

Minutes of the Colorado Commission on Higher Education (CCHE) Meeting  
Old Supreme Court Chambers, Colorado State Capitol, Denver  
March 14, 2014

Chairman Kaufman called the meeting to order at 1:15pm.

Chairman Dick Kaufman, Vice Chair Patty Pacey, Commissioners Luis Colon, Jeanette Garcia, Happy Haynes, Monte Moses, Hereford Percy, James Polsfut and BJ Scott attended. Commissioner John Anderson attended via conference call. Also in attendance were CCHE Advisory Committee members Senators Nancy Todd and Rachel Zenzinger, Representatives Lois Court and LeRoy Garcia. Advisors Toni Larson, Michael Mincic, Mark Superka, and Melissa Wagner were in attendance. CCHE Advisor Keith Owen attended via conference call.

Commissioner Percy moved to approve the minutes of the amended January 10, 2014 CCHE meeting. The motion was seconded by Commissioner Scott and passed unanimously.

Commissioner Haynes moved to approve the minutes of the February 14, 2014 CCHE meeting. The motion was seconded by Commissioner Scott and passed unanimously.

Chairman Kaufman acknowledged and thanked outgoing faculty representative for the CCHE Advisory Committee, Michael Mincic, for his years of service as a committee member.

### **COMMISSIONERS REPORT**

Commissioner Haynes, after speaking to constituents throughout Colorado about diversity on the state's campuses, requested department staff gather data from the institutions on hiring policies for staff and faculty, along with initiatives they are using to support a culture of inclusion and equity.

### **EXECUTIVE DIRECTOR REPORT**

The Lt. Governor reported that the Higher Education Policy and Leadership Summit was discussed at the last CEO meeting and the tentative date for the Summit is set for May 1<sup>st</sup>.

Also reported was the progress on the Governor's Statewide Scholarship and the student support services needed to be implemented for the students to be successful. One solution being considered is generating public resources to leverage private resources.

The Department will be working on an institutional cost-drive analysis this summer to discover what drives increases in tuitions and other costs on campuses.

The Lt. Governor also informed the Commission that further discussion on Commission roles and responsibilities will continue at the April meeting with a presentation by both the President of the Western Interstate Commission on Higher Education, David Longanecker, and the President of the State Higher Education Executive Officers, George Pernsteiner.

## CONSENT ITEM

### **Consent Item: Two-Year Capital Program Amendments – Colorado Mesa University**

Commissioner Percy moved to approve the consent items. The motion was seconded by Commissioner Scott and unanimously passed.

## PRESENTATION ITEM

**Higher Education Funding Model Allocation (HB 1319)** – Speaker of the House Mark Ferrandino presented his proposed bill to the Commission. Speaker Ferrandino said that higher education funding is something he has been passionate about since his time on the Joint Budget Committee, having always been a budgeting and numbers person. The higher education system has been somewhat of a black box that does not have a rational argument for the funding system. It has been tough in the last few years during the downturn. He is looking at how to change the conversation. The performance bill, SB 52, originally had 25% of higher education funding as performance-based. The Speaker is trying to make sure the institutions have the incentives to meet the needs of the general public, not the institutions' needs. Access, affordability, and completion of education are important and he agrees with the recent CCHE master plan, but he thinks there is still a need to look at how it is implemented and the answer is the budget. The legislature needs to find the right policy goals and funding metrics. They see incentives for Pell eligible students. There is a need to make sure students are retained, have incentives for completion, and to make sure that graduate programs are available. He picked four areas, with his cosponsors, to take the master plan and see how it ties to the budget moving forward. The Speaker said he is open to suggestions. There are eight weeks left in the legislative session, which he believes is enough time. This bill is the start; pressure and time will bring everyone together and make sure that the state is assured it is addressing its policy goals.

Commissioner Moses asked that if knowing the impact of higher tuition on Colorado students, how does the Speaker think this bill will affect tuition rates?

The Speaker replied that the bill will take effect in FY15-16. Costs and drivers will need to be looked at more. SB 3 is going to expire and there needs to be more control by the legislature on tuition. There will not be huge dramatic shifts, but there will be rational policy reasons for why the state funds these institutions.

Commissioner Moses said that assuming there is another economic downturn; the current practice mitigates some of those negative effects. How would the Speaker compare the two models in that area?

