



COLORADO

LEGISLATIVE COUNCIL

Legislative Council
Research Publication No. 340

Committee on
Higher Education

December, 1989

**COLORADO LEGISLATIVE COUNCIL
RECOMMENDATIONS FOR 1990**

**COMMITTEE ON
HIGHER EDUCATION**

**Legislative Council
Report to the
Colorado General Assembly**

**Research Publication No. 340
December, 1989**

COLORADO GENERAL ASSEMBLY

OFFICERS

Rep. Chris Paulson
Chairman
Sen. Ted L. Strickland
Vice Chairman

STAFF

Charles S. Brown
Director
David Hite
Deputy Director
Stan Elofson
Assistant Director



LEGISLATIVE COUNCIL

ROOM 029 STATE CAPITOL
DENVER, COLORADO 80203-1784
(303) 866-3521

MEMBERS

Sen. Wayne Allard
Sen. Brian McCauley
Sen. Harold McCormick
Sen. Ray Powers
Sen. Larry Trujillo
Sen. Jeffrey Wells
Rep. Chuck Berry
Rep. Carl "Bev" Bledsoe
Rep. Matt Jones
Rep. Paul Schauer
Rep. Carol Taylor-Little
Rep. Ruth Wright

To Members of the Fifty-Seventh Colorado General Assembly:

Submitted herewith is the final report of the Committee on Higher Education. The committee was created pursuant to H.J.R. 1030, 1989 session. The committee was charged with a study of higher education financing and planning and was asked to report its findings and recommendations to the Second Regular Session of the Fifty-seventh General Assembly.

At its meeting November 9, 1989, the Legislative Council approved three of the four bills submitted by the committee. The fourth bill, as noted in the report, was not approved because it was declared to be outside of the committee's charge. A motion to forward the three bills, with favorable recommendation, to the Second Session of the Fifty-seventh General Assembly was also approved by the Legislative Council.

Respectfully submitted,

/s/ Representative Chris Paulson
Chairman
Colorado Legislative Council

TABLE OF CONTENTS

	Page
LETTER OF TRANSMITTAL	iii
TABLE OF CONTENTS	v
LIST OF BILLS	vii
MEMBERS OF THE COMMITTEE	ix
COMMITTEE ON HIGHER EDUCATION	
Committee Charge	1
Committee Activities	1
Summary of Findings and Recommendations	3
Committee Findings	7
Committee Recommendations	15
LEGISLATIVE RECOMMENDATIONS	
Partnership for an Educated Colorado	19
The Colorado Excellence Program for Higher Education Endowment	19
Fiscal Policies Relating to State-Supported Institutions of Higher Education	20
Endnotes	21
Appendix	23
Resources	25

LIST OF BILLS

	Page
Bill 1 - Concerning the Establishment of a Partnership for an Educated Colorado	29
Bill 2 - Concerning the Colorado Excellence Program for Higher Education Endowment	37
Bill 3 - Concerning Fiscal Policies Relating to State-Supported Institutions of Higher Education	43

LEGISLATIVE COUNCIL

COMMITTEE ON HIGHER EDUCATION

Committee Members

Sen. Al Meiklejohn, Chairman	Rep. Jeanne Adkins
Rep. Ken Chlouber, Vice Chairman	Rep. Phil Hernandez
Sen. Regis Groff	Rep. Bill Martin
Sen. Sandy Hume	Rep. Gilbert Romero
Sen. Pat Pascoe	Rep. Dorothy Rupert
Sen. Bob Schaffer	Rep. Betty Swenson
	Rep. Shirleen Tucker

Legislative Council Staff

Harriet Crittenden La Mair Research Associate II	Evonne Okonski Research Assistant
-----------------------------------------------------	--------------------------------------

Office of Legislative Legal Services

Alice Ackerman Assistant Director	Dan Cartin Staff Attorney
--------------------------------------	------------------------------

INTRODUCTION

Committee Charge

Pursuant to House Joint Resolution 1030 (1989 session), the Committee on Higher Education was directed to study higher education financing and planning, including the following topics:

- (a) the financing of higher education, including the causes of cost increases; present and proposed state funding policies and responsibilities; higher education foundations; and various individual financing mechanisms including: student loans, prepaid tuition plans, education individual retirements accounts, and other savings plans and financial incentives;
- (b) a review of tuition rates at Colorado institutions of higher education for both in-state and out-of-state students; the percentage of each higher education budget which comes from tuition; and a comparison of Colorado tuition structures with those of other states;
- (c) an examination of the role of higher education centers and their relationship to economic development in Colorado;
- (d) the alignment of higher education priorities and Colorado's work force needs; and
- (e) an examination of each governing board's central office operating and administrative costs and each institution's administrative staff and costs.

Committee Activities

The committee convened eight times throughout the interim, including one meeting held at the Community College of Denver's Technical Education Center. The appendix contains a full list of the individuals who testified before the committee.

Sections I of this report contain a summary of findings and recommendations for each of the major areas studied by the committee. The findings are based on testimony and reports provided to the committee throughout the interim. Some of the recommendations are addressed in committee bills, others are general recommendations for potential future action by the General Assembly, the Colorado Commission on Higher Education, and other organizations. The committee voted to approve the summary of findings and recommendations; however, each section was not considered individually.

Section II contains legislative recommendations. The committee recommended four bills for Legislative Council approval:

Bill 1- Partnership for an Educated Colorado;

Bill 2- The Colorado Excellence Program for Higher Education Endowment;

Bill 3- Fiscal Policies Relating to State-Supported Institutions of Higher Education; and

Bill 4- The Establishment of a Correctional Education Program for Persons in the Custody of the Department of Corrections.

Bills 1, 2, and 3 were approved by Legislative Council for introduction during the 1990 regular session. Bill 4, listed above, was not approved because it was declared to be outside the committee's charge. The committee considered two additional bills. One would have further regulated the operations of out-of-state based institutions operating programs in Colorado. The second proposed to increase the amount of financial aid available to Colorado residents attending nonpublic Colorado institutions. The committee felt that both issues needed further study before legislation was recommended.

SUMMARY OF FINDINGS & RECOMMENDATIONS

Following is a summary of the committee's findings and recommendations.

Demographics and the Workforce

- Finding #1:** There is a mismatch between workforce demands and education.
- Finding #2:** Growth in the number of nontraditional students continues in Colorado.
- Finding #3:** The needs of adults are underserved by the state's education and training efforts.
- Finding #4:** There is reason to be concerned about Colorado's ability to educate the "new workers" -- minorities, women, and immigrants.
- Finding #5:** Historically, Colorado has had a highly educated workforce.

The Committee Recommends:

- Creation of the Partnership for an Educated Colorado to study and recommend public policy that responds to the need for an interconnected lifelong education and training system (Bill 1).
- A review of, and possible increase in, funding for the community college and vocational education system.

Financing and Higher Education

- Finding #6:** Although much work remains, the quality of higher education in Colorado is generally improving.
- Finding #7:** A college education impacts individual earning potential.
- Finding #8:** Despite recent increases, Colorado remains below the median state average higher education appropriation per student.
- Finding #9:** Colorado's independent institutions are struggling financially as tuition differentials between independent institutions and public institutions increase.

The Committee Recommends:

- The Colorado General Assembly work to raise the level of state support per resident student for Colorado public institutions to within the top 50 percent of Colorado's peer institutions nationwide.
- Increased private support of postsecondary education through the establishment of an endowed chairs program to encourage private contributions through tax benefits and state matching contributions (Bill 2).
- Student fees imposed by student associations and governments only be used for the purpose for which such fees are imposed (Bill 3).

Access, Tuition, and Student Aid

Finding #10: Nationally, college tuition has risen faster than the rate of inflation during each of the past eight years.

Finding #11: Because of rising tuition and a decline in the availability of student aid, access to Colorado postsecondary education for low and middle income students may be in jeopardy.

The Committee Recommends:

- The General Assembly increase funding for need-based student financial aid.
- The General Assembly study the possibility of increasing the amount of student aid that follows Colorado residents at independent postsecondary institutions.
- National Guard volunteers be offered reduced tuition at the Colorado School of Mines in keeping with reductions offered by other state institutions (Bill 3).

Finding #12: Certain graduate offerings outside the Front Range are not adequate.

The Committee Recommends:

- The CCHE adopt policies and procedures that meet the demand for graduate offerings outside the Front Range.
- The encouragement by CCHE of instruction delivered via television or other electronic media.

Administrative Costs

Finding #13: Administrative costs nationwide have increased at double the rate of instructional costs over recent years and Colorado has closely followed this trend.

