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FOR YOU!**



Bell Policy Center

**Colorado's  
higher education system  
at the breaking point**



(and what  
**you**  
can do to help)

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## **Spiros Protopsaltis, Policy Analyst Lead Researcher and Author**

**The Bell Policy Center** is a nonprofit public policy organization committed to making Colorado a state of opportunity for all, regardless of race or economic background. The Bell seeks to reinvigorate the debate on issues affecting the well-being of families and working adults, and to promote public policies that open gateways to opportunity.

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## **Colorado's higher education system at the breaking point**

**(and what you can do to help)**

### **Introduction**

Our public colleges, universities and adult training institutions are a critical gateway to opportunity for thousands of Coloradans each year. They also are a potent engine of growth and economic vitality for our communities, providing a trained workforce and stimulating millions of dollars in investments in our communities and businesses. By every measure, a strong higher education and adult training system is vital to individual opportunity, a competitive economy and our quality of life.

But Colorado's public colleges, universities and vocational schools are in serious trouble. Declining state investment threatens the quality of every institution in the system, and the very existence of some of them. Increasing tuition rates – imposed partly to backfill for declining state funding – make college less affordable for all Colorado families. And cuts in state financial aid put college out of reach for more and more low-income or low-wealth families.

After more than a decade of declining state investment, Colorado's system of public higher education and adult training is nearing the breaking point. The implications are severe for our families, our businesses, our communities and our future.

How did this happen? What is at stake for Coloradans and their communities? And what can be done about it?

This booklet offers straightforward answers to these questions. The good news is that we have the opportunity to stop the decline, and perhaps even to reverse the trend. Coloradans can choose whether we want to live in a state where affordable, quality higher education is available to most people; or whether the college applications of more and more of our kids will come back stamped: "NO COLLEGE FOR YOU!"



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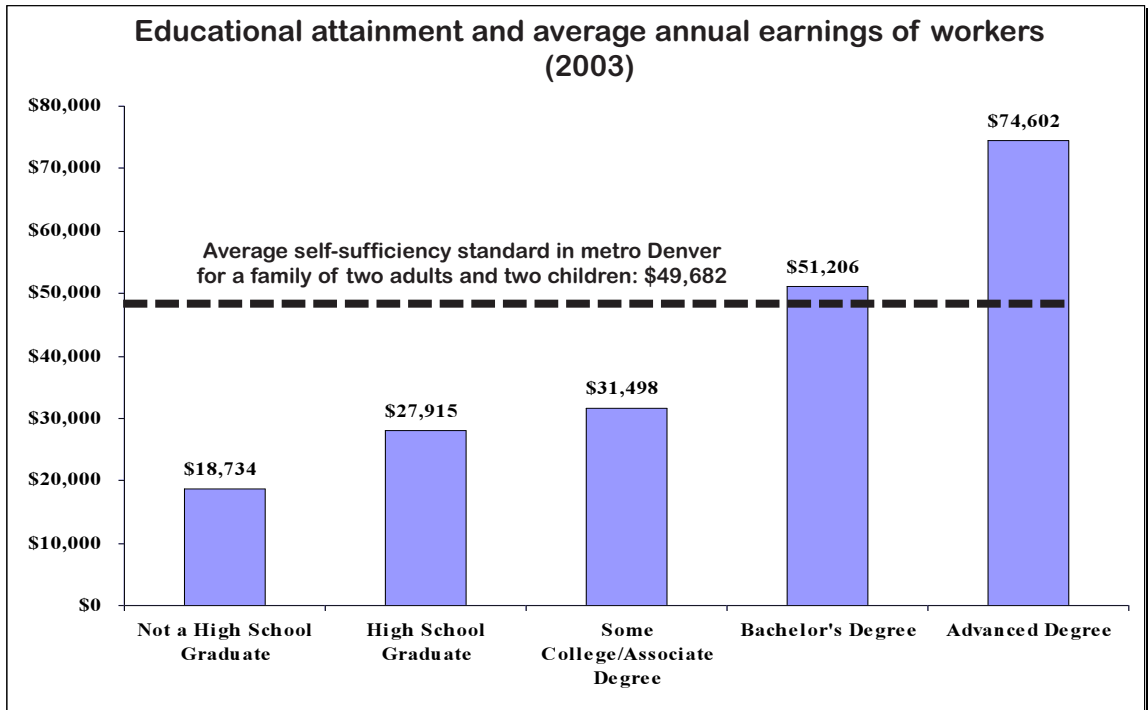
## Access to higher education and training for adults

To be a state of opportunity in the 21st Century and to compete in a global economy, Colorado must provide its adults — both young and old — access to lifelong education and training. Real opportunities for postsecondary education and training must be available, not just to recent high school graduates, but to high school dropouts of all ages, English language learners, and high school graduates who find their skills are no longer up-to-date.

The relationship between education and earnings is clear: A high school diploma is no longer enough in today's economy and a college education pays off.

The average worker with a bachelor's degree earns almost twice as much as the average worker with a high school diploma.

More than 43 percent of working families living below the poverty line in Colorado have at least one parent who did not complete high school, and more than 62 percent have parents without a college education, according to the 2003 American Community Survey of the U.S. Census Bureau.



Sources: U.S. Census Bureau, Current Population Survey, Table A-3. Mean Earnings of Workers 18 Years and Over, by Educational Attainment, Race, Hispanic Origin, and Sex: 1975 to 2003; Diana Pearce. (2004). The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget.



According to the College Board, over an individual's lifetime, a bachelor's degree recipient earns at least 80 percent more, on average, than an individual with only a high school diploma. The lifetime gap in earning potential between the high school diploma and a bachelor's or higher degree exceeds \$1 million.

