



MEMORANDUM

TO: Presidents and CEOs

FROM: Dr. Angie Paccione, Executive Director

DATE: November 10, 2020

SUBJECT: Hanover Resource Analysis Project

The Colorado Department of Higher Education (CDHE) contracted with Hanover Research to carry out a two-phase project to study the revenue and expenditure levels of Colorado's public colleges and universities under the state's 10 governing boards compared with their peer institutions in other states.¹ The Department appreciates your cooperation with this study which helped to ensure its success. The following presents an overview of the study findings.

Report Highlights

- **Overall Colorado colleges and universities operate with less state appropriations compared to their peers.** Even though state investment in higher education has increased significantly over the last several years, COVID-19 impacts on higher education, modest overall projected enrollment growth through FY 2024-25, combined with changing student demographics, will require resource prioritization at the state's public higher education institutions. The state will need to continue to find ways to support institutions to operate efficiently while serving students.
- **This is a snapshot in time.** It helps us understand more deeply how we compare to peer institutions in other states so we can make informed decisions going forward.
- **Colorado faces unique state constitutional challenges with its state funding.** Thus, our colleges and universities have worked hard to promote student success with less available state resources, to keep a postsecondary education within reach for our students. Student debt has decreased between fiscal year 2013-14 and 2018-19 and is below the national average for a bachelor's degree.

¹ A study of Colorado Mountain College and Aims Community College was also conducted. Results will be provided in a separate report.



Study Methodology

The **first project phase** established a set of peers for each institution. Broadly, the peer selection process utilized a set of variables to compute a “similarity score” by which Colorado institutions could be compared to parallel institutions. CDHE staff used a dashboard developed by Hanover to generate a list of the 25 most similar institutions for each Colorado institution. Institutions then selected 10 peers (eight for School of Mines and CU Anschutz, given their unique nature) from the list.

In the **second phase**, Hanover used revenue and expenditure data for fiscal years 2015-16 to 2017-18 from the Integrated Postsecondary Education Data System (IPEDS) Finance Survey to conduct a comparative analysis of revenue and expenditure levels of Colorado’s institutions with their peers.² A detailed explanation of the methodology utilized for both phase one and phase two can be found in Appendices A and B, respectively. Appendix C contains the final peer list.

The following graphs demonstrate a high-level overview of the comparative analysis of revenue levels at Colorado’s public institutions relative to peers. The revenue variables measured below include: Unrestricted State and Local Appropriations, Net Tuition and Fee Revenue, and Total Revenue. Standardized IPEDS definitions are included for all variables.

CDHE has identified an inconsistency in how pension liability and related expenses are being reported in IPEDS. This inconsistency is causing a misrepresentation of governing board expenditures in some cases. CDHE will release the full expenditure dataset and provide an overview of the comparative analysis of expenditure levels when this data issue has been resolved.

Revenue Comparisons of Colorado’s 10 Governing Boards with their Peers in other States

Figure 1 shows the percent difference between Colorado institutions and their peers in total unrestricted state and local appropriations. Unrestricted state appropriations include funding from COF stipends and Fee-for-Service (FFS) contracts, as well as any amount an institution reports in the IPEDS variable “state appropriations.” State appropriations are defined in IPEDS as “all amounts received by the institution through acts of a state legislative body, except grants and contracts and amounts reportable on line 20 (capital appropriations). Funds reported in this category are for meeting current operating expenses, not for specific projects or programs.”

² IPEDS, or the Integrated Postsecondary Education Data System, is a system of interrelated surveys conducted annually by the U.S. Department of Education’s National Center for Education Statistics (NCES). IPEDS gathers information from every college, university, and technical and vocational institution that participates in the federal student financial aid programs. The analysis uses historical data from the IPEDS database. Three years of data were used to smooth out fluctuations that can occur on a year to year basis to increase the strength and reliability of the analysis. Because three years of historical data were used, all the data have been adjusted for inflation so that the amounts can be normalized and analyzed in constant dollar terms. Because of the inflation adjustments, the tuition and fee amounts used in the study differ from actual amounts charged by institutions over the three-year period of data used for the analysis.



Unrestricted local appropriations are defined in IPEDS as “all amounts received from property or other taxes assessed directly by or for an institution below the state level, [including] any other similar general support provided to the institution from governments below the state level, including local government appropriations.” For most four-year institutions and their peers, local appropriations are zero. However, many community college peers receive local appropriations in addition to state appropriations. In Colorado, the only institutions that receive local appropriations are Aims Community College and Colorado Mountain College.