Finding #14: CCHE has monitored administrative costs, but its policies have not discouraged rising administrative costs.

The Committee Recommends:

- The CCHE develop separate administrative cost policies for each type of institution and, through the use of the appropriation process, penalize governing boards and institutions that fail to comply with reduction policies (Bill 3).
- The CCHE develop uniform institutional accounting and financial reporting policies and procedures (Bill 3).
- The state auditor conduct postaudits of state institutions to include review of educational quality, access, and administrative management and efficiency (Bill 3).
- The CCHE implement a uniform fiscal accountability process (Bill 3).

Faculty

Finding #15: A serious faculty shortage is predicted for the 1990s.

The Committee Recommends:

- A study of the predicted faculty shortage.
- Governing boards implement progressive salary structures and staff development programs.
- Increased faculty support through endowed chairs (Bill 2).

Minority Representation

Finding #16: Minorities are underrepresented in postsecondary education as both students and faculty.

The Committee Recommends:

- Governing boards increase minority faculty by implementing programs to identify outstanding minority students for future teaching positions (grow-your-own programs) and other methods.
- Colorado institutions make additional efforts to attract and retain minority students, particularly in educator training programs.

Systemwide Issues

Finding #17: Representatives of Colorado's public institutions are concerned about the quality of out-of-state institutions' offerings.

I. COMMITTEE FINDINGS

Demographics and the Workforce

FINDING #1: THERE IS A MISMATCH BETWEEN WORKFORCE DEMANDS AND EDUCATION.

- Over half of the jobs created between now and the year 2000 will require education beyond high school and a college education will be needed for almost a third of the jobs.¹
- Colorado's workforce is aging and over 80 percent of the new workers will be a combination of women, minorities, and immigrants. Many of these new workers will need additional training.
- Colorado workers want additional skills and employment related training (most want formal training in the work place).
- Colorado has relied on importing well-educated workers, but may not be able to attract as many educated workers in future years.

FINDING #2: GROWTH IN THE NUMBER OF NONTRADITIONAL STUDENTS WILL CONTINUE.²

- Enrollment levels in the Colorado community college system have increased steadily over the past four years. Students will rely strongly on community colleges and vocational education in the future.
- 25,229 students (57.6 percent) enrolled in institutions under the State Board for Community Colleges and Occupational Education System (SBCCOE) are at least 27 years of age.
- About 70 percent of those enrolled in Colorado community colleges are part-time students.
- 43 percent of community college full-time students are over 24 years of age.

FINDING #3: A COLLEGE EDUCATION IMPACTS INDIVIDUAL EARNING POTENTIAL.³

- Education has a significant impact on individual earning potential. The median national income of a college graduate heading a young family was \$38,000, compared to \$20,860 for high school graduates, and \$11,000 for high school dropouts.

- Nearly all the decline in per capita income in the U.S. since 1980 has been borne by families headed by individuals without a college education.

FINDING #4: THE NEEDS OF ADULTS ARE UNDERSERVED BY THE STATE'S EDUCATION AND TRAINING EFFORTS.

- The three traditional education areas, K-12 education, higher education, and the community college and occupational education system, account for 62.5 percent of the state 1989-90 general fund budget and almost one-half of total state appropriations; however, the majority of these funds are used for the under 21 population.
- Colorado does not appropriate funds for adult basic education programs and ranks 11th among the states in its percentage of functional illiterates.
- The Colorado Department of Education reports that by 1990, there will be 225,000 illiterates in Colorado age 25 and over who have not completed the 8th grade and approximately 455,000 Coloradoans who have not graduated from high school.⁴
- 77 percent of Colorado adult workers will want more training in the future.⁵

FINDING #5: THERE IS REASON TO BE CONCERNED ABOUT COLORADO'S ABILITY TO EDUCATE THE "NEW WORKERS" -- MINORITIES, WOMEN AND IMMIGRANTS.

- The high statewide annual dropout rate for Hispanic youth continues. For 1987-88, the Hispanic dropout rate for grades 7 through 12 was 7.5 percent, or 3,191 students per year.⁶
- Colorado institutions of higher education show only minor gains in recruitment and retention of minority youth. From 1982 to 1987 the total number of minorities in the fall headcount increased from 11.2 to 12.45 percent.⁷
- Black enrollment decreased by 6.2 percent from 1982 to 1987.

FINDING #6: HISTORICALLY, COLORADO HAS HAD HIGHLY EDUCATION WORKFORCE.⁸

- Colorado ranks third in its percentage of the population with four years of high school (78.6 percent of the population).
- 44.1 percent of Colorado residents have one to three years of college. (Colorado ties with Utah for leading the states in this measurement.)
- Colorado ranks second in the number of persons with four years of college (23 percent of the population).

Finance

FINDING #6: ALTHOUGH MUCH WORK REMAINS, THE STATE OF HIGHER EDUCATION IN COLORADO IS GENERALLY IMPROVING.

- The General Assembly has increased general fund monies for state higher education institutions by approximately \$75 million since 1986-87. The general fund increase from 1988-89 to 1989-90 was \$22.2 million.⁹
- The passage of House Bill 1187 in 1985 successfully encouraged the elimination of numerous unneeded and duplicative academic programs, allowing funds to be redirected to more needy areas.
- The reexamination of the base funding procedure has helped depoliticize postsecondary education funding.

FINDING #7: DESPITE RECENT INCREASES, COLORADO REMAINS BELOW THE MEDIAN OF STATES' AVERAGE APPROPRIATION PER STUDENT.¹⁰

- Over the past three years, general fund increases for higher education institutions have amounted to over \$75 million. During this same time period, 36 other states have also significantly increased state appropriations for postsecondary education.
- Raising the level of state support to the mean funding level of the 50 states will require a 12.6 percent funding increase or over \$78.3 million in new general fund and tuition dollars. (Colorado is currently funded at 83 percent of the mean funding level of peer states.)
- Colorado's postsecondary education system is ranked 39th among all states in terms of state tax effort and the percentage allocation of state general fund monies appropriated to higher education.
- Compared to other states, Colorado ranks 10th in tuition revenues per full-time equivalent (FTE) student, but 47th in state and local appropriations per FTE. Colorado ranks 41st in general fund and tuition monies per FTE.

FINDING #8: COLORADO'S INDEPENDENT INSTITUTIONS ARE STRUGGLING FINANCIALLY.

- Tuition differentials between independent institutions and public institutions are increasing. Tuition and other costs at state institutions can reach \$6,000 a year, while private colleges cost an average of \$13,000.
- Colorado students receive an average state grant of \$1,188, or 87 percent of the average tuition, to attend public institutions in Colorado and \$1,143, or 12 percent of the average tuition, to attend private in-state schools.¹¹

- Private college enrollment is declining. In 1959-60, more than 35 percent of Colorado students attended private institutions. Today that percentage is approximately 10 percent.

Access, Tuition, and Student Aid

FINDING #9: IN THE WEST, COLLEGE TUITION HAS MORE THAN DOUBLED OVER THE PAST NINE YEARS.¹²

- The average undergraduate resident and nonresident tuition increase at Colorado public institutions between 1985-86 and 1989-90 was approximately 29 percent.
- Tuition for resident undergraduates in western states increased from \$549 in 1979-80 to \$1,282 in 1988-89, up more than 100 percent.
- Unless Colorado state appropriations are sufficient to cover increased costs, tuition increases are likely to fill the gap between institutional costs and state aid.
- Nationwide, institutional enrollments are not rising as rapidly as they did in the 1960s and 1970s, and institutions are less able to spread fixed costs. These pressures have affected tuition rates.

FINDING #10: BECAUSE OF RISING TUITION AND A DECLINE IN THE AVAILABILITY OF STUDENT AID, ACCESS TO HIGHER EDUCATION FOR LOW AND MIDDLE INCOME STUDENTS MAY BE IN JEOPARDY.¹³

- Since 1980-81, all Colorado student grant and loan programs have increased in real dollars, but when adjusted for inflation and then compared to increases in tuition and enrollment, the increase in student aid funds is minimal.
- Federal financial aid (grants and loans), which provides about 75 percent of all student aid, has not kept pace with increasing tuition rates and the growing demand for student borrowing.
- Although institutionally awarded grant and loan programs have more than doubled nationally from 1980-81 to 1987-88, the average cost of a four-year education increased by 71 percent for the same time period. Pell Grant awards (the largest need based federal grant program) have only increased by 57 percent over that time period.
- In Colorado, like other states, nonneed based aid has increased more rapidly than need based aid (e.g., Colorado Student Incentive Grants, CSIG; and Colorado Student Grants, CSG).
- Colorado's composite student aid ranking is 20th among all states.

