



COLORADO

**Department of
Higher Education**

*Priority: R-2
Colorado Opportunity Scholarship Initiative
FY 2015-16 Change Request*

Cost and FTE

- The Colorado Department of Higher Education requests \$30.0 million General Fund Exempt/Total Funds for transfer to the Colorado Opportunity Scholarship Initiative in FY 2015-16. This sum will increase the State's seed investment, which is intended to incentivize contributions from the non-profit and private community and build up the Scholarship corpus in order to provide tuition assistance to students.

Current Program

- H.B. 14-1384 created the Colorado Opportunity Scholarship Initiative and provided a process for a General Fund match of community non-profit and private fundraising in order to build up a financial corpus for student tuition assistance. The program intends to provide \$3.4M in grants to student success programs around the state in order to better prepare students for post-secondary education.

Problem or Opportunity

- The cost of a postsecondary degree has increased and student debt has commensurately grown. Federal student loans comprise over 50 percent of student financial aid. Average student debt for a Baccalaureate degree was over \$25,000 in 2013. Foundation and Institutional scholarships cover only approximately 5% of the aggregate cost and this giving is not necessarily aligned to proven student success best practices.

Consequences of Problem

- Workforce requirements demand that more Coloradans have a postsecondary degree or credential. Increasing costs and levels of student debt, however, could deter some students from seeking the necessary additional education.

Proposed Solution

- The \$30.0 million General Fund Exempt transfer expenditure to COSI requested will instill additional confidence in the State's commitment to this program and will leverage tens of millions of dollars from the non-profit and private communities, consistent with the legislative intent of H.B. 14-1384.

Schedule 13

Funding Request for the FY 2015-16 Budget Cycle

Department of Higher Education

PB Request Number R-02

Request Titles

R-02 Colorado Opportunity Scholarship Initiative

Dept. Approval By:	<u><i>Marianne C. Duffin</i></u>	<u> </u>	<u> </u>	
		X		Supplemental
				Change Request FY 2015-16
OSPB Approval By:	<u><i>Just M. ...</i></u>	<u> </u>	<u> </u>	Base Reduction FY 2015-16
				Budget Amendment FY 2015-16

Line Item Information	Fund	FY 2015-16			Year 2 Continuation	
		FY 2014-15	Request	Base Request	FY 2015-16	Governor Budget Request
		Total	\$1,000,000	\$0	\$1,000,000	\$30,000,000
FTE	-	-	-	-	-	
Total of All Line Items	GF	\$1,000,000	\$0	\$1,000,000	\$30,000,000	\$30,000,000
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2015-16			Year 2 Continuation	
		FY 2014-15	Request	Base Request	FY 2015-16	Governor Budget Request
		Total		\$1,000,000	\$0	\$1,000,000
02. Colorado Commission on Higher Education - Colorado Opportunity Scholarship Initiative	GF	\$1,000,000	\$0	\$1,000,000	\$30,000,000	\$30,000,000

Letternote Text Revision Required?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	X <input checked="" type="checkbox"/>	If Yes, describe the Letternote Text Revision:
Cash or Federal Fund Name and CORE Fund Number:				
Reappropriated Funds Source, by Department and Line Item Name:				
Approval by OIT?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Not Required:	X <input checked="" type="checkbox"/>
Schedule 13s from Affected Departments:				
Other information:				



COLORADO
 Department of Higher Education

John W. Hickenlooper
 Governor

Lt. Governor Joseph Garcia
 Executive Director

FY 2015-16 Funding Request | November 1, 2014

Department Priority: R-2
Request Detail: Colorado Opportunity Scholarship Initiative

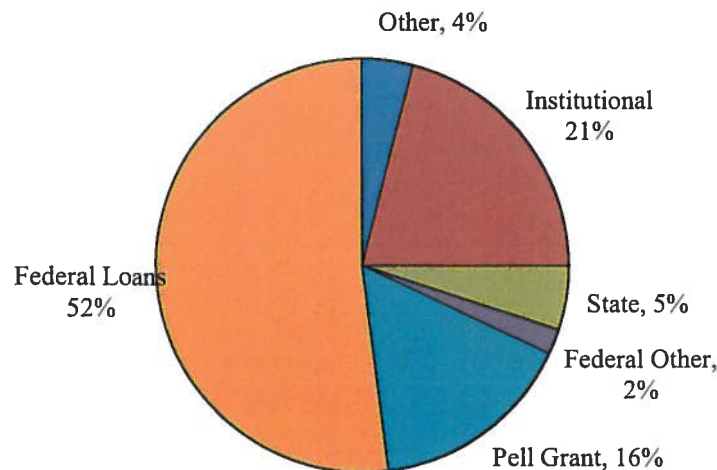
Summary of Incremental Funding Change for FY 2015-16	Total Funds	General Fund Exempt
Colorado Opportunity Scholarship Initiative	\$30,000,000	\$30,000,000

The Colorado Department of Higher Education requests \$30,000,000 General Fund Exempt for transfer to the Colorado Opportunity Scholarship Initiative in FY 2015-16. This sum will incentivize contributions in the non-profit and private community and build up the Scholarship corpus in order to provide tuition assistance.