Such disparities in earning potential frequently make the difference between whether a family succeeds financially or not. One useful measure of a family's economic success is the self-sufficiency standard, developed by the national organization Wider Opportunities for Women. The standard shows what it takes for families of different sizes and types to be self-sufficient in the communities in which they live.

In Colorado, the self-sufficiency standard is localized by the Colorado Fiscal Policy Institute.

The Institute's self-sufficiency standard weighs the major components of a family's budget, including housing, food, health care, transportation and child care. It also takes into account the local cost of living, estimating the income families need to live without public or private assistance or doing without a basic need, such as health care or adequate housing.

Comparing the self-sufficiency standard in Colorado to the earning potential of people with different levels of education uncovers a striking fact: while the average high school graduate earns enough to keep a family of four above the federal poverty level, on average it isn't until the breadwinner has a bachelor's degree that a family of four can live at or above self-sufficiency. A college degree is now the key gateway to opportunity in Colorado – the ticket to home ownership, wealth accumulation and the ability to pass opportunities on to future generations.

Higher education helps families succeed financially, and it helps the communities they live in. There is a direct correlation between educational attainment and whether families are net contributors of tax revenues or net consumers of government services.

## **The Colorado paradox**

Even though education beyond high school is so critical to economic well-being, Colorado does a poor job of providing access to postsecondary education. When it comes to education and training, Colorado is truly a "tale of two states."

On the one hand, Colorado has the second highest rate in the nation of adults over 25 with a bachelor's degree (35 percent), behind Massachusetts, and the third highest rate of adults over 18 with some postsecondary education or higher (64 percent), according to the 2003 American Community Survey.

On the other hand, Colorado does a relatively poor job of offering its own residents a college education, especially low-income and minority students. Colorado ranks 35th in sending low-income young adults to college and 41st in the college enrollment rates of minority young adults.



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In other words, Colorado is a highly-educated state only because it imports educated human capital from other states. From 1989-2001, Colorado was the second largest net importer of college graduates and freshmen students (*Postsecondary Education Opportunity. (2003). "Interstate Migration and Geographic Mobility of College Graduates 1977 to 2002."* No. 130, April).

Colorado's system of public higher education has the potential to dramatically increase economic opportunity for its own residents by helping improve their skills and knowledge. A credential from one of the state's colleges or universities — whether a six-month occupational certificate, two-year associate degree, or bachelor's degree — has a significant, positive impact on earnings.

### College and university enrollment in Colorado

	Colorado	U.S.	Rank
Young adults (18-24)	31 percent	33.5 percent	31 <sup>st</sup>
Minority young adults (18-24)	21.1 percent	28.8 percent	41 <sup>st</sup>
Hispanic young adults (18-24)	13.3 percent	22.7 percent	34 <sup>th</sup>
Low-income young adults (18-24)	21.9 percent	24.7 percent	35 <sup>th</sup>

Sources: U.S. Census Bureau, 2003 American Community Survey microdata; Tom Mortenson, *Postsecondary Education Opportunity*.

### Economic impact of higher education

Higher education also generates a wealth of economic benefits for the entire state economy, including direct investments in businesses and communities and a more competitive workforce.

Take a look at what four institutions mean for the state and for their communities:



#### The University of Colorado system

For every \$1 the University of Colorado receives in unrestricted state General Funds, the university adds \$26 to Colorado's economy and \$1.04 is recaptured by Colorado in taxes (*University of Colorado System, "More Than Ever, CU is a Sound Investment in Colorado: Economic Indicators, 2005"*).

And state funding is used to leverage federal funding. For every dollar of unrestricted state General Fund support, CU brings in another \$2.30 in competitive research grant funds (*University of Colorado 2004 President's Report, "CU Impacts Colorado"*). In

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2004, the university was awarded nearly \$600 million in federal research and development funding.

CU adds to local economies as well. Students spent nearly \$742 million in Colorado in FY 2004, and out-of-state visitors to CU students spent an additional \$72 million. The demand for goods and services by CU students and visitors contributes more than \$4 billion to the state's gross product.

CU is the state's third largest employer with nearly 24,000 employees. An additional 18,700 jobs statewide are created by the direct demand for goods and services by CU and its employees.

By 2010, CU's Fitzsimons redevelopment project in Aurora is expected to support more than 34,800 jobs, and when completed the Fitzsimons campus will support an estimated 67,000 jobs and \$3.1 billion in economic activity, projected to climb to \$6.3 billion at full development. Local sales and use taxes will total \$21.7 million annually in 2010.

Higher education also fosters entrepreneurship and fuels public-private partnerships and investments. Technology that has originated from CU has been used to start more than 40 companies since 1995, including nine in 2004 alone.

Nearly 200 exclusive and non-exclusive licenses are in effect for developing and marketing related technology. In 2004, the university completed 41 exclusive and nonexclusive licenses and option agreements.



*Knowledge to Go Places*

### **The Colorado State University system**

Colorado State University is responsible for more than \$1.3 billion of economic activity in Colorado, in direct and secondary economic impacts (*Colorado State University, "Economic Impact in Colorado"*). For every \$1 in state appropriations, CSU generates \$3.52 of additional funding and \$9.59 of additional statewide economic activity.

CSU also creates \$1.2 billion in Colorado above and beyond the state's funding. Colorado State University has annual research expenditures of \$224.2 million, with \$48.9 million from non-federal external sources, \$152.0 million from federal sources and \$23.3 million from institutional support (*Colorado State University Fact Book, FY 2004-05*).

CSU is also the single largest employer in Fort Collins, with 16.2 percent of total employment and 15.3 percent of total wages. For every 100 employees hired by CSU, an additional 55 jobs are created somewhere in Fort Collins' local economy. The university has approximately 11,100 employees, and an additional 6,100 jobs in Fort Collins are attributable to CSU (an employment multiplier of 1.5).

