



— The Bell Policy Center presents —

Higher Education in Colorado

PART #4

**Supporting Coloradans & Remaining Competitive:
A Policy Agenda for Postsecondary Education**



Key Highlights

- One of the main challenges for students in postsecondary education is affordability, which is critical to ensuring postsecondary education provides greater upward economic mobility.
- For postsecondary education systems, one of the greatest challenges is the costliness of the current business model and maintaining the relevance of credentials with shifting workforce trends.
- Colorado postsecondary education needs prioritized by the state through protected investments in postsecondary education funding.
- Credentials need to be affordable, stackable, and aligned to arising workforce needs.
- Institutions must invest in student supports to help address equity barriers in credential completion.

Challenges for Students & Systems

This section provides a brief overview of some the current challenges for students and postsecondary education institutions. For more information on any of these challenges, please reference the earlier reports in this series where all these subjects are explored in further detail.

Growing Costs to Students

Postsecondary education is increasingly essential for finding a good job. Yet, at the same time, postsecondary education is providing a worse return on investment for students, as both the real and opportunity costs of traditional two- and four-year degrees have risen. Decreased support for postsecondary institutions by the state has shifted cost burdens onto students and families. This means today, students are having to pay more for tuition, out-of-pocket, than before. As a result, many students turn to student loans to be able to afford a degree. *(For more information on the return of investment for a postsecondary credential in Colorado, reference our reports: [The Value of Higher Education in Colorado](#) and [Colorado's Higher Education Business Model](#))*

Lack of Support Services

Further, return on investment issues arise from a lack of navigation and counseling supports, where students lack full information on supports and credential value. A lack of knowledge around supports will make postsecondary education costlier, since students may not access resources that already exist to help make postsecondary education more affordable. These include supports for transportation, child care, food assistance, and rental assistance, that may already exist within communities.¹ Additionally, information around which credentials provide greater return on investment, such as by providing information on average wages

for graduates is critical to help students decide on career pathways that will lead to greater economic opportunity. Lastly, a lack of transparency around the number of support staff at institutions makes it difficult to identify where the biggest gaps are in these services. Some institutions may class support staff as general administrative staff on budgets making it difficult to identify how institutions are funding support services, overall.

Industry Credential Alignment

Meanwhile, credentials earned may not provide the boon to employment that students expect. This can be due to misalignment of needs and expectations between students, institutions, and industry. For students, the reduced value from credentials may come from their inability to pursue the best credential for their career path. Students may not pursue the best credential for a number of reasons. For one, student's incomplete knowledge on the value of a credential can lead to a disconnect between credentials pursued and their return on investment. There is significant variation on credential value depending on the subject-matter and the credential type. On balance, bachelor's degrees continue to provide the highest return on education, but are also associated with higher rates of student debt.² Additionally, for many students, a bachelor's degree requires a time commitment that cannot be balanced with work needs, locking out low- and middle-income families from pursuing four-year degrees.

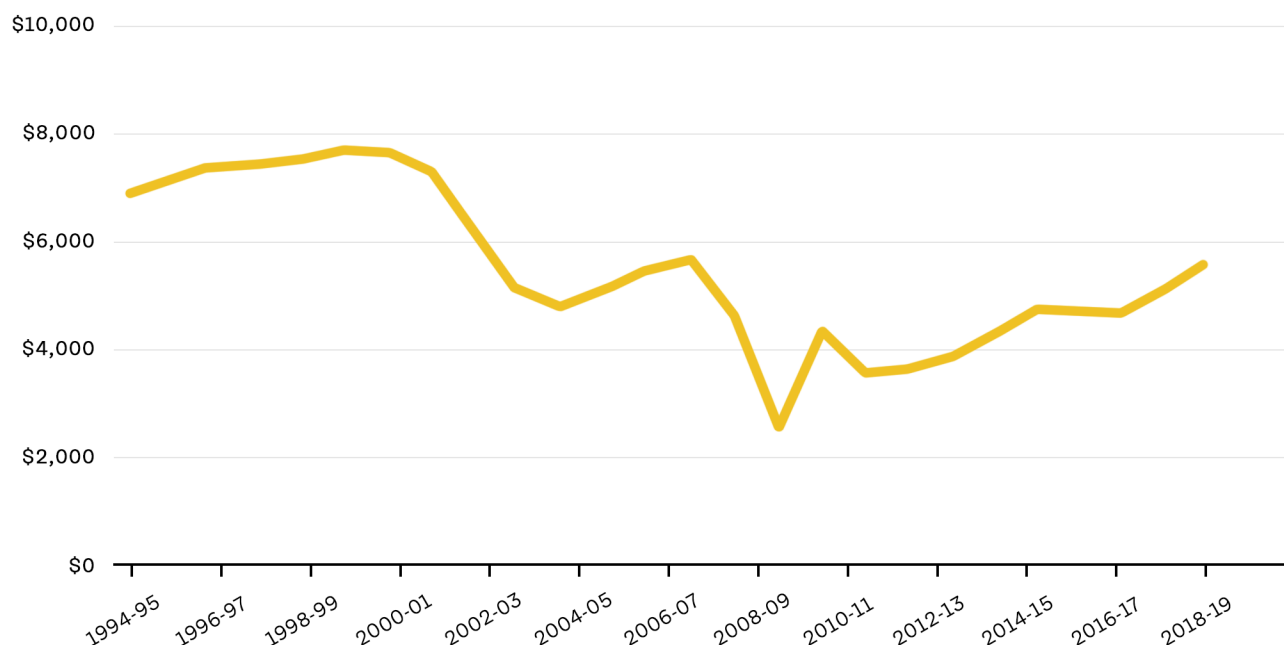
Further, the reduced value of credentials may come from a lack of alignment. This happens from both the institutional and industry sides. Sometimes a credential is required by industry, but the coursework may not be up to date on the industry needs. For example, members of Colorado's banking and financial services industry find graduates from four-year degree programs aren't coming with all of the skills they need. Industry partners approached MSU Denver to see if they could help co-create a banking degree that was better aligned to the needs of the industry.

