

Colorado's "Grand Experiment"

Voucher program could give the state's colleges a new lease on life

Photos by Eric Lars Bakke, Black Star, for CrossTalk

By Pamela Burdman

DENVER, COLORADO

AS COLLEGES AND UNIVERSITIES around the country find themselves facing the budget noose, policymakers in Colorado have devised a voucher-like proposal that they hope will give the state's institutions of higher education a new lease on life.

The first of its kind in the country, the plan would turn the traditional form of state appropriations on its head, routing state subsidies for education directly to students, instead of institutions. As envisioned by the panel that hatched the idea, the higher education commission that refined it, and the legislators who are seeking to enact it into law, the new funding mechanism would have a dual effect: enticing more low-income students to attend college while allowing four-year universities the tuition increases they say they badly need.

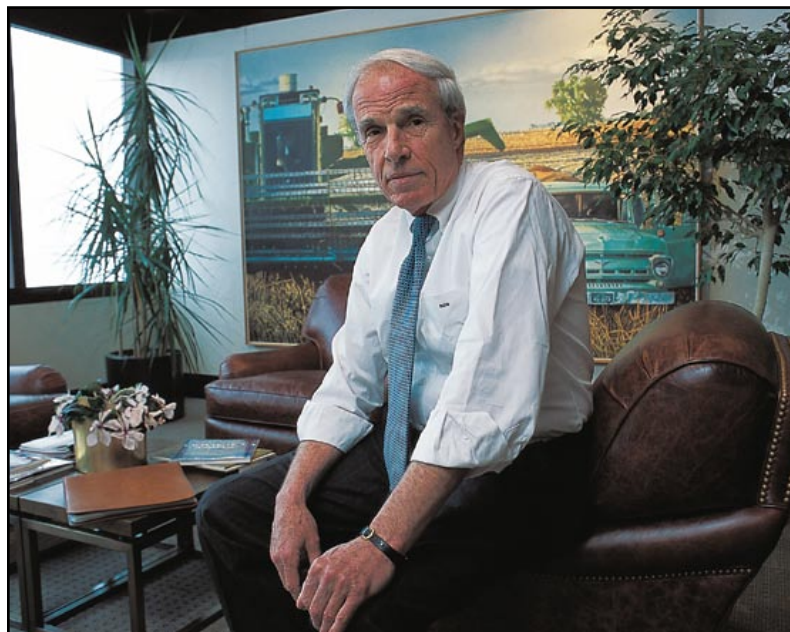
The plan is designed to address the peculiarities of Colorado's fiscal landscape—namely by liberating schools from constitutional limits on revenue increases. Since 1993, state government has operated under the Colorado Taxpayer's Bill of Rights, or TABOR amendment, which strictly limits increases in state revenue, including tuition. By placing a large chunk of institutions' traditional revenue in students' hands, the plan would reduce schools' revenue below the ceiling required for exemption from TABOR—a key reason the state's two research universities favor the proposal. But since distributing dollars to students could help keep higher education funding on the public's agenda, the notion is drawing interest from policymakers in other states as well.

"This is the boldest plan I've seen," said David Longanecker, executive director of the Boulder-based Western Interstate Commission for Higher Education. "This could be the way to secure the long-term future for higher education in Colorado. I think a lot of states will pay attention."

Longanecker, a former U.S. assistant secretary of education and former director of Colorado's Commission on Higher Education, believes that in addition to its fiscal environment, Colorado's conservative political climate and traditionally low public support for higher education make it an ideal candidate for this sort of experiment.

But the legislation's destiny remained yoked to higher education's budget fortunes, which were in considerable doubt. After slashing higher education spending from \$686 to \$602 million in the current year, legislators were seeking to trim another \$100 million for 2003-04 as budget talks got serious in late March. Against that grim fiscal backdrop, the plan seemed as risky as it seemed urgent.

"The state of higher education is going to be extremely difficult if we pass this legislation," said Peggy Lamm, a former Democratic legislator who chairs the Colorado Commission on Higher Education. "But if we don't pass it, it will be much



Businessman Bruce Benson chaired the blue ribbon panel that has proposed Colorado's higher education voucher plan.

worse. We are way past the fat. We're into the sinew and getting to the muscles and bones."