Total employment generated by CSU is approximately 17,200, or 25 percent of the total employment in Fort Collins. Overall, CSU generates \$621.1 million of total eco-



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conomic activity in Fort Collins (\$467.4 million of direct economic impact and \$153.7 million of indirect economic impact).

Students and their parents contribute more than \$201.7 million to CSU for tuition, housing, food service, and books, and students contribute more than \$102.9 million to the local economy for off-campus housing, food, transportation, and other personal expenses.



### Mesa State College

With 1,200 employees and a payroll topping \$22.5 million, Mesa State College in Grand Junction is the third largest employer in Mesa County (*Carol Futhey and Morgan Bridge, "Advancing a Higher Degree of Leadership in Western Colorado"*). In addition to college staff and faculty, MSC creates another 477 jobs in the community.

MSC is the regional education provider for 14 Western Slope counties that represent nearly 28 percent of Colorado's total area. The estimated economic impact of MSC exceeds \$144 million annually.

Employee expenditures added \$13.8 million to the Grand Junction economy, college expenditures added \$5.4 million and capital spending offered a yearly average of \$1.8 million to the local economy.

Student spending exceeded \$55 million, while more than \$3.8 million was spent by visitors attending college events.



### Adams State College

With 3,500 students and more than 520 employees, Adams State College in Alamosa is the largest employer in the San Luis Valley (*John Stump, Adams State College: Economic Impact Analysis and Report, San Luis Valley and Colorado*).

The college has \$40.8 million in direct expenditures, its students spend \$27 million, its employees spend another \$8.8 million, and college purchases, events and visitors contribute another \$5.1 million in direct spending to the regional economy. College spending yields more than \$2 million in sales taxes.

College spending alone is close to the \$44 million a year the Valley earns from tourism.

Overall, Adams State and its students have a total annual economic impact to the San Luis Valley of more than \$70 million, the largest impact of any employer in the region.

College spending outside the Valley totals \$16 million, for a total economic impact in Colorado of more than \$86 million.

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In addition to its 520 employees, Adams State College generates 265 off-campus job opportunities (a multiplier of more than 1.5). For every \$1 invested by the state in the college, Adams State returns \$7.10 in statewide economic impact.



## Higher education and economic competitiveness

In light of the significant contributions of public higher education to the state's economy, Colorado's business community is worried about the state's funding crisis.

The Colorado Business Leaders Confidence Index for the first quarter of 2005 declined for the second consecutive quarter, to 61.3 percent, a decrease of more than five points from the 66.9 percent marked in the first quarter of 2004 (*University of Colorado at Boulder, Leeds School of Business*).

Furthermore, the majority of business leaders surveyed feel the state's funding situation is critical or very critical: 56.4 percent are concerned about overall state funding and a whopping 70 percent worry about higher education funding. As the BLCI reported:

"Business leaders who indicated that higher education is not sufficiently funded believe that investments in higher education are long-term investments. They are concerned that recent funding cuts may have irreversibly damaged the system.

"In addition, these individuals view higher education as essential for the support of current industry as it provides qualified employees for the region.

"Respondents stated that a well funded education system is critical for 'selling' the state, and it is necessary for Colorado to remain competitive with the rest of the world.

Finally, these respondents are concerned that decreased support for higher education will lead to significantly higher tuition, which, in turn, will raise larger societal issues." (*BLCI, Vol. 3, No. 1, pg. 4*).

## Higher education and the state budget crisis

Colorado's public colleges, universities and vocational schools are critical to individual opportunity and to competitive state and local economies.

But over the past decade and a half, Colorado's state government has invested less and less in these crucial assets. In 1991, of every dollar the state spent, almost 20 cents went to higher education. In 2005, the state is spending barely 10 cents of every dollar on higher education.

The result: less access for all Coloradans, especially low-income and minority students; higher tuition for those who do attend; fewer choices; lower quality and declining



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competitiveness in an increasingly global economy.

The biggest influence on the higher education budget in the last few years has been the overall statewide budget. Since the passage of the Taxpayer's Bill of Rights Amendment (TABOR) in 1992, the state Constitution has limited the revenues the state can use in any year to what it spent in the previous year, adjusted only for population growth and the annual change in consumer prices.

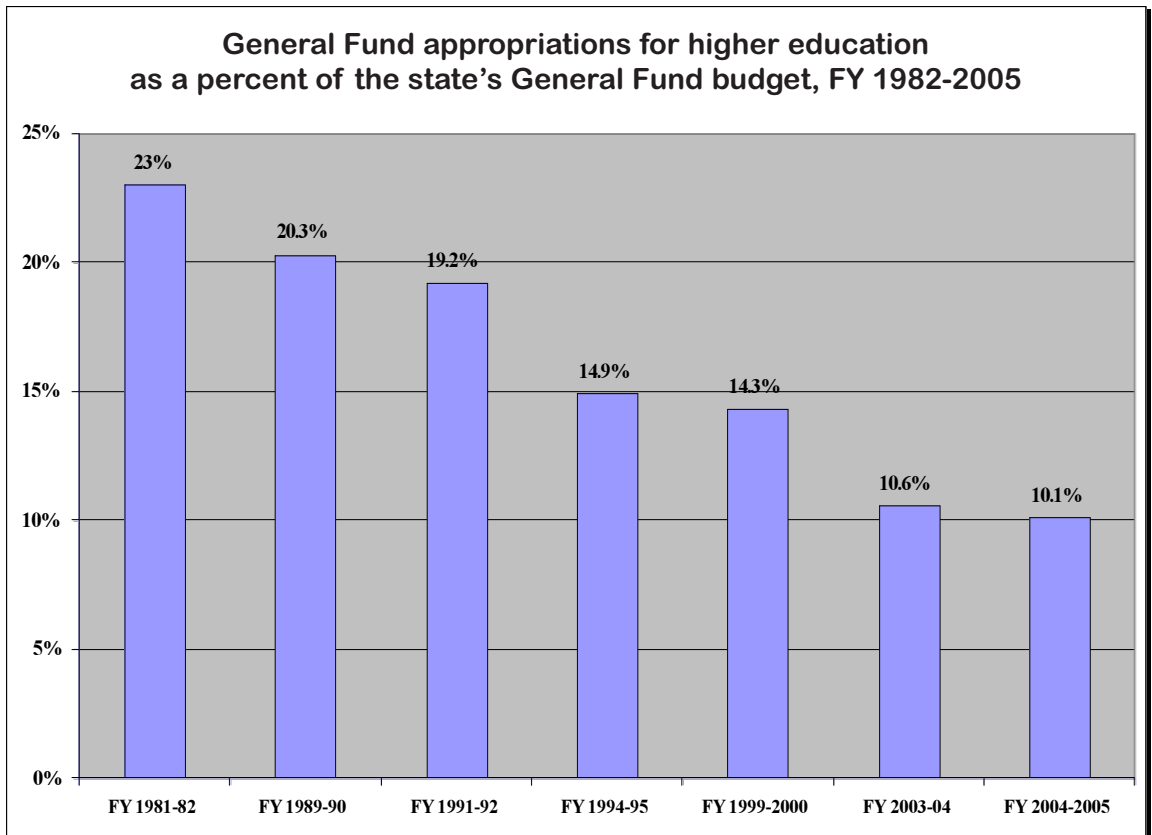
This is the most restrictive state spending limit in the nation. It has forced significant reductions in state spending across the board – especially since the economic downturn earlier this decade.