FINDING #11: CERTAIN GRADUATE OFFERINGS OUTSIDE THE FRONT RANGE ARE NOT ADEQUATE.

- Elements of CCHE's off-campus offering policy serve as a disincentive to increase rural access. For example, many off-campus courses must be cash funded.
- Citizens outside the Front Range have expressed a desire for improved access to graduate courses and programs.

Administrative Costs

FINDING #12: ADMINISTRATIVE COSTS NATIONWIDE HAVE INCREASED AT DOUBLE THE RATE OF INSTRUCTIONAL COSTS OVER RECENT YEARS AND COLORADO HAS CLOSELY FOLLOWED THIS TREND.¹⁴

FINDING #13: CCHE HAS MONITORED ADMINISTRATIVE COSTS, BUT ITS POLICIES HAVE NOT DISCOURAGED RISING ADMINISTRATIVE COSTS.

- From 1981 to 1986, the total average increase in administrative costs at Colorado institutions was 47.9 percent.
- The Trustees of State Colleges' administrative costs have risen more than any other governing board -- by 78.5 percent between 1980-81 and 1986-87; however, between 1986-87 and 1987-88, their administrative costs decreased.
- In 1987-88, administrative costs for the University of Colorado Board of Regents, State Board of Agriculture, Colorado School of Mines, and University of Northern Colorado were between seven and eight percent of total general operating expenditures.
- For 1987-88, administrative costs were above ten percent for Trustees of State Colleges (TSC) and SBCCOE. Both boards have agreed to reduce their percentage of administrative costs. TSC will keep theirs below ten percent and SBCCOE will attempt to reduce percentages or maintain its current level.
- As a percentage of total costs, administrative costs tend to be somewhat high and fixed at smaller institutions. Larger institutions often have a lower percentage of these costs because of their large research budgets.
- At small institutions, a slight increase or decrease in FTE can dramatically affect administrative cost percentages.

- In Colorado, because accounting procedures are not comparable between institutions, the most valid comparison of administrative costs is of the same institution over time.
- Many factors may have contributed to rising administrative costs nationwide, including increased technology expenses, counseling, recruiting, and legal costs.
- Although national comparisons with peer institutions are statistically weak, no Colorado institution is above the peer institution average of administrative costs as a percentage of education and general revenues, according to CCHE data.

Faculty

FINDING #14: A SERIOUS FACULTY SHORTAGE IS PREDICTED FOR THE 1990s.

- According to a 1989 nationwide survey by the American Council on Education, one-half of colleges report that it is taking them longer to find qualified people for full-time positions. They reported greatest difficulty in finding computer science, business, mathematics, and health sciences faculty. Forty-nine percent of institutions expect a shortage of computer science faculty within the next five years.¹⁵
- A 1989 Chronicle of Higher Education report concluded that a serious faculty shortage in the arts and sciences is projected to begin in about ten years. The study projects that in 1997, only four candidates will be available for every five openings in the arts and sciences.¹⁶

Minority Representation

FINDING #15: MINORITIES ARE UNDERREPRESENTED IN POSTSECONDARY EDUCATION AS BOTH STUDENTS AND FACULTY.

- A 1989 CCHE report concluded that throughout the Colorado public postsecondary system in 1987-88:¹⁷
 - 12.4 percent of students were minorities;
 - 5.9 percent of doctoral degrees were awarded to minorities;
 - 7.4 percent of full-time faculty were minorities; and
 - 5.9 percent of full-time tenured faculty were minorities.

Other Issues

FINDING #16: REPRESENTATIVES OF COLORADO PUBLIC INSTITUTIONS ARE CONCERNED ABOUT THE QUALITY OF OUT-OF-STATE INSTITUTIONS' OFFERINGS.

- Under Colorado law, out-of-state private institutions must be accredited or making "reasonable and timely progress" toward accreditation to operate in the state. CCHE is responsible for monitoring such institutions.
- No study has been completed on the quality of the courses offered by these institutions.

FINDING #17: THE COLORADO COUNCIL ON THE ARTS AND HUMANITIES' LOSS OF SIX MEMBERS FROM AN 11-MEMBER BOARD EVERY FOUR YEARS HAS A DESTABILIZING EFFECT ON ITS EFFORTS.

COMMITTEE RECOMMENDATIONS

Additional State Support

The Colorado General Assembly should work to raise the level of state support per resident student for Colorado public higher educational institutions to the mean of the 50 states. This increase will cost approximately \$78.3 million in new general fund and tuition monies. If the 1989-90 percentage split in general fund and tuition monies were assumed, this increase would represent \$47.1 million in new general fund monies. This recommendation is one of three major goals and objectives identified by CCHE in its statewide masterplan. The need for reaching this goal is supported by CCHE's 1989 Study of Financing Postsecondary Education.

Increase Private Support for Postsecondary Education

Private contributions should be actively solicited and encouraged. To encourage private involvement, Bill 2 establishes a state individual income tax credit equal to 20 percent of the amount donated above \$500, with a maximum credit equal to two percent of the claimant's Colorado adjusted gross income for the year. For each first time donor contribution of over \$25, the General Assembly is required to annually appropriate \$10 in matching funds to such institution. A corporate income tax credit of 20 percent of amounts donated above \$5,000 is also established, with a maximum credit equal to two percent of the claimant's Colorado net income.

Review Independent Postsecondary Education Financing

In recognition of the fiscal pressures experienced by independent institutions in Colorado, the General Assembly should study the possibility of increasing the amount of student aid that follows Colorado residents to independent schools.

Improve Financial Aid Opportunities

- A. The General Assembly should increase funding for need-based student financial aid. Funding for undergraduate need based aid in Colorado has not been as strong as funding for nonneed based aid. In constant dollars, need based grant aid has increased 11 percent between 1980-81 and 1988-89 while nonneed based aid and work study funding have increased by 178 percent and 115 percent respectively.

- B. To assist and encourage National Guard volunteers, the committee recommends that the Colorado School of Mines offer reduced tuition to members of the Colorado National Guard (Bill 4). Currently, all other state institutions offer this benefit to members of the National Guard.

Systemwide Coordination

In recognition of the need for a unified education and training system, the Partnership for an Educated Colorado is recommended. The partnership will devise a plan to respond to the rapidly changing needs of Colorado's economy through coordination of the state's education and training efforts. The plan will respond to the need to restructure the current system to increase access and improve systemwide transitions and workforce training (Bill 1).

Increase Access

- A. Citizen groups and other individuals have stressed that the demand for certain graduate programs outside the Front Range is not being met. The state's institutions and CCHE must adopt policies and procedures to ensure that graduate offerings are available outside the Front Range.
- B. Educational opportunities should be available throughout the state. Some programs are not able to be financially self-supporting and these courses may require subsidy. CCHE's off-campus policy should be reevaluated to ensure that the educational needs of Colorado citizens residing in all regions of the state are met.
- C. In reviewing the policies regulating off-campus delivery, special attention should be given to ensure that instruction delivered via television or other electronic media is encouraged. The committee recognizes the long-term benefit of educational telecommunications.

Adult Education and Training

- A. Colorado needs a coordinated plan to offer adult education and training both within and outside our educational institutions.
- B. The problem of adult illiteracy in Colorado should be more adequately assessed and addressed. Although the current strength of Colorado literacy programs rests in their diversity, coordination could maximize the effectiveness of the system.

Focus on Minorities in Postsecondary Education

- A. To increase the numbers of minority faculty, it is recommended that governing boards review the potential success of programs to target outstanding minority students for future faculty positions. Such programs might include free tuition and other incentives to attract potential candidates to the program.
- B. Colorado institutions must make additional efforts to attract and retain minority students, particularly in educator training programs.

Improve Faculty Development

- A. Instructors of the highest quality are needed throughout the state's postsecondary education system. To attract and retain distinguished educators, the committee recommends the endowment of academic chairs at state institutions of higher education. Governing boards should encourage the implementation of progressive salary structures and staff development programs (Bill 2).
- B. The state should further study how to mitigate the effects of the predicted upcoming shortage of postsecondary educators.

Reduce Administrative Costs

- A. To ensure that the institutional percentage of administrative costs are monitored, CCHE should develop separate administrative cost policies for each type of institution and, through the appropriation process, penalize governing boards and institutions that fail to comply with reduction policies. CCHE is required to report annually on administrative costs (Bill 3).
- B. Bill 3 instructs CCHE to develop uniform accounting procedures and financial reporting policies for all state institutions of higher education. Testimony uncovered problems in comparing administrative costs and other expenditures because of a lack of uniform data.