Though the concept of college vouchers sounds brand new, it actually has a history in Colorado. In the late 1970s, conservative legislators kicked around the idea as a way of making a case for a K-12 plan. And back in 1996, when several states were looking at the voucher idea, the Colorado House of Representatives considered a higher education voucher bill, which would have made the grants available to students at both public and private colleges. Partly because it could have drained funding away from state institutions, that proposal did not attract broad support.

But the current bill has more momentum—and muscle—behind it. It was the brainchild of a panel convened in 2001 by Republican Governor Bill Owens. The Blue Ribbon Panel on Higher Education for the 21st Century was charged to look at the funding mechanism for higher education and consider ways of increasing college participation. The 17-member panel was headed by former CCHE chairman Bruce Benson, an influential oil and gas executive whose current

As the legislation was drafted, the term "vouchers" morphed to "student educational savings accounts," then "college opportunity grants" and, finally, "college opportunity savings accounts."



University of Colorado President Elizabeth Hoffman supports the voucher plan, which should increase the university's tuition revenue substantially.

chairmanships include the state Republican Party, the Denver Public Schools Foundation, the Metropolitan State College of Denver, and the University of Colorado's capital campaign. Benson was recruited by CCHE Executive Director Tim Foster, a former Republican legislator and another key player in the voucher drive. Governor Owens is said to support the proposal, but he had not made his support public as of early April.

Meeting in tandem with CCHE and the state's higher education CEOs, the panel confronted some vexing statistics, which are catalogued in their report: On the one hand, Colorado is one of the nation's wealthiest states, and it ranks number one in terms of the percentage of citizens with a college degree, according to U.S. census figures. On the other hand, the state falls below the median in terms of college attendance by its own citizens (according to the *Measuring Up 2002* report published by the National Center for Public Policy and Higher Education, which also publishes *National CrossTalk*) and ties for third in the percentage of 16-to-19-year-olds who are high school dropouts, according to an Annie E. Casey Foundation report.

While the state's population mushroomed by more than 30 percent in the 1990s, college enrollment grew by just under ten percent, the panel said in its report. And, in terms of probability of low-income families attending college, Colorado placed dead last in 1999 and 41st in 2000, according to higher education policy analyst Tom Mortenson.

"It was embarrassing to have the most educated population and be doing such a poor job sending our kids to school. We need to do a much better job," said Lamm, noting that low college attendance by the state's growing Hispanic population was a particular concern. During the 1990s, Hispanics grew from 13 percent to 17 percent of the state's population.

After considering six funding alternatives, the 17-member panel almost immediately locked onto the voucher idea, participants said. "Most of us felt pretty strongly about a consumer-oriented program," said Benson. "It really doesn't

change the money that much. It changes how people think about that money."

The panel's recommendation became legislation even as a controversial K-12 voucher measure seemed destined to become law. That bill would make Colorado the first state to begin funding students attending private schools since last summer's U.S. Supreme Court ruling lifted a constitutional cloud from voucher programs. The Colorado K-12 proposal was limited to low-income children with poor grades in designated school districts. But opponents were vowing to challenge it all the way back to the high court.

Against that backdrop, the higher education panel made a point of avoiding the most contentious aspect of K-12 voucher plans—the funding of private institutions. Though sympathetic to that idea, Benson and his Republican allies knew that Colorado had neither the dollars nor the will to include independent institutions. "Philosophically I would like the privates in it," said Benson. "But the down and dirty is that if you put the privates in this deal, it is dead. Down the road, maybe things will get better and you can put the privates in."

In its final report, released in January, the panel eschewed the term "voucher" altogether, instead talking about "student educational savings accounts." As the legislation was drafted by Representative Keith King (R-Colorado Springs), who had sat on the blue ribbon panel, the name morphed to "college opportunity grants" and, finally, "college opportunity savings accounts."

Here are the particulars:

- **Student Grants.** According to the blue ribbon panel, these would be \$4,000 a year for undergraduates and \$8,000 for master's degree students. In the legislation, the actual amounts were left blank, pending the outcome of ongoing budget discussions. As the joint budget committee took a knife to the higher education budget, reducing next year's appropriation to \$506 million, the grants seemed unlikely to pass at the \$4,000 a year level. If they fell to the \$3,200 figure that some officials were predicting, support could quickly erode.

"Like a coupon with a variable face amount, it can go up and it can go down," said CCHE spokeswoman Joan Ringel, acknowledging, "We would have to say that very carefully." Undergraduate credit hours would be capped at 140 and graduates at 60, with some waivers available and some stipends for "lifelong learners" six years after completing an undergraduate degree.