The Speaker replied that not many people would say the current system is rational, that it works. The new system will work and is more rational. There is a provision added that states if the General Fund decreases by 15+ percent, the legislature would have the freedom in how to deal with big funding decreases. There are currently serious policy questions and a need for flexibility. Also guard rails of +/- 5 percent makes sure those changes happen over time.

Commissioner Moses asked what other states have done with these models and what has been learned.

The Speaker replied that states are moving more toward policy-oriented funding. Tennessee is almost 100 percent performance-based funding. Colorado gets complicated with TABOR. When the “25 percent performance based funding” kicks in in a year or two, it will really amount to about 2 percent.

Commissioner Moses asked if this shouldn't be done through study this year, developing consensus, and then moving to an implementation in a year or two.

The Speaker replied that the Higher Education institutions do a really good job of making sure nothing changes the status quo too much or changes in their favor. The only way he sees this conversation really happens and there is real substantive change to the funding model, something is needed this year that says “if nothing happens, this takes effect.” The Speaker is happy to discuss ways to make it better, but he feels that if there isn't something in statute there will be a lot of work done, there will not be consensus, and each institution will try to help themselves. Funding is not about helping the institution, it is about helping Colorado. The institutions need to be brought to the table for a meaningful conversation about changing the current structure.

Commissioner Pacey said she is not sure what we're trying to fix about performance. Colorado is either first or second in performance per dollar spent. She's not sure if the present bill's formula is a hard formula because there are lots of fallbacks and options. She said that if the Commissioners don't have real numbers, it is hard to see without hard statistics. How does the Commission know this formula is more rational under certain circumstances?

The Speaker agreed that our higher education is underfunded and it is one of the most efficient in country. But with limited resources there needs to be a better focus on the policy goals for Colorado. Right now the funding is not strategic. The current formula is based on historical norms, not on policy goals. In the policy, the legislature will be trying to do something that is predictable i.e. “If I do X I get Y”, and flexible. Right now the institutions are asking for extra funding, and the benefit of a model is that institutions be able to do that.

Commissioner Pacey said that different institutions are different and have different challenges and benefits. Some have easier economy of scale. She appreciates the performance/reward system but still can't really form an opinion on how this compares to the current system; quantitative analysis and answers are needed.

The Speaker stated that he is sure the Department and institutions are running analyses on the formula. If, moving forward, the legislature see that this formula will be harmful in five years, they can change it. The Speaker wants to give a lasting, sustainable, solution that can remain throughout funding and enrollment changes but funds those policies that the state cares about. People don't have a good view of Higher Education and don't see the whole inherent value. He believes this bill will start to change public's perception.

Commissioner Haynes said that she appreciates that the Speaker noted the low overall funding for higher education and said that it is an important part of this conversation. She worries about funding because it is most vulnerable of what she believes is a state obligation.

The Speaker replied that higher education is a public and a private good, but he thinks most people see it as private. The economic development and skills training is huge and beneficial for the state. He doesn't think that cutting budgets is an excuse to shy away from difficult conversations about what and how the legislature funds. The state needs to make sure that during times of cutting the budget, they are spending most efficiently. Any time the Speaker looks at a budget he wants to make sure they are making the best investment with the taxpayers' resources. If they don't make our investments strategically in key areas, they are doing the public a disservice. Some people say that if this is done, some institutions might have to close. That is not the goal of this, and closing an institution is a conversation through the legislature, as they would have to change statute.

Commissioner Haynes asked the Speaker to reflect on the values in the bill – in terms of the factors and how much. Why the 57 percent for enrollment? Why 2.7 percent for Pell students? Is this the right balance of factors to target performance? She stated that enrollment is more access than it is performance.

The Speaker replied that last year a bill was introduced to do 100% stipend funding to try to start this conversation. He feels that more money should go to students – they are the priority, not the institutions. Pell eligible is no less than 110 percent of COF, but he doesn't want to do seismic shift. They want to give resources to low income students and the 10 percent bump seemed right. Retention and enrollment might not be the right metric, but the Speaker is open to more conversation.

Commissioner Haynes noted that this is a huge endeavor. There are only eight weeks left in the legislative session. What is the Speaker's work plan is for having these conversations and getting the bill through?

The Speaker replied that this is a daunting task. He sees the next step as bringing all institutions together the following week and having a conversation on their thoughts and suggestions, then taking those inputs and determining the next steps and amendments. He also invited input and collaboration from CCHE. As the sponsors of the bill move through the process, they want constant input. He thinks there will be a more nuanced and flexible final product.