Strengthen Auditing and Fiscal Accountability

- A. Autonomy in postsecondary education management and finance requires increased attention to accountability in the postsecondary education system. Under Bill 3, the State Auditor will perform postaudits of state-supported postsecondary institutions which will include the issues of quality, access, administrative efficiency, and management.

- B. To measure efficiency in the postsecondary system, uniform fiscal accountability measures should be implemented by CCHE and reported to the Governor and General Assembly. The accountability process should be used for each institution to measure fiscal responsibility and efficiency, the quality of institutional programs, and compliance with audit recommendations (Bill 3).
- C. Student fees imposed by student associations and student governments should be deposited in a separate account and interest on such funds credited to the student government fund and only used for the purposes for which the fees were imposed (Bill 3). Student testimony indicated that interest generated from student fees has not always followed the capital investment.

Further Study Postsecondary Education

Colorado's postsecondary education system faces significant challenges, including the creation of a strategic plan and the need for increased student aid due to tuition increases. Thorough research and consideration of the many issues uncovered during the interim has not been possible given time constraints. Therefore, it is recommended that the Partnership for an Educated Colorado, or another study committee, be formed to further review the systemic changes needed to increase productivity and quality in Colorado's postsecondary system (Bill 1).

II. LEGISLATIVE RECOMMENDATIONS

The Committee on Higher Education recommended four bills to the Legislative Council and the Council submits the following three bills for consideration during the 1990 legislative session.

Bill 1 – Partnership for an Educated Colorado

The Partnership for an Educated Colorado is created by this bill. The partnership will develop a strategic plan for recommendation to the General Assembly by January 1, 1993. It is authorized to hold hearings around the state and recommend legislation. The partnership is to meet monthly.

The 11-member task force includes:

- five members appointed by the Governor;
- two members of the House of Representatives appointed by the Speaker and two members of the Senate appointed by the President of the Senate (no more than two may be of the same political party); and
- the chairmen of the House and Senate Education Committees.

The members will serve without pay, but will be compensated for necessary expenses. The partnership will be staffed by the Legislative Council with assistance from the Office of Legislative Legal Services and other state agencies, as necessary.

Responsibilities. The partnership will develop a coordinated long- and short-range strategic plan to address the following issues:

- the need for a lifelong education and training system (from early childhood through adulthood); and
- the need for a training and retraining plan to target minorities, women, and the "hard core" unemployed.

Bill 2 – The Colorado Excellence Program for Higher Education Endowment

The Colorado Excellence Program for Higher Education Endowment is created in Bill 2. The program provides for the endowment of academic chairs and programs of excellence at state-supported higher education institutions. The Colorado Commission on Higher Education is responsible for developing guidelines for: 1) corporate contributions; 2) the use of these funds by the governing boards; and 3) the establishment of matching fund

requirements. All money donated will be used to increase the salary structure of existing positions, rather than for the endowment of new positions.

The bill establishes a state individual income tax credit equal to 20 percent of the amount donated above \$500, with a maximum credit equal to two percent of the claimant's Colorado adjusted gross income for the year. For each first time donor contribution over \$25, the General Assembly shall annually appropriate \$10 in matching funds. Corporations will receive an income tax credit of 20 percent of amounts donated above \$5,000, with a maximum credit equal to two percent of the claimant's Colorado net income.

Bill 3 – Concerning Fiscal Policies Relating to State-Supported Institutions of Higher Education

Administrative costs. CCHE is to restructure its administrative cost policy to develop a separate policy for each type of institution and, through the appropriation process, must penalize governing boards and institutions for failure to comply with the policies. The commission shall require that every governing board and institution use uniform accounting methods and financial reporting policies and must submit annual reports on increases and decreases in administrative expenses.

Auditing and fiscal accountability. Section 2 outlines the objectives of performance postaudits of state-supported postsecondary institutions to be conducted by the state auditor. The bill requires cooperation between the state auditor's office and the internal audit staff of said institutions. In Section 3, the commission is required to establish a fiscal accountability process for the purposes of measuring and evaluating fiscal, management, and administrative activities of an institution.

Student fees. Section 3 requires that student fees imposed by a student association or student government of a state-supported institution of higher education be deposited in a separate fund and that interest earned thereon be credited to the fund.

Reduced tuition. Section 4 adds the Colorado School of Mines to the list of designated institutions of higher education which provide reduced tuition to members of the Colorado National Guard.

ENDNOTES

- 1 William B. Johnston and Arnold E. Packer, Workforce 2000, Work and Workers for the 21st Century (Indianapolis: The Hudson Institute, June 1987), p. 97.
- 2 Colorado Community College and Occupational Education System, "Presentation to the Interim Committee on Higher Education" (September 12, 1989), p. 6.
- 3 James R. Mingle, "Postsecondary Education's Contribution to the Economy" (State Higher Education Executive Officers, July 7, 1989), p. 1.
- 4 Colorado Department of Education, Office of Libraries and Adult Services, "Adult Literacy Services, Report to the Interim Committee on Higher Education" (October 1989), section B.
- 5 Jobs for Colorado's Future, Jobs for Colorado's Future Preliminary Action Plan, Executive Summary (October 1989), p. 5.
- 6 Colorado Department of Education, Planning and Evaluation Unit, Report on Annual Dropout Rates, Grades 7 through 12, 1987-88 (January 1989), p. 2.
- 7 Colorado Commission on Higher Education, Status of Minorities in Colorado Public Higher Education, Fiscal Year 1987-88 (February 1989), p. 4.
- 8 The Chronicle of Higher Education, The Almanac of Higher Education, 1989-90 (Chicago: The Chronicle of Higher Education, 1989), p. 6.
- 9 Colorado Joint Budget Committee, 1989-90 Appropriations Report, pp. 98-130.
- 10 Colorado Commission on Higher Education, "Colorado's Role in Financing Higher Education - Findings and Recommendations" (October 4, 1989), pp. 1-22.
- 11 Independent Higher Education in Colorado, "Independent Higher Education: A Colorado Profile" (October 1989), p. 3.
- 12 Western Interstate Commission for Higher Education, Tuition and Fees in Public Higher Education in the West, 1988-89 (January 1989), p. 2.
- 13 Colorado Commission on Higher Education "Undergraduate Financing of a Higher Education - Findings and Recommendations" (October 4, 1989).*

- ¹⁴ Colorado Commission on Higher Education, "Administrative Policy Pursuant to House Bill 1180," (January 5, 1989), pp. 1-61.
- ¹⁵ "8 in 10 Colleges Have Plans to Boost Minority Presence," The Chronicle of Higher Education, July 26, 1989, p. A27.
- ¹⁶ "Big Faculty Shortages Seen in Humanities and Social Sciences," The Chronicle of Higher Education, September 20, 1989, p. A1.
- ¹⁷ Colorado Commission on Higher Education, Status of Minorities in Colorado Public Higher Education Fiscal Year 1987-88, February 1989.

APPENDIX

Persons Testifying Before the Interim Committee on Higher Education

For further information on testimony provided, refer to the Legislative Council staff summary of the committee meeting on file at the Legislative Council office and at State Archives. Unless otherwise indicated, all individuals reside in Colorado.

July 6 and 7

- Marion Paul, Jobs for Colorado's Future
- John Niles, Jobs for the Future, Inc., Boston, MA
- Lucy Black Creighton, First Interstate Bank
- Phillip Burgess, Center for the New West
- Lewis Perelman, The Hudson Institute, Indianapolis, IN
- Rhett Speer, Colorado Advanced Technology Institute
- Jim Mingle, State Higher Education Executive Officers
- Harold Hodgkinson, Center for Demographic Policy, Washington, D.C.

