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Colorado Eyes a Voucher System to Ease Financial Strain

By SARA HEBEL

Momentum is building in Colorado for an unconventional approach to financing public colleges that would send state funds to students rather than directly to the institutions.

Under the plan, which a state higher-education panel is developing this fall and is expected to recommend by January, students would dictate, through their college choices, how a large amount of state aid would be allocated among Colorado's public institutions. If adopted, the voucherlike system would be the first of its kind in American higher education.

The idea offers something for everyone. Some Republican lawmakers and others who want more accountability in higher education say it would force public colleges to be more responsive to students' needs. College officials view the plan as a way to escape strict limits on spending and on tuition increases. And most members of the state panel, concerned about Colorado's poor college-going rate among low-income residents, hope that setting aside money for students upfront could make college seem within their financial reach.

The notion of funneling aid to state colleges through students has surfaced in Minnesota and Texas in recent years, but it was shelved in the face of political opposition. The approach is gaining favor in Colorado partly because colleges, which had fought such proposals in the past, are desperate for more flexibility as they increasingly feel the pinch of spending restrictions that Colorado's voters approved in 1992.

Despite the local impetus for the voucherlike system, some policy experts say the approach could also help other states.

Richard D. Lamm, Colorado's governor from 1975 to 1987, and a member of the higher-education panel, says that encouraging more competition for students could push states and their colleges to develop better statewide plans for higher education and to confront politically sensitive issues. For example, Mr. Lamm says that Colorado and other states support some "mediocre" institutions because state lawmakers will not examine whether colleges in their districts are filling the right niches or are even needed at all. Tying aid to students' college choices might force institutions to better align themselves to meet Colorado's needs or risk closing, he says.

"My generation of Democrats overestimated the ability of government to solve some of these problems and underestimated the market," Mr. Lamm says. "A wonderful experiment could go on here."

But some national analysts of higher-education policy worry about the ramifications of the approach Colorado is considering. Dennis P. Jones, president of the National Center for Higher Education

Management Systems, a consulting group, says that putting too much control in the hands of students could force the closure of some colleges that, despite low enrollments, play important roles in providing access to higher education. He fears that many students at rural institutions, such as Adams State College, in south-central Colorado, might not go to college if they cannot attend one near home.

Mr. Jones also says that colleges' broader public roles, such as providing rural health care and adult-literacy programs, might be de-emphasized. "The sum of individual choices doesn't necessarily serve societal needs," he argues.

Strict Spending Limits

In Colorado, one of the most-pressing issues facing higher education stems from a 1992 voter-approved amendment to the state Constitution that prevents overall state spending from rising faster than a rate based on inflation and population growth. The amendment also applies to the growth in dollars collected by the state government through fees, including tuition at public colleges. College officials say the resulting squeeze on their budgets threatens the quality of their institutions and their ability to compete.

And the future doesn't look any better, says Joan D. Ringel, a spokeswoman for the Colorado Commission on Higher Education, the coordinating board. More than 60 percent of the state budget is consumed by mandatory costs, such as Medicaid, and spending on prisons takes up a growing portion of the remaining 40 percent, she says.

On top of that, colleges now receive state funds through a formula based largely on enrollment growth and inflation, neither of which has increased much over the past decade in Colorado. Commission officials believe that changing how institutions are financed is the only way to try to secure adequate funds for colleges.

"There is a big question about the future of funding for higher education if we can't go this route," Ms. Ringel says of the proposal.

Many thorny debates about how a voucherlike financing system would work still face the higher-education panel, which was convened by Gov. Bill Owens, a Republican. The bipartisan, 17-member group, which is scheduled to release its recommended plan on January 10, includes many high-ranking legislators and other political leaders in the state, as well as members of the coordinating board and of university boards. The plan faces review by the General Assembly and the governor, but many members of the panel believe that, because of their collective political influence, something similar to what they propose will eventually be adopted.

Devil in the Details

Some support for a new system, however, hinges on the fine print. Leaders of research universities worry that some models being considered would deprive them of funds sufficient to cover their costs without giving them the operating flexibility they seek.

University of Colorado officials say they oppose a system that would just give grants of the same amount to all undergraduates while providing block grants to institutions for graduate programs and the university's Health Sciences Center. That scenario would give community colleges more money per student than they receive now and would allow them to cut tuition. But it could hurt universities by providing them with less money per student while still limiting their operational flexibility.