Commissioner Percy thanked the Speaker for the conversation and said that the Commission appreciated it. He said his questions were more philosophical: Is this the way to accomplish this? Is there time to do it adequately? Commissioner Percy said one role of the CCHE is to isolate the legislature from the lobbying and parochialism, which they have done well. He said that the legislature will be lobbied more with this bill. Commissioner Percy does not think the bill should be passed and then fixed, he believes the bill should be fixed then passed. He also believes the CCHE is often able to get consensus. He also noted that regarding the institutions responses, the University of Colorado's analysis of the was very helpful not only to CU but other institutions, as well.. As this is a complicated issue and he's not sure if unintended

consequences and all the impacts can be properly estimated. He asked why do it this way and why now? He asked the basic question: what are we fixing? This is a major undertaking and he doesn't think doing it in such a short period of time is prudent.

The Speaker replied that he has seen the Strategic Plan and the Master Plan and agrees it contains great vision but these visions are not being fully realized. He looks to the budget to fix a problem that exists and needs to be changed. The current funding system is more focused on the needs of the institutions and not focused on the needs of the state and the public. He doesn't like having a base each year and then fights over the increment, which is not policy. The policy needs to go through the budget and in order for changes to be made to the strategic master plan. There is a need for changes and conversation. The Speaker says the proposed bill is not perfect, but he thinks it will be very good in eight weeks. Then there is time for the minute details to be worked out. If nothing is done, nothing will happen. Funding must be tied to the Master Plan and Strategic Plan documents.

Commissioner Percy said he agreed that the Strategic Plan goals have not been accomplished, which is one of the reasons the Commission kept the Master Plan simple by having four goals. He doesn't think this is the start of the conversation, but is a fork in the road in the conversation. CCHE is working on our Master Plan, and he asks that they continue to work on that. There isn't adequate performance funding yet, but the Commission is also working on this.

The Speaker replied that the work on performance contracts has been good, but the fact that it does not go into effect for at least two years and it will be about 2 percent. He said that 5 percent of the \$1 billion will go to performance, and 5 percent is not enough for the Commission's work.

Commissioner Garcia said regarding the metrics in the Master Plan, the Speaker said he sponsored SB52 for performance funding. She asked if the trigger amount for that legislation would be changed?

The Speaker replied that he was open to conversation. He tried changing it to 25 percent of the entire higher education funding to performance, but that failed. The proposed bill is the next step.

Commissioner Polsfut stated that the Commission wants to do more, as only 22 percent of 8<sup>th</sup> graders get a certificate or degree. In his time on CCHE, he has seen the ratio of state funding and tuition for in-state students flipped, and this has created a delicate balance. But there will be unintended consequences, and an 11 percent across the board increase seems like an easy fix and will bring fiscal balance. Commissioner Polsfut thinks the Speaker's proposed bill might upset the delicate balance and have very big unintended consequences.

The Speaker replied that we have just been funding institutions based on historical practice which has no rational basis; that is not tied to the policy goals that Colorado wants. TABOR, Gallagher, Amendment 23, federal dollars, all have put higher education funding where it is now. The best he can do is to make sure that the legislature is spending the dollars they have strategically. The Speaker didn't want to make a complete fix; he wanted to leave flexibility for legislature, CCHE, Department of Higher Education. Current university students embrace

change. Here everyone is afraid of change; they try to protect the status quo. He is being more like the millennials and thinks if change is embraced, Colorado will be in a better place.

Commissioner Pacey stated that she is not resistant to change, but wants to make sure that the new model will be better. She asked if she get some scenarios and the impacts of different underlying assumptions good and bad; some quantitative analysis.

The Speaker replied that he has seen a lot of analysis and fact sheets from the institutions. Before this bill gets to the final stage the sponsors will do all the testing and all the analysis and make it available to everyone.

Commissioner Scott asked if the Speaker would be willing to change this bill and to work with CCHE to establish a formula before this bill becomes law. She asked if the bill be fix now, not after it goes through.

The Speaker replied that he is open to conversation and ideas. His bottom lines are: implementation starts in FY15-16 (can be gradual implementation); that it is rational and policy oriented; and that there is an assurance of action. He has seen these goals and plans get derailed too many times over the years. He doesn't want people to put in a lot of work all summer and then have nothing happen. Those are his bottom lines, but he is open to how we achieve those.

Commissioner Garcia stated that the Speaker talked about COF funding at 51.7%. COF seemed to be absorbed in tuition increases and fees. She asked how to make sure that this won't happen.