July 25

- Barbara Neal, Colorado Council on the Arts and Humanities
- David Longanecker and Michael Cheroutes, Colorado Commission on Higher Education
- Philip Austin and Bob Shirley, State Board of Agriculture
- Robert Dickeson, James Walker, and Robert Tointon, University of Northern Colorado
- George Ansell, Russell Wood, and Sandy Allen, Colorado School of Mines

August 22

- Jerry Wartgow, State Board for Community Colleges and Occupational Education
- Houston Elam and Glen Burnham, State Colleges in Colorado
- E. Gordon Gee, Stuart Takeuchi, Lynn Ellins, and Harvey Phelps, University of Colorado
- Marlene Hall, Jim Hall, Art Fujioka, Gail Gross, and Lisa Rivera, Community College of Denver, Technical Education Center
- Paul Brinkman, National Center for Higher Education Management Systems
- Jack Bartram, consultant

October 3

- Michael Cheroutes, David Longanecker, Ginny Feagler, and Sharon Hart, Colorado Commission on Higher Education

October 24

- Marion Paul, Jobs for Colorado's Future
- John Niles, Jobs for the Future, Inc., Boston, MA
- Toni Worcester, Independent Higher Education in Colorado
- Gresham Riley, Colorado College
- Father Jack Callahan, Regis College
- Daniel Ritchie, University of Denver
- Curt Colburn and Frances Boggess, Colorado Student Association
- Herrick Roth, Colorado Forum
- Les Franklin and Toni Alcott, Governor's Job Training Office
- Martell Chapital, Community College and Occupational Education System
- Jack Ludlow and Herman Abeyta, Department of Corrections

November 2

- Toni Worcester, Independent Higher Education in Colorado
- Gresham Riley, Colorado College
- Father Jack Callahan, Regis College
- Daniel Ritchie, University of Denver
- Les Franklin and Toni Alcott, Governor's Job Training Office
- Martell Chapital, Community College and Occupational Education System
- Jack Ludlow and Herman Abeyta, Department of Corrections
- Barbara Neal, Colorado Council on the Arts and Humanities

November 8

- Carl Raschke, Independence Institute
- James Gelkins, Colorado Education Association

RESOURCES

Bartram, Jack. "Notes on Administrative Cost Comparisons." Paper prepared for the Interim Committee on Higher Education. August 1989.

Brinkman, Paul. "Data on Administrative Costs." Data prepared for the Interim Committee on Higher Education. August 22, 1989.

Burgess, Philip M. and Kent Briggs. "Bunts and Singles: A Strategy for Colorado in America's New Economy." Denver: Center for the New West, April 27, 1989.

Colorado. Office of the Governor, Department of Labor and Employment, and Department of Local Affairs. Workforce 2000 and Beyond: Reports on Jobs and Workers for Colorado's Future. October 1988.

Colorado Commission on Higher Education. "Administrative Cost Study." Undated.

_____. "Colorado's Role in Financing Public Higher Education - Findings and Recommendations." October 4, 1989.

_____. Colorado Statewide Master Plan for Postsecondary Education 1987 - 88 thru 1991 - 92. February 11, 1988.

_____. Status of Minorities in Colorado Public Higher Education Fiscal Year 1987 - 88. February 1989.

_____. Tuition and Fees Report. September 1, 1989.

_____. "Undergraduate Financing of a Higher Education - Findings and Recommendations." October 4, 1989.

Colorado School of Mines. "Strategic Plan." (Draft 8). Presented to the Interim Committee on Higher Education, July 1989.

Colorado State Board for Community Colleges and Occupational Education. A Vision of the Future: A Comprehensive State Plan for Occupational Education. January 1987.

_____. "Presentation to Interim Committee on Higher Education." September 12, 1989.

Colorado Department of Education. Report on Colorado Annual Dropout Rates Grades Seven Through Twelve 1987- 88. January 1989.

Colorado State Council on Vocational Education. Vocational Education: The Essential Investment. 1989.

Colorado State University System. "Presentation to the Interim Committee on Higher Education. July 25, 1989.

Hodgkinson, Harold L. All One System: Demographics of Education, Kindergarten through Graduate School. Washington D.C.: Institute for Educational Leadership, 1985.

Independent Higher Education of Colorado. "Independent Higher Education: A Colorado Profile." Presented to the Interim Committee on Higher Education. October 1989.

Jobs for Colorado's Future. "Report to the Interim Committee on Higher Education." July 6, 1989.

_____. Jobs for Colorado's Future Preliminary Action Plan - Executive Summary. Denver: Jobs for the Future, Inc. October 1989.

_____. Voices from across Colorado's Mountains and Plains: Coloradans Talk About Their Economy. March 1989.

Johnston, William B. and Arnold E. Packer. Workforce 2000: Work and Workers for the 21st Century. Indianapolis: The Hudson Institute, June 1987.

Colorado Joint Budget Committee. 1989-90 Appropriations Report.

Legislative Council Staff. Memorandum No. 1, "Brief Overview of Postsecondary Education Governance and Financing." June 30, 1989.

_____. Memorandum No. 2, "Salary and Contract Information for Presidents of Postsecondary Education Governing Boards." August 21, 1989.

_____. Memorandum No. 3, "Postsecondary Education Tuition Financing Plans." September 22, 1989.

_____. Memorandum No. 6, "Regulation of Out-of State Postsecondary Institutions." October 23, 1989.

_____. Memorandum No. 7, "Creative Financing in Higher Education." October 31, 1989.

Mingle, James. "Postsecondary Education's Contribution to the Economy." Presentation to the Interim Committee on Higher Education. July 7, 1989.

Office of State Library and Adult Education, Colorado Department of Education. "Adult Illiteracy in Colorado." Presentation to the Interim Committee on Higher Education." September 12, 1989.

Perelman, Lewis J. Human Capital Investment for State Economic Development: A Case Study of a State Government "Portfolio." Denver: Western Governor's Association, July 1988.

State Colleges in Colorado. "Report to the Interim Committee on Higher Education." August 22, 1989.

University of Colorado. A Summary of Strategic Planning at the University of Colorado. April 1989.

University of Northern Colorado. "Testimony for Higher Education Interim Committee." July 25, 1989.

Western Interstate Commission for Higher Education. Tuition and Fees in Public Higher Education in the West 1988-89. Boulder: January 1989.

Interim Committee on Higher Education

A BILL FOR AN ACT

1 CONCERNING THE ESTABLISHMENT OF A PARTNERSHIP FOR AN EDUCATED
2 COLORADO.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Creates a partnership for an educated Colorado to be composed of members of the general assembly and members appointed by the governor. Directs the partnership to study and evaluate the education and training needs of Colorado and to develop a strategic plan for the short-term and long-term education and training system of the state. Outlines the responsibilities of the partnership in relation to the development of the strategic plan.

3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. Article 3 of title 2, Colorado Revised
5 Statutes, 1980 Repl. Vol., as amended, is amended BY THE
6 ADDITION OF A NEW PART to read:

7 PART 15

8 PARTNERSHIP FOR AN EDUCATED COLORADO

9 2-3-1501. Legislative declaration. (1) The general

1 assembly hereby recognizes:

2 (a) That there needs to be a unified system for the
3 education and training of children and adults who will be the
4 future workforce of Colorado;

5 (b) That such unified education and training system must
6 keep up with the rapidly changing needs of the economy;

7 (c) That state and local governments have limited
8 resources available for the funding of the education and
9 training system and that those resources need to be used more
10 effectively;

11 (d) That new ideas for the restructuring of the
12 education and training system of the state need to be
13 explored;

14 (e) That there needs to be a strategic plan for the
15 short-term and long-term education and training system of the
16 state that addresses the educational needs of Coloradans from
17 early childhood through postsecondary education, including the
18 need for basic and remedial education, continuing education,
19 and vocational education; and

20 (f) That there needs to be a coordinated effort among
21 all public and private education and training efforts to
22 implement the strategic plan for the short-term and long-term
23 education and training system of the state.

24 (2) It is therefore the intent of the general assembly
25 that the partnership for an educated Colorado appointed
26 pursuant to this part 15 study and evaluate the short-term and
27 long-term education and training needs of the people of

1 Colorado and develop a strategic plan for the short-term and
2 long-term education and training system of the state,
3 including recommendations on the phasing-in of such plan.
4 Furthermore, it is the intent of the general assembly that the
5 partnership for an educated Colorado act in an advisory
6 capacity only and that the actual implementation of the
7 strategic plan be made by the general assembly, by boards of
8 education of school districts in cooperation with the
9 commission on school finance and the department of education,
10 by governing boards of state-supported postsecondary
11 institutions in cooperation with the Colorado commission on
12 higher education, by private business entities in this state,
13 and by other appropriate education and training efforts.

14 2-3-1502. Partnership for an educated Colorado -
15 creation - composition - compensation. (1) There is hereby
16 created a partnership for an educated Colorado to be comprised
17 of eleven members appointed as follows:

18 (a) Five members appointed by the governor, no more than
19 three of whom shall be from the same political party;

20 (b) The chairman of the education committee of the house
21 of representatives, and two members of the house of
22 representatives appointed by the speaker of the house of
23 representatives, with one member from each political party;
24 and

25 (c) The chairman of the education committee of the
26 senate, and two members of the senate appointed by the
27 president of the senate, with one member from each political

1 party.