The recession, not the spending formula, was responsible for the decline in revenues. But since the formula is based on the previous year's actual spending, cuts made during a recession become permanent.

In other words, our state budget has fallen and it can't get back up.

And it is our public colleges and universities that are hurt the most.

Legislators attempting to bring spending in line with available revenues targeted



Source: Colorado Joint Budget Committee

higher education in order to balance case load increases in other critical areas, such as Medicaid and K-12 education.



Since there is no constitutional requirement to fund higher education, as there is with Amendment 23 and public K-12 education, and there are no federal mandates or matching funds, as with Medicaid, higher education is viewed as a more discretionary budget item. As a result, when Colorado faces budget cuts, higher education suffers the most among major budget areas.

Higher education’s share of the state’s General Fund budget has decreased by more than half (56 percent) since FY 1982, from 23 percent to 10.1 percent in FY 2005. While the state’s population and inflation have increased cumulatively by more than 65 percent since 1992, the General Fund budget for higher education has grown by only 12.6 percent during the same time.

Among the largest departments and major areas of state government expenditures, higher education has suffered the most from the General Fund budget cuts during the past four years. General Fund appropriations for higher education fell by \$160 million (21.3 percent) between FY 2001 and FY 2005.

**Change in General Fund appropriations, FY 2001 to FY 2005**

	<b>Millions</b>	<b>Percent</b>
<b>Health care</b>	\$243.7	24
<b>K-12 Education</b>	\$396.1	18.5
<b>Corrections</b>	\$76.4	18
<b>Judicial</b>	\$13.1	6.3
<b>Human services</b>	(\$32.9)	- 6.6
<b>Higher education</b>	<b>(\$159.6)</b>	<b>- 21.3</b>
<b>All other</b>	(\$106.7)	- 29.1
<b>Total</b>	\$430	8

Source:  
Colorado  
Joint Budget  
Committee

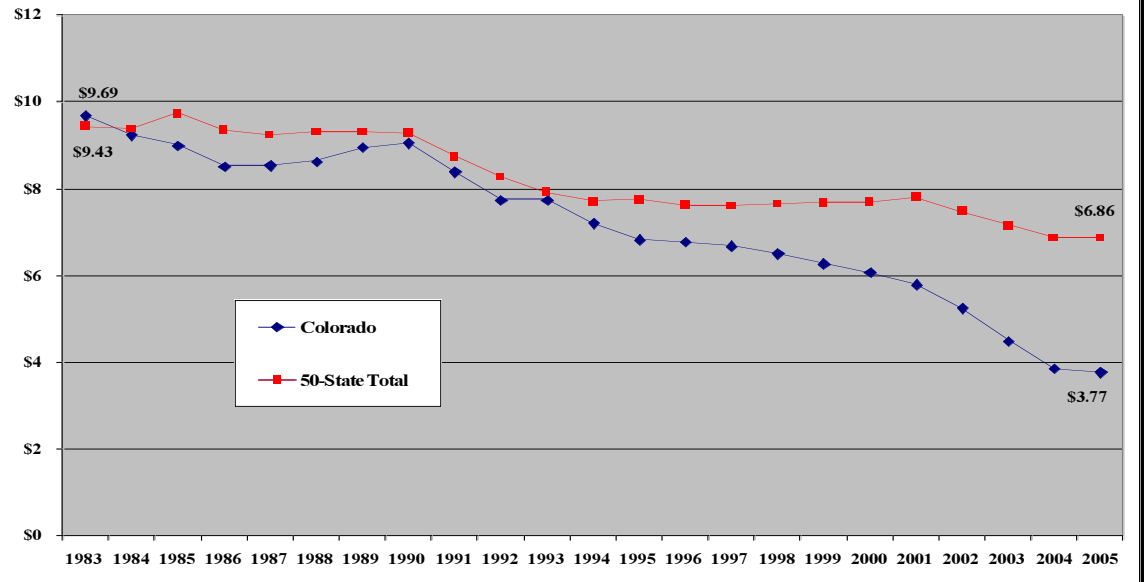
State tax fund appropriations for higher education per \$1,000 of personal income in Colorado fell by 59 percent from FY 1983 to FY 2005, from \$9.69 to \$3.77, ranking the state 48th in the nation. That’s because personal income has grown much faster than the formula of growth in population plus inflation allowed for state spending, and because the Legislature has made dramatic cuts in General Fund appropriations for higher education.

