

MEMORANDUM

TO: Members of the Fiscal Affairs and Audit Committee

FROM: Emma Fedorchuk, Lead Finance Analyst; Lauren Gilliland, Lead Finance Analyst; and Jason Schrock, Chief Financial Officer

DATE: April 27, 2021

SUBJECT: State Financial Aid for Students Attending For Profit Institutions

This memorandum provides information on a footnote in the state budget directing the Commission to look at changes to the allocation of state funded financial aid to for profit institutions of higher education. It also includes background information on state funded financial aid to such institutions.

The legislature has included the following footnote in the Long Bill (the State budget) regarding appropriations for state funded financial aid:

To ensure the most efficient and effective use of state funded financial aid resources, it is the General Assembly's intent that the Commission prioritize allocations for students attending public institutions of higher education and reduce priority for allocations for students attending for profit institutions of higher education.

Footnotes in the Long Bill do not have the force of law. Therefore, the Commission is not required to make any changes to financial aid allocations based on the footnote. However, staff recommends that the Commission consider the footnote and determine whether to make any changes to financial aid allocations to for profit institutions.

For profit institutions receiving state financial aid. Currently only five for profit institutions receive state funded financial aid for their students. These institutions include: Colorado Technical University, Concorde Career Institute, the International Salon and Spa Academy, the Institute of Business and Medical Careers, and Rocky Mountain College of Art & Design. In order to be eligible, at minimum, a proprietary institution must have:

- operated in Colorado for at least two years under current ownership;
- successfully administered federal campus-based programs for two years under the current owner;
- participated in and resolved any finding from an audit of their financial aid operations;
- have the proper accreditation standards; and
- have submitted an application to the Commission.

CCHE funds students at certain for-profit institutions because students at those institutions have financial need and it has historically been a principle of the Commission to support all students with the least ability to pay, regardless of where they are enrolled. Guidelines on eligible for profit institutions make an effort to ensure that participating schools have demonstrated their ability to be ‘good players’ within the financial aid system.

Amount of state funded financial aid received by for profit institutions. Financial aid allocations to for profit institutions are not determined through the Colorado Student Grant (CSG) model, unlike allocations for all other types of schools. Instead, these schools receive the same overall increase or decrease as total state funded need-based financial aid. In FY 2021-22, overall need-based financial aid increased by 10.7 percent; if for profit institutions are treated in the same way they have been in the past they would see a 10.7 percent increase to their allocations as well.

The below table shows CSG allocations, both total and per student FTE, at for profit institutions compared with all other institutions.

| | 2020-21 CSG Allocation | 2020-21 CSG FTE | Per FTE Allocation |
|-------------------------|------------------------|-----------------|--------------------|
| For Profit Institutions | \$761,148 | 4,175 | \$182 |
| Statewide | \$150,581,228 | 59,861 | \$2,516 |

In addition to CSG, one for profit institution, the Rocky Mountain College of Art & Design (RMCAD), receives an allocation of Colorado Work Study. As with CSG, RMCAD’s work study allocation is tied to the overall work study amount. If prior year methodology is maintained, RMCAD’s work study allocation would remain flat from FY 2020-21 to FY 2021-22, as the work study amount has not been increased.

Feedback from for profit institutions on Long Bill footnote. In response to the Department’s request, all five for profit institutions currently receiving state financial aid provided feedback on how a decrease to their allocation would impact them and their students. Below is a summary of their key points:

- The students at these institutions, not the institutions themselves, will be impacted by decreased allocations. They may have to pick up additional work hours, withdraw, or attend institutions less suited to their needs.
- These schools serve many students who have not been successful at a traditional state school.



- Need-based aid is funded by Colorado taxpayers, which include students attending these institutions. These students have no less need than those at public institutions.
- Many students are pursuing in demand careers (healthcare, services, etc.), which are critical to Colorado's economy.
- Many students have been working in fields impacted by COVID-19 and have therefore lost income.
- Some of these institutions reported they have strong graduation and placement rates.

