

**TOPIC: POLICIES TO INFORM COLORADO PROMISE SCHOLARSHIP  
GUIDELINES**

**PREPARED BY: CELINA DURAN & DAVID SKAGGS**

**I. BACKGROUND**

Initiative 113 (the proposed ballot measure to increase severance taxes to fund Colorado Promise Scholarships [“CPS”] and other purposes [“initiative”]) would modify the state’s severance taxes on oil and gas production and distribute resulting new revenues to fund the proposed Colorado Promise Scholarship program and other purposes. Under the measure, “sixty percent of the new revenues shall be appropriated for the exclusive purpose of scholarships for Colorado residents attending state institutions of higher education . . . or local district colleges . . . .” The measure states that the Colorado Promise Scholarships are to be “directed towards making higher education affordable for Colorado residents from lower and middle income families. The Colorado Commission on Higher Education is charged with establishing guidelines and policies setting forth the eligibility criteria” for Colorado Promise Scholarships, “to include consideration of such factors as household income, family size, eligibility for other sources of financial assistance, and the institution the student attends,” and with establishing “academic performance criteria for obtaining and maintaining a Colorado Promise Scholarship.”

The language of the ballot measure indicates that the Colorado Promise Scholarship program should place a substantial emphasis on financial need, while also respecting a principle of shared responsibility, both academic and financial, on the part of the student and the student’s family. The resources available to the state will remain limited even if Initiative 113 passes, and as implied by the ballot language, it will be appropriate for the Colorado Promise Scholarship program to require eligible students to take full advantage of federal aid programs and tax benefits first as well as to account for appropriate financial contributions from the student and the student’s family. It is apparent also that the measure means to recognize different cost structures at different schools. After these and other considerations, the Colorado Promise Scholarships would be used to take care of the remaining financial need among eligible students to the extent available funds permit.

At its June 5, 2008, meeting, the Commission held a hearing on Initiative 113, with testimony both in favor and in opposition. The discussion that followed the hearing addressed the preparations required if the initiative is approved in the November election. That discussion noted that institutions will need to begin making financial aid decisions in February 2009 for the following academic year. Therefore, CPS guidelines (a responsibility assigned to the Commission under the terms of the initiative) and policies to inform those guidelines will need to be in place well before February in order for institutions to incorporate CPS funding in financial aid awards for FY 2009-2010.

The Commission unanimously adopted a motion at the June 5 meeting directing staff “to immediately develop the guidelines for the administration of the Colorado Promise Scholarship

Fund with the understanding, of course, that those guidelines will only be implemented if the ballot measure does, in fact, pass.” The rationale stated by Commissioner Plachy for his motion was:

As has been indicated here today, if the Colorado Promise ballot measure passes CCHE is going to be tasked with developing the guidelines or the rules for administering the scholarship fund. I fear that developing those standards and guidelines after the election comes too late. And as we’ve heard today on both sides of this measure, people want more information. And I’ve received numerous unsolicited requests from citizens requesting that CCHE develop the guidelines and standards necessary for the administration of the fund as soon as possible so that voters can make an informed decision one way or another on this measure.

Section § 1-45-117(1) C.R.S. provides that a state agency may use state resources to answer unsolicited questions regarding a proposed initiative. Determining appropriate policies to inform the development of guidelines will afford the public a fuller understanding of the initiative and, as Commissioner Plachy noted, may affect public evaluation of the initiative favorably or unfavorably.

In addition to the factors stated in the initiative as a framework for the CPS guidelines is set out in the initiative, other factors (such as an administrative structure) are implicit and would be an essential part of the guidelines required to administer the CPS. Discussion in connection with the June 5 motion cited above directed the staff to present the Commission with an outline of reasonable policy options associated with the factors stated in the initiative.

This agenda item discusses the policy options or parameters for the major factors stated in the initiative or necessarily implied for its efficient administration and the pros and cons of those options. The options presented are not exhaustive of all possibilities, but reflect the judgment of the staff regarding policies that would direct the more plausible and practicable choices to shape guidelines to implement the initiative. In developing these policy options, staff has consulted with experts from the Western Interstate Commission on Higher Education, the National Center for Higher Education Management Systems and the State Higher Education Executive Officers.

The Commission of course may wish to craft variations on the policy options prepared by staff or to select options other than those recommended by staff. With the policy direction given by the Commission, staff expects to consult extensively over the next several months with institutional representatives, other stakeholders and expert advisors to prepare a workable set of draft guidelines that will be ready for the Commission to consider in the event the initiative is adopted.