In addition, Colorado invested only \$128.55 of tax funds per capita for higher education in FY 2005. That ranks Colorado 48th in the nation, well below the 50-state average of \$214.96, according to the Center for the Study of Education Policy at Illinois State University. Also, Colorado ranks 47th in the 10-year change in appropriations for higher education, according to the National Center for Public Policy and Higher Education.



## State tax fund appropriations for higher education per \$1,000 of state personal income, FY 1983-2005

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Source: Postsecondary Education Opportunity. (2005). "State Tax Fund Appropriations for Higher Education – FY 1961 to FY 2005." [www.postsecondary.org](http://www.postsecondary.org)

At the same time that state funding for higher education has suffered severe budget cuts, student enrollment has grown at increased rates.

Generally, enrollment is countercyclical to the economy. An economic downturn causes large numbers of students to go to college to upgrade their skills and improve their ability to compete in a tight labor market.

Between FY 2001 and FY 2005, Colorado public college resident student enrollment grew by 26,500 (22.7 percent) while taking a significant decrease in state funding.

### Resident student full-time equivalents (FTE) in Colorado public higher education institutions, FY 1999 - FY 2005

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Student FTE</b>	<b>114,980</b>	<b>116,739</b>	<b>117,235</b>	<b>122,062</b>	<b>130,788</b>	<b>136,489</b>	<b>143,819</b>
<b>Percent change</b>	<b>1.9</b>	<b>1.5</b>	<b>0.4</b>	<b>4.1</b>	<b>7.1</b>	<b>4.4</b>	<b>5.4</b>

Sources: Colorado Joint Budget Committee and Colorado Legislative Council

The combination of enrollment increases and funding cuts has caused a dramatic decrease in state funding per resident student. This figure varies among the public higher education institutions and systems.



Students of the University of Colorado system experienced the largest drop in state funding, while resident students at the Colorado School of Mines suffered the least. Overall, resident students in Colorado’s public higher education system have lost more than a third of their state funding.

**Change in General Fund appropriations per resident student FTE, FY 2002 - FY 2005**

	<b>FY 2001-2002</b>	<b>FY 2004-2005</b>	<b>Percent Change</b>
<b>Colorado School of Mines</b>	\$8,599	\$6,464	- 24.8
<b>State colleges</b>	\$4,024	\$2,999	- 25.5
<b>University of Northern Colorado</b>	\$4,769	\$3,422	- 28.2
<b>Colorado State University</b>	\$6,893	\$4,840	- 29.8
<b>Community colleges</b>	\$3,565	\$2,306	- 35.3
<b>University of Colorado</b>	\$7,204	\$4,310	- 40.2
<b>All public colleges and universities</b>	<b>\$5,365</b>	<b>\$3,511</b>	<b>- 34.6</b>

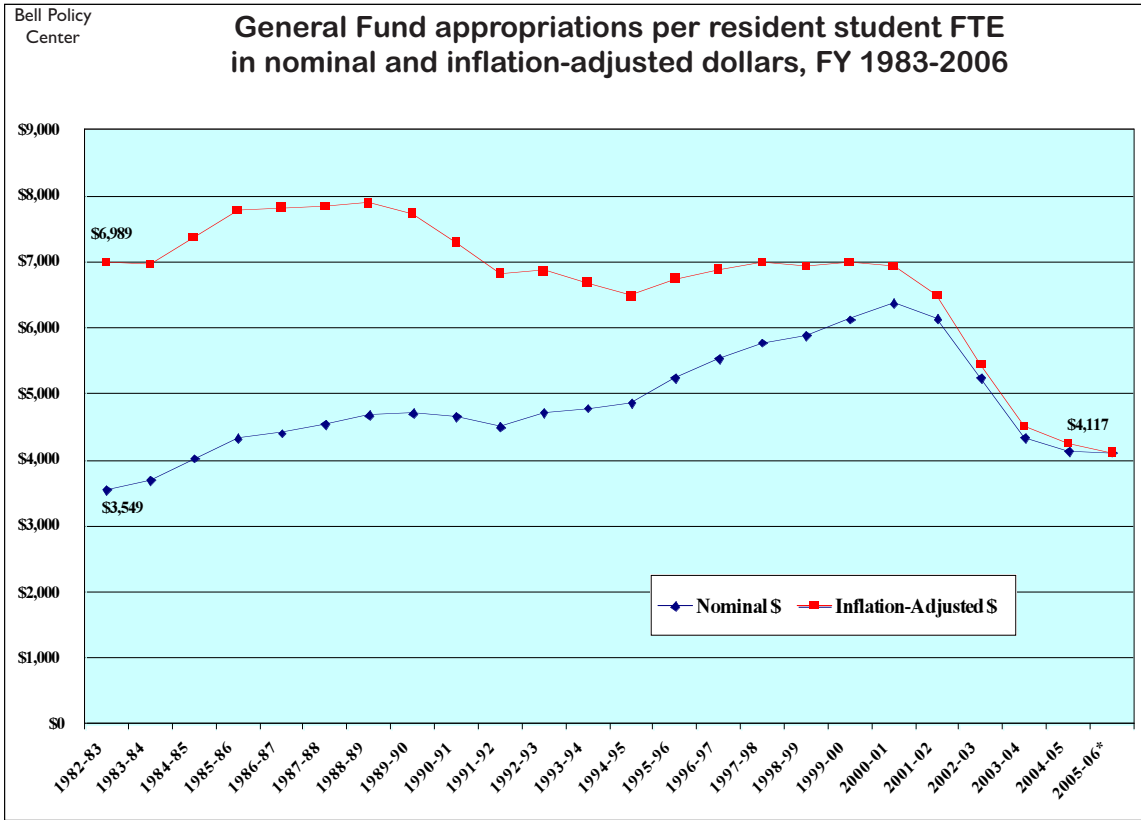
Source: Colorado Joint Budget Committee

The decline in state funding per resident student is even more dramatic when adjusted for inflation. Specifically, General Fund expenditures per resident student decreased by 41.1 percent since FY 1983. While the state invested \$6,989 in each student in 1983, in FY 2006 it will invest only \$4,117.

