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Blueprint for Opportunity

No. 8

Implementation Memo

TO: Governor-elect Ritter
Members of the 66th Colorado General Assembly

FROM: The Bell Policy Center – Frank Waterous, Senior Policy Analyst

DATE: December 19, 2006

**RE: Implementing Bell's Blueprint recommendation No. 8
to increase College Opportunity Fund stipends and need-based financial aid**

In the 2006 Blueprint for Opportunity, the Bell Policy Center recommends:

Increase College Opportunity Fund Stipends and need-based financial aid

Increasing the stipend and holding down tuition should be a top priority. We should increase the stipend to at least \$3,000 per full-time student in 2007, and higher if possible. And we should make sure COF stipends keep pace with inflation after that.

Colorado should also double need-based financial aid and work-study opportunities. And we should make sure financial aid goes to the students who need it the most, to give them the best chance to stay in college and earn a degree. (see *Blueprint*, pages 14-15)

This memorandum briefly discusses the issues surrounding this proposal, describes steps for implementing it, outlines some of the factors to consider and lists sources for additional information and resources.

If you are interested in pursuing this issue further, we are prepared to work with you. Please contact the author of this memo directly at (303) 297-0456 or waterous@thebell.org, or Rich Jones, director of policy and research, at (303) 297-0456 or jones@thebell.org.

Overview of the issue

Postsecondary education is a key to increased earnings. A degree or certificate beyond the high school diploma is becoming a prerequisite for jobs that pay enough for workers and their families to be self-sufficient. Cost should never be a barrier for anyone who wants to go to college.

Colorado assists its students in pursuing postsecondary education through College Opportunity Fund (COF) stipends and need-based financial aid. Both are important components of the state's efforts to keep college accessible and affordable. Colorado is the only state that provides funding through undergraduate tuition stipends rather than direct

General Fund appropriations to colleges and universities. Under this model, the legislature establishes the amount of the stipend annually as part of the state's budget process.¹

For 2005-06, the legislature set the stipend at \$2,400 for a full-time undergraduate student at a public institution, or \$80 per credit hour. Stipends for qualifying undergraduates at participating private institutions were set at half that amount.²

For 2006-07, the legislature approved an increase in the stipend to \$2,580 for a full-time undergraduate student at a state institution and \$1,290 for a qualifying full-time student at a participating private institution.³ For 2007-08,



both the Colorado Commission on Higher Education (CCHE) and the governor have requested an increase in the stipend for full-time students to \$2,670 at public institutions and \$1,335 at private universities. Such an increase would require \$11.1 million in additional General Fund appropriations.⁴

State support for students pursuing higher education also includes state-funded financial aid. Two key financial aid components that help many students enroll in college and complete their degrees are need-based grants and work-study programs. Evidence indicates that, along with need-based aid, work-study opportunities contribute to students staying in school and graduating, primarily because those who work on campus develop a higher level of engagement in the overall academic community.⁵ For 2006-07, the General Assembly appropriated about \$52 million for all need-based aid, including the Governor's Opportunity Scholarships, and about \$15 million for work-study aid.⁶

Even so, the level of student need still far outstrips the funds made available to meet it. The recent national report, *Measuring Up 2006*, noted that Colorado's investment in need-based financial aid is very low when compared with top-performing states, and that low- and middle-income students and their families are the most affected by this shortfall.⁷

In its 2007-08 funding request, CCHE asked for \$5.3 million in additional General Fund money for need-based financial aid. This increase is intended to support provisions in its newly approved financial aid reform policy (see below and in "Factors to consider," page 3). The CCHE request does not include additional funding for work-study programs. The governor's budget proposal does not call for increases in either need-based or work-study aid.⁸

At its Nov. 2, 2006 meeting, CCHE approved a new financial aid policy aimed at ensuring that all Colorado students in the highest-need category ("Level 1" students) will have state funds available to them to help pay for college. CCHE's new policy, called "Colorado's College Responsibility Program," has three main components:

1. **All Level 1 students can receive at least a minimum standard financial aid award.** Under the new model, all eligible Level 1 students will be assured of receiving, at a minimum, the standard state award amount, regardless of when they apply or at what institution they enroll. The minimum amount will be set by CCHE in March of each year for the following fiscal year. In order to ensure that this new approach does not harm currently enrolled students, the legislature will need to appropriate an additional \$5.3 million over current levels for financial aid.
2. **Financial aid funding will be available for graduate students in critical careers.** Graduate need-based financial aid funding will be targeted to students in career programs identified as critical in terms of state and national needs. The list of critical careers will be updated annually.
3. **Institutions will receive a "graduation bonus" based on successful student outcomes.** For each graduating Level 1 student, institutions will receive a "graduation bonus" to be used for financial aid purposes as determined by the institution. Implementation of the graduation bonus will be contingent on new funding from the legislature.⁹

While they generally agree with the intent of the new policy, several higher education institutions and systems have expressed concerns about its potential negative impacts if implemented. One particular concern relates to the formula by which funds will be allocated to institutions.