## **II. STAFF ANALYSIS**

This analysis presents the several policy options necessary to be decided in order to prepare the guidelines contemplated by the initiative. The options are organized under the headings of “fundamentals” – related to factors set out in the initiative – and “administrative” considerations.

## Fundamentals

### 1. Define the scope of “lower and middle income.”

#### a. State income maximum in terms of Adjusted Gross Income

*Pro:* AGI is easy to explain.

*Con:* AGI alone does not present a clear picture of need.

#### b. Determine an appropriate income range for eligibility through existing need calculations

*Pro:* An income eligibility derived from the maximum possible Expected Family Contribution or EFC (not to exceed the cost of attendance) provides a realistic definition of income levels for families that would be eligible for some level of CPS award. Using income alone without considering other factors affecting ability to contribute to the cost of education would lead to misallocation of CPS resources.

*Con:* A few “middle income” families (as that term may be popularly interpreted) could have income or other factors placing them above the level to be eligible to participate in the program.

*Discussion.* A family’s adjusted gross income (AGI) for federal and state income tax purposes is a well known measure of income. According to the U.S. Census (Table 1, 2006) the median household income for a Colorado family of 4 is \$75,775. Table 1 displays the median income (and a margin of error) for various family sizes in Colorado. However, income is only one of the many variables in the formula customarily used to calculate need and eligibility for financial aid.

Table 1

	Estimate	Margin of Error
Total:	64,614	+/-975
2-person families	60,577	+/-839
3-person families	64,883	+/-1,911
4-person families	75,775	+/-1,964
5-person families	66,558	+/-2,844
6-person families	64,703	+/-9,902
7-or-more-person families	62,354	+/-9,813

To be eligible for federal financial aid a student must file a Free Application for Federal Student Aid (FAFSA). The FAFSA application considers family income, the household size, assets, the number of dependents attending college, and tax exemptions to calculate an Expected Family Contribution (EFC). The EFC may not be the cost that the family actually pays

but it is presumed to be the amount the family is able to pay. Financial aid staff uses the EFC to determine eligibility for specific programs such as federal Pell grants and Colorado’s need-based grants.

Using the Student Unit Record Data System (SURDS) financial aid file, staff examined how family income compares to EFC. Incomes vary substantially in relationship to EFC depending on the size of a family and the number of tax credits a family receives. Appendix A outlines the average income in the SURDS file by EFC eligibility levels. The levels are defined as follows.

The neediest students are classified as Level 1 Students; they have a presumed EFC between zero and \$6,062 for Fiscal Year 2009; this equates with income levels at 150% of federal Pell grant eligibility. Students with documented need and moderate ability to pay are classified as Level 2 students, with an EFC that is between \$6,062 and 200% (\$8,082) of that required for the minimum Pell grant award. Level 3 students have documented need and average ability to pay, with an EFC that is more than 200% of that required for the minimum Pell grant award. As shown in Appendix A, some families with a dependent college student and an AGI of up to \$102,000 may fall within the range of Level 3 eligibility.

*Staff Recommendation.* Staff recommends option 1.b in order to assure that the focus remains on financial need as calculated by the EFC. This would enable a middle income range to be determined as a derivative of applying a maximum eligible EFC to Cost of Attendance (COA). Correlating a maximum EFC to a range of income levels depicts most accurately the range of “middle income” families that may be eligible for CPS funds. Financial aid offices are not able to access income information without extensive and costly system reprogramming. Using the current practice to identify eligible families and students would make the implementation of a new program with minimum delay and expense.

**2. Determine the order or sequence of different sources of financial aid: federal, state, private – the “last dollar in” question.**

**a. Federal always first**

*Pro:* The neediest students with low EFC’s are eligible for federal Pell Grants. Counted first, the Pell grant will “buy down” unmet need for the neediest students and permit CPS dollars to reach more students. Institutions are already directed to apply federal aid first. There are no restrictions on Pell grants. Similarly, “G. I. Bill” or Department of Veterans Affairs (VA) educational benefits for military veterans as well as other federal support for military personnel, such as ROTC awards, should be counted first toward meeting financial need. [Federal Academic Competitiveness Grants (ACG) and federal income tax credits are considered in item 3, below, in the context of “student” and parental” shares.]

