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FISCAL NOTE

Drafting Number: LLS 20-1090 Date: May 26, 2020
Prime Sponsors: Rep. Esgar; McCluskie; Sen. Zenzinger; Rankin Bill Status: House Education
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Bill Topic: HIGHER EDUCATION FUNDING ALLOCATION MODEL

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

Budget package bill. The bill creates a new higher education funding allocation model beginning in FY 2021-22. The bill modifies how state appropriations are allocated among institutions of higher education, but does not require any change in total state expenditures for higher education.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee.

Summary of Legislation

This bill establishes a new higher education funding allocation model beginning in FY 2021-22. The new model retains the current method of allocating state appropriations via fee-for-service contracts with institutions of higher education. It also retains the current funding mechanisms for COF and specialty education programs, and aligns those mechanisms with the new allocation model.

Under the bill, fee-for-service contracts will be based on three components: ongoing base funding, performance funding, and temporary additional funding. The Colorado Commission on Higher Education (CCHE), in conjunction with the Department of Higher Education (DHE) and institutions, must make recommendations to the Joint Budget Committee (JBC) for each component through the annual budget process.

Ongoing base funding. Institutions of higher education may be awarded an additional amount of base building funding to support progress toward master plan goals, or to address a school's additional cost to serve resident, first-generation undergraduate students.

Performance funding. Performance funding is allocated based on a school's change in designated performance metrics over time, compared to other institutions' change in performance, and adjusted based on each institution's share of funding in the previous state fiscal year, except that for FY 2021-22, it is calibrated to FY 2019-20 funding levels. After considering the annual

recommendations from CCHE, the JBC must determine the amount of funding allocated to each performance metric for a fiscal year. The performance metrics include:

- resident student full-time equivalent enrollment;
- credential completion;
- resident Pell-eligible student population share;
- resident underrepresented minority student population share;
- retention rate;
- percent of first-time, full-time students graduating within 100 percent of the normal time to completion for their degree type;
- percent of first-time, full-time students graduating within 150 percent of the normal time to completion for their degree type; and
- resident first-generation undergraduate student population share.

Temporary additional funding. Additional temporary funding may be awarded to an institution to address goals identified in the master planning process, or other areas identified by CCHE. Temporary funding must be allocated for a specific period of time.

CCHE requirements. By July 1, 2022, the bill requires that CCHE identify and recommend ways to better measure the success of students who are not first-time, full-time students. The bill specifies what must be included in the CCHE annual budget request, and requires that CCHE review the funding formula every five years, beginning by November 1, 2026.

State Expenditures

The bill does not change total state expenditures for higher education. Higher education funding for FY 2020-21 is included in the Long Bill, and will be distributed to the schools through the current allocation model. Beginning in FY 2021-22, the bill modifies the allocation of state funding among state institutions of higher education. Actual funding levels for each institution will be determined through the budget process, and actual institution allocations will depend on the total funding available, the allocation of funding to each performance metric and whether temporary or ongoing additional funding is awarded.

The bill also increases workload for DHE to identify ways to count students that are not first-time full-time students, compile data from institutions related to first-generation students, and implement the new formula in collaboration with CCHE and institutions. No change in appropriations is required.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that sections 9 to 18 take effect July 1, 2021.

State and Local Government Contacts

Higher Education