- **Community College Tuition Reductions.** Tuition at two-year public institutions would be decreased by 25 percent and then increased by the amount of the grant. At Colorado Northwestern Community College in Rangely, for example, tuition would drop from \$1,981 for full-time in-state students (an estimate for next year, assuming a five-percent increase

Some higher education finance experts say the voucher plan can not work without a boost in financial aid dollars.

over this year's \$1,887) to \$1,486, plus the face value of the voucher, bringing total tuition to \$5,486 if the voucher is worth \$4,000.

- **Role and Mission Grants.** These grants would supplement the tuition money received by the institutions to make up for any loss in state funding as a result of the new funding mechanism. The amounts were not specified in the legislation, but models circulated with the blue ribbon panel report showed that the three state colleges (Adams State College in Alamosa, Mesa State College in Grand Junction, and Western State College in Gunnison) would receive \$2.8 million to help keep those rural campuses afloat. The state's two research institutions, CU and Colorado State University, would secure \$85 million and \$57 million, and the community colleges would get no grant, receiving all of their funding in tuition.

- **Universities get Tuition Flexibility.** In another feature of the plan that is not spelled out in the bill itself, existing state law would allow campuses to become "enterprises" if the portion of their budgets coming from the state's general fund falls below ten percent. CU and CSU predict they will be able to go this route almost immediately, thereby liberating them from TABOR restrictions. But Colorado State University President Al Yates worried about a lawsuit or other impediment. And state Senator Ron Tupa (D-Boulder) was introducing another bill that would grant enterprise status without vouchers.

That last feature, TABOR exemption, explains why the state's two research universities back the proposal. "Why would the flagship research institution in the state be in favor of this program? My feeling is that when we're raising most of the money to run this institution, we need the flexibility to price our tuition at the market rate," said University of Colorado President Elizabeth Hoffman. Plus, she said, "If this becomes something that families across the state care about like K-12 funding, it will be harder to cut."

By the time it was introduced on March 20, the proposal had garnered significant attention, with positive editorials from the state's two largest newspapers and support from the higher education CEOs as well as the Colorado Student Association. Though its introduction was repeatedly delayed as the bill underwent a series of revisions, it hit the House floor with 39 sponsors—five more than needed to clear the House.

Still, the bill's future was far from certain. With only six weeks remaining in the session, it needed to clear several committees whose members had not signed on as sponsors. And its key benefits for higher education—guaranteed funding floors and tuition flexibility—left austerity-minded legislators wary of creating an entitlement and writing higher education a blank check.

"If [King] pleases us and the Democrats on this, he's going to make the fiscal conservatives angry," said Ryan McMaken, executive director of the student association. "If he pleases the fiscal conservatives, we're going to bail. Everywhere you look, there's a coalition waiting to kill the bill. It's a pretty wild situation at this point." CU's Hoffman wasn't much more optimistic: "It's not even worth doing if they don't fully fund the vouchers."

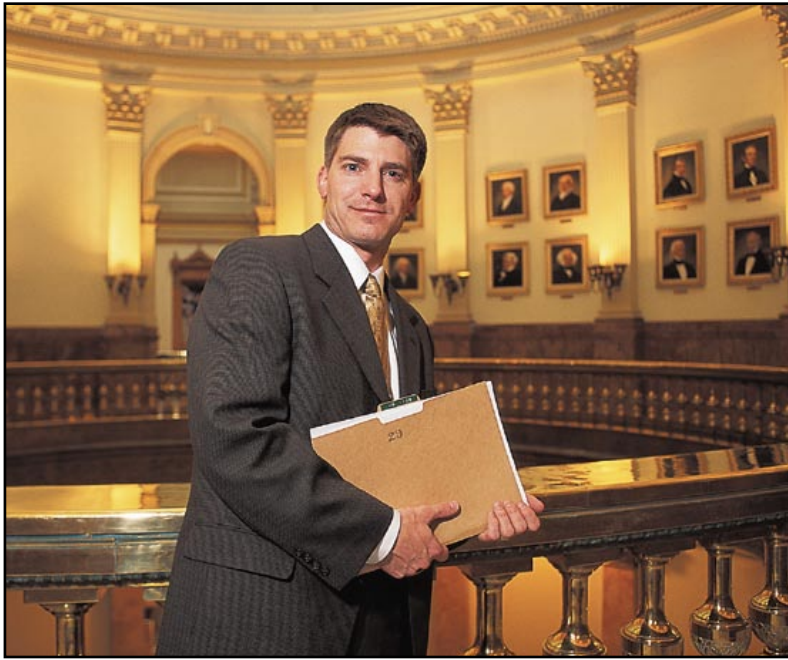
If it does pass, the proposal's success in increasing college participation among low-income and minority students will depend largely on whether the blue ribbon panel was correct in its prediction that the savings accounts will entice more students to attend college. While community college tuition will decrease, the scheme allows for increases at the four-year institutions—especially if they achieve enterprise status. Students could be looking at very high numbers. If CU-Boulder's undergraduate tuition next year reaches \$3,910, as expected, that figure could increase another five percent plus the \$4,000 amount of the voucher for a total tuition of \$8,105 in 2004-05, the first year of the program.