*Con:* None.

**b. CPS, then private (Denver Scholarship Fund, Boettcher, Daniels, etc.)**

*Pro:* Applying state CPS aid after Pell (and other federal) grants as the last *government* dollar to the student ensures that the most Colorado students will have access to state financial aid. This approach mirrors current practice.

*Con:* CPS funds may be exhausted sooner, and significant unmet need may not be covered by private scholarships.

**c. Private, then CPS**

*Pro:* Maximizes private dollars and permits CPS dollars to reach more students.

*Con:* Multiple programs compete to be the last dollar assessed in the award process. This complicates institutional financial aid determinations and may lessen the use of institutional aid.

*Discussion.* Ultimately, the students are the ones who end up without aid when there is rigidity in so-called financial aid packaging policies. Some private scholarship foundations are also concerned about the ability to maximize their impact if CPS is the last increment of financial aid. It is more practical to explore flexible ways to “count” some private scholarship aid for which CPS-eligible students are eligible as part of the calculation of the presumed student share, as discussed in item 3, below.

*Staff Recommendation:* Staff recommends the combination of a. and b., with federal grants (Pell, VA and ROTC) counted first in determining remaining need. State aid, institutional aid, private aid, and loans should be applied to remaining unmet need to permit an integrated approach to financial aid packaging. CPS would be the last *government* aid. Foundation and private support will still be needed to cover unmet need in many cases. Packaging can be addressed in policy and guidelines but should allow for some institutional discretion.

**3. Determine the components of a “student share” and a “parental share” to be assumed in calculating need.**

*Background.* Although a formal “student share” component is not currently in use in administering financial aid, institutions do treat work-study, EFC, and available loans in determining financial aid. And under current practice, determining the parents’ share of the responsibility for financing a child’s college education is fundamentally derived from the calculation of the EFC (less student earnings).

Under a new CPS program, an expanded and more formal definition of a student and a parental share may be appropriate in defining the extent of the family’s financial responsibility and thus in determining a student’s eligibility to participate in the CPS program and the amount of any CPS assistance.

**a. Include a student work and earnings assumption**

*Pro:* Including income presumed from a reasonable level of work during the school year (15-20 hours/week) and over the summer reflects a student’s responsibility to help pay for college and may increase the student’s commitment to his/her education. According to a College Board study on part-time work, employed students exercise better time management and are more organized than their unemployed peers.

*Con:* Demanding work beyond that included in the EFC calculation *and* a loan (see below) may increase the real or perceived barrier to higher education that cost and financing present to many

families. An excessive work requirement may negatively affect academic performance and retention, as well as eligibility for additional financial aid.

**b. Include a student loan assumption**

*Pro:* Student loans provide a readily available and appropriate means to finance an education. Implementing a student share that requires a student loan buy-in may increase commitment to education. (The maximum subsidized Stafford loan for a dependent is \$3500 for freshmen. The amounts increase based on enrollment and independent status.)

*Con:* Many first-generation students and their families are very apprehensive about borrowing to attend college and the debt burden that accrues. Student loans are awarded based upon Stafford maximum/minimum, and adding a state grant *after* student loan awards would require adjustments that may negatively affect the loan amount for which a student qualifies.

**c. Assume use of the federal income tax credit, if eligible**

*Discussion:* The Hope Credit and the Lifetime Learning Credit are available to individuals and families with college students enrolled at least half time at an eligible institution. The individual/family must file and pay taxes in order to receive the credits. The credits begin to be phased out for individuals with Modified Adjusted Gross Income over \$47,000 (\$94,000 for joint returns) and end for individuals with a Modified Adjusted Gross Income of \$57,000 or more (\$114,000 for joint returns). Credits on account of students paying higher tuition and fees are larger than for those enrolled in lower-cost institutions. An individual or family claiming a tax credit does not always receive a federal tax refund; any refund is usually paid in the year following the year for which it is claimed, requiring the family to cover the initial expense and await the benefit of the credit when filing their tax return.

*Pro:* Expecting eligible families to use the available tax credit (and factoring it in to student share calculations) would enable CPS funds to reach more students in larger amounts. Use of education tax credits help families with the costs of higher education.

*Con:* Really, none. Tax credits are not available to the lower income families and students; they are available only to students and families who have positive federal tax liabilities. The tax credit covers only tuition and fee expenses, net after grant aid, not room and board or other education-related expenses.

