POLICY BRIEF

THE COLORADO COLLEGE OPPORTUNITY FUND ACT

The Colorado legislature has approved a voucher initiative to change the way the state funds postsecondary education. Rather than subsidize public postsecondary institutions directly, the state would establish a College Opportunity Fund to provide tuition stipends for eligible students to enroll in participating public and private postsecondary schools. The National Center for the Study of Privatization in Education (NCSPE), a research institute at Teachers College, Columbia University, has developed a checklist to evaluate voucher programs. This policy brief outlines the key issues provoked by the approved legislation and examines the potential impact of the Colorado College Opportunity Fund. Our analysis is based on four criteria: freedom of choice, efficiency, equity, and social cohesion.

Why is Colorado adopting higher education vouchers?

The high cost of maintaining public universities and the failure of student tuitions to cover operating expenses has prompted policymakers to seek new funding strategies for higher education. In Colorado, this concern is exacerbated by the Taxpayer Bill of Rights (TABOR), which strictly limits the amount of taxpayer dollars that the state can collect, including college tuition. Funds provided directly to students will replace subsidies to public institutions. Thus vouchers could allow public universities to be exempt from TABOR restrictions and subsequently raise tuition levels to reflect escalating costs.

What key issues should a higher education voucher program address?

Voucher programs can be designed to meet different educational goals. A full checklist of programmatic questions is included at the end of this document, but there are four key questions to ask of higher education voucher programs.

1. Will vouchers reduce the government burden of supporting higher education?
2. Will increased choice and competition lead to a more efficient use of taxpayer dollars?
3. Will tuition certificates for students make access to higher education more equitable?
4. Can postsecondary vouchers improve the financial condition of universities?

It is important to keep in mind that addressing one concern may require a trade-off against other needs. For example, regulations designed to ensure equitable access can reduce students' freedom of choice or result in a less efficient allocation of resources.

What are the possible consequences of the current Colorado proposal?

- *Tuition is likely to rise at public universities and may undermine equity*. The funding structure may price some students out since the legislation enables individual public institutions that qualify as an "enterprise" to set their own tuition rates, and students are required to pay the difference between the tuition and the stipend amount. Given the current cost of a postsecondary education—especially at a private university—low-income students may be unable to afford to attend quality postsecondary schools. Allowing students to add-on to the voucher amount will intensify inequalities from family income.

- *The stipend structure favors public universities*. The legislation establishes subsidy tiers in favor of public postsecondary schools. Students of any income may receive 100 percent of the subsidy to attend public universities. In contrast, a student must be low-income and can receive only 50 percent of the stipend to attend a private postsecondary school.

- *A low stipend amount for private universities may restrict choice*. A stipend of $1,200 at private universities is low relative to average sticker price at CO private universities ($23,000). Given the small amount of the stipend, some private universities may choose not to participate in the voucher program to avoid program regulations.

- *State funding via stipends may increase the supply of private universities*. Despite subsidy tiers and added regulation, the supply of private universities may increase since legislation allows existing private institutions to access public dollars and a larger market of potential students.

- *Stipends may promote the efficiency of postsecondary services*. Shifting subsidy from institutions to students could increase efficiency as institutions compete with one another to attract students, offer higher quality educational programs, and eliminate unnecessary expenditures.

- *State financial burdens may increase.* Educational vouchers encourage students who previously paid for the full cost of private postsecondary education to draw on public resources. If the stipend encourages higher rates of attendance, the state's expenses will rise. In addition, any new state program requires increased funding for implementation and oversight.

- *Educational vouchers may undermine the diversity of services universities provide*. Universities provide a number of services that are not profit driven but that improve the knowledge, diversity, and life experience of their students. As schools are forced to compete in an educational marketplace, they may decide to eliminate courses and activities that are not cost effective.

NCSPE framework of analysis

On the following page is a checklist that outlines the key issues in Senate bill 189.

Colorado Senate Bill 189: Checklist

Regulations:

Voucher Activities:	The stipend reduces total tuition owed by students for undergraduate courses at participating institutions.
Student Eligibility:	Any in-state, full-time equivalent student who enrolls at a *state* higher education institution is eligible for the full stipend ($2,400). Full-time equivalent, in-state students who enroll at participating *private* postsecondary institutions must be eligible for federal Pell grants (i.e. low-income) to qualify for the stipend.
Provider Types:	Public or participating private postsecondary institutions that offer general baccalaureate degrees in arts and sciences. Private institutions of higher education must be accredited and may not be “pervasively sectarian”.
Provider Admissions:	The bill does not call for new restrictions on admission policies.
Provider Services:	The stipend may only pay for undergraduate courses and may not pay for basic skills courses, high school fast-track courses, Advanced Placement courses, or international baccalaureate courses. Separately, state institutions may negotiate with the Department of Higher Education fee-for-service contracts to provide non-stipend eligible services such as basic skills courses or career development courses, etc.
Performance:	Each participating public and private institution must negotiate with the Department of Higher Education a performance contract that specifies the institution’s measurable performance goals. The goals must pertain to student performance, academic quality, financial aid, increased enrollment of low-income students and minorities and other financial indicators.

Finance:

Voucher Value:	The 2005 Legislature must allocate funds for the stipends. Vouchers for enrollment in a private postsecondary institution are to be set at 50% of the value for vouchers provided to attend a public university ($1,200), and are only available to low-income students. The value of the stipend is on a per credit hour basis, and is capped at 145 credit hours for an undergraduate student (although the student may apply for a waiver to the cap). The appropriation will be adjusted annually to reflect inflation and enrollment growth.
Enrollee Financing:	Students must pay for the difference between the stipend and the total tuition amount. If students fail to apply to the College Fund program, the student is required to pay the full tuition amount.
Provider Fees:	Regardless of whether the CO legislature reduces or increases the amount of stipend, a state institution may not raise tuition during the same fiscal year for which the stipend was calculated. However, private providers and public providers that qualify as “enterprise” may raise tuition from academic year to academic year. Institutions that raise tuition rates must allocate at least 20 percent of the tuition revenue increase (beyond inflation) to need-based financial assistance.

Support Services:

Information for Enrollees:	The Colorado Department of Higher Education will establish a website and provide a list of participating postsecondary institutions in the “student unit reporting data system”. The Department of Education must annually notify all CO 8^{th} graders of the College Opportunity Fund.
State Monitoring:	The Colorado Student Loan Program will operate under the Colorado Department of Higher Education, and is responsible to administer and disburse funds. The Commission of Higher Education must provide annual reports to the House and Senate Education Committees on the status of the program and institutions’ performance under their contracts.