Some researchers, including one who presented his findings to the panel, say that students are turned off by such high sticker prices. "The piece that they're ignoring is that, particularly for low-income students, these students tend to be more influenced by changes in price than by changes in financial aid," said Donald Heller, associate professor at the Center for the Study of Higher Education at Pennsylvania State University. "I would expect that \$4,000 increase in price to have more of a negative impact on the probability that a low-income student would enroll than would the offsetting

While Colorado's population mushroomed by more than 30 percent in the 1990s, college enrollment grew by just under ten percent.



The voucher plan's success depends on getting accurate information to every high school freshman, says Tim Foster, executive director of the Colorado Commission on Higher Education.



State Senator Ron Tupa believes the voucher plan will work only if adequate financial aid is made available to Colorado students.

\$4,000 voucher.”

CU-Boulder student leader Michael Donnelly, a senior finance major, opposes the plan for that reason. “I think a lot of students already know they’re receiving a state subsidy, and they’ll be turned off at a higher tuition,” he said. “This is kind of like a shell game.”

Tim Foster, Executive Director of CCHE, said the panel’s conclusions were influenced by focus groups showing clearly that such a plan would appeal to low-income students and perhaps even reduce the high school dropout rate. “The interesting dynamic is that you convert the state subsidy to their money,” said Foster. “It increases their stake. It’s a psychological sea change.”

Foster acknowledged that success will be contingent on how well the program is marketed: “You have to explain to every freshman in every high school that they have this opportunity.” Foster’s best-case scenario: Within four years, Colorado will rise to the top quintile of states in college participation.

But even the best-case scenario poses dilemmas: The more successful the plan is at expanding enrollment, the

greater the burden it would place on state resources. Unless more funds become available for higher education, the face value of the vouchers could become depressed. The safety valve for higher education is designed to be TABOR liberation, but without TABOR, tuition at some of the four-year institutions could become prohibitively expensive—leading Longanecker and other higher education finance experts to say the plan can not work

“I don’t want to see this proposal mask the fact that the state of Colorado provides a pitiful amount of assistance for needy kids.

**—Colorado state Senator
Ron Tupa**

without a boost in financial aid dollars.

“The Achilles heel of this whole proposal is if you allow the universities to raise tuition, but there’s not a corresponding increase in financial aid, the whole proposal will fail,” said Tupa. “I don’t want to see this proposal mask the fact that the state of Colorado provides a pitiful amount of assistance for needy kids. For me to support legislation like this, there needs to be a corresponding increase in financial aid from the state of Colorado.”

In response, CU’s Hoffman says she is committed to plowing a significant proportion of any tuition increases into financial aid—about one-third on the Boulder campus and 25 percent at CU’s other campuses in Colorado Springs and Denver. Colorado State University President Al Yates predicts a number closer to 15 percent at CSU.

Yates lobbied hard to ensure that any state financial aid dollars freed up because of the decreased community college tuition would be available to the four-year sector, and that was reflected in an amendment to the bill. CCHE had no projections, however, as to whether it will cover tuition increases. Nor did Joe May, chancellor of the 13-campus community college system. “We’ve not been able to run any models to look at the savings,” he said.

While most public universities offer institutional aid, research has shown that it is less effective than statewide programs. “The biggest disadvantage is that it’s not as visible or predictable. You never know what you’ll have when you jump through the admissions hoop,” said Paul Lingenfelter, executive director of the Denver-based group, State Higher Education Executive Officers. “The second disadvantage is that, at the institutional level, the typical practice is for merit and need to get blended. Schools look at students’ academic ability, their athletic ability, and tuition discounting comes into play. If your primary consideration for a certain pot of money is to meet the need of students with limited resources, it will be more visible and have a greater impact and be used more effectively if it’s at the state level.”