*Staff Recommendation.* Staff recommends an integrated approach including a., b. and c. This should include a clear expectation of a student share based on an *assumed* reasonable level of work and earnings during the school year and over the summer and a reasonable reliance on available subsidized Stafford loans. A student would not necessarily be required to work in order to meet a student share requirement. The student share could be satisfied *in fact* (that is, without penalty) by other means such as an AGC, student loans, merit scholarships, institutional aid or other grants as an incentive to academic performance. A student share could vary by institution type (2-year or 4-year).

The CPS guidelines should also include assumptions of a parental share, based on the Expected Family Contribution. The EFC formula currently includes student work as a portion of the family contribution; that would need to be adjusted to account for the student work assumption, above. In addition, the parental share should assume receipt of any income tax credits for which the parents are eligible on account of their higher education expenditures. (For independent or emancipated students, the student share and parental share essentially merge.)

[Determining how best to account for all relevant factors will require further research and consultation with financial aid officials. Another approach to be explored is whether setting student share at a fixed percentage of COA would adequately address student responsibility but with much less complexity.]

**4. Level of academic performance required *initially to obtain* a CPS.**

**a. Use existing institutional admission standards for initial CPS eligibility**

*Pro:* This approach reflects current practice for the state's need-based financial aid and enables all students who are admitted to a post-secondary institution to have access to CPS aid. Adding a GPA requirement would complicate admissions and financial aid administration.

*Con:* Absence of a minimum high school grade point average (GPA) requirement eliminates an incentive for improved high school performance and an element of student responsibility.

**b. High school diploma/GED and 2.0 high school GPA for 4-year institutions**

*Pro:* This approach introduces a modest academic performance requirement for four-year institutions but remains below admission standards at some institutions.

*Con:* Institutions with open enrollment could not provide CPS aid to all needy first-year students. Adding a GPA requirement would complicate admissions and financial aid administration.

**c. High school diploma/GED and 2.0 high school GPA for all participating institutions (including community colleges)**

*Pro:* This approach introduces an academic performance requirement for CPS students at all post-secondary institutions.

*Con:* Community colleges allow open enrollment as part of their statutory role and mission. Metropolitan State College of Denver also has a modified open enrollment mission, pertaining to non-traditional students. Imposing a GPA requirement for CPS on enrollment schools will exclude a great number of community college students and some at Metro State and discourage access.

*Staff Recommendation:* Staff recommends option 4.a., with aid eligibility criteria corresponding

to institutional entrance requirements. This will allow the scholarship to serve the maximum number of students without increasing the schools' administrative costs. The public interest in higher academic standards can be served effectively if phased in *during* college (see next item).

**5. Level of academic performance (GPA) required to *remain eligible* for CPS.**

**a. GPA of 2.0, as now required for completion/graduation (Satisfactory Academic Progress)**

*Pro:* Schools are accustomed to rely on their criteria for satisfactory academic progress (SAP). This approach reaches most students and is current practice. It also is consistent with the requirements to maintain federal student aid (Pell grants). Even highly selective schools (e.g., Mines) are wary of tougher requirements and the unintended consequences for students majoring in more demanding fields.

*Con:* A 2.0 GPA requirement does not ask CPS students to meet the higher expectations of an earned scholarship.

**b. 2.5 from day 1 for 4 year institutions**

*Pro:* This tougher expectation puts CPS students on notice that they must perform academically right away and denotes that a CPS is an earned award.

*Con:* Many entering students go through a difficult adjustment to college and could lose CPS eligibility after their first semester. The elimination of state support for students making SAP but below a 2.5 GPA will impact college access, retention, and matriculation. Even highly selective schools (e.g., Mines) are wary of tougher requirements and the unintended consequences for students in demanding majors. Aid may not be provided to the neediest students. Differentiated standards by institution type may cause confusion for students and administrators.

**c. Grace period: 2.0 through first [60] credit hours, then 2.5 GPA per term (*not cumulative*) for [61st] credit hour through degree completion**

*Pro:* Allows for students to adjust to college environment. Phasing in a GPA requirement provides earned component to scholarship recipients.

*Con:* A grace period increases the administrative complexity and costs for the institutions (e.g., Banner or other computer system reprogramming). Aid may not be provided to the neediest students after the grace period.

