



Distribution of State Higher Education Funding

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The General Assembly distributes state operating funding to public institutions of higher education (IHEs) in Colorado primarily based on a formula. This *issue brief* provides an overview of the formula and mechanisms for distributing state funds from the General Assembly to public IHEs in Colorado. IHEs also receive revenue from tuition and fees and state grants for capital construction projects, allocations for student financial aid, and funding to implement specific legislative initiatives. Finally, IHEs receive appropriations for student stipends, via the College Opportunity Fund. This *issue brief* does not detail these other revenue sources.

Distribution Formula

House Bill 20-1366 established a new formula for distributing operating funding to the IHE governing boards. The funding formula that supports core educational programs includes three components: performance funding, ongoing additional funding, and temporary additional funding.

The Colorado Commission on Higher Education (CCHE) coordinates with all public institutions in the state and must make recommendations to the Joint Budget Committee (JBC) for each component.

Performance Funding

Most operating funding for IHEs is distributed based on the performance funding portion of the model, which ties appropriations to an institution's change in performance, measured through specific metrics outlined in Section 23-18-303.5, C.R.S. These metrics compare each institution's performance to the relative performance of other institutions. Each institution's share of total state

funding from the prior year is adjusted based on the results. The performance funding metrics are determined in statute, and the JBC is charged with determining the funding allocated to each metric, as discussed below.

Residential student full-time equivalent enrollment. This metric measures the number of students at each institution who are Colorado residents.

Credential production. This metric counts the number of credentials that each IHE produces, including two-year, four-year, master's and doctoral degrees. Credentials also include short-term certificates conferred by the IHE.

Share of resident Pell-eligible students. This metric calculates the percentage of resident students at each IHE who are eligible for federal Pell Grants, which are awarded to students who are below a certain income threshold. The higher the percentage of Pell-eligible students at a campus, the more low-income students are served.

Share of resident underrepresented minority students. This metric calculates the percentage of resident students at each IHE who are underrepresented minorities, or students from demographics who have traditionally experienced worse outcomes at higher education institutions in Colorado and nationwide. Underrepresented minority students are defined by the Colorado Department of Higher Education.

Retention rate. This metric is a calculation of the number of students who returned to campus for the second year of their degree or certificate

program divided by the number of students who were enrolled as first-time students at the institution.

100 percent-of-time graduation rate. This metric calculates the percentage of students who complete their degree or certificate program within the expected time frame: four years for a bachelor’s degree and two years for an associate’s degree.

150 percent-of-time graduation rate. This metric is similar to the 100 percent graduation rate calculation, but it also counts students who graduate within six years for bachelor’s degree seekers and three years for associate’s degree seekers.

Share of resident first-generation undergraduate students. This metric calculates the number of resident students who grew up in a household in which neither parent/guardian had a bachelor’s degree.

Weights of Performance Metrics

The General Assembly determines the amount of funding tied to performance metrics, as well as the weights assigned annually to each of the eight criteria. Table 1 shows the weights used in FY 2021-22 and FY 2022-23.

Table 1
Higher Education Funding Performance
Weights
FY 2021-22 and FY 2022-23

Metric	Weight
Share of Resident Students	10%
Credential Production	5%
Share of Resident Pell-Eligible Students	20%
Share of Resident Underrepresented Minority Students	20%
Retention Rate	20%
100 Percent Graduation Rate	10%
150 Percent Graduation Rate	10%
Share of Resident First-Generation Undergraduate Students	5%
Total	100%

Ongoing additional funding. The General Assembly may appropriate ongoing additional funding to IHEs to make progress toward state higher education master plan goals, which are detailed in Section 23-1-108, C.R.S., and to recognize an institution’s additional costs related to education of resident first-generation undergraduate students. In FY 2022-23, \$50 million was appropriated in ongoing additional funding.

Temporary additional funding. The General Assembly may appropriate temporary additional funding to IHEs. This additional funding is delivered on an individual institutional basis. This portion of the model was not used in FY 2022-23.

Other Program and Institution Funding

The HB 20-1366 formula also provides funding to other types of programs and institutions, including:

- specialty education programs (the Health Sciences Center at the University of Colorado and the veterinary medicine program at Colorado State University)
- local district colleges (Colorado Mountain College and Aims Community College); and
- area technical colleges (Emily Griffith, Pickens, and the Technical College of the Rockies).

Pursuant to Section 23-18-304, C.R.S., funding for these programs and institutions is adjusted each year by the same percentage as funding for the performance portion of the model, but may be increased more or reduced less.