Problem or Opportunity:

As noted by the General Assembly in the 2014 Session, most of the jobs in Colorado will require some form of postsecondary credential by 2020. Workforce requirements demand that more Coloradans will need to attend institutions of higher education, increasing their employment rate, salaries, and career prospects. Increasing levels of student debt, however, could have the effect of discouraging some students, particularly those from lower income households, from attending a postsecondary institution. While institutional aid provides a significant source of funding for students, student debt levels remain high. Average cumulative loan debt at graduation from public four-year institutions ranged from \$15,000 to \$31,000, and the average debt for baccalaureates was over \$25,000 in 2013.

Colorado Sources of Student Financial Aid (2013)



At Colorado public four-year institutions, the average student loan debt for a Baccalaureate Degree has increased from \$20,000 in 2008 to over \$25,000, a 26.3 percent increase in five years. In 2013, the average student debt ranges from approximately \$22,000 at Fort Lewis College to \$29,000 at CU Denver.

In 2014, the General Assembly passed the bi-partisan H.B. 14-1384, creating the Colorado Opportunity Scholarship Initiative and providing for a corpus of funding with which to award tuition assistance and support for students. This program ultimately seeks to assist as many high performing students as possible with significant enough financial assistance to motivate their successful completion of a post-secondary degree. This legislation contained state start-up funds of \$34.6 million for FY 2014-15, including \$1.0 million General Fund and \$33.6 million of one-time cash funds and is expected to generate private funding that can be matched with state funds to promote opportunities for Colorado students.

The goal of H.B. 14-1384 and the Colorado Opportunity Scholarship Initiative is to launch a public-private commitment to create a scholarship network that is linked to the student success best practices that improve value and promote an increase workforce-ready graduate across Colorado. In this model, General Fund is leveraged and thus used most efficiently, going further to serve more students in need.

Proposed Solution:

The FY 2015-16 request for \$30,000,000 General Fund Exempt/Total Funds for transfer to the the Colorado Opportunity Scholarship Initiative builds on the legislative intent and provides for the FY 2015-16 state General Fund portion of the match. The match, in turn, will encourage and incentivize private and non-profit donations to the Scholarship. The program is building a strong network of at least 500 program supporters and advocates who can spread the word about the Colorado Opportunity Scholarship Initiative. Community awareness will focus on key communities, including rural and first generation college students.

Outside of a reduction in tuition costs, increasing tuition assistance is the means to reduce student debt. Private tuition assistance helps to eat into the reliance on student debt. Today in Colorado, approximately \$25.7M is awarded to incoming freshman by foundations, institutions, and businesses to help them afford post-secondary education. These efforts increase affordability and lower barriers to access. About \$6 million of this sum came from private foundations, with the remainder from programs administered by public higher education institutions.

The current level of tuition assistance giving is a true asset to Colorado's education system, but it is giving that that is uncoordinated and often unlinked to the best practices that ensure maximum return on investment.

Programs such as the Denver Scholarship Foundation, the Daniels Fund, Colorado GEAR UP, and others have demonstrated that when scholarship awards are paired with student success services, award dollars go farther. Students make better decisions about their intended post-secondary pathways; they earn their credentials faster; and they place into the workforce with far more intentionality.

When this occurs, there are several beneficiaries. Funders benefit because their money goes farther and the result of giving is more tangible. Students benefit because they avoid unnecessary debt burden in relation to their ultimate earning potential. Taxpayers benefit because less money is wasted on remedial services and inefficient expenditures on students who do complete.

All of these benefits are linked the Department of Higher Education's Master Plan and, in effect, transfer its operating principles over to the private foundation sector of the post-secondary economy.

If the Administration’s request for \$30.0 million General Fund Exempt is not approved there will be two major implications. First, potential investors in the project will lose confidence in the State’s ability or commitment to the initiative and hold back resources. Second, the initiative’s financial projections rely upon sizeable annual investment to reach a goal of a \$500 million corpus by 2024. A corpus of this size is necessary to guarantee sustainability for successive cohorts of the students through 2040 and requires adherence to a fairly regular timetable.

