



**REPORT OF  
THE  
STATE AUDITOR**

**Pueblo Community College  
Student Full-Time Equivalent Enrollments**

**Performance Audit  
December 2000**

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## STATE OF COLORADO

J. DAVID BARBA, CPA  
State Auditor

**OFFICE OF THE STATE AUDITOR**  
(303) 866-2051  
FAX (303) 866-2060

Legislative Services Building  
200 East 14th Avenue  
Denver, Colorado 80203-2211

November 8, 2000

Members of the Legislative Audit Committee:

This report contains the results of the performance audit of Pueblo Community College Student Full-Time Equivalent Enrollments. This audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government.

This report presents our findings, conclusions, and recommendations, and the responses of the Pueblo Community College, the State Board for Community Colleges and Occupational Education, and the Colorado Commission on Higher Education.

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J. DAVID BARBA, CPA  
State Auditor

**Pueblo Community College  
Student Full-time Equivalent Enrollments  
Performance Audit  
December 2000**

**Authority, Purpose, and Scope**

This audit of Pueblo Community College student full-time equivalent (FTE) enrollments was conducted pursuant to Section 2-3-103 et seq., C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. Our audit focused on whether Pueblo Community College (PCC) computed its student enrollment in accordance with Colorado Commission on Higher Education (Commission) policy and reported accurate student FTE enrollment statistics. To accomplish our audit objectives, we reviewed student files, interviewed staff, and analyzed data provided by the Commission, the State Board for Community Colleges and Occupational Education (State Board), and Pueblo Community College. We focused our audit work on Fiscal Years 1999 and 2000. The audit work, performed from June through September 2000, was conducted according to generally accepted governmental auditing standards.

We gratefully acknowledge the assistance and cooperation extended by management and staff at Pueblo Community College, the State Board, and the Colorado Commission on Higher Education.

**Pueblo Generally Complies with FTE Policy**

We examined several areas that impact student FTE reporting. These included final student enrollment figures, internal controls, add/drop transactions, the 98 percent tuition collection rule, Type B Instruction, alternative delivery courses, institutional scholarships, minimum contact hour requirements, postsecondary enrollment for high school students, and residency determination. Overall, we determined that Pueblo is generally in compliance with the policy in the areas of the final student enrollment figures, internal controls, add/drop transactions, the 98 percent tuition collection rule, Type B Instruction, institutional scholarships, minimum contact hour requirements, and postsecondary enrollment options for high school students.

**Pueblo Should Determine Some Costs**

Pueblo Community College (PCC) contracts with private businesses and high schools to provide training and/or educational opportunities. College representatives could not tell us the methodology used to determine the fees charged for training courses delivered to private employers. In addition, we found that PCC fiscal staff manipulate the costs related to its Postsecondary Enrollment Options Act (PSEO) program with local school districts to produce an "our costs equal their costs" situation.

*For further information on this report, contact the Office of the State Auditor at (303) 866-2051.*

If PCC does not know the actual cost of providing training to private employers or to high school students under the PSEO program, it cannot determine whether rates charged are reasonable or if offering courses through partnerships is a viable choice for the college. Therefore, **Pueblo Community College should determine the actual instructional costs related to its partnership agreements.**

### **A Significant Amount of Funding is Spent on Remedial Education**

Colleges use remedial education courses, namely basic skills courses and vestibule labs, to help improve students' chances for success in college and strengthen weak areas that, if not addressed, may lead to difficulties or failure in college. According to Commission policy, institutions with a special mission to serve marginally qualified or academically deficient students may report credits generated through remedial education courses for state funding. Under this policy, all community colleges, including Pueblo Community College, receive state funding for providing remedial education. For example, in Fiscal Year 1999, Pueblo Community College claimed approximately 556 FTE representing about \$1.8 million from its remedial education courses. In a recent study, the Commission on Higher Education reported that 18 percent of all students enrolled in Colorado's community colleges took one or more remedial classes in Fiscal Year 1998. Our analysis of community college expenditures indicated that the total State cost of college level remediation increased from \$13.1 million in 1995 to \$17.8 million in 1999. The Commission should assess the reasons for the increasing amount of funding for college level remediation. This could include determining how much may be due to students going to college several years after their graduation from high school and how much may result from an inadequate K-12 education. **We recommend that the Colorado Commission on Higher Education assess the reasons for the increasing cost of remedial education.**

