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THE COLLEGE OPPORTUNITY FUND: A NEW APPROACH TO HIGHER EDUCATION FUNDING

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The General Assembly's passage of Senate Bill 04-189 establishes a unique approach to higher education funding in Colorado. Beginning this fall, the new funding mechanism provided through the Colorado Opportunity Fund Act replaces direct appropriations to higher education institutions with stipends to eligible students and fee-for-service contracts. As the first state in the country to utilize such an approach, Colorado will likely be asked to share its experiences with policymakers, higher education officials, and other interested persons across the country.

The Colorado Commission on Higher Education (CCHE) is developing specific policies in preparation for the implementation of the law. As students, parents, and higher education officials face a year of change in Colorado higher education, both the statutory provisions of the program and the policies shaping it will continue to be discussed and studied. This issue brief examines the major components of the Colorado Opportunity Fund Act — stipends for students, fee-for-service contracts, performance contracts for institutions, participation by private institutions, and enterprise status for institutions — and provides a brief overview of pending legislation pertaining to the law.

The Colorado Opportunity Fund (COF)

New and continuing Colorado undergraduate students who are classified as in-state students for tuition purposes and who enroll at state institutions of higher education are eligible for stipends through the Colorado Opportunity Fund (COF). The College Access Network, formerly the Colorado Student Loan Program, will administer the stipends through the COF. The General Assembly sets the amount of the stipend annually, an amount that is $2,400 for 30 credit hours, or $80 per credit hour, for FY 2005-06. Students may apply their annual stipend toward a lifetime credit-hour limit of 145 hours, with post-baccalaureate students eligible to use stipend funding for an additional 30 undergraduate hours. The stipend is neither intended to equal the amount of a student's in-state tuition, nor to be a grant of financial aid. Students' remaining obligation for tuition will depend on their institution and their eligibility for financial aid.

Fee-for-Service Contracts

The Colorado Opportunity Fund Act authorizes governing boards of institutions to negotiate fee-for-service contracts with the CCHE for specified services and programs. Distinct from appropriations to the Colorado Opportunity Fund, General Fund appropriations for fee-for-service programs support needs and services not addressed by the undergraduate stipends. Current statutory provisions identify these programs as delivery of:

- basic skills courses;
- educational services in rural areas;
- graduate school services;
- specialized services and professional degrees, including those in the fields of dentistry, medicine, nursing, law, forestry, and engineering;
- services under the Postsecondary Enrollment Options Act;

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- services associated with the High School Fast Track program; and
- services negotiated under reciprocal tuition agreements with other states.

During the 2005 legislative session, the General Assembly passed Senate Bill 05-132, which will allow students to use stipend payments for graduate courses that apply toward their undergraduate degree. Beginning July 1, 2006, stipend payments may be used for basic skills courses offered by state colleges and community colleges and for courses taken under the Postsecondary Enrollment Options Act and the High School Fast Track Program. Credits for basic skills courses will not count against a student's lifetime credit-hour limit of 145 hours.

Performance Contracts for Institutions

Under the Colorado Opportunity Fund Act, each governing board must negotiate a performance contract with the CCHE specifying institutional goals and performance measures that reflect the institution's unique role and mission. Goals for increasing enrollment of underserved students, including low-income and minority individuals, must be addressed in a performance contract. Compliance with the terms of the contract allows an institution greater autonomy in regard to program oversight and may exempt institutions from specific CCHE directives and from certain accountability provisions in the Higher Education Quality Assurance Act. The General Assembly, through the Long Bill, retains authority for approving cash funds for governing boards, including tuition revenue. The performance contracts for the nine governing boards are being posted on the CCHE's website at: http://www.state.co.us/cche/cof/index.html. The tenth participating public institution, the Colorado School of Mines, already operates under a performance contract approved in 2002.

Participation by Private Institutions

The Colorado Opportunity Fund Act also allows private institutions that are not "pervasively sectarian" to negotiate a performance contract with the CCHE. Performance contracts authorize private institutions to accept stipends on behalf of eligible undergraduate students who demonstrate financial need through eligibility for a federal Pell Grant. Qualifying private institutions must be nonprofit, based in Colorado, regionally accredited, and offer undergraduate arts and sciences degrees. Eligible students enrolled at participating private institutions become eligible for half of the annual stipend amount, or $40 per credit hour for FY 2005-06. Colorado College, Regis University, and the University of Denver have been approved for inclusion in the program.

Enterprise Status for Institutions

Under the new funding mechanism established in Senate Bill 04-189, institutions may be designated as enterprises, thus exempting their tuition revenue from the Taxpayer's Bill of Rights (TABOR) limits. In order to qualify for enterprise designation, an institution, or a group of institutions under a single governing board, must:

- receive less than 10 percent of its total annual revenues from state and local governments combined; and
- retain authority to issue revenue bonds on behalf of the institution or group of institutions.

In regard to tuition, an enterprise institution agrees to allocate annually at least 20 percent of any increases in undergraduate resident tuition revenues above inflation to need-based financial aid. Obtaining enterprise status requires a governing board to designate an institution as an enterprise by resolution and to submit the resolution to the Office of the State Auditor and the Legislative Audit Committee for approval. While the University of Colorado is the first institution to be designated an enterprise, the Office of the State Auditor expects resolutions from other institutions to be reviewed by the Legislative Audit Committee this summer.

Senate Bill 05-132 also addresses higher education planning for capital construction. The new law authorizes institutions to proceed with capital construction projects that are funded solely with student fees, auxiliary funds, gifts, or bequests and that do not exceed $1 million without CCHE approval, an increase from the current cap of $250,000.