*Background.* Current state financial aid policy is to require SAP towards degree completion. Although there is some variation among institutions, this is generally defined as a minimum *cumulative* 2.0 GPA and, on average, completion of 75% of credits attempted. SAP is monitored at the institution as the criterion for maintaining federal aid eligibility.

*Staff Recommendation:* Staff recommends option 5.c., allowing a grace period to implement a 2.5 GPA requirement for the CPS program. If there is to be a GPA requirement to maintain eligibility, it should be phased in for juniors and seniors. Institutions should be allowed a specified amount of institutional discretion (to be determined) to deal with compelling individual circumstances.

**6. CPS design based on type of institution attended**

**a. Calculate CPS award based on Cost of Attendance (COA) for community colleges**

*Pro:* This standardized COA that would extend CPS resources to more needy students.

*Con:* This approach would prejudice students attending four year institutions with higher COA, where students have additional need. Not accounting for cost difference by institution type may be unrealistic.

**b. Calculate CPS award based on COA for community colleges for those students and on an average COA for four-year schools (two tier model)**

*Pro:* This approach appropriately differentiates between community colleges and four-year institutions and facilitates access to four-year schools for needy students. It will provide some disincentive for increases in tuition, as the effect of increases on COA will be moderated in the averaging and not fully covered by higher CPS awards. Using a two tier model will increase the ability of lower cost four-year schools to attract needy students.

*Con:* Four-year schools do not all have comparable costs. COA ranges from Metro (\$19,518) to Colorado School of Mines (\$27,267). This approach would extend CPS resources less than a.

Table 2: Current average COA under a two tier approach\*

<b>Tier 1 \$21,799</b>	<b>Tier 2 \$18,524</b>
University of Colorado - Colorado Springs	Arapahoe Community College
University of Colorado - Boulder	Colorado Northwestern Community College
Colorado State University	Community College of Aurora
Colorado School of Mines	Community College of Denver
University of Northern Colorado	Front Range Community College
University of Colorado - Denver	Lamar Community College
Adams State College	Morgan Community College
Fort Lewis College	Northeastern Junior College
Mesa State College	Otero Junior College
Metropolitan State College of Denver	Pikes Peak Community College
Colorado State University - Pueblo	Pueblo Community College
Western State College	Red Rocks Community College
	Trinidad State Junior College
	Aims Community College
	Colorado Mountain college

**c. Calculate CPS award based on COAs for community colleges, four-year and research institutions (three tier model)**

*Pro:* This approach mirrors the current financial aid model. It increases access to more costly institutions for needy students and better tracks actual costs.

*Con:* This approach has fewer disincentives for increases in tuition and would extend CPS resources less than b.

Table 3: Current average COA under a three tier approach\*

<b>Tier 1 \$23,359</b>	<b>Tier 3 \$18,524</b>
University of Colorado - Colorado Springs	Arapahoe Community College
University of Colorado - Boulder	Colorado Northwestern Community College
Colorado State University	Community College of Aurora
Colorado School of Mines	Community College of Denver
University of Northern Colorado	Front Range Community College
University of Colorado - Denver	Lamar Community College
	Morgan Community College
<b>Tier 2 \$20,239</b>	Northeastern Junior College
Adams State College	Otero Junior College
Fort Lewis College	Pikes Peak Community College
Mesa State College	Pueblo Community College
Metropolitan State College of Denver	Red Rocks Community College
Colorado State University - Pueblo	Trinidad State Junior College
Western State College	Aims Community College
	Colorado Mountain college

\*An average COA for each category (tier) of institution was calculated based on nine month attendance (standard school year) and includes: tuition (with FY 08-09 increases) and fees, books, housing, food, local transportation, medical and personal expenses using averages from the FY 08-09 student budget parameters.

*Staff Recommendation:* Staff recommends option 6.c., using a three-tier model to determine award amounts for CPS. Current financial aid allocations involve calculating the average COA per institution tier (community college, four-year, and research), with awards indexed by the average COA based on institution type. To determine CPS award amounts, the average COA for each tier would be used.

**7. Set maximum (not to exceed COA) and minimum award amounts.**

**a. None**

*Pro:* Provides the most flexibility for use of state funds.

*Con:* No set minimum award for needy families provides less certainty for families to plan financially and less incentive for some students to consider going to college.

**b. Minimum amount for needy students**

*Pro:* A basic minimum award for Pell eligible families, dependent on type of institution attended (see prior item for possible tiers), enables families to plan financially with a clear understanding of what the CPS program will mean at a minimum level for eligible students attending a particular type of institution.

