EXECUTIVE SUMMARY

Governor's Blue Ribbon Panel on Higher Education for the 21st Century

Recommendation: The Blue Ribbon Panel recommends that the Governor and General Assembly consider the creation of educational savings accounts for all Colorado residents attending Colorado public institutions with the following assumptions:

- **Undergraduate stipend of $4,000 per year or $133 per credit hour**
- **Graduate I (Master's Level) stipend of $8,000 per year or $267 per credit hour**
- **Tuition increase of up to 5% for four-year institutions for implementation of the model over and above any other allowed tuition increases**
- **Community college tuition reduction of 25%**
- **State financial aid will likely increase to four-year institutions as a result of the net price decrease to two-year institutions**
- **Role and Mission block grant for:**
  - **Graduate II (Ph.D.) FTE**
  - **University of Colorado Health Sciences Center**
  - **Colorado State University Professional Veterinary Medicine program**
  - **Colorado State University agencies**
  - **Colorado School of Mines charter-status funding**
  - **Base funding for Adams State, Mesa State and Western State**

All educational savings accounts are equal in value and fixed at a specified amount, based upon credit hours. The educational savings account is capped at 140 credit hours for undergraduates and 60 credit hours for master's level graduate students.

- **The Quality Indicator System (QIS) be maintained with benchmarks on retention and graduation. Institutions achieving these benchmarks would be granted tuition flexibility or other flexibility.**

- **The Colorado Commission on Higher Education and the Colorado Department of Education develop a report regarding funding of remedial courses at the college level and vocational technical level.**

Colorado paradox: highest educated state and relatively low enrollments

Pursuant to an executive order, the Governor's Blue Ribbon Panel discussed the future of higher education in Colorado. The panel reviewed demographic changes in the state, participation and access rates of Colorado students to higher education, and state funding and tuition levels. Colorado has been at or near the top of states with an adult population holding at least a bachelor's degree. At the same time, the state tied for 27th in its high school freshmen entering college four years later. This paradox led the panel to conclude that increasing participation for all Colorado students is a significant goal and that policies must be changed to ensure greater participation. The following table shows participation of Colorado students compared to a group of peer states.

High School Freshmen Enrolling in College Within Four Years in Any State

This participation measure looks at the percentage of high school freshman that enroll in any postsecondary institution within four years.

The statistic is based upon the number of students who immediately continue on to an institution of higher education after high school graduation.

Top 5 States

Rank	State	Percent
1	North Dakota	59%
2*	Massachusetts	54%
2*	New Jersey	54%
4	Iowa	53%
5	Nebraska	52%

Colorado and Peer States

Rank	State	Percent
6*	Illinois	48%
6*	Connecticut	48%
13*	Wisconsin	44%
21*	Minnesota	41%
27*	**Colorado**	**39%**
39	California	34%
44	Oregon	32%
47	Arizona	28%
49	Nevada	26%

* Tied

SOURCE: National Center for Public Policy and Higher Education, ***Measuring Up 2002***

Participation and access

Subgroups within Colorado's student population were not only not participating in higher education, but reported declines during the past decade. While the share of female students 18 to 24-years-of-age rose sharply during the 1990s, the share of male students was rather static - with white, non-Hispanic and Hispanic males recording decreases in higher education participation. The lack of participation in higher education by various groups in the population is an important issue for higher education in the state. The following table shows these percentages.

Colorado Population 18-24 Years Enrolled in a Colorado Public Institution of Higher Education

Ethnicity	Male		Female	
	1990	2000	1990	2000
White, Non-Hispanic	**31%**	**28%**	32%	34%
African-American	14%	17%	16%	22%
Hispanic	**14%**	**9%**	15%	15%
Total	28%	29%	23%	29%

Source: U.S. Census Bureau, CCHE

For a relatively wealthy state – Colorado was the 7th highest state in per capita income in 2001 – Colorado was doing a very poor job in providing access to higher education for its low-income students. Colorado placed last among the states in the percentage of its low-income students attending college in 1999. Increased need-based financial aid, together with the Governor's Opportunity Scholarship program, ranked the state 41st in 2000. The following chart shows the chance for college for low-income students for 2000 and 1992 for Colorado and its peers.

Chance for College for Students from Low Income Families 1992 to 2000

Top 5 States

Rank	State	Percent
1	New Hampshire	41.9%
2	New Jersey	40.5%
3	Iowa	40.1%
4	Nebraska	38.8%
5	New York	37.3%

