



COLORADO DEPARTMENT OF HIGHER EDUCATION – SMART Act Report, 2015

October 30, 2015

Department Goals – Annual Performance Report

The Colorado Commission on Higher Education's (CCHHE) master plan, [Colorado Competes, A Completion Agenda for Higher Education](#), clearly specifies the goals the Department of Higher Education (DHE) shall work to achieve – with the primary focus on increasing access to, success with, and completion of postsecondary education. We know that by 2020, approximately 74% of jobs in Colorado will require some form of postsecondary education. Today, only about 56% of Coloradans have a postsecondary credential. The Completion Agenda seeks to ensure that 66% of Coloradans will have a postsecondary credential (certificate, degree, apprenticeship) by 2025.

To meet these goals, and in response to HB 14-1319, over the last 18 months the Department and CCHHE have engaged Colorado's public institutions of higher education and stakeholders to align the major financial policies - *General Fund appropriation and allocation to Public Institutions of Higher Education, tuition policy, and state financial aid* - with the completion goals set forth in the Master Plan.

This Annual Performance Report discusses the connection between reporting requirements set forth by the SMART Act (HB 13-1299) and the higher education performance funding allocation formula (HB 14-1319) and provides an update on the implementation of this formula and the Department's work on the Completion Agenda.

Colorado Commission on Higher Education Master Plan – Colorado Completes

The CCHHE Master Plan, published in October 2012, calls for all public colleges and universities and the State to focus their resources on four primary goals:

1. **Increase the attainment of high-quality postsecondary credentials** across the academic disciplines and throughout Colorado by at least 1,000 new certificates and degrees each year to meet anticipated workforce demands by 2025.
2. **Improve student success** through better outcomes in basic skills education, enhanced student support services and reduced average time to credential for all students.
3. **Enhance access to, and through, postsecondary education** to ensure that the system reflects the changing demographics of the state while reducing attainment gaps among students from underserved communities.
4. **Develop resources**, through increases in state funding that will allow public institutions of higher education to meet projected enrollment demands while promoting affordability, accessibility and efficiency.

HB 13-1299 SMART Act Requirements and HB 14-1319

Currently, there are two statutory requirements directing higher education funding to be allocated through performance-based mechanisms and metrics:



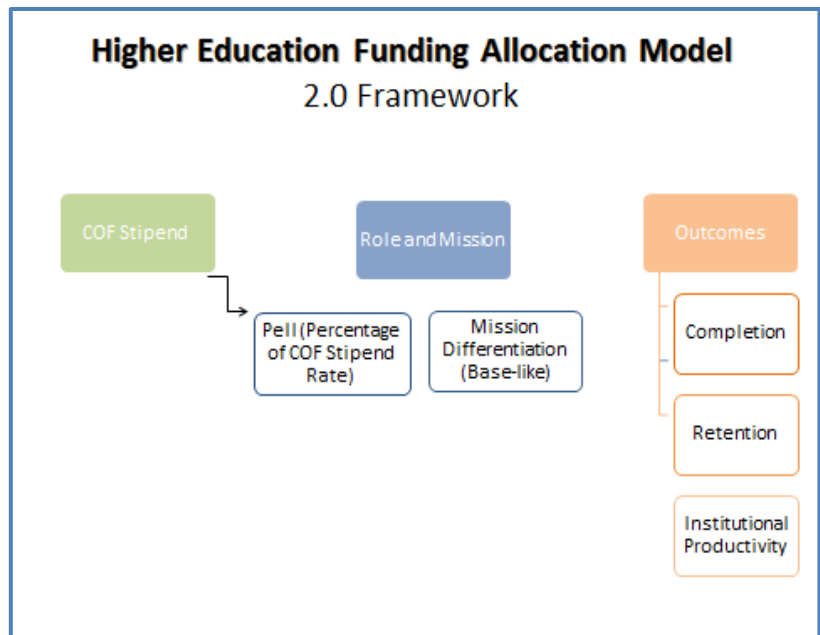
- Section 23-1-108(1.9)(b), C.R.S. (*SB 10-52*) requires a portion of state higher education funding to be allocated based on individual Governing Board performance metrics, as of FY 2016-17 and when state general fund investment for operating costs reach at least \$706 million.
- Section 23-18-307, C.R.S. (*HB 14-1319*) requires 100% of state funding to be allocated through a comprehensive performance-based funding allocation for higher education. Further, it requires the development and implementation of this new model in consultation with governing boards and stakeholders.

The performance metrics included in the higher education funding allocation formula are consistent with the accountability goals of HB 13-1299. For this reason, the performance measured for state institutions of higher education with respect to Section 2-7-205 (1)(a)(II), C.R.S. is herein interpreted as performance under the provisions of the performance requirements of HB 14-1319.