*Con:* Any floor or minimum amount means that some students may receive a larger CPS than would be otherwise be calculated based on a strict application of need-based criteria. This would to that extent reduce the total amount of funds available to meet need.

**c. Maximum amount determined as a function of providing a minimum amount for all with economic need and AGI below a specified income level**

*Pro:* This approach targets the neediest students.

*Con:* Financial aid administrators are burdened with more complex award calculations.

**d. De minimus cutoff for higher income families (e.g., @\$200)**

*Pro:* This approach will avoid processing costs for scholarships at the high end as need phases down and the CPS amount to be awarded is relatively insignificant. It frees up some funds for needier students.

*Con:* This approach will remove some students who still show some unmet need.

*Staff Recommendation:* Staff recommends a combination of options 7. b, c, and d. A minimum, a maximum and a *de minimus* scholarship amount should be devised to give clarity and predictability and to permit maximum participation in the program. Maximum and minimum award amounts should be calculated according to the guidelines to be developed which would set award limits by income eligibility levels (1, 2, and 3). Decisions about many of the other policy options will affect the funding pool available for CPS awards, and staff will estimate average awards by income/EFC level after those options are selected. For example, award levels are contingent on how middle income is defined as well as the calculation of a student share. Once all of the components are refined, award limits can be established.

**8. Maximum cumulative credit hour eligibility.**

**a. 145 credit hours per College Opportunity Fund (COF)**

*Pro:* 145 hours exceeds the credit hours required for most four-year degree programs. Institutions must currently impose 145 credit hour limits for COF, and the same limit could be extended to CPS.

*Con:* The only program that operates with a credit hour limitation is COF, and it is not

considered a part of the financial aid system. If more hours are covered, less funds are available to meet need for students completing a degree in fewer hours.

**b. 120 hours standard for baccalaureate degree**

*Pro:* This level limits state financial responsibility and may encourage more timely degree completion. CPS funds would reach more needy students.

*Con:* The need to repeat classes for transfer students and the high credit hours required to complete engineering or nursing programs (typically 130-140 credit hours) make this limit problematic for many students. Students who switch majors may be disadvantaged. It is difficult to track the accumulation of credits at community colleges and for transfer students.

**c. Total set above 120, and with exception available for exigent circumstances**

*Pro:* There would be flexibility but still some constraint on eligibility. CPS resources would stretch somewhat farther.

*Con:* A lower credit hour limit, with the potential for a waiver, creates some additional administrative burden.

*Staff Recommendations:* Staff recommends option 8.a., a limit of 145 credit hours maximum eligibility for scholarship funds. This mirrors state policy regarding COF stipend support and allows adequate leeway for some repeat courses for transfers and additional course requirements for certain demanding majors. Note: Community college students receiving CPS aid would remain subject to the Satisfactory Academic Progress standard that limits the time to complete an Associate's Degree to six semesters or 90 credit hours.

**9. Required course-load level**

**a. Full-time only**

*Pro:* This requirement would encourage timely degree completion.

*Con:* Students who are less than full-time (e.g., many non-traditional and community college students) are excluded.

**b. Full- or half-time (pro-rated for half time)**

*Pro:* State and federal financial aid is currently available to degree-seeking students attending on at least a half-time basis (6 hours per semester). This accommodates many nontraditional and community colleges students who, even with CPS aid, will feel obliged to work fulltime.

*Con:* The pressure for timely degree completion is reduced.

*Staff Recommendation:* Under current state financial aid policy, eligible students must be full- or half-time, degree seeking students attending qualifying institutions. Staff recommends option 9.b. to continue current financial aid procedures.

**10. Merit supplement**

**a. None**

*Pro:* Absent a merit supplement all funds are available strictly to meet need.

*Con:* Higher academic performance should be recognized in some fashion, especially if a GPA for CPS eligibility is not required (see items 5 and 6 above).

**b. A merit supplement for those qualified under standard CPS criteria *and* with higher GPA; limit to a certain percentage of total scholarship funds available**

*Pro:* A supplement would provide incentives to high-achieving students without compromising the need-based core of the program.

*Con:* Funds devoted to any merit supplement reduce the funds to cover pure need.