However, industry alignment needs to come with a recognition of the value of a credential on its own. For too many women and communities of color, even having a credential doesn't translate to higher wages. Alarming, women and communities of color with the same credential will earn less than their white male counterparts.³ As such, recognizing the value of a credential on its own, from the industry side, is critical to protecting the return on investment for students.

Expensive Business Model

The current business model for postsecondary institutions makes it challenging to truly support low-income communities and communities of color statewide. Competitive research institutions increasingly attract out-of-state students to generate more revenue from the higher tuition they are able to charge non-residents. Meanwhile, our public two-year institutions, which are tasked with providing postsecondary education to mostly low-income students and communities of color, are under-resourced and subsequently plagued by low rates of completion. These trends are exacerbated by feast-and-famine funding cycles which make it harder for institutions to invest in services for their students and plan strategically. Further, this funding trend makes it nearly impossible to recover funding to full levels whenever budget cuts occur.

General Fund Spending for Postsecondary Institutions Over Time, Inflation-Adjusted, per Resident Student



Additionally, systems also struggle with industries and workforces that are shifting away from a four-year degree that is too expensive for many. Fewer students may see the value of leaving the workforce for four years. Meanwhile, businesses may not require a four-year degree and may be satisfied with shorter term credentials.

Policy Recommendations

Taken together, these challenges show our current model of higher education is not equitably serving Coloradans. While the wealthy may continue to access postsecondary institutions, low- and middle-income families, as well as communities of color, are unable to access these levers for upward mobility due to high costs and inadequate supports. Meanwhile, low rates of completion and high rates of student debt render our system ineffective as a true vehicle of upward mobility.

To address these challenges and opportunities there are three key areas where policy changes can create more equity and strengthen the efficacy of our higher education system. First, the way our postsecondary institutions are funded needs to be more resilient for times of economic duress. Second, our institutions need to strengthen their alignment with industry to maintain the relevance of postsecondary credentials. Last, institutions need to strive to better support the growing number of nontraditional students that face additional barriers.

Resilient Funding

The most critical change needed for our postsecondary education system is in how it is funded to fully support our residents and end boom and bust cycles for higher education funding. Current spending levels are insufficient to adequately provide a postsecondary education for many Coloradans. Beyond a need to generate more funds to fill these needs, shifts in how funding is allocated and protected can create more resilient funding during times of economic duress that still helps meet goals around equity and preparing a talented workforce. Shifting to a more resilient funding model will center equity by keeping lawmakers from treating higher education as an expendable good. Rather than turning to tuition hikes as a way to backfill budgets, a resilient funding model ensures student access isn't predicated on wealth.

Higher education funding is vulnerable because funds aren't protected during budget shortfalls. During economic booms, the lack of protections around higher education results in squeezing out spending on higher education in favor of spending on parts of the budget that offer lower economic returns, such as corrections spending.⁴ Thus, the solutions around resilient funding center on two main areas: growing the "pie" and protecting these funds, and strategically using funds to make the most progress towards equity. There are a few different options Colorado can take towards these ends.

