

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0755
Prime Sponsor(s): Rep. Van Winkle

Date: February 17, 2015
Bill Status: House Education
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BILL TOPIC: HIGHER ED PERFORMANCE FUNDING RESIDENT STUDENTS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	<u>Up to \$27,000</u>	
General Fund	Up to \$27,000	
FTE Position Change		
Appropriation Required: \$27,000 - Department of Higher Education (FY 2015-16)		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

Under current law, a portion of the funding provided to the governing boards of institutions of higher education is based on an institution's performance in meeting certain state goals. Each performance funding metric must be measured and applied uniformly for all governing boards.

This bill requires that the performance metrics be measured only for resident undergraduate students, except that the performance metric for degree completion may apply to both resident and nonresident graduate students.

Background

House Bill 14-1319 modified the way the state allocates a portion of the state appropriation for public institutions of higher education. State funding is allocated based on resident undergraduate student enrollment through the College Opportunity Fund stipends, and through fee-for-service contracts (FFS) with the governing boards of the institutions. Prior to HB 14-1319, the FFS portion of the allocation was negotiated annually between the Colorado Commission on Higher Education (CCHE) and the institutions. HB 14-1319 requires that the FFS portion instead be calculated in a way that acknowledges each institution's unique role and mission, and to reward performance on meeting state goals for college completion. The law required that the CCHE work with institutions and other stakeholders to develop a funding allocation recommendation that is presented annually to the General Assembly.

The funding allocation model developed for HB 14-1319 includes performance funding for institutions that succeed in meeting certain metrics including student retention, degree completion, and transfers from two-year community colleges to four-year baccalaureate institutions. The allocation model measures and rewards each performance metric for both resident and nonresident students at each institution. Under this bill, only resident students will be measured for funding allocations, with the exception of graduate degrees completed, which may be counted for both resident and nonresident students.

State Expenditures

For FY 2015-16, this bill increases state expenditures for the Department of Higher Education (DHE) by up to \$27,000 for additional vendor services. The bill will require that the DHE modify the vendor contract with the National Center for Higher Education Management Systems (NCHEMS), who assisted the department to develop the allocation model pursuant to HB 14-1319. NCHEMS must modify the data inputs to remove calculations for nonresident students on the performance metrics, that has implications for other aspects of the model that must be harmonized to align with this change. The allocation model modification is anticipated to take the vendor approximately four to six weeks at a rate of \$900 per day.

Impact on state expenditures for institutions of higher education. The bill does not change the amount of funding appropriated by the General Assembly for public institutions of higher education. Total funding for the system is determined by the legislature on an annual basis. The allocation suggested by the model developed pursuant to HB 14-1319 is essentially a recommended allocation that the General Assembly may choose to accept or modify; however, the ultimate decision on the amount to appropriate, and the allocation to specific institutions of higher education, remain with the General Assembly. House Bill 15-1156 does not change this process.

Institutions of higher education enroll both resident and nonresident students in different amounts. Community colleges and some four-year schools enroll relatively few nonresidents, typically below 10 percent of their total enrollment. Other four-year schools and research institutions enroll more nonresidents, in some cases exceeding 50 percent of total enrollment.

This bill creates another parameter for the model developed and used by CCHE. Changing the way performance metrics are calculated based on resident enrollment will have different consequences for different institutions, depending on the way other factors of the model are adjusted or modified; however, the final amount appropriated and the specific allocation of funding remains a decision made by the General Assembly.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2015-16, this bill requires a General Fund appropriation of \$27,000 to the Department of Higher Education.

State and Local Government Contacts

Higher Education