Inflation rises more steeply for colleges than consumers.

The Higher Education Price Index (HEPI), a more accurate reflection of the cost incurred by colleges and universities, has increased by more than 56 percent since 1992 (*Research Associates of Washington*). By comparison, the Consumer Price Index (CPI) grew by 39 percent in that same period (*Bureau of Labor Statistics, U.S. Department of Labor*). Using the HEPI, the impact of budget cuts to public higher education has been even more severe.

A chart tracking the General Fund appropriations per resident student FTE in nominal and inflation-adjusted dollars from FY 1983 through FY 2006 is shown on the next page.



Sources: Colorado Joint Budget Committee, U.S. Department of Labor, Colorado Legislative Council, Colorado Office of State Planning and Budgeting.

## The College Opportunity Fund

The impact of declining state support for public higher education on students and their families is dramatic.

In 2004, the Colorado General Assembly passed legislation to create the College Opportunity Fund as a new way of distributing state funding to colleges and universities. Instead of allocating state funding in big chunks directly to each institution, the state now earmarks a share of that funding for each undergraduate student and forwards it to the institution in each student's behalf.

In other words, instead of dividing the funding pie into one piece for the governing



boards of the state’s public institutions, the state will now divide the pie into roughly 140,000 pieces, one for each resident student.

While there is no new money created by the College Opportunity Fund, it is now possible for each student to see exactly how much the state is paying on his or her behalf. In the 2005-06 school year, that stipend will be about \$2,400 per student.

But it is likely never to be that high again. In fact, if current trends continue, the stipend could drop below \$1,500 per student five years from now, and in a little over a decade it could be worth only a few hundred dollars, due to projected budget cuts.

### Rising tuition partially offsets the revenue gap

As enrollment has increased and general fund appropriations have declined, the burden of financing the state’s public colleges and universities has shifted increasingly to students and their families. Since 2000, the General Fund’s share of overall higher education has dropped from one-half of the total to just above one-third of the total.

#### Total and General Fund appropriations for higher education, FY 1999 — FY 2005, in millions

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Total</b>	<b>\$1,348</b>	<b>\$1,413</b>	<b>\$1,502</b>	<b>\$1,578</b>	<b>\$1,623</b>	<b>\$1,648</b>	<b>\$1,666</b>
<b>General Fund</b>	<b>\$666</b>	<b>\$711</b>	<b>\$748</b>	<b>\$750</b>	<b>\$685</b>	<b>\$592</b>	<b>\$588</b>
<b>Percent</b>	<b>49.4</b>	<b>50.3</b>	<b>49.8</b>	<b>46.9</b>	<b>42.2</b>	<b>37.5</b>	<b>35.3</b>

Sources: Colorado Joint Budget Committee and National Association of State Budget Officers

Public higher education institutions have partially offset this revenue gap by raising tuition, and students and their families have now surpassed the state as the primary financers of the state’s colleges and universities.

#### General Fund and tuition revenue appropriations for higher education, FY 2001 and FY 2005, in millions

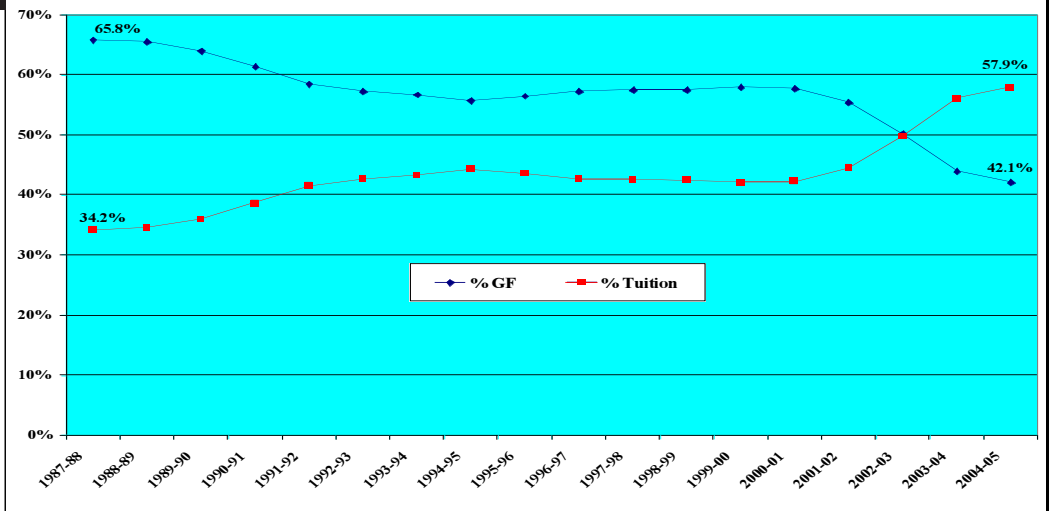
	2000-01	Percent	2004-05	Percent
<b>General Fund &amp; tuition revenue appropriations</b>	<b>\$1,160</b>	<b>100</b>	<b>\$1,301</b>	<b>100</b>
<b>General Fund revenues</b>	<b>\$613</b>	<b>52.8</b>	<b>\$491.3</b>	<b>37.8</b>
<b>Resident tuition revenues</b>	<b>\$292.6</b>	<b>25.2</b>	<b>\$439.3</b>	<b>33.8</b>
<b>Non-resident tuition revenues</b>	<b>\$254.5</b>	<b>21.9</b>	<b>\$370.1</b>	<b>28.5</b>

Source: Colorado Joint Budget Committee



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### General Fund appropriations and tuition revenue as a percent of total revenue per student FT, FY 1988-2005



Source: Colorado Joint Budget Committee

But since tuition revenues count as part of the state’s overall constitutional spending limits, colleges and universities have not been able to cover entirely the loss of general fund revenues with tuition increases. And since low-wealth students are particularly vulnerable to rising costs, some institutions have been unable to raise tuition as much as may be needed without threatening their public mission of providing access to underserved populations.