1. A Rainy Day Fund for Higher Education

Lawmakers should create a fund dedicated to higher education spending separate from the existing higher education enterprise fund. This could take on the form of a separate enterprise fund if the user fees that fund the enterprise were progressive in nature, such as fees for high-tech industries that benefit from Colorado's educated population. The critical element is this fund be in addition to existing higher education funding, and tuition or other regressive forms of fees and spending are not used to generate revenue for this fund.

If federal funds are sufficiently flexible to create or supplement such a fund they should be used. Absent that ability, lawmakers should consider using transfers from existing funds in addition to gifts, grants, and donations to create this fund. The best use of these dollars would be flexible allocations to both institutions and students for need-based

aid. The fund could meet student needs for tuition assistance, as well as provide grants to institutions for programs and improvements that advance equity.

Alternatively, the mechanism for disbursing funds could go through the existing higher education funding allocation formula. The funds could be used to complement general fund allocations during shortfalls and help meet a certain "adequacy threshold" for higher education in the state (see recommendation 3 below). However the funds are to be used and disbursed, the key element is there would be a dedicated higher education fund that prevents institutions from losing major general fund allocations during budget shortfalls due to other constitutional spending obligations. Moreover, as Colorado ranks poorly in terms of higher education funding nationally, this dedicated fund should help make progress towards meeting the funding needs of the state for postsecondary education.



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2. Progressive Taxation to Raise Revenue

Once one-time federal American Rescue Plan funds are used, Colorado will return to a familiar state of having urgent unmet needs and inadequate revenue to fund programs that meet the needs of Coloradans. To build long-term resiliency, it is important to tax wealth progressively.^{5,6} Beyond taxing income progressively there are many ways that Colorado can generate more revenue in progressive ways, such as taxing capital gains at a higher rate or through more progressive property taxation. It is especially important for higher education to be funded progressively because the barriers of access are so much higher for low-income communities. Without growing the pie of funds overall, Colorado will be hard pressed to meet the needs for the state around higher education. While progressive taxation wouldn't resolve long-term issues with TABOR's revenue cap, which limits raising revenue, it would ensure higher education is funded progressively so it advances equity as much as possible.

3. Set Baselines Around Higher Education Spending Allocations

In K-12 education there is a baseline around adequate funding levels.⁷ Often, this is represented in per-pupil funding. In Colorado, baseline funding levels in K-12 education haven't been maintained since the budget stabilization factor was implemented to bypass these requirements during budget shortfalls. This factor represents the dollar amount by which public K-12 education is underfunded in Colorado.⁸ No such measures around adequate funding levels exists for postsecondary education, even though, today, a postsecondary credential is as necessary in many instances as a high school degree to find a good job. This failure reinforces systemic disparities across race and class and perpetuates cycles of poverty when low-income families are locked out of postsecondary education opportunities because it is unaffordable.

To help prevent this, lawmakers should consider creating adequacy thresholds to determine whether higher education allocations sufficiently meet the needs of Coloradans. This could take on many forms, but one option could be guaranteeing that any Coloradan can attend community college for free to receive an associate degree or less (e.g., short-term credentials such as certificates). Another alternative is to guarantee the coverage of two years of in-state tuition for any Coloradan.

4. Prioritize Funding to Low-Income Communities & Communities of Color

Lastly, resilient funding has as much to do with the use of funds as it does the availability of funds themselves. Colorado has made significant progress in ensuring the allocation funding model is increasingly equitable by balancing performance-based funding with flexible funding for particular populations. However, as the 2020 legislative session illustrated, it is far too easy during budget cuts for other funding streams outside of the allocations to governing boards

to get cut in a way that can harm equity. It is critical during budget shortfalls, for need-based financial aid be protected. Over time, the state should prioritize financial aid allocations to go toward need-based financial aid over merit-based aid. Additionally, state financial aid allocations to students should be flexible in use. Beyond covering tuition and fees associated with postsecondary education these funds should also be sufficiently flexible to cover other the full costs of attendance, including covering the costs of Prior Learning Assessments (PLAs), transportation, and other expenses.



Career Pathways

The needs of the workforce are shifting with automation trends. Employers increasingly expect prospective employees to have a postsecondary education, but that doesn't necessarily mean the traditional four-year degree. In practice, short-term credentials that rapidly provide skills to students may provide a higher return on investment for students. To ensure postsecondary education remains a good investment for students and to meet students where they are, postsecondary institutions need to cultivate greater industry alignment. Developing strong industry partnerships, increasing affordability, and maintaining relevance of credentials offered are all key steps for systems to support Coloradans that are pursuing greater economic opportunity through higher education. (For more information on our recommendations around career pathways see our report: [An Actionable Agenda for the Future of Work and Learning](#).)