**c. Same as b., but with a separate merit pool for schools to administer; limit to a certain percentage of total scholarship funds going to the school (or key to their Level 1 enrollment level)**

*Pro:* This approach allows institutions to promote their own merit program for need-eligible students. Access institutions could compete better for better students.

*Con:* Funds devoted to any merit supplement reduce the funds to cover pure need.

*Staff Recommendation:* Staff recommends option 10.c., a merit pool administered by the institutions. Institutions would receive a dollar amount in relation either to their total of CPS awards or to the number of Level 1 students enrolled. Questions regarding administration of such awards can better be determined once other parameters are decided and included in the guidelines.

**Administrative** (yes or no items)

**1. Everyone starts with FAFSA**

Yes. Current policy requires students to complete a FAFSA to receive financial aid. Financial aid recipients must be U.S. citizens/legal residents (required by HB06S-1023). The FAFSA and the federal calculation of EFC are standard equations that establish need. The FAFSA is used to determine Pell eligibility.

**2. Administration: Merge new CPS program with current state financial aid program administered at institutional level**

Yes, but do not include work-study and merit aid. The current financial aid system has some component programs that must remain intact (in some cases, because they have federal counterparts). Therefore, some programs (CLEAP, SLEAP, Gear Up, Graduate Grant, AVS/Proprietary funding, Non-Profit Private undergraduate, etc.) would need to remain independent of the new program.

**3. Adjust maximum award amounts annually to account for estimated enrollment and revenue projections so as to stay within net revenue flowing to financial aid program from appropriated funds and severance taxes**

Yes.

**4. Treatment of current state aid recipients**

**a. Grandfathered at old amount or new CPS amount, whichever is *greater*, and subject to credit hour limits**

Yes, as long as students meet and maintain eligibility requirements; permit a 10% institutional discretionary window during the transition from current system to merged CPS program.

**b. Grandfathered old amount or new CPS amount, whichever is *less*, and subject to credit hour limits**

No, doing so penalizes continuing students with need.

**5. Retain current reporting and audit requirements**

**a. Biennial Audit**

Institutions that participate in state funded financial aid must submit outside performance audit reports to the Department on April 1<sup>st</sup> each year pursuant to requirements in an audit guide (posted at <http://higher.colorado.gov/Finance/FinancialAid/AuditGuides.html>).

**b. Annual Reporting**

Each September, institutions that have received financial aid allocations are required to submit SURDS reporting. The reporting includes all student data as it relates to enrollment, financial aid, and completion. Using the SURDS data, staff at the Department is required to produce a financial aid report each November. The report measures the efficiency and effectiveness to increase college access to Colorado students. The report provides estimates of federal, institutional, and private resources available in financial aid, the number of students awarded, average awards given, reported loan debt at graduation, and demographics of the recipients. Retention, academic performance, and completion information is evaluated as well as recommendations for improvement.

**c. Compliance with Fund Management Policies**

Institutions that receive state financial aid must comply with the following:

- Funds for state-funded student assistance shall be used only for direct aid to students awarded in accordance with CCHE policy guidelines.
- Program expenditures shall not exceed the dollar amount specified in Official Allocation Notices; institutions are obligated to repay any overpayment due to variance in actual aid eligibility.
- Institutions shall maintain separate accounting records for each state-funded student assistance program (i.e., line items listed on the Allocation Notice).

**d. Guidelines**

Any programmatic changes must first be approved by the Commission. The Department develops guidelines to support institutions in the administration of financial aid programs in consultation with the institutions.

*Staff Recommendation:* Staff recommends integrating the CPS program with current processes, options 5.a.-5.d. Applying the current financial aid audit, compliance, and reporting structure should provide adequate accountability and controls for the proposed CPS program. Institutions suffer a reduction in financial aid allocations for the following fiscal year for late submissions, reporting errors, and any material audit findings that reveal non-compliance. Once the parameters of the new program are defined, corresponding guidelines will be established to be approved by the Commission.