2 (2) The chairmanship and vice-chairmanship of the
3 partnership for an educated Colorado shall alternate annually
4 between the chairmen of the education committees, with the
5 chairman of the education committee of the senate acting as
6 chairman during the first year.

7 (3) The members first appointed to the partnership for
8 an educated Colorado shall serve for the terms designated in
9 this subsection (3). Following the expiration of the initial
10 terms, all members appointed to the partnership shall serve
11 for four-year terms commencing on February 1 and shall serve
12 until their successors are appointed. The terms of the
13 members first appointed shall be as follows:

14 (a) The members appointed from the house of
15 representatives shall serve until February 1, 1991, or until
16 their successors are appointed;

17 (b) Three of the members appointed by the governor shall
18 serve until February 1, 1992, or until their successors are
19 appointed;

20 (c) The members appointed from the senate shall serve
21 until February 1, 1993, or until their successors are
22 appointed; and

23 (d) The remaining two members appointed by the governor
24 shall serve until February 1, 1994, or until their successors
25 are appointed.

26 (4) Members of the partnership for an educated Colorado
27 shall serve without compensation but shall be reimbursed for

1 all necessary expenses incurred in the performance of their
2 duties.

3 (5) The partnership for an educated Colorado shall meet
4 at least monthly and shall be assisted by staff from the
5 legislative council and the office of legislative legal
6 services. The partnership may also request staff assistance
7 from the office of the governor, the Colorado commission on
8 higher education, and the department of education.

9 2-3-1503. Responsibilities of the partnership for an
10 educated Colorado. (1) The partnership for an educated
11 Colorado shall develop a strategic plan for the short-term and
12 long-term education and training system of the state,
13 including recommendations on the phasing-in of such plan. The
14 strategic plan shall establish coordinated goals and
15 objectives for the system so that the system provides persons
16 with a smooth transition between the various elements of the
17 system and also keeps pace with the changing needs of the
18 economy of this state. The strategic plan shall include, but
19 not be limited to, goals and objectives of the system which
20 relate to the following:

21 (a) The education and training of children from early
22 childhood through secondary school including the reduction of
23 the dropout rate, the improvement of academic performance, and
24 the greater involvement of parents and businesses in the
25 education and training of children;

26 (b) The education and training of adults in
27 state-supported postsecondary institutions;

1 (c) Adult basic education that addresses the illiteracy
2 problem among adults in this state;

3 (d) Continuing education for adults;

4 (e) Vocational education and training for children in
5 secondary schools and for adults which addresses the current
6 needs of the economy in this state but is flexible enough to
7 adapt to the changing needs of the economy;

8 (f) Education and training needs of persons who are
9 making career changes;

10 (g) Accessibility of all citizens in Colorado to all
11 elements of the education and training system, including
12 accessibility through the use of telecommunication services;

13 (h) Teacher education and employment for all levels of
14 education including recruitment practices (especially of
15 minorities), continuing education requirements, teacher
16 tenure, career ladder, and merit pay;

17 (i) Education and training needs of minorities, women,
18 and the hard-to-employ;

19 (j) Apprenticeship and training programs in the private
20 sector; and

21 (k) Coordination of education and training efforts of
22 the private sector with the education and training efforts of
23 the public sector to avoid the duplication of efforts and to
24 promote cooperation between the public and private sectors.

25 (2) The partnership for an educated Colorado shall
26 submit the full strategic plan for the short-term and
27 long-term education and training system of the state and its

1 recommendations concerning implementation of the plan to the
2 governor, the general assembly, and the people of Colorado no
3 later than January 1, 1993, but portions of the plan may be
4 submitted to the governor and the general assembly prior to
5 said date. The strategic plan shall identify the parts of the
6 plan that require legislation, and any legislation recommended
7 by the partnership shall be treated as legislation recommended
8 by an interim legislative committee for purposes of any
9 introduction deadlines or bill limitations imposed by the
10 joint rules of the general assembly. The strategic plan shall
11 also identify the parts of the plan that can be implemented
12 without legislation and shall submit those recommendations to
13 the commission on school finance, the department of education,
14 and local school districts, the Colorado commission on higher
15 education and the governing boards of state-supported
16 postsecondary institutions, and the private sector.

17 (3) Following submission of the strategic plan to the
18 governor, the general assembly, and the people of Colorado,
19 the partnership for an educated Colorado shall continuously
20 assess and evaluate the short-term and long-term education and
21 training system of the state and make recommendations annually
22 to the governor and the general assembly concerning revisions
23 to the strategic plan.

24 (4) The partnership for an educated Colorado shall also
25 submit to the governor and the general assembly a spending
26 priority list which makes recommendations concerning the
27 expenditure of state moneys currently available to fund the

1 short-term and long-term education and training system of the
2 state. The partnership shall also make recommendations
3 concerning the amount of increased moneys that may be
4 necessary in order to fully implement the strategic plan for
5 the short-term and long-term education and training system of
6 the state.

7 2-3-1504. Assistance from public and private sector.

8 (1) In fulfilling its responsibilities under section
9 2-3-1503, the partnership for an educated Colorado shall be
10 authorized to conduct hearings in all regions of the state for
11 the purpose of securing data and information and for the
12 purpose of soliciting ideas, opinions, and recommendations for
13 inclusion in the strategic plan for the short-term and
14 long-term education and training system of the state.

15 (2) The department of education and local school
16 districts, the Colorado commission on higher education and the
17 postsecondary institutions, the department of labor and
18 employment, and the governor's office shall provide all data
19 requested by the partnership for an educated Colorado and
20 shall cooperate fully with the partnership in its development
21 of the strategic plan.

22 SECTION 2. Safety clause. The general assembly hereby
23 finds, determines, and declares that this act is necessary
24 for the immediate preservation of the public peace, health,
25 and safety.

Interim Committee on Higher Education

A BILL FOR AN ACT

1 CONCERNING THE COLORADO EXCELLENCE PROGRAM FOR HIGHER
2 EDUCATION ENDOWMENT.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Creates the Colorado excellence program for higher education endowment for the purpose of endowment of academic chairs and programs of excellence at state-supported institutions of higher education. Directs the Colorado commission on higher education to establish guidelines for the donation and use of program funds and to establish requirements for matching funds. Directs that donated moneys shall not be used for the endowment of new positions but only to increase the salary structure of existing positions. Creates a state income tax credit for qualifying contributions by corporations and individuals.

3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. Article 1 of title 23, Colorado Revised
5 Statutes, 1988 Repl. Vol., as amended, is amended BY THE
6 ADDITION OF A NEW SECTION to read:

7 23-1-119. Commission directive - Colorado excellence

1 program for higher education endowment. (1) The general
2 assembly hereby finds and declares that the educational and
3 economic opportunities of the citizens of Colorado will be
4 enhanced by providing instructors and educational programs of
5 the highest quality through the state colleges and
6 universities. To this end, it is the intent of the general
7 assembly to seek to fund endowments of academic chairs and
8 programs of excellence which will enhance the educational
9 goals of state-supported institutions of higher education by
10 attracting and retaining distinguished educators and promoting
11 programs of excellence in education.

12 (2) As used in this section, unless the context
13 otherwise requires:

14 (a) "Endowment" means moneys invested on a permanent
15 basis where only the proceeds of investment are available for
16 use in the support of academic programs or the payment of
17 faculty salaries.

18 (b) "Program" means the Colorado excellence program for
19 higher education endowment.

20 (3) There is hereby created the Colorado excellence
21 program for higher education endowment. The program shall
22 exist for the purpose of providing for the endowment of
23 academic chairs and programs of excellence at state-supported
24 institutions of higher education through donations received
25 from corporate and individual donors. The program shall be
26 administered by the commission pursuant to the requirements of
27 this section.

1 (4) The commission shall develop guidelines for the
2 contribution of funds by corporations and individuals and for
3 the use of said funds by the governing boards of the
4 state-supported institutions of higher education for the
5 purpose of endowment of academic chairs and programs of
6 excellence at their respective institutions. The principles
7 upon which the guidelines developed by the commission shall be
8 based shall include, but not be limited to, the following:

9 (a) Moneys donated under the program shall not be used
10 for the endowment of newly created academic positions but only
11 for the increase of salary structures for existing positions.