5. Workforce Alignment

Most broadly, workforce alignment requires developing greater industry partnerships between postsecondary institutions and employers. This helps ensure curricula are responsive to the demands of industry, especially as those industries undergo shifts. However, to operationalize this alignment there are a few strategies Colorado can adopt.

- Cities can take a frontline role in convening industry partners and local postsecondary institutions to identify opportunities for collaboration and for partnership development.⁹
- Institutions should honor work-based learning by expanding the use of subsidized Prior Learning Assessments (PLAs) to grant credit for work-based learning. These exams facilitate students' ability to earn course credit for learning they have already gained through other educational and work experiences.
- Work-based learning opportunities, such as internships and apprenticeships, must be paid to ensure equitable access to this type of learning. This can be accomplished by expanding access to subsidies for paid internships and apprenticeships under the framework that already exists through career and technical education.

6. Stackable Credentials

Stackable credential pathway programs are an innovative and promising way to provide students with the education they need for advancement within an industry. Elements of stackable credential programs that can have widespread benefits for students include the use of PLAs to provide credits at a lower cost for students, the guaranteed transfer of credits through cross-institutional articulation agreements, and a discrete career pathway with on- and off-ramps for students through multiple levels of education. Taking a more decentralized and student-centered approach may be counterintuitive for institutions but helps increase retention and completion for students. (For more information on designing and implementing stackable credential pathway programs see our report: [Creating Stackable Credential Programs](#).)

Student Supports

While it is important for systems to be well-funded and responsive to industry needs, it will be nearly impossible to make the strides necessary toward erasing equity gaps in postsecondary education without supports for low-income students and communities of color. Examples of supports that are necessary for success for many of these students include access to child care, transportation, and food and rental assistance. (For more information on our recommendations around student supports see our report: [An Actionable Agenda for the Future of Work and Learning](#).)

7. Navigation and Counseling

One key component for student success is navigation and counseling services. Navigators and counselors can help connect students to support services that can help their success. These can include connections to existing programs that can help with child care, food and rental assistance, and other essential needs. Moreover, navigators and counselors can help students learn more about the value of different credentials, helping them make informed decisions around their education that will lead to the highest return on investment. Part of the issue with existing services is simply a matter of insufficient funding as few institutions have the adequate number of counselors to meet the demand. However, additional needs around navigators and counselors include having staff that are diverse and culturally responsive and ensuring staff are using evidence-based practices.

8. Emergency Grants

For many low- and middle-income students a one-time emergency can derail an entire education. Flexible emergency grants can help ensure that an emergency situation, such as a car breakdown, broken laptop or similar circumstances are just a small blip in their experience. Several institutions do offer emergency grants, but students may be unaware these funds exist or not know how to access to them. Ensuring students are aware of all the resources available to them through robust navigation and counseling services is an important first step to helping mitigate interrupted education. Additionally, beyond developing new emergency grants through public and private dollars, existing funds, such as scholarships and financial aid should be flexible to allow for broad uses by students. Cost of attendance should be broadly interpreted by institutions to ensure that anything that can interrupt a student's educational path can be addressed using existing funds.

As a state, we already have many of the tools needed to redesign our higher education system to meet the needs of Coloradans. However, years of underinvestment mean that there are also some major reforms to postsecondary education funding that are critical to have a fully funded higher education system. The implementation of these recommendations collectively can help ensure that Colorado has one of the highest quality and most equitable postsecondary education systems in the state. Moreover, meeting these needs around higher education is essential for meeting our needs around workforce development so Colorado can continue to have one of the strongest economies in the nation. Successful economic development in the future is predicated on investing in Coloradans now, with an eye toward equity, so our state is prepared for emerging workforce needs.

Endnotes

- 1** Bell Policy Center. (2020.) An Actionable Policy Agenda for the Future of Work and Learning. <https://www.bellpolicy.org/2020/09/28/actionable-agenda-future-of-work-learning/>
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- 4** Ward, J. D., Pisacreta, E. D., Weintraut, B., & Kurzweil, M. (2020, December 10). Reimagining State Higher Education Funding: Recommendations from the Ithaka S+R Convening. <https://doi.org/10.18665/sr.314508>
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- 9** Fitzpayne & Neumann. (2020.) Building a Lifelong Learning System: A Roadmap for Cities. Aspen Institute. <https://www.aspeninstitute.org/publications/building-a-lifelong-learning-system/>