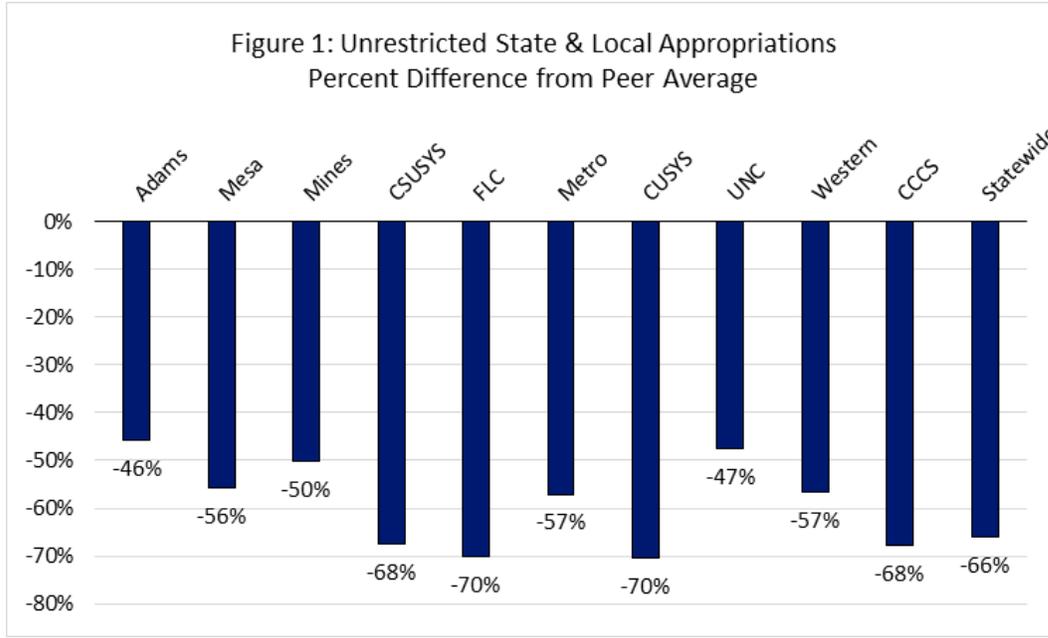


Figure 2 shows the percent difference between Colorado institutions and their peers in net tuition and fee revenue. Net tuition and fee revenue is defined in IPEDS as “all tuition & fees (including student activity fees) revenue received from students for education purposes, [including] revenues for tuition and fees net of discounts & allowances from institutional and governmental scholarships, waivers, etc.”³



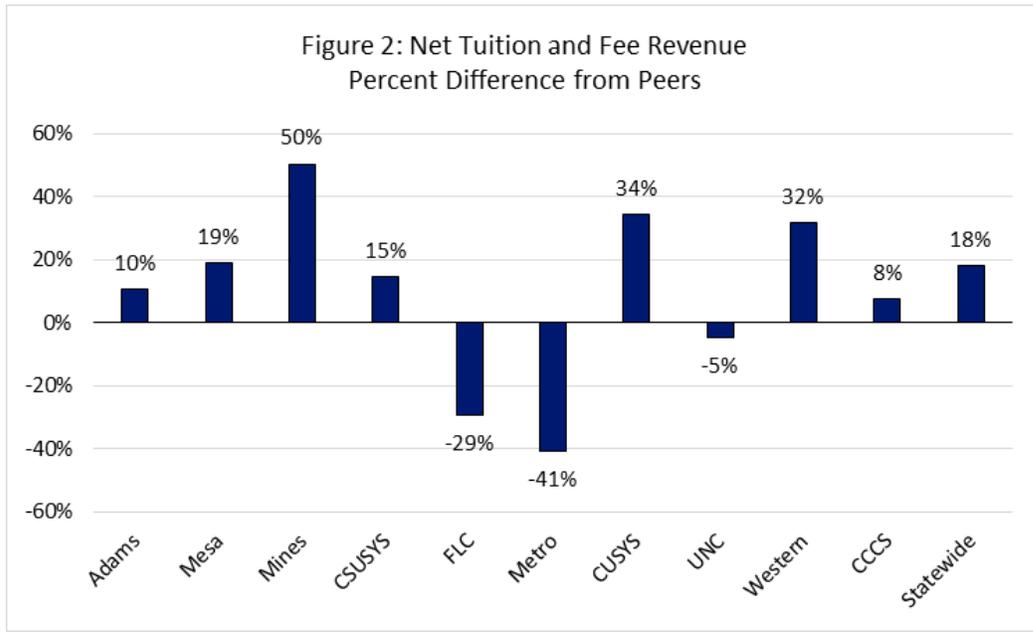


Figure 3 shows the percent difference between Colorado institutions and their peers in total revenue, defined in IPEDS as “total of all revenues, including operating, nonoperating, and other revenues and additions.”