### **Additional Assurance Regarding Residency Is Needed**

Due to the difference between in-state and out-of-state tuition rates, students have a significant financial incentive to claim residency even if they are not eligible (i.e., in-state tuition of \$676 versus out-of-state tuition of \$3,202, per semester). In addition, institutions have no financial incentive to scrutinize evidence of residency because they only receive state funding for credit hours generated by in-state students. Sixty percent of the sample files we reviewed did not include any applicable evidence of in-state residency beyond the self-reported information on the application. Our findings at Pueblo Community College are similar to what we discovered in our audit of Arapahoe Community College. In addition, the State Board acknowledged that similar procedures for establishing residency are used at all of the community colleges. In the Arapahoe Community College audit we recommended that community colleges should verify information on college applications by conducting residency testing on a representative sample of incoming freshmen. **We reiterate our conclusion that the State Board needs to develop a method for community colleges to verify residency of a representative sample of freshmen.**

## Changes Needed in the Commission's FTE Policy

Over the last year, we have reviewed three Colorado higher education institutions for compliance with the Commission's FTE policy. These reviews indicated various interpretations of the FTE policy. The Commission has already begun to rewrite its FTE policy and plans to incorporate the issues we raised in our three audits. There are three issues that the Commission needs to specifically address.

First, the Commission, with the assistance of the governing boards, needs to revisit the intent of the Legislature when it provides funding for instruction of resident students. Commission staff report that the purpose of the funding is to cover a portion of the institution's costs of educating resident students. At the same time, the statutes address the need for community colleges to provide a variety of educational opportunities, including personal and avocational programs, to the people of Colorado. However, it is unclear from our review of the statutes the extent of state funding the Legislature intends to provide and what costs the institutions are expected to absorb. Our reviews indicate that current Commission staff tend to strictly interpret FTE policy while, at least in the case of the community colleges, the colleges tend to typically interpret policy with a broader view. Therefore, **we recommend that the Commission should work with the governing boards to define the purpose of FTE funding and the extent of general fund support that should be provided.**

Second, our audits have noted areas where the existing Commission policy does not address current trends or provide clear guidance, specifically in the areas of workforce development and technology. As a result, the Commission and the colleges have different interpretations of funding eligibility for some courses which can lead to substantial differences in expected state funding. Our audits found some examples of different interpretations and funding expectations specifically in the areas of limited enrollment courses and sponsored courses. The colleges and the Commission should work to identify the cost of providing various types of courses including those provided in partnership with outside entities. Once costs are determined, the Commission can work with the colleges and the governing boards to determine when it is appropriate to fund some FTE fully, some partially, and omit others altogether. As part of its revision to its FTE policy, **the Commission should work with the governing boards to define which courses are eligible for general fund support and consider partial FTE funding for some courses including limited and sponsored courses.**

Finally, Commission policy allows credits earned by institution employees who receive institutional scholarships to be submitted for state funding. Our audit work raised some concerns regarding the lack of requirements attached to institutional scholarships given to employees. Pueblo Community College uses general funds to support its employee institutional scholarship which in turn allows the institution to obtain additional FTE funding. The Commission needs to determine if this meets the intention of the Legislature. We also found that the current policy allowing FTE funding for employees receiving institutional scholarships does not limit the funding to job-related courses nor

does it require successful completion by the employee of these state-funded courses. Therefore, **the Commission should reexamine the FTE policy provisions related to general funded institutional scholarships provided to higher education employees.**

### **Summary of Agency Responses**

Pueblo Community College, the State Board for Community Colleges and Occupational Education, and the Colorado Commission on Higher Education generally agreed with our recommendations. Their responses are located in the audit report.

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### RECOMMENDATION LOCATOR

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Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	15	Pueblo Community College should determine the actual instructional costs related to its partnership agreements.	Pueblo Community College	Agree	July 1, 2001
2	19	The State Board for Community Colleges and Occupational Education should ensure consistency among the colleges by improving recording procedures of basic skills courses.	State Board for Community Colleges and Occupational Education	Agree	July 1, 2002
3	21	The Colorado Commission on Higher Education should assess the reasons for the increasing cost of remedial education. The Commission should provide this information to the Legislature and the Colorado Department of Education so they could use it as one measure of the effectiveness of K-12 education.	Colorado Commission on Higher Education	Agree	January 1, 2002
4	27	The Colorado Commission on Higher Education, as part of its revision of its Student FTE policy, should work with higher education governing boards to define the purpose of FTE funding and the extent of general fund support that should be provided to higher education institutions.	Colorado Commission on Higher Education	Partially Agree	Fall 2001