The Department has considered the alternative of simply investing \$30.0 million General Fund Exempt into state tuition assistance grants to students through the institutions. While this would be the most direct investment and have short term impact, it does not hold out the possibility of leveraging additional dollars. Most importantly, given the volatility of state revenues, the Department believes that a certain portion of General Fund should be used to seed a corpus that could be sustainable through the down years and utilize aligned private investment.

Anticipated Outcomes:

The Colorado Opportunity Scholarship Initiative seeks to increase the cumulative funding for the program by \$30 million General Fund Exempt in FY 2015-16. This increase is intended to leverage up to at least \$30.0 million in matching contributions from community partners.

Section 23-3.3-1001 (2), C.R.S. states that, “It is the intent of the General Assembly to match non-profit and private financial contributions to the Colorado Opportunity Scholarship Initiative with annual contributions from the General Fund so that a sustainable corpus is created to fund scholarship awards in future years. Whenever practicable, the annual match should be in an amount that is significant enough to attract continued investment by community partners.” Section 23-3.3-1005 (1) (a) provides that the Scholarship Fund shall consist of moneys from money appropriated by the General Assembly and any moneys received as gifts, grants, and donations.

Throughout FY14-15 and FY-15-16, the Colorado Opportunity Scholarship Initiative will pursue the following activities:

- **Develop a student success index for Colorado.** This index will feature a handful of key metrics by which we will measure COSI’s success across the state. Components of the index are likely to include measures like graduation rates, concurrent enrollment rates, remedial need, transition into post-secondary education; and time to completion.
- **Develop a dynamic database to connect our work.** To date, there is no comprehensive inventory of student success practices, scholarships and outcomes in Colorado. This platform will allow us to map and evaluate the great work happening across the state. It will also help us identify gaps and assess where action is needed most. Ultimately, this database will boast beneficial features for students, educators, policymakers and funders. It will be a vital backbone for our work.
- **Grants to student success efforts across the State.** By February of 2015, COSI will have distributed program grants to an array of organizations and initiatives committed to empowering students to succeed in their post-secondary education. Grant recipients will include established programs in need to of resources to achieve their mission; demonstration projects that enlist the support of local funders in communities with no or very little student success infrastructure; and projects that improve access to student support services in post-secondary institutions. Grant

recipients will share their outcome data and be evaluated on the basis of the outcomes, overall value, and level of community support.

All of these activities are deeply rooted in accountability practices. The net effect of the entire early phase of the Initiative is to evaluate the outcomes and value of student success programs around the state and ultimately make recommendations on scalable strategies that could be integrated into state policy.

The project also aims to help private funders better assess gaps and inject resources to where they are needed most.

Assumptions and Calculations:

As noted in the July 24, 2014, Legislative Council Staff Final Fiscal Note, the bill intends that the General Assembly “match nonprofit and private contributions to the fund with annual appropriations from the General Fund so that a sustainable corpus is created to fund scholarship awards in future years.” The Fiscal Note also indicates that the program is intended to build its financial resources so that it may “remain sustainable.”

Starting in 2016, the program seeks to grow the amount of tuition assistance available to entering students by \$12.0 million. By 2020, this would grow the total scholarship distribution to nearly \$60 million to all participating student cohorts. To accomplish this and continue the effort, the Colorado Opportunity Scholarship Initiative will need to foster an historic public-private commitment to tuition assistance in Colorado.

This proposal assumes the Legislature will put up \$30 million each year to incentivize and leverage \$30.0 million to \$50.0 million in private commitments to postsecondary education scholarships, along with ensuring best practices in student success and career pathway work.

In the current fiscal year, incentivized private contributions are projected to be in the \$15 million to \$20 million range. By the FY 15-16 we do believe that as much as \$50 million in private contributions is possible and this is what is needed to achieve our goal of a \$500 million corpus by 2024. Each dollar the legislature is able to commit to this seed corpus enables to be that much more effective at garnering community financial support as envisioned in H.B. 14-1384.

At least 87% of the request is intended to continue building the State’s commitment toward a shared public-private corpus for the scholarship effort. 10% of funds in the Fund are to be used to fund grants to student success programs. If this request is approved, the initiative would be granting \$6M in FY 15-16. Per statute, 3% of funds may be used for the administrative expenses. The FY14-15 budget of \$400,000 includes resources for 2 FTE, including a Program Coordinator.