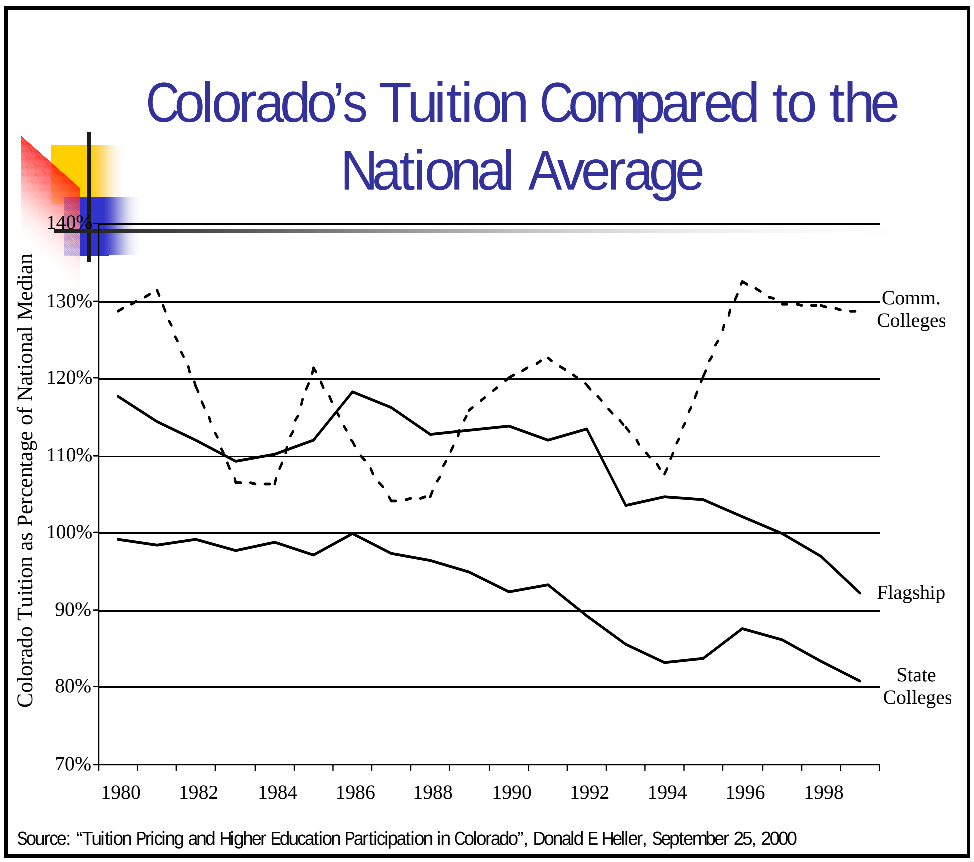
Rank	Colorado & Peer States	Fall 2000	Fall 1992
7	Minnesota	35.7%	48.4%
13	Wisconsin	29.7%	36.8%
17	Illinois	24.6%	23.4%
21	Connecticut	23.3%	17.2%
26	California	22.2%	16.5%
39	Oregon	19.1%	14.3%
41	**Colorado**	**17.1%**	**16.4%**
46	Arizona	15.6%	16.3%
47	Nevada	14.3%	15.4%
National Average		**23.1%**	**20.0%**

Source: Tom Mortenson, Post-Secondary Educational Opportunity, August 2002

Relatively high tuition for community colleges and low for other segments

The panel discussed comparative tuition rates for three segments of higher education. National studies showed that Colorado had relatively high tuition rates for its community colleges and relatively low for its flagship and state universities. Colorado ranked 18th in its tuition and fees for its community colleges in 2001, 34th for its flagship university and 38th for its comprehensive colleges and state universities.

During the 1990s, the implementation of the TABOR amendment in 1992 placed tuition receipts under the statewide revenue limitation. Secondly, the General Assembly bought down tuition for four years with increased general fund support. Panel members concluded that tuition rates need to decrease for the community college segment and that the others could increase to improve quality and programs.



Colorado Opportunity Fund

To address increasing participation for all Colorado students, increasing access for low-income students and improving quality of higher education programs, the panel recommended that the state adopt a new funding system which funds students not institutions. This change would introduce a more market-oriented approach to higher education. Increased competition would require institutions to pay greater attention to student needs and that would could enhance and improve quality.

The new funding model would direct state funds to undergraduates at $133 per credit hour or about $4,000 per year for a full-time student. Graduate I students (master's level) would receive a stipend of $267 per credit hour or $8,000 per year. A credit limit cap would be placed on undergraduates at 140 semester hours and master's level graduate students at 60 semester hours. Students who exceed this cap would pay the equivalent of state support plus tuition. Community college tuition would be reduced by 25%. Tuition increase of up to 5% for four-year institutions for implementation of the model over and above any other allowed tuition increases.

Role and mission funds would be allocated to institutions with specialized programs. They include: Ph. D. support, the University of Colorado Health Sciences Center, the Colorado State University Professional Veterinary Medicine program, the CSU agencies, the Colorado School of Mines charter-status funding and base funding for Adams State, Mesa State and Western State. The Quality Indicator System continues to be maintained with benchmarks on retention and graduation. Institutions achieving those benchmarks would be granted tuition flexibility or other flexibility.

The Colorado Opportunity Fund can serve to increase access and participation in higher education of all kinds for Colorado residents. The creation of a more market-driven approach can also serve to improve quality at the state's higher education institutions. At the same time, world-class research institutions will require additional financial resources. If the fun allows for greater tuition flexibility for the research universities, they may be more able to thrive in an increasingly international, competitive environment. This new idea may prove to energize Colorado's citizens as they meet the demands of the new knowledge-based world.