Elizabeth Hoffman, president of the University of Colorado System, prefers a model that would provide

grants for graduate students as well and would make the awards larger than those for undergraduates. That approach would allow the university system to achieve "enterprise status," a designation that allows state entities that receive less than 10 percent of their money from Colorado's general fund to gain more operating flexibility, including the freedom to enact larger tuition increases than they can now. Funds that institutions receive from students' vouchers probably would not count as being from the general fund, while block grants from the state would. The approach Ms. Hoffman prefers would lower the amount of state funds the university receives to 7.7 percent.

Members of the higher-education panel also expect lively debates over possible restrictions on how many credit hours a student could take while using a state voucher. Some Republicans and others on the panel favor the relatively strict limit of close to 132 credit hours, roughly four years plus one semester. College officials are wary of tight restrictions, arguing that such a policy might discourage students from pursuing double majors or traditionally rigorous academic programs, such as those in engineering fields.

Ms. Ringel says that about 16 percent of Colorado undergraduates take 135 credit hours or more before graduating. Bruce Benson, chairman of the higher-education panel and the leader of Colorado's Republican Party, says the group is likely to impose some kind of limit on credit hours to curtail how much aid the state shells out to "professional students."

Despite such differences, the panel's members and university officials share some of the same goals for a voucherlike system. For one, they believe it might encourage more students to attend college. In Colorado, about 17 percent of students from families that annually earn \$32,000 or less go to college, one of the worst records in the country.

"What this does psychologically is say to students that you've got a whole box of money in front of you and you can start figuring out how to use it," Mr. Benson says.

Improving Institutions

Some panel members and college officials also say that removing regulations and unleashing market forces would improve institutions' quality. Lawmakers argue that requiring colleges to woo students to get aid might force the institutions to make sure students can get the courses they need. And college officials say that allowing them to increase revenues through tuition could help them attract more top-notch faculty members. Over the past decade, lawmakers approved tuition increases that averaged less than 3 percent annually, although the General Assembly this year allowed a raise of up to 7.7 percent, to try to help colleges cope with bad budget news.

David E. Greenberg, a member of the higher-education panel and of the coordinating board, says that freeing research universities to increase tuition also would lead to wiser uses of state resources. He argues that the state grants a "reverse subsidy" to affluent students by providing more money per student to the University of Colorado and Colorado State University than to community colleges.

The subsidies, he says, help keep tuition prices below the national average for universities, which serve many well-off students. At the same time, tuition at community colleges, which serve a greater proportion of low-income students, is higher than the national average.

"There is a huge discrepancy in who is getting public money for higher education," he says. A new financing system, he adds, could help even the playing field and discourage Colorado from "throwing a lot of money at people who don't need it."

A NEW WAY TO FINANCE COLORADO COLLEGES

A state commission in Colorado is expected to recommend that the state adopt a new method for financing most public colleges. Rather than give state funds to institutions as operating funds, the money would go directly to students in the form of "vouchers," and the institutions would get funds through the students' tuition payments. While the details of the plan are still being debated, here is how one approach would work at the University of Colorado System:

State appropriations

Now: The state gives the university system \$5,250 per full-time resident undergraduate student to pay for operations.

Under a voucher system: The state would give each student from Colorado \$3,930 to use at any public institution in the state. Students who choose a University of Colorado campus would then give those funds to the university.

Tuition

Now: Tuition is \$2,900, on average, for full-time resident undergraduate students.

Under a voucher system: Tuition would be set at \$2,900, plus \$3,930 -- which students would cover with their voucher -- for a total of \$6,830. The university also may consider tuition increases to help make up the loss of \$1,320 in state funds per student. Or, the state may consider providing \$19-million in block grants to the institution to make up the difference.

Proportion of state aid

Now: The university receives 11.7 percent of its budget from the state's general fund.

Under a voucher system: The university would receive 10.7 percent from the general fund since the vouchers used at the university probably would not count as money from the general fund.

Operating decisions

Now: State law limits how much the university can increase tuition and what types of construction bonds it can issue.

Under a voucher system: If the university could reduce its proportion of state money to 10 percent or less, it could be declared a "state enterprise." That designation probably would allow the institution to raise tuition by greater amounts, issue bonds to construct all types of campus buildings, and have more operating flexibility.

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