The Speaker replied that when he talked to students about COF, they knew about it and they made the same point; that their COF was being eaten up by tuition. Affordability is a huge issue. He thinks the way to deal with that is giving the legislature power to control tuition increases and fees.

Commissioner Colon said that he has a hard time understanding what this bill is going to improve upon. He stated that the current plan has direct metrics that are consistent with the goals of the Master Plan. He is worried that as the Commission's plan is getting implemented, direction is being switching again.

The Speaker replied he appreciates the CCHE's work, but performance funding is still two years away and is only 2 percent of all higher education funding. It won't have enough impact on behavior of institutions. The legislature needs to put general fund dollars into the policy goals of Colorado, and right now this is not being done. He has been trying this for five years and this is his last year to try, therefore he is doing something radical.

University of Northern Colorado's President, Kay Norton, testified that if it were easy for Colorado to implement higher education policy through the budget, this conversation wouldn't be necessary. The concept of funding institutions was shifted from enrollment and cost to COF and fee-for-service. There are portions in the legislation that are tied to quality. Degree completion is very important and the institutions have been moving in the right direction by focusing more on students. UNC agrees with the fundamental goals of the proposed legislation

that funding should be student based and tied to performance, but they don't agree on how to have the conversation. UNC's lever isn't very big; state's contribution is often a small part of an institution's overall operating budget. They believe funding should be about students, and look forward to continuing that conversation.

University of Colorado's (CU) President, Bruce Benson, testified that he is really pleased that the proposed legislation is not to take place this next year. He supports change and CU has had many different changes and fixing and improving things is high on his list. CU has some concerns about the bill. They agree that institutions that would benefit from this legislation are underfunded – but they are all underfunded. The administrative costs are about 43 percent below our national counterparts and CU is doing their part. They think that there are a lot of parts of the bill that have arbitrary values. A lot of what this policy does is weaken some of the things they have. The allocation of funds to research institutions leaves out the University of Colorado-Denver and University of Colorado-Colorado Springs and that seems arbitrary. The biggest issue is unintended consequences. Institutions need to think about when we will have another downturn, think that will hit research institutions the hardest. It will force tuition up again. About 5 percent of CU's total budget comes from the state. CU needs to work for all our institutions. If you want to do something for tuitions, give them more funding to work with. He welcomes robust conversation about formula, but says this deserves a lot of thought and doesn't happen overnight. The bill is moving too fast in their opinion. President Benson asked that what other states are doing should be looked at. Nationally he is working with other university presidents at how they can be more efficient, but our regulations are too much.

Commissioner Percy stated that when he came on the CCHE in 2008, higher education was about \$800 million underfunded, as compared to peers across country. The \$60 million increase in SB 1 is not really an increase, but a restoration of part of the \$200 million cut over the past three years ago.

Commissioner Moses stated that Speaker Ferrandino was talking about performance contracts in the same vein as performance funding. He asked President Norton how she saw those two.

President Norton replied that it was really about difference in timing. The performance contracts are really the embodiment, in contract form, of what institutions are really supposed to be doing. The idea of using performance funding as a carrot and stick is ineffective as a motivation action because it simply is not a big enough carrot. It is the students who feel the effect of a drop in state funding.

Commissioner Garcia asked how receptive would our institutions be to the 25 percent of Higher Ed performance funding as the Speaker had formerly introduced in SB 52

President Benson said that everything should be on the table and President Norton said that they would be happy to engage in conversations and that another option is to have entire state investment not be in institutions, but in students in some form of financial aid. It is a concept we'd love to talk about.

Commission Percy noted that this bill will change the focus from completion to enrollment. The Master Plan focuses on completion and this proposed legislation focuses on enrollment.

## **ACTION ITEMS**

**FY2014-15 Financial Aid Allocation** –Celina Duran, Financial Aid Administrator, presented three need-based models, two work-study models and four merit-based aid models for Commission approval.

### Need-based models

Model A: Uses an inflation floor and has a 50 percent growth limit. There is a \$200 increment used for the current year, a \$300 increment and a rate of change.

Model B: Uses a 20 percent floor and a 50 percent growth limit and uses the same increments

Model C: Presentation from the Colorado Community College System that includes a sophomore increment increase as a retention tool

Staff recommend Model B for need-based aid

### Work-study models

Model A: Based on institutional need

Model B: Based on FTE

Staff recommend Model B for work-study aid

### Merit-based models

Model A: Assumes there are meritorious students at all institutions

Model B: Looks at full time students only and aligns with the goals of the Master Plan

Model C: Looks at full time students but has an upper limit of 300 percent of Pell eligibility

Model D: Looks at full time enrollment acknowledges enrollment changes since the original distribution without a need component but narrows the group to only full-time students.