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**RECOMMENDATION LOCATOR**

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<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
5	32	<p>The Colorado Commission on Higher Education, as part of its revision of its Student FTE policy, should work with the governing boards to:</p> <p style="margin-left: 40px;">a. Define which courses and/or programs are eligible for general fund support, specifically technology, business partnerships, and community outreach courses.</p> <p style="margin-left: 40px;">b. Consider partial FTE funding for some courses including limited and sponsored courses.</p>	Colorado Commission on Higher Education	Partially Agree	Fall 2001
6	36	The Colorado Commission on Higher Education, as part of its revision of its Student FTE policy, should reexamine the provisions related to general-funded institutional scholarships provided to higher education employees.	Colorado Commission on Higher Education	Agree	Fall 2001

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# Funding for Pueblo Community College

## Overview

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### Colorado Commission on Higher Education

Colorado's public colleges and universities are organized under the Department of Higher Education. The Colorado Commission on Higher Education (Commission) functions as the Department's policy-making and coordinating body. The Commission's authority over state-supported institutions of higher education includes:

- Determining the roles and missions of state colleges and universities.
- Establishing policies for reporting student Full-Time Equivalent (FTE) consistent with the role and mission of each state-supported institution.
- Distributing general fund appropriations and tuition monies to the governing boards.
- Establishing policies for setting tuition and fee rates.
- Setting academic admission standards.

The Commission allocates state appropriations for higher education among the six governing boards who have oversight of the State's 29 public colleges and universities. The State Board for Community Colleges and Occupational Education (State Board) operates as the governing board for Pueblo Community College.

### Funding of State Colleges and Universities

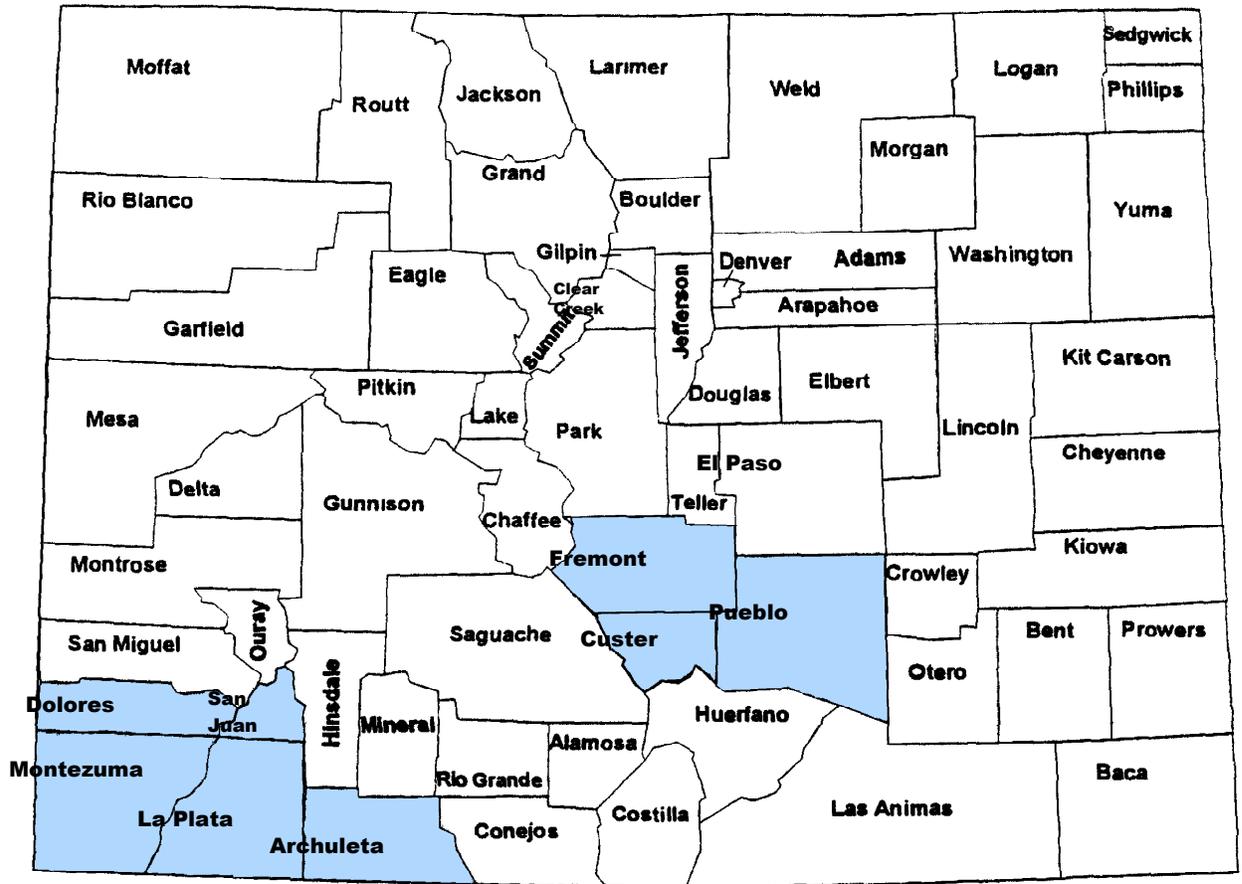
The General Assembly determines the overall funding for higher education on an annual basis. Section 23-1-105(3), C.R.S., requires the Commission to consult with the governing boards and to establish the distribution formula for appropriated general funds and cash funds received as tuition. Base funds for state institutions and colleges are determined by calculating FTE from course credit hours. Annual increases over base fund amounts are calculated using a combination of enrollment, inflation, and achievement of performance indicators.