CCHE’s Foster, a believer in need-based aid, said he was hard-pressed to increase funding in the current budget climate. One proposal emerging from the legislature’s joint budget committee in late March would have increased the state’s \$51 million expenditure for need-based financial aid by ten percent, while eliminating the \$10.5 million in aid (need- and merit-based) currently available for the state’s private and proprietary institutions.

The latter proposal would have placed Colorado among a handful of states supplying no financial aid to private university students, and University of Denver President Dan Ritchie and others were fighting it vigorously. On top of public university stipends, the loss of need-based aid would mean a “double whammy” for DU and other privates, said Toni Larson, a lobbyist for independent institutions.

Even some public institution leaders were expressing reservations about the voucher plan, chief among them Al Yates, who will step down as Colorado State president this summer. His main concern was whether the plan would end up tracking minority students into the community colleges.

“I wonder about the message we send to the people of our state when we institute a policy that seems on the face of it

to say that we will provide access but only to a portion of the system of higher education,” said Yates. “The message could come out that if I’m a low-income student my only entry point to the system of higher education is the community college. There are many students for whom the appropriate route is the four-year institutions.”

Ed Romero, a Denver marketing and advertising executive who served on the blue ribbon panel, thinks that students with the background for four-year schools will not be deterred under the plan. “This is about a lot of kids who don’t go to college at all,” he said. “I pressed this very hard to use the community colleges as a point of access. The big schools resent that.”

Joe May shares that perspective. “Right now we have a large part of the population simply not going anywhere,” he said. “To provide an opportunity that increases the likelihood that they will attend college somewhere is better in the long

run, for them, their families and the state.”

May’s counterpart at CU, Betsy Hoffman, seemed not to be waiting for the bill to sail through. Alarmed by predictions of drastic budget cuts, Hoffman held a press briefing in mid-February highlighting the already dismal funding her university receives—and noting that the Boulder campus had already reached the ten percent threshold, and that she could apply for enterprise status even without vouchers.

“I think a lot of students already know they’re receiving a state subsidy, and they’ll be turned off at a higher tuition. This is kind of like a shell game.”

**—CU-Boulder student leader
Michael Donnelly**

UPDATE **Colorado’s Voucher Program** **July 2008**

COLORADO’S HIGHER EDUCATION voucher plan—the only one in the nation—has been less than a resounding success so far.

Many of the goals of the program, described in *National CrossTalk’s* spring 2003 issue, have not been met:

- One aim was to increase participation by low-income students; instead, enrollment of these students has declined eight percent, the Colorado Department of Higher Education has reported.
- Another goal was to increase enrollment in public higher education, but total enrollment has remained about the same since the program began in fall 2005. Two years later, the numbers were up slightly in four-year institutions but had declined in the two-year community colleges.
- Student financial aid has remained at about the national average.
- Implementation at Colorado’s 15 two-year community colleges has been especially difficult. Many students don’t enroll until just before classes begin, so there has not been enough time to inform them about the availability of vouchers.
- State reimbursement for vouchers has been slow, officials report.

“The philosophy of ‘the money should follow the student’ has not held

true,” Nancy McCallin, president of the Colorado Community College System, told the *Rocky Mountain News* in the spring of 2008.

• Although legislation to implement what is officially known as the College Opportunity Fund removed public colleges and universities from the spending restrictions of the state’s Taxpayers Bill of Rights (TABOR), this has not resulted in the increased

revenue that many college officials had expected.

Escaping from TABOR limits “did not provide the tuition flexibility that institutions were seeking,” said David Longanecker, executive director of the Western Interstate Commission for Higher Education (WICHE).

“It became very clear that the governor and the legislature were not going to take their hands off tuition (policy),” said Paul Lingenfelter, president of the State Higher Education Executive Officers. Despite these restraints, however, the University of Colorado’s flagship campus in Boulder was able to raise tuition 23.9 percent in two years.

Bruce Benson, president of the University of Colorado system, said “a drop in the voucher amount also hurt.” Initially expected to be between \$4,000 and \$4,500 per student, the voucher was worth only \$2,760 in 2007.