12 (b) A donation under the program for the endowment of an
13 academic chair or a program of excellence at a state-supported
14 institution of higher education shall be made directly to the
15 institution through the governing board, the institution's
16 foundation, or other appropriate entity.

17 (5) (a) The commission shall develop matching fund
18 requirements for the governing boards of state-supported
19 institutions of higher education. Such matching funds shall
20 become part of the endowment for the appropriate chair or
21 program of excellence and shall not be withdrawn from the
22 endowment.

23 (b) Matching funds provided by an institution pursuant
24 to the requirements developed by the commission shall not be
25 derived from the proceeds of existing endowment funds of the
26 institution or from funds donated for the program.

27 (6) The tax credits allowed by sections 39-22-115.5 and

1 39-22-309.5, C.R.S., shall be available only for donations
2 which are made in conformance with the guidelines established
3 by the commission pursuant to subsection (4) of this section
4 and in conformance with the matching fund requirements
5 established by the commission pursuant to subsection (5) of
6 this section.

7 SECTION 2. 23-1-105, Colorado Revised Statutes, 1988
8 Repl. Vol., is amended BY THE ADDITION OF A NEW SUBSECTION to
9 read:

10 23-1-105. Duties and powers of the commission with
11 respect to appropriations. (8) The general assembly shall
12 annually appropriate to the commission funds to match
13 contributions made to state-supported institutions of higher
14 education by new contributors. Such appropriation shall be
15 ten dollars for each individual who made a contribution of
16 twenty-five dollars or more to a state-supported institution
17 of higher education during the previous fiscal year and who
18 had not previously made any contributions to such institution.
19 The commission shall fully allocate such annual appropriation
20 to the governing boards according to the number of new
21 contributors making contributions to the institutions governed
22 by the governing boards.

23 SECTION 3. Part 1 of article 22 of title 39, Colorado
24 Revised Statutes, 1982 Repl. Vol., as amended, is amended BY
25 THE ADDITION OF A NEW SECTION to read:

26 39-22-115.5. Credit for donations to Colorado excellence
27 program for higher education endowment. (1) For income tax

1 years commencing on or after January 1, 1990, there shall be
2 allowed to each resident individual, as a credit against the
3 income taxes imposed by this article, a credit equal to twenty
4 percent of amounts above five hundred dollars donated for the
5 Colorado excellence program for higher education endowment
6 created in section 23-1-119, C.R.S., with a maximum credit
7 equal to two percent of the claimant's Colorado adjusted gross
8 income for the tax year.

9 (2) If the credit allowed under this section exceeds the
10 income taxes otherwise due on the claimant's income, the
11 amount of the credit not used as an offset against income
12 taxes may be carried forward as a tax credit against
13 subsequent years' income tax liability for a period not
14 exceeding five years and shall be applied first to the
15 earliest years possible.

16 SECTION 4. Part 3 of article 22 of title 39, Colorado
17 Revised Statutes, 1982 Repl. Vol., as amended, is amended BY
18 THE ADDITION OF A NEW SECTION to read:

19 39-22-309.5. Credit for donations to Colorado excellence
20 program for higher education endowment. (1) For income tax
21 years commencing on or after January 1, 1990, there shall be
22 allowed to each domestic and foreign corporation, as a credit
23 with respect to the income taxes imposed by this part 3, a
24 credit equal to twenty percent of amounts above five thousand
25 dollars donated for the Colorado excellence program for higher
26 education endowment created in section 23-1-119, C.R.S., with
27 a maximum credit equal to two percent of the claimant's net

1 income apportioned to Colorado for the tax year.

2 (2) If the credit allowed under this section exceeds the
3 income taxes otherwise due on the claimant's income, the
4 amount of the credit not used as an offset against income
5 taxes may be carried forward as a tax credit against
6 subsequent years' income tax liability for a period not
7 exceeding five years and shall be applied first to the
8 earliest years possible.

9 SECTION 5. Safety clause. The general assembly hereby
10 finds, determines, and declares that this act is necessary
11 for the immediate preservation of the public peace, health,
12 and safety.

Interim Committee on Higher Education

A BILL FOR AN ACT

1 CONCERNING FISCAL POLICIES RELATING TO STATE-SUPPORTED
2 INSTITUTIONS OF HIGHER EDUCATION.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Section 1 directs the Colorado commission on higher education to develop a separate administrative cost policy for each type of institution and, through use of the appropriation allocation function, to penalize governing boards and institutions for failure to comply with administrative cost reduction policies. Also directs the commission to require every governing board and institution to use uniform accounting methods and financial reporting policies and to submit reports on increases and decreases of administrative expenses.

Section 2 states the objectives of performance postaudits of state-supported postsecondary institutions by the state auditor and requires cooperation between the state auditor's office and the internal audit staffs of said institutions.

Section 3 requires the commission to establish a fiscal accountability process for purposes of measuring and evaluating the fiscal, management, and administrative activities of an institution.

Section 4 requires that student fees imposed by a student association or student government at a state-supported institution of higher education be deposited in a separate fund and that interest earned thereon be credited to the fund.

Section 5 adds the Colorado school of mines to those designated institutions of higher education providing reduced tuition to members of the Colorado national guard:

1 Be it enacted by the General Assembly of the State of Colorado:

2 SECTION 1. 23-1-117, Colorado Revised Statutes, 1988
3 Repl. Vol., is amended to read:

4 23-1-117. Commission directive - administrative expense
5 reduction. (1) It is the intent of the general assembly that
6 the governing boards of state-supported institutions of higher
7 education minimize administrative costs and eliminate
8 duplication of administrative services. The general assembly
9 therefore directs the commission, after consultation with the
10 governing boards, to:

11 (a) REVIEW HOW CURRENT FUNDING MECHANISMS EITHER
12 ENCOURAGE OR DISCOURAGE ADMINISTRATIVE COSTS. THE COMMISSION
13 SHALL REPORT TO THE GENERAL ASSEMBLY ANY STATUTORY CHANGES
14 NECESSARY TO ENCOURAGE THE REDUCTION OF ADMINISTRATIVE COSTS.

15 (b) Develop systemwide policies concerning the possible
16 reduction of administrative costs and to ~~implement these~~
17 ~~policies---through~~ INCORPORATE APPROPRIATE CHANGES IN
18 established funding mechanisms developed pursuant to section
19 23-1-105 TO CONTINUE TO PROVIDE INCENTIVES FOR INSTITUTIONS TO
20 REDUCE ADMINISTRATIVE COSTS. ~~The commission shall report to~~
21 ~~the general assembly by January 1, 1988, the policies it has~~
22 ~~established pursuant to this section.~~ THE COMMISSION SHALL
23 DEVELOP A SEPARATE ADMINISTRATIVE COST POLICY FOR EACH TYPE OF
24 INSTITUTION, GROUPING INSTITUTIONS TOGETHER BASED UPON SIZE,
25 LOCATION, AND ROLE AND MISSION.

26 (2) IN ADDITION TO DEVELOPING THE ADMINISTRATIVE COST
27 POLICIES, THE COMMISSION SHALL ALSO:

1 (a) ADOPT A FINANCIAL POLICIES AND PROCEDURES HANDBOOK
2 PRESCRIBING UNIFORM ACCOUNTING METHODS AND FINANCIAL REPORTING
3 POLICIES, AND REQUIRE THAT IT BE USED BY EVERY GOVERNING BOARD
4 AND INSTITUTION WITHIN THE STATE-SUPPORTED SYSTEM OF HIGHER
5 EDUCATION IN THE DEVELOPMENT OF THE BUDGET FOR THE GOVERNING
6 BOARD OR INSTITUTION, IN THE KEEPING OF FINANCIAL RECORDS OF
7 THE GOVERNING BOARD OR INSTITUTION, AND IN THE PERIODIC
8 PRESENTATION OF FINANCIAL INFORMATION TO THE COMMISSION;

9 (b) (I) REQUIRE EACH GOVERNING BOARD TO SUBMIT AN
10 ANNUAL REPORT TO THE COMMISSION WHICH SHALL INCLUDE THE
11 FOLLOWING:

12 (A) THE DOLLAR, AS WELL AS THE PERCENTAGE, INCREASE OR
13 DECREASE IN ADMINISTRATIVE COSTS FOR THE GOVERNING BOARD AND
14 EACH INSTITUTION UNDER ITS GOVERNANCE, COMPARED TO THE PRIOR
15 YEAR;

16 (B) THE PERCENTAGE THAT ADMINISTRATIVE COSTS REPRESENT
17 OF THE TOTAL OPERATING BUDGET FOR THE GOVERNING BOARD AND EACH
18 INSTITUTION UNDER ITS GOVERNANCE, COMPARED TO THE PRIOR YEAR;
19 AND

20 (C) ANY CHANGES IN COMMISSION POLICY OR ANY STATUTORY
21 CHANGES THAT WOULD RESULT IN A REDUCTION OR AN INCREASE IN
22 ADMINISTRATIVE COSTS FOR THE GOVERNING BOARD OR THE
23 INSTITUTIONS UNDER ITS GOVERNANCE.