**Possible CPS Awards in 2009-10 Based on Recommended Policies\***

		Family Income \$16,000-\$54,000; average of \$35,000	Family Income \$48,000-\$79,000; average of \$64,000	Family Income \$60,000-\$102,000; average of \$81,000
Community College	Minimum	\$1,500	\$1,250	\$1,000
	Average	\$2,500	\$2,250	\$1,750
	Maximum	\$5,000	\$4,500	\$3,500
Four-Year College	Minimum	\$1,750	\$1,500	\$1,250
	Average	\$2,750	\$2,500	\$2,000
	Maximum	\$5,500	\$5,000	\$4,000
Research University	Minimum	\$2,000	\$1,750	\$1,500
	Average	\$3,000	\$2,750	\$2,250
	Maximum	\$6,000	\$5,500	\$4,500

\*The assumptions used to determine estimated award amounts: \$120 million in new CPS funds in FY09-10, to be combined with \$60 million in current funds appropriated for state need-based aid; applies to resident undergraduate enrolled full-time with pro-rated awards for half-time; FTE projections for all levels using 3-yr average, adjustments for increased enrollment, as reported in SURDS; estimated standardized COAs for FY09. Funds are presumed to be withheld to hold harmless private institutions currently receiving state financial aid whose students will not be eligible for CPS. Income levels are based on a family of four with one dependent attending college. Family income levels correspond to EFC levels 1, 2 and 3 needed to qualify.

Appendix A

Data Summary Statistics for all Resident Undergraduate FAFSA Files (EFC less than \$15,000)

Level	FTE	Adjusted Gross Income				Total Income				EFC (9 month)				Status	
		Low	Average	High	St. Dev.	Low	Average	High	St. Dev.	Minimum	Average	Maximum	St. Dev.	Dependent	Independent
1	48,058.5	3,052	20,918	38,784	17,866	5,392	23,849	42,306	18,457	0	1,508	6,062	1,841	19,875.5	28,183.0
2	5,382.0	27,620	48,914	70,208	21,294	29,531	51,253	72,975	21,722	6,063	7,025	8,083	581	3,270.5	2,111.5
3	11,992.0	40,091	66,143	92,195	26,052	43,311	69,621	95,931	26,310	8,084	11,134	15,000	1,973	8,644.5	3,347.5
<b>Grand Total</b>	<b>65,432.5</b>	<b>4,538</b>	<b>31,314</b>	<b>58,090</b>	<b>26,776</b>	<b>7,056</b>	<b>34,294</b>	<b>61,532</b>	<b>27,238</b>	<b>0</b>	<b>3,684</b>	<b>15,000</b>	<b>4,192</b>	<b>31,790.5</b>	<b>33,642.0</b>

Data Summary Statistics for Dependent Resident Undergraduate FAFSA Files (EFC less than \$15,000)

Level	FTE	Adjusted Gross Income				Total Income				EFC (9 month)			
		Low	Average	High	St. Dev.	Low	Average	High	St. Dev.	Minimum	Average	Maximum	St. Dev.
1	19,874.5	11,980	30,887	49,794	18,907	16,109	34,880	53,651	18,771	0	1,918	6,062	1,949
2	3,270.5	44,982	60,956	76,930	15,974	48,744	64,058	79,372	15,314	6,063	7,039	8,083	582
3	8,644.5	55,337	76,998	98,659	21,661	60,029	81,075	102,121	21,046	8,084	11,289	15,000	1,985
<b>Grand Total</b>	<b>31,789.5</b>	<b>18,050</b>	<b>46,361</b>	<b>74,672</b>	<b>28,311</b>	<b>22,215</b>	<b>50,285</b>	<b>78,355</b>	<b>28,070</b>	<b>0</b>	<b>4,961</b>	<b>15,000</b>	<b>4,528</b>

Data Summary Statistics for Independent Resident Undergraduate FAFSA Files (EFC less than \$15,000)

Level	FTE	Adjusted Gross Income				Total Income				EFC (9 month)			
		Low	Average	High	St. Dev.	Low	Average	High	St. Dev.	Minimum	Average	Maximum	St. Dev.
1	28,183.0	754	14,795	28,836	14,041	2,485	17,073	31,661	14,588	0	1,256	6,062	1,723
2	2,111.5	14,699	33,732	52,765	19,033	17,683	35,110	52,537	17,427	6,063	7,008	8,083	579
3	3,347.5	24,622	43,964	63,306	19,342	26,578	46,221	65,864	19,643	8,084	10,816	15,000	1,911
<b>Grand Total</b>	<b>33,642.5</b>	<b>1,333</b>	<b>19,145</b>	<b>36,957</b>	<b>17,812</b>	<b>3,179</b>	<b>21,361</b>	<b>39,543</b>	<b>18,182</b>	<b>0</b>	<b>2,652</b>	<b>15,000</b>	<b>3,580</b>