Specifically, allocations will be based on the number of Level 1 students enrolled, as well as on the differences in cost of attendance, at two-year, four-year, and research institutions. Two-year colleges are concerned that such an approach may create a disincentive for institutions to keep their costs low as a means of ensuring access for all students. They and other institutions are also concerned that the new funding formula may result in net reductions in their financial aid allocations.¹⁰

Implementation steps

In order to make college more accessible and affordable, and to help students successfully complete their postsecondary programs, the following policy actions could be taken related to the COF stipend and financial aid.

- Through the 2007 Appropriations Bill, the legislature should:
 - **Raise the College Opportunity Fund stipend amount as high as possible**, and at least to the \$2,670 requested by CCHE for a full-time student at a public institution. Increasing the stipend to \$3,000, as we recommend in *Blueprint for Opportunity*, would require \$52 million in additional spending rather than the \$11.1 requested.
 - **Appropriate as much additional funding as possible to need-based financial aid**, and at a minimum the \$5.3 million requested by CCHE. In the *Blueprint*, we recommend doubling the current level of funding, which would require an additional \$52 million for need-based aid. At the very least, such an increase should be established as the state's initial policy goal in this area.
 - **Provide some level of increased funding for work-study aid.** In our *Blueprint*, we recommend doubling such aid, requiring an increased appropriation of \$15 million.
- **Ensure that state-supported need-based financial aid is available for all high-need Colorado students**, through a state-level policy, CCHE action or legislation. As noted above, CCHE approved its new financial aid policy at its Nov. 2, 2006 meeting. The governor and legislature should review this new policy to ensure it serves the best interests of present and future students — and supports state goals for increased postsecondary access, retention and completion. If it does not, legislation could be introduced to set state policy on this matter, or CCHE could be asked to reconsider its policy.

Factors to consider

The necessity for financial aid reform was underscored by a CCHE staff report issued in January 2006, which revealed that in FY 2004-05, nearly two-thirds of Colorado's highest need "Level 1" students at the state's public higher education institutions received no state aid. Of 70,583 Level 1 students, 44,278 received no state aid. One reason cited for this problem was that low-income students were often the last to enroll in college and apply for aid, after the bulk of funds had been awarded.¹¹

CCHE has directed its staff to develop implementation guidelines for its new financial aid policy, and to address as many institutional concerns as possible through them. In the end, though, creating an equitable policy and implementation strategy may require further review by CCHE, the legislature, or the governor.

With the availability of Ref C moneys through 2010, additional resources to support the COF stipend, need-based financial aid and work-study opportunities are available. Ensuring that more students are able to afford, attend and successfully complete postsecondary education should be a top priority for the governor and the legislature in using Ref C funds earmarked for higher education.

Despite the availability of Ref C funds, however, on Nov. 29, 2006, in an initial briefing on FY 2007-08 higher education budget requests from CCHE and the governor, members of the Joint Budget Committee said state government may not be able to meet the proposed funding increases. Overall, CCHE is asking for \$114 million in additional General Fund money, while the governor has suggested a \$50 million General Fund increase.

Although more money is now available because of Ref C, other provisions continue to constrain the legislature's ability to increase General Fund spending more than 6 percent over the previous year. To meet higher education's needs, funding requests from other agencies would have to be refused or reduced.



Specifically, the Arveschoug-Bird spending limit imposes a 6 percent cap on annual increases in General Fund expenditures. Exceptions to Arveschoug-Bird include federally mandated General Fund spending and transfers to capital construction.¹² It is a statutory limit, but many believe a provision in TABOR makes it impossible to change Arveschoug-Bird without a vote of the people. And while Ref C gave the state a temporary time out from TABOR, it did not address the Arveschoug-Bird limit.