24 (II) IF THE COMMISSION DETERMINES THAT A GOVERNING BOARD
25 HAS COMPLIED WITH THE IMPLEMENTATION OF ADMINISTRATIVE COSTS
26 POLICIES PURSUANT TO SUBSECTION (1) OF THIS SECTION WITH
27 RESPECT TO ITS ADMINISTRATIVE COSTS, THE REPORT REQUIRED BY

1 THIS PARAGRAPH (b) SHALL BE SUBMITTED ONLY IN EVEN-NUMBERED
2 YEARS.

3 (III) THE COMMISSION SHALL PROVIDE THE GOVERNOR AND THE
4 GENERAL ASSEMBLY WITH A CONCISE NUMERICAL SUMMARY OF THE DATA
5 CONTAINED IN THE REPORT REQUIRED BY THIS PARAGRAPH (b),
6 INCLUDING A BRIEF WRITTEN INTERPRETATION OF INCREASES OR
7 DECREASES IN ADMINISTRATIVE COSTS OF THE GOVERNING BOARDS AND
8 INSTITUTIONS.

9 (c) CONDUCT PEER INSTITUTION ANALYSIS AND COMPARISONS OF
10 COLORADO INSTITUTIONAL ADMINISTRATIVE COSTS WITH COMPARABLE
11 INSTITUTIONS NATIONALLY.

12 (3) IF THE COMMISSION DETERMINES THAT A GOVERNING BOARD
13 HAS FAILED TO COMPLY WITH THE IMPLEMENTATION OF ADMINISTRATIVE
14 COST POLICIES PURSUANT TO SUBSECTION (1) OF THIS SECTION WITH
15 RESPECT TO ITS ADMINISTRATIVE COSTS, THE COMMISSION SHALL
16 DIRECT SUCH GOVERNING BOARD TO USE NO MORE THAN A SPECIFIED
17 AMOUNT OF, OR PERCENTAGE OF, ITS OPERATING BUDGET FOR
18 ADMINISTRATIVE COSTS.

19 (4) IF THE COMMISSION DETERMINES THAT AN INSTITUTION HAS
20 FAILED TO COMPLY WITH THE IMPLEMENTATION OF ADMINISTRATIVE
21 COST POLICIES PURSUANT TO SUBSECTION (1) OF THIS SECTION WITH
22 RESPECT TO ITS ADMINISTRATIVE COSTS, THE COMMISSION SHALL
23 DIRECT THE GOVERNING BOARD OF SUCH INSTITUTION TO WITHHOLD AN
24 AMOUNT OF ITS APPROPRIATION ALLOCATION TO SUCH INSTITUTION.
25 IF THE COMMISSION DETERMINES THAT SUCH INSTITUTION HAS
26 SUBSEQUENTLY COMPLIED WITH ADMINISTRATIVE COST POLICIES, SUCH
27 WITHHELD AMOUNT SHALL BE ALLOCATED IN THE FOLLOWING YEAR TO

1 SUCH INSTITUTION, IN ADDITION TO THE ANNUAL APPROPRIATION
2 ALLOCATION, SO LONG AS SUCH WITHHELD AMOUNT IS USED FOR A
3 PURPOSE OTHER THAN ADMINISTRATIVE COSTS.

4 SECTION 2. 2-3-103 (1), Colorado Revised Statutes, 1980
5 Repl. Vol., as amended, is amended to read:

6 2-3-103. Duties of state auditor. (1) It is the duty
7 of the state auditor to conduct or cause to be conducted
8 postaudits of all financial transactions and accounts kept by
9 or for all departments, institutions, and agencies of the
10 state government, including educational institutions, and the
11 judicial and legislative branches, to conduct performance
12 postaudits thereof, and to perform similar or related duties
13 with respect to such political subdivisions of the state as
14 may be required by law. Postaudits of all financial
15 transactions and accounts may be conducted on a biennial
16 basis. PERFORMANCE POSTAUDITS OF STATE-SUPPORTED
17 POSTSECONDARY INSTITUTIONS SHALL INCLUDE, BUT SHALL NOT BE
18 LIMITED TO, INITIATIVES TO ACHIEVE ACADEMIC EXCELLENCE, PUBLIC
19 ACCESS TO POSTSECONDARY EDUCATION, AND ADMINISTRATIVE
20 EFFICIENCY AND MANAGEMENT. IN CONSULTATION WITH THE COLORADO
21 COMMISSION ON HIGHER EDUCATION, THE GOVERNING BOARDS OF
22 POSTSECONDARY INSTITUTIONS SHALL DIRECT THEIR INTERNAL AUDIT
23 STAFF TO PROVIDE THE NECESSARY ASSISTANCE IN ACCOMPLISHING THE
24 AUDIT OBJECTIVES OF THE PERFORMANCE POSTAUDITS.

25 SECTION 3. Article 1 of title 23, Colorado Revised
26 Statutes, 1988 Repl. Vol., as amended, is amended BY THE
27 ADDITION OF A NEW SECTION to read:

1 23-1-109.5. Duties and powers of the commission with
2 regard to accountability. (1) It is declared to be the
3 policy of the general assembly to promote efficiency by
4 state-supported institutions of higher education in their
5 fiscal, management, and administrative activities. In order
6 for the commission, the governor, and the general assembly to
7 measure and evaluate the efficiency of such activities, a
8 uniform fiscal accountability process shall be implemented.

9 (2) The commission shall, after consultation with the
10 governing boards of institutions, establish a fiscal
11 accountability process for the purpose of measuring and
12 evaluating the efficiency of an institution's fiscal,
management, and administrative activities. The fiscal
accountability process shall be structured so that the
different roles and missions of the various institutions are
recognized and so that the cost to the governing boards and
the various institutions in implementing the fiscal
accountability process are minimized.

13 (3) The fiscal accountability process shall be used to:
14 (a) Determine whether decisions relating to fiscal and
15 administrative activities are being made at the appropriate
16 management level;

17 (b) Determine whether the findings and recommendations
18 made by the state auditor and by the internal auditor employed
19 by the governing board of the institution are being acted upon
20 by the institution;

21 (c) Determine whether the institution has internal

1 reviews to determine the efficiency of its fiscal, management,
2 and administrative activities;

3 (d) Determine to what extent institution-based programs
4 have achieved excellence and programmatic outcomes consistent
5 with the institution's role and mission.

6 (4) The commission shall establish the fiscal
7 accountability process required by subsection (2) of this
8 section no later than September 15, 1990. The commission
9 shall report to the governor and the general assembly no later
10 than February 15 of each even-numbered year on the results of
11 the fiscal accountability process.

12 SECTION 4. Article 5 of title 23, Colorado Revised
13 Statutes, 1988 Repl. Vol., is amended BY THE ADDITION OF A NEW
14 SECTION to read:

15 23-5-119. Student fees - deposit - interest. Student
16 fees imposed by a student association or student government at
17 a state-supported institution of higher education and
18 collected from students enrolled in such institution shall be
19 deposited in a separate fund of the institution to be used for
20 the purposes for which the fees were charged. All interest
21 derived from the deposit and investment of moneys in the fund
22 shall be credited to the fund.

23 SECTION 5. 23-5-111.4 (3), Colorado Revised Statutes,
24 1988 Repl. Vol., is amended to read:

25 23-5-111.4. Tuition for members of the national guard.
26 (3) For the purposes of this section, "designated institution
27 of higher education" means the university of southern

1 Colorado, Adams state college, Mesa state college,
2 Metropolitan state college, Fort Lewis college, Western state
3 college of Colorado, all independent area vocational schools,
4 all local district colleges, the university of northern
5 Colorado, the university of Colorado at Denver, the university
6 of Colorado at Colorado Springs, the university of Colorado at
7 Boulder, Colorado state university, THE COLORADO SCHOOL OF
8 MINES, and all community colleges governed by the state board
9 for community colleges and occupational education.

10 SECTION 6. Safety clause. The general assembly hereby
11 finds, determines, and declares that this act is necessary
12 for the immediate preservation of the public peace, health,
13 and safety.