State colleges and universities report resident and nonresident credit hours and student FTE annually to the Commission in the Final Student Enrollment Report. Therefore, under the Commission's directive, institutions calculate state funding based primarily on course credit hours. In-state resident students who attend classes on campus compose the bulk of the FTE enrollment total. Under a directive by the General Assembly, the Commission established guidelines for institutional reporting in its *Policy for Reporting Full-Time Equivalent Student Enrollment*. In this manual, the Commission sets guidelines that state schools use to report student FTE, including:

- Courses and their student enrollment that are reportable for state funding.
- Credit hours that may be reported for various types of instruction.
- Credit hours and courses that are not reportable for funding.

## **Pueblo Serves Multiple Locations in Colorado**

Pueblo Community College offers more than three dozen certificate and degree programs, including 13 health programs, which include occupational therapy assistance, dental hygiene, and nursing. In accordance with Commission policy, Pueblo Community College serves a large geographical area including Archuleta, Custer, Dolores, Fremont, La Plata, Montezuma, Pueblo, and San Juan counties. Pueblo Community College's main campus is in Pueblo. Pueblo also offers courses through the Fremont County Campus in Cañon City and the Southwest Center, which serves both Durango and Cortez. The following map and chart detail Pueblo's geographic service area and the disbursement of FTE among its three campuses.



FTE Trend Data for Pueblo Community College Among Three Campuses Pueblo Main, Fremont County, and Southwest Center Fiscal Years 1995 - 2000						
	1995	1996	1997	1998	1999	2000
<i>Full-Time Equivalent</i>						
<b>Pueblo</b>	1,770.16	1,871.05	1,858.64	1,885.69	1,865.69	1,907.00
<b>Fremont</b>	394.09	240.23	210.76	250.87	256.00	219.16
<b>Southwest</b>	175.04	200.90	274.66	397.65	445.74	491.23
<i>TOTAL</i>	<i>2,339.29</i>	<i>2,312.18</i>	<i>2,344.06</i>	<i>2,534.21</i>	<i>2,567.43</i>	<i>2,617.39</i>
<i>Percentage of Total FTE</i>						
<b>Pueblo</b>	75.7%	80.9%	79.3%	74.4%	72.6%	72.8%
<b>Fremont</b>	16.8%	10.4%	9.0%	9.9%	10.0%	8.4%
<b>Southwest</b>	7.5%	8.7%	11.7%	15.7%	17.4%	18.8%
<i>TOTAL</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>
<b>Source:</b> Self-reported data from Pueblo Community College.						

Clearly, the Southwest Center has provided the most significant growth for Pueblo Community College during the last six years. After a significant decline in FTE between 1995 and 1996, the percentage of FTE generated at Fremont County has been fairly stable. Pueblo's main campus continues to generate the majority of FTE funding for Pueblo Community College.

# Pueblo Community College's Compliance With FTE Policy

## Chapter 1

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### Pueblo Generally Complies With FTE Policy

Our audit work focused on Pueblo Community College (PCC) and whether it is reporting resident FTE in compliance with Commission policy. We analyzed data from Fiscal Year 1999 (Summer 1998, Fall 1998, and Spring 1999 semesters) and Fiscal Year 2000 (Summer 1999, Fall 1999, and Spring 2000 semesters).