Staff recommend Model D for merit-based aid

Mr. Frank Waterous, of the Bell Policy Center, and Mark Superka, CFO of the Colorado Community College System both asked the Commissioners to consider Model A for the merit-based aid as it includes part time students

Commissioner Percy moved to approve Need-based model B; Work-study model B; and Merit-based model A. The motion was seconded by Commissioner Pacey and passed unanimously.

## **DISCUSSION ITEMS**

**State Authorization Reciprocity Agreement (SARA)** – Dr. Rhonda Epper, WICHE and Heather DeLange, Academic Policy Officer, presented this item to the Commission. SARA establishes a state reciprocity agreement for online interstate distance education. SARA was developed with an extensive stakeholder process and is voluntary for states and institutions to

participate. SARA requires states to approve their institutions using minimum standards, sets uniform standards and triggers for physical presence. Indiana has joined, North Dakota is forthcoming, 20 other states have introduced legislation to join and five states decided not to require legislation to join. It is possible for Colorado to be an early participant. This item will be brought to the Commission for approval at the April CCHE meeting.

**Revisions to CCHE Policy I, Part T: Student Complaints** – Dr. Ian Macgillivray, Assistant Deputy Director for Academic Affairs, reported that this item is closely related to SARA. He explained that even though participation in SARA is voluntary, the changes to the student complaint policy presented in this item are required for Colorado and the state's institutions to participate in SARA. If the state chooses not to participate in SARA, the changes will have no effect, as the two major changes are requirements having to do with quality in distance training and consumer protection guidelines. This item will be brought to the Commission for approval at the April CCHE meeting.

**Revisions to CCHE Policy I, Part L: Statewide Transfer Policy** - Dr. Ian Macgillivray also presented this item to the Commission. He explained the proposed changes are meant to provide guidance for as many transfer scenarios as possible and to act as a repository for all that is currently understood about transfer in Colorado. Although the policy is complex and lengthy, the Department, the public, the institutions and GE Council will be able to refer to this policy for guidance as well as statutory and historical references. Given that the policy is so complex, the Department developed a one-page appendix for easy education and dissemination. Dr. Macgillivray pointed out two of the changes. The first change points out the difference between transfer of credit and application of credit. Credit will always transfer, but does not always apply to degree requirements. Guaranteed transfer is guaranteed but has limitations. The second change allows students follow transfer guidelines, where as they can have 60 credits of an Associate's apply to a Bachelor's degree.

**Revisions to CCHE Policy I, Part F: Admission Standards Policy** – Tamara White and Michelle Camacho Liu, Colorado Department of Education gave an overview of the new GED assessment and give recommendations on changes to admissions policy based on the new scores.

Michelle Camacho Liu stated that the new GED is offered online only and is aligned with Common Core state standards. There are four content test areas; Reasoning/Language Arts area has been combined with reading/writing) and three score levels: Not Passing, Passing, and Honors. Each content area has own score. The compensatory model has been eliminated. The passing level is the minimum of 150 scores in content area tests. There is not enough data yet to reliably analyze as this just started in January 2014.

Commissioner Garcia asked if the policy recognizes previous year's scores and if there is a phase-in? One of her biggest fears about the new test is that it is only computer-based.

Ms. Lui replied that they will continue to recognize past scores. At this point there isn't a phase-in, but they have been impressed with the rigor and stand by the test.

Commissioner Colon asked if getting a passing score means that the student does not need remediation.

Ms. Lui replied that the Passing level reflects the typical high school graduating student and the Honors level means that they are ready to be successful in college.

**Legislative Update** – Chad Marturano, Director of Legislative Affairs, informed the Commission on the status of higher education-related bills currently in the legislature.

S.B.14-001 College Affordability Act is cued up in Senate Appropriations and stated that the outlook for higher education funding is good.

S.B.14-004 Community College Four-year Programs has passed and was signed by the Governor.

S.B.14-114 Colorado Energy Research Authority had amendments added to provide guardrails to keep the bill from infringing on the community college online market share. The bill also delegates that for any new online Bachelor's program, the proposal come before the CCHE for approval.

Commissioner Percy moved to adjourn. The motion was seconded by Commissioner Moses. The meeting was adjourned at 5:00pm.