuses.
- Should the designees be tied to some share of voting for the working group, we would suggest that is tied to proportional representation based on enrollment of total students being served.
- We appreciate you sharing the working group composition, but it isn't clear to us how this group will fit into the broader process of formula review and redesign. There are many other impacted stakeholders that would add meaningfully to the process, including the K-12 community, workforce development, national experts, community representatives, faculty, students and others. In order to understand the working group's role, it would be helpful to have a broader understanding of the full process. In particular, we have questions about the role of the working group (recommendations, formula development, feedback, etc.), as well as how other stakeholder groups will be involved in the process.
- The group is very representative, but it is also very large and will be challenging to facilitate simply due to its size. We see two opportunities to reduce the size of the group without meaningfully



impacting the representation of any institution impacted by the formula. First, any observations made by system representatives would undoubtedly be shared by representatives from their respective campuses. There are also some representatives identified who are not impacted by the current formula (local district colleges, area technical colleges). Given that, we would propose a group that consists of one representative of each of the IHEs that are impacted by the formula. That would help to limit group size and would keep the conversation focused on how any formula changes would play out for impacted institutions. (Of course, if the formula were to be modified to impact other institutions, we would support adding them to the working group.)

- Finally, while we have questions about the working group's role, we assume that one key element will be to provide technical expertise and insight into different proposals. To fully meet that need, it would be helpful to specify that the representatives of each of the institutions would be the CFO or their designee. That would ensure a certain depth of subject matter knowledge that would serve the process well.
- Typically, representation is 1 per governing board and I'd suggest that approach be used since the formula is per governing board. That is, having additional institutional representatives for the CCCS, CU, and CSU does not offer unique expertise on the funding formula.
- Our only concern with this proposed structure is that the LDCs are separate institutions with separate boards of trustees, therefore, it is tricky to have only one representative representing both sets of interest.
- That said, we are happy to share one "vote", if we can both be at the table to understand the changes fully for our institutions.
- Overall, we would prefer the ability of the Chancellor to select its official members of the committee that best represent the system and all its colleges—vs. having a predefined function or specified institutional representative defined for us.
- We would also request the ability, given the difficulty of schedules, to be able to swap out attendees if an official member cannot make it.
- In addition, it would be helpful for the CCHE to define the functional level they want from working group membership (technical vs. policy vs. executive leadership) as well as whether this group will have decision making responsibility (either through voting or some other mechanism). That will



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help inform which specific personnel from the system could best serve the process the Commission is envisioning.