We reviewed several areas that impact student FTE reporting. These areas include final student enrollment figures, internal controls, add/drop transactions, the 98 percent tuition collection rule, Type B Instruction, alternative delivery courses, institutional scholarships, minimum contact hour requirements, postsecondary enrollment for high school students, and residency determination. Generally, Pueblo Community College was in compliance with the Commission's FTE Policy. Those areas we determined to be in compliance include:

- **Final Student Enrollment Report.** The Commission requires that the enrollment report be prepared according to its policy and to "present fairly the enrollment of the institution." The Final Student Enrollment (FSE) Report includes student headcount, total credit hours generated, and calculated FTE for both in-state and out-of-state students. The accurate reporting of these figures links directly to the amount of state funding the institution is eligible to receive. Pueblo Community College provided adequate documentation to support the totals reported on its 1999 Final Student Enrollment Report.
- **Internal Controls.** At the beginning of our audit we requested that Pueblo staff detail the internal controls they use to ensure that data reported to the Commission are both accurate and complete. Through various audit work, we determined that Pueblo staff typically adhere to these internal controls. Therefore, we believe that the data that Pueblo Community College reports to the Commission are accurate.

- **Add/Drop Transactions.** Commission policy dictates the point at which a student adding or dropping a course can or cannot be included in the final FTE enrollment figure. Our review of 30 student files, 20 from Fiscal Year 1999 and 10 from Fiscal Year 2000, indicated that all add/drop transactions were classified correctly and in compliance with Commission policy.
- **98 Percent Tuition Collection Rule.** According to Commission policy, if a student has any outstanding tuition obligations but enrolls for a subsequent semester at the same institution, the credit hours generated by the student in the subsequent semesters cannot be reported. This requirement is waived for institutions that collect at least 98 percent of the tuition due by June 30. We found that PCC collected at least 98 percent of its tuition due as of June 30, 1999. Further, Pueblo has developed an internal control that prevents students from registering for a subsequent semester if they have an outstanding tuition balance, regardless of the amount of overall tuition collected by the institution. Therefore, students owing tuition are not included in the Final Student Enrollment Report.
- **Type B Instruction.** Pueblo offers several kinds of Type B Instruction. These include Alternative Delivery Courses, Independent Study, Internships, Clinical Practicums, and Cooperative Education Experiences. Commission policy requires that institutions establish outcomes, course descriptions, and minimum contact hours for each course type. Institutions must maintain records detailing how the number of credits for each of these courses was determined. As part of our audit work, we reviewed a sample of Pueblo Community College's Type B Instruction courses, 25 Independent Study and 25 Alternate Delivery, to determine if Commission policy was followed when awarding credit hours. Our review of the sample courses indicated that Pueblo was in compliance with Commission policy.
- **Institutional Scholarships.** Commission policy allows institutions to offer institutional scholarships and report the resulting credits for funding if certain requirements are met. Pueblo Community College offers a variety of general-funded institutional scholarships. Our review of 60 files representing institutional scholarship recipients during Fiscal Years 1999 and 2000 indicated that Pueblo Community College met the Commission's requirements for reporting these recipients for state funding. However, our file review also raised questions regarding institutional scholarships provided to employees of the institutions. We discuss this issue in Chapter 2.
- **Minimum Contact Hour Requirements.** Commission policy requires that credit hours be assigned to courses based on the contact time between faculty and students and the type of instructional activity. In addition, the policy

outlines the minimum contact time required for various methods of instruction; a typical lecture course requires a minimum of 750 minutes of contact time to generate one credit hour. We tested contact hours for 40 randomly selected courses and found that Pueblo achieved the minimum contact hours for 95 percent of the courses reviewed. The two exceptions were below the minimum by approximately one hour; most likely, a holiday was not accurately factored into the contact hour calculation. As the college was generally in compliance with this policy and has addressed this issue by assigning a specific individual to review contact hours, we do not have concerns in this area.

- **Postsecondary Enrollment Options.** Commission policy requires community colleges to submit the total number of students enrolled in college through the Postsecondary Enrollment Options Act (PSEO). We determined that Pueblo was able to support the number reported to the Commission in Fiscal Year 1999. However, we noted that Pueblo interprets the financial