Colorado’s Funding Allocation Formula for Higher Education

Implemented in FY 2015-16, the funding allocation formula specifically allocates a portion of state general fund dollars to institutions based on their successes with student retention and credentialing, and provides a bonus for successes on both of these fronts with low income students.

After receiving feedback on the formula from the Joint Budget Committee (JBC RFI 15-25) and having more time to explore the long term policy implications of the allocation formula structure, the Department worked with higher education stakeholders to refine the model. The primary focus of these conversations was to make the model more intuitive, while also reducing year-to-year volatility and maintaining sustainability in times of decreased funding.



As a result of these meetings, and through numerous variations of the model, the Department has produced a recommended model that (1) addresses the issues raised in the 2015 JBC Request for Information (RFI) and (2) achieves the Department’s goals of being simple, sustainable, and intuitive. This updated version is being used to allocate the FY 2016-17 budget request.

Specific details on the refined funding allocation formula are contained in the Department’s HB 14-1319 report, which responds to the statutory reporting requirement included in HB 14-1319 as well as the JBC-RFI.

Colorado Commission on Higher Education Master Plan and HB 14-1319

The goals in the Master Plan are supported directly and indirectly by HB 14-1319 with clear legislative intent that, among other things, requires:

- All Coloradoans have access to postsecondary education;
- Postsecondary education be affordable to the students regardless of income, race, gender, age, or academic preparation;
- Participation by low-income Coloradans and underrepresented minorities should be increased.
- Limited state resources must be used in a way that provides incentives to achieve state policy goals; and,
- The funding mechanism be transparent and understandable with metrics that are consistent and predictable.

Legislation effectuated these goals through metrics within “Total State Appropriations” for higher education, which is divided between the College Opportunity Fund stipend (at no less than 52.5% of total state appropriations) and fee-for-service contracts. The fee-for-service contracts are comprised of the amounts for “Role & Mission” and “Outcome/Performance.”

The Role & Mission funding component is meant to offset the costs of providing education to the students served. However, the Performance/Outcomes funding component is focused on completions and retentions. It is these HB 14-1319 performance metrics that provide the incentive to institutions to focus efforts on student success, and support both the CCHE Master Plan and meet the intent and process envisioned in the SMART Act.