The University of Colorado system has been the most able to raise tuition revenue per resident student to cover the revenue gap, while state colleges and community colleges – whose students are most sensitive to the price of tuition – have been less able to cover costs.

### Change in total of General Fund and tuition revenue per resident student FTE, FY 2002-FY 2005

	FY 2001-2002	FY 2004-2005	Percent Change
<b>University of Colorado system</b>	\$12,488	\$12,109	- 3
<b>Colorado School of Mines</b>	\$14,477	\$13,859	- 4.3
<b>Colorado State University system</b>	\$9,818	\$9,200	- 6.3
<b>University of Northern Colorado</b>	\$7,282	\$6,809	- 6.5
<b>State colleges</b>	\$6,281	\$5,462	- 13
<b>Community colleges</b>	\$5,493	\$4,578	- 16.7
<b>All public colleges and universities</b>	<b>\$8,787</b>	<b>\$8,023</b>	<b>- 8.7</b>

Source: Colorado Joint Budget Committee

Still, even with the constitutional limits on revenue growth and the price-sensitivity of low-wealth students and their families, students have been forced to pay much higher tuition rates in recent years.



**Resident undergraduate tuition and fees at public higher education institutions, FY 2001 and FY 2005**

<b>Institution</b>	<b>2001</b>	<b>2005</b>	<b>Percent Change</b>
<b>Public four-year institutions</b>			
Colorado School of Mines	\$5,211	\$7,082	36
University of Colorado-Boulder	\$3,180	\$4,245	33
University of Colorado-Denver	\$2,698	\$3,888	44
University of Colorado -Colorado Springs	\$2,695	\$4,058	51
University of Northern Colorado	\$2,753	\$3,370	22
Colorado State University	\$3,135	\$3,790	21
Colorado State University – Pueblo	\$2,370	\$3,216	36
Metropolitan State College of Denver	\$2,390	\$2,780	16
Adams State College	\$2,186	\$2,603	19
Fort Lewis College	\$2,331	\$3,065	31
Mesa State College	\$2,185	\$2,724	25
Western State College	\$2,270	\$2,761	22
<b>Public two-year institutions</b>			
Aims Community College	\$930	\$1,503	62
Arapahoe Community College	\$1,514	\$1,774	17
Colorado Mountain College	\$1,380	\$1,230	- 11
Colorado Northwestern Community College	\$1,558	\$1,784	15
Community College of Aurora	\$1,519	\$1,730	14
Community College of Denver	\$1,501	\$2,210	47
Front Range Community College	\$1,544	\$1,872	21
Lamar Community College	\$1,672	\$1,961	17
Morgan Community College	\$1,537	\$1,762	15
Northeastern Junior College	\$1,943	\$2,175	12
Otero Junior College	\$1,555	\$1,946	25
Pikes Peak Community College	\$1,507	\$1,755	16
Pueblo Community College	\$1,605	\$1,826	14
Red Rocks Community College	\$1,586	\$1,849	17
Trinidad State Junior College	\$1,629	\$2,154	32

Source: Western Interstate Commission for Higher Education



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## Declining financial aid

Tuition increases affect the affordability of college. At the same time, state financial aid programs have suffered significant cuts in state funding. In particular, the state's need-based financial aid programs, targeted to students who face the largest cost barriers to a college education, also lost funding in recent years.

### State funding for financial aid, in millions

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Financial aid</b>	<b>\$67.6</b>	<b>\$73</b>	<b>\$78.6</b>	<b>\$85.3</b>	<b>\$90.9</b>	<b>\$76.1</b>	<b>\$76.1</b>
<b>Percent change</b>	<b>9.3</b>	<b>8.1</b>	<b>7.6</b>	<b>8.5</b>	<b>6.8</b>	<b>- 16.3</b>	<b>0.1</b>
<b>Need-based aid</b>	<b>\$34.1</b>	<b>\$38.4</b>	<b>\$42.2</b>	<b>\$47.6</b>	<b>\$51.5</b>	<b>\$46</b>	<b>\$46</b>
<b>Percent change</b>	<b>11.9</b>	<b>12.6</b>	<b>9.8</b>	<b>12.8</b>	<b>8.3</b>	<b>- 10.8</b>	<b>- 0.1</b>

Source: Colorado Joint Budget Committee

A close look at the share of financial aid to students as a share of the revenue from in-state tuition shows the sharp drop in financial aid since 2003. While state financial aid represented more than a quarter of resident student tuition revenues up until FY 2003, it now covers less than one-fifth of resident student tuition.

### State financial aid and resident tuition revenue in millions, FY 2001 - FY 2005

	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Resident tuition revenue</b>	<b>\$292.6</b>	<b>\$319</b>	<b>\$362</b>	<b>\$402</b>	<b>\$439.3</b>
<b>Total financial aid</b>	<b>\$78.6</b>	<b>\$85.3</b>	<b>\$90.9</b>	<b>\$76.1</b>	<b>\$76.1</b>
<b>Percent share</b>	<b>26.9</b>	<b>26.7</b>	<b>25.1</b>	<b>18.9</b>	<b>17.3</b>
<b>Percent change</b>	<b>9.8</b>	<b>12.8</b>	<b>8.3</b>	<b>- 10.8</b>	<b>- 0.1</b>

Source: Colorado Joint Budget Committee

## Declining capital construction and maintenance

State funding cuts have also had an enormous impact on capital construction and maintenance for public higher education facilities.