If Colorado is to find long-term solutions for higher education funding – and for funding other state activities – the legislature and governor will ultimately need to address this issue.

Information and resources

  Knowledgeable CCHE staff contacts regarding the commission's new financial aid policy are Diane Lindner, chief financial officer, and Tobin Bliss, financial aid director. They may be reached at 303-866-2723 or via e-mail at diane.lindner@cche.state.co.us or tobin.bliss@cche.state.co.us.

Additional CCHE financial aid reform documents:

- Diane Lindner, “Financial Aid Reform Initiatives,” Agenda Item III A, March 2, 2006.
 <http://www.state.co.us/cche/agenda/agenda06/mar06/mar06iia.pdf>
- Diane Lindner and Tobin Bliss, “2007-08 Financial Aid Reform Discussion Item,” Agenda Item II B, May 4, 2006.
 <http://www.state.co.us/cche/agenda/agenda06/may06/may06iib.pdf>
- Diane Lindner, “Financial Aid Reform Update,” Agenda Item II B, Oct. 5, 2006.
 <http://www.state.co.us/cche/agenda/agenda06/oct06/oct06iib.pdf>

End notes

- ¹ “The College Opportunity Fund Background & History,” Colorado Commission on Higher Education, <http://www.state.co.us/cche/cof/history.pdf>
- ² Ibid.
- ³ HB06-1385, the [Long Appropriations Bill, Higher Education section](#), Colorado General Assembly.
- ⁴ Colorado General Assembly, Joint Budget Committee, “FY 2007-08 Staff Budget Briefing: Department of Higher Education,” prepared by Eric Kurtz, Nov. 29, 2006. http://www.state.co.us/gov_dir/leg_dir/jbc/hedbrf.pdf
- ⁵ Colorado Commission on Higher Education, “Report of the Colorado Minority Success Task Force,” Jan. 31, 2006. <http://www.state.co.us/cche/cic/minority/reports/1-31-06/MSTFreport.pdf>
- ⁶ Diane Lindner and Tobin Bliss, “FY 2007 Financial Aid Allocations,” Agenda Item I, June 13, 2006, <http://www.state.co.us/cche/agenda/agenda06/jun06/tele/jun13.pdf>
- ⁷ *Measuring Up 2006*, The National Center for Public Policy and Higher Education, September 2006:
 - National report: http://measuringup.highereducation.org/docs/2006/NationalReport_2006.pdf
 - National overview: <http://measuringup.highereducation.org/nationalpicture/>
 - Colorado state report: <http://measuringup.highereducation.org/docs/2006/statereports/CO06.pdf>
- ⁸ Eric Kurtz, JBC Staff Budget Briefing document.
- ⁹ Diane Lindner and Tobin Bliss, “Financial Aid Reform/Colorado’s College Responsibility Program,” Colorado Commission on Higher Education, Agenda Item III A, November 2, 2006, <http://www.state.co.us/cche/agenda/agenda06/nov06/nov06iiia.pdf>
- ¹⁰ Jennifer Brown, “Colleges skeptical of student aid,” *The Denver Post*, Nov. 2, 2006; Berny Morson, “Needy Students Helped,” *Rocky Mountain News*, Nov. 3, 2006; Brittany Anas, “Financial aid plan cause for concern, Thousands of eligible students not receiving aid,” *Boulder Daily Camera*, Nov. 16, 2006.
- ¹¹ Diane Lindner, “Financial Aid Presentation,” Colorado Commission on Higher Education, Agenda Item II C, January 5, 2006, <http://www.state.co.us/cche/agenda/agenda06/jan06/jan06iic-fapresentation.pdf>
- ¹² “The Arveschoug-Bird Spending Limit, Constitutionalizing a legislative limit?” <http://www.coloradobudget.com/repository/PDF/ArveschougLimit.pdf>
 “House Joint Resolution 03-1033 Study: TABOR, Amendment 23, the Gallagher Amendment, and Other Fiscal Issues,” prepared by Legislative Council Staff, Colorado General Assembly, Publication No. 518, September 2003. http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2003/FinalReports/03GallagherFinalReport.pdf
 Chris Ward, “The Big Picture – An Overview of State Finances,” Legislative Council Staff, Colorado General Assembly, Issue Brief, Jan. 30, 1998. http://www.state.co.us/gov_dir/leg_dir/lcsstaff/research/issuebrf-bigpic.htm