Voucher supporters say the state has done a poor job of informing prospective students about the availability of the stipends. They also charge that the program has been poorly managed.

“A lot of our institutions don’t believe it was implemented in the way that was intended,” said David Skaggs, executive director of the Colorado Department of Higher Education. “The question is whether that’s the fault of the theory or the fault of implementation.”

To answer that and other voucher questions, Skaggs’ department has commissioned a WICHE study, to be completed by spring 2009. That means significant changes in the voucher program are not likely to be made until 2010, if then.

—William Trombley

One goal of the program was to increase participation by low-income students, but enrollment of these students has declined eight percent, while financial aid has remained at about the national average.

Voucher supporters say the state has done a poor job of informing prospective students about the availability of the stipends, and that the program has been poorly managed.

While research institutions in California and Illinois spend \$16,086 and \$10,895 per full-time equivalent student respectively, Hoffman said, Colorado contributes just \$6,156 per FTE student to the University of Colorado's four campuses. And at \$3,566, Boulder's tuition and fees for this year are among the lowest of Association of American Universities members. "We're underfunded and overregulated," she sighed.

CU has partly made up for Colorado's frugality by aggressively—and successfully—pursuing federal research dollars. Because of the high ratio of research and development funds, and because it takes in a high proportion of tuition dollars from out-of-state undergraduates paying \$16,000 a year, Boulder hit the ten percent TABOR cut-off after the latest round of budget cuts, Hoffman said.

In the last two years, the CU system has seen its enrollment increase by 3,779 despite a \$37 million drop in general fund support. To sustain cuts of \$28.9 million in the current year, the university eliminated 178 positions, cut four programs, and shuttered ten academic centers on its four campuses. Other belt-tightening measures have included unpaid furloughs for administrative officers.

But CU's finances are not nearly as vulnerable as the state's regional colleges—Adams, Western and Mesa—which are undergoing a transition from a single governing board to separate boards. The small rural institutions may be integral to efforts to enroll more minority and low-income students, but they will remain reliant on role and mission grants for the foreseeable future. "If that gets pulled, we probably will have difficulty adjusting to any fluctuations in the economy," said system President Lee Halgren. "Our three institutions are the institutions of opportunity for their regions of the

state. To raise tuition significantly for the population we're serving is not realistic... unless we have a subsequent increase in financial aid."

Halgren also worries about enrollment pressure if the universities use the colleges as a cushion by dipping below their admissions standards. Currently they are allowed to make such exceptions for up to 20 percent of their classes, but Halgren insists that that needs to change. Despite

those risks, Halgren, like other administrators, was intrigued by the possibility of increasing public ownership of higher education—the chief reason other states were taking an interest.

"It makes you have the right set of conversations," said Richard Jarvis, chancellor of the Oregon University System. "It forces you to bring together financial aid, appropriations, tuition... This is the only way you're ever going to see anything that looks like an entitlement."

Jarvis said the idea of putting money in students' hands would resonate with Oregon's business community. "I'm trying to seed discussions around here," he said. "But if it crashes and burns in Colorado? End of conversation."



President Al Yates of Colorado State University worries that the voucher plan will direct most low-income and minority students into community colleges.

And in Washington, state Senator Don Carlson, a Republican who chairs the state's higher education committee and serves on the Western Interstate Commission for Higher Education, has already taken an interest. But he would not want any limitations concerning the use of vouchers at private schools. "If you let the student go where they're going to be best served, you have to include private facilities in your state," said Carlson.

He did not say how Washington would come up with the money to fund vouchers at private schools, which now receive little in the way of state support. But he said the plan would force publics to compete for students or "go out of business." He was considering introducing legislation next year to start with a pilot voucher project at an institution such as Eastern Washington University, whose president, Stephen Jordan, has written articles favoring the voucher idea. But, Carlson said, Washington officials, like those in Oregon, will be keeping their eyes on Colorado.

"This is going to be one of the grand experiments," said Longanecker. "It's the ultimate test of what the economists have been saying all along. This wouldn't be an ideal policy in an ideal world, but I think it's pretty good policy for Colorado." ♦

Independent consultant Pamela Burdman is a former higher education reporter for the *San Francisco Chronicle* and former program officer in education at the William and Flora Hewlett Foundation.

Colorado's blue ribbon panel on higher education made a point of avoiding the most contentious aspect of K-12 voucher plans—the funding of private institutions.