In FY 2005, higher education received 2.3 percent of what it received in FY 1999. This is largely due to double-digit percentage cuts in capital construction and controlled maintenance funding during FY 2001-2003.

The Department of Higher Education occupies 64 percent of the state's total of 38 million gross square footage in facilities. The Colorado Legislative Council estimates that the state will have \$1.8 billion in capital construction and maintenance needs in the

next five-year period, but only \$99 million in available revenues, facing a gap of \$1.7 billion. Higher education has received a 53 percent share of capital construction and maintenance funds in the past five years. It will face an enormous backlog of needs if the \$1.7 billion gap is not addressed.



### State funding for higher education capital construction and controlled maintenance, FY 1999 - FY 2005, in millions

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Appropriations</b>	<b>\$181.4</b>	<b>\$170.3</b>	<b>\$152.7</b>	<b>\$85.1</b>	<b>\$6.9</b>	<b>\$7.7</b>	<b>\$4.2</b>
<b>Percent change</b>	<b>43.7</b>	<b>- 6.1</b>	<b>- 10.4</b>	<b>- 44.3</b>	<b>- 91.9</b>	<b>12.1</b>	<b>- 45.5</b>

Source: Colorado Legislative Council

### Referenda C and D: a plan for recovery

The Colorado General Assembly, with the support of Gov. Bill Owens, has referred two measures to the Nov. 1, 2005, ballot to address the state funding crisis, including the crisis in higher education funding.

Referendum C would give the state permission to retain all the revenues it collects above the existing TABOR limit for the next five years, and impose a new growth limit based on population plus inflation after 2010. The additional revenues retained under Referendum C would be divided in thirds and used to restore cuts in health care, K-12 education, and public colleges and universities.

Referendum D would give the state permission to issue approximately \$2 billion in bonds. Most of the revenue from the bonds would go to transportation projects, but up to \$50 million could be used for higher education capital construction projects.

State economists predict Referendum C will generate between \$1.85 billion and \$3.1 billion in additional revenues between 2005 and 2010, without creating any new taxes or raising any existing tax rates.

In March, 2005, the Legislative Council staff projected a total of \$3.113 billion will be collected between 2005 and 2010 above the TABOR limits. That same month, the Governor's Office of State Planning and Budgeting projected a collections total of \$1.846 billion over the same period above the limits.

Under current law, these revenues must be returned to taxpayers as TABOR refunds. Under Referendum C, they could be retained and used to restore budget cuts made during the recession.

Under separate legislation, the General Assembly has committed to spending a third of those revenues on the following areas of higher education:



- Financial aid
- The College Opportunity Fund
- Fee-for-service contracts (e.g. graduate and special academic programs)
- Capital construction projects for colleges and universities

Based on state projections, Referendum C could yield \$440 million to \$862 million in additional support for higher education over the next five years, beginning with between \$14.6 million and \$113 million in 2006 and increasing to between \$167 million and \$259 million in 2010.

These increases are modest and sensible given the cuts endured by the state's colleges and universities since 9/11.

For instance, for the General Fund contribution to higher education simply to recover to 2001 levels would require \$160 million more per year. To actually catch up with consumer price inflation since 2001, the General Fund would require an additional \$154 million per year by 2010. And to catch up with actual and projected enrollment growth since 2001 would require roughly \$245 million more per year by 2010.

In other words, for the state General Fund contribution to higher education, adjusted for consumer price inflation and enrollment growth, to be at the same level in 2010 that it was in 2001 would require roughly \$559 million more each year.

These are conservative estimates. They assume no further cuts in higher education funding, even without Referendum C. That is a very optimistic assumption.

### The price in 2010 of returning to where we were in 2001:

$$\begin{array}{r} \mathbf{\$160\ million} \\ \text{(to recover to actual 2001 level)} \\ + \\ \mathbf{\$154\ million} \\ \text{(20.6 percent cumulative inflation from 2001-10)} \\ + \\ \mathbf{\$245\ million} \\ \text{(33 percent resident FTE enrollment growth from 2001-2010)} \\ \hline \mathbf{\$559\ million} \\ \text{(per year above 2005 spending levels)} \end{array}$$

Source of projected inflation and enrollment growth: Governor's Office of State Planning and Budgeting



According to the state economists' projections, under Referendum C higher education would receive between \$167 million and \$259 million more per year by 2010 – between 30 percent and 46 percent of what would be needed to return real per-student funding to where it was in 2001.

Similarly, Referendum D is a modest proposal when it comes to capital construction on our college campuses. While annual state funding for capital construction and controlled maintenance in 2005 is \$148.5 million lower than in 2001, Referendum D will provide up to \$50 million in one-time funding.

Referenda C and D are modest and sensible responses to the funding crisis that has affected the state's colleges and universities, and many other essential services as well.

They will not solve the problem entirely, and they certainly won't open the floodgates for spending.

At best, they will stop the decline in investments in our future and help us recover some of the ground we've lost since 9/11. They will stop the bleeding.

## Conclusion

Colorado has gone through a serious budget crisis since 2001, and no major area of state spending has suffered as dramatically as higher education.

Today our colleges and universities hang in the balance.

The decline in the state's commitment to higher education must be reversed if Colorado is to ever be a state of opportunity for all. For our economy to grow, our communities to prosper and our businesses to compete in a global economy, we must renew our investment in colleges and universities throughout the state.

Referenda C and D offer Coloradans the opportunity to renew their commitment to higher education.

They are a significant first step toward the day when every willing Coloradan has access to quality higher education opportunities — toward the day when no one will be denied access to the American Dream because the state cannot afford to support a quality, accessible system of public higher education.