Innovative Approaches to Increasing Completions

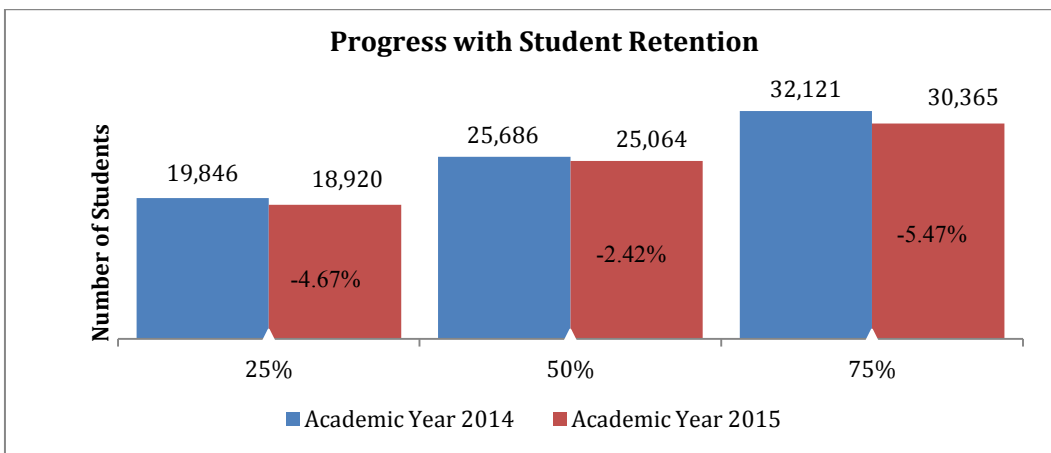
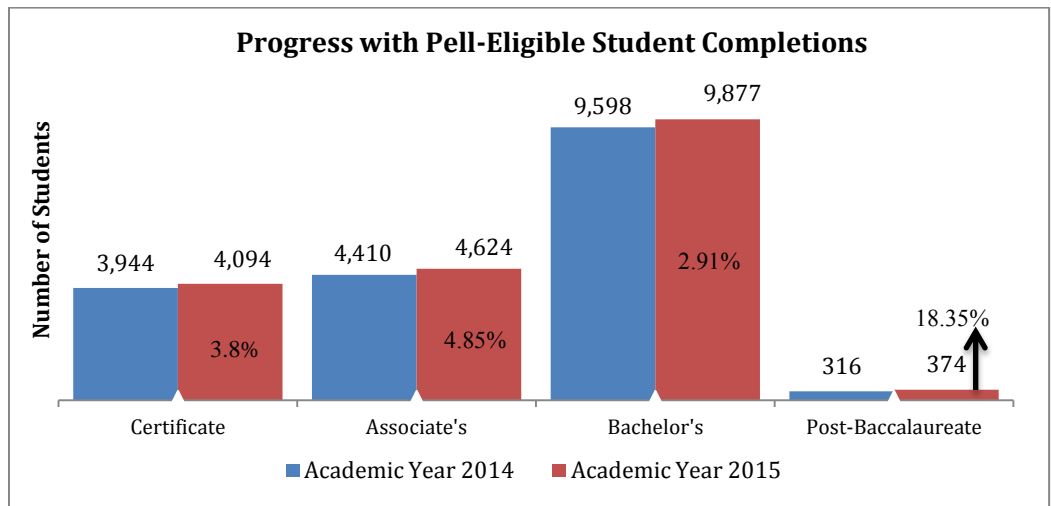
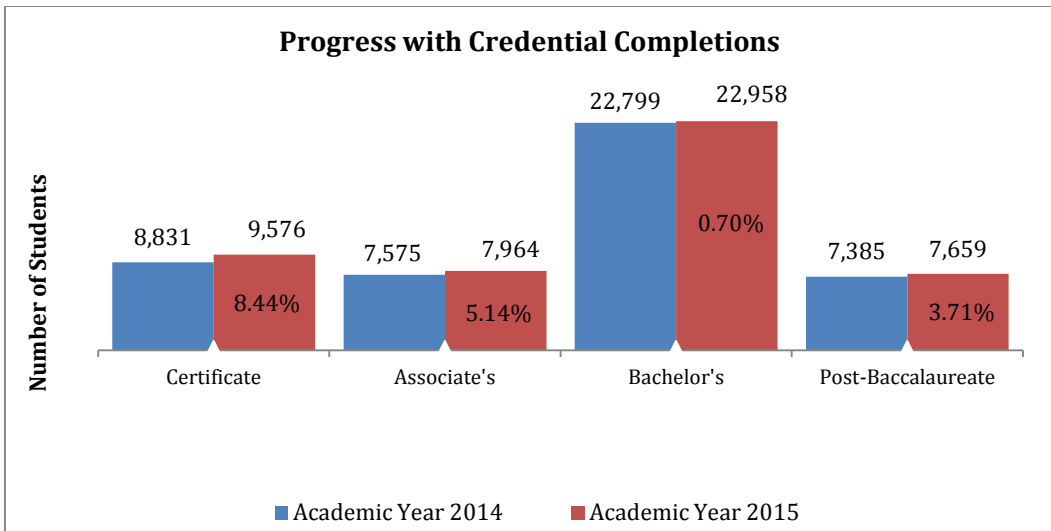
In addition to the impact the funding allocation formula has had, and will continue to have, on moving the needle on student success, the Department is engaged in a host of initiatives to increase completions, reduce time-to-degree, and decrease overall costs to students.

Such initiatives include: **Closing the Attainment Gap** – *closing the divide between populations (white and minority) who have achieved some level of post-secondary credential - whether a degree, such as Associates or Baccalaureate, or even professional certification in a trade or field; and, underserved groups who have not;* **Concurrent Enrollment** – *providing opportunities to accumulate college credit while in high school;* the **Business and Experiential Learning Commission** – *establishing a collaboration between K-12, higher education, and business and industry to develop solutions for high school students to earn college credit through paid intern/apprenticeships and earn applied science degrees while simultaneously achieving their high school diploma;* **Pathways to Technology (P-Tech)** - *public six year high schools where students can attain an industry-recognized associate degree simultaneously with the achievement of a high school diploma;* and **Prior Learning Assessment** – providing an opportunity for students to obtain course credit for demonstrated learning and experience outside the classroom. These are just a small sampling of the breadth of initiatives we are working on.

Progress To-Date: What Does Our Data Tell Us?

The Funding Allocation Formula for Higher Education has been in place for only two years now, therefore comparative data is limited to Academic Years 2013-14 and 2014-15 at this juncture. The Department will continue to collect data on Colorado’s progress and report annually through this SMART Act Report.

The charts below provide details on our progress with the Completion Agenda and meeting our Master Plan goals over the last two academic years. We look forward to seeing these numbers move upward as the funding allocation formula incentivizes institutions to adjust behavior and priorities.



Conclusion

The implementation of any new mechanism to incentivize behavior takes time to realize results. The Department and CCHE are confident with the current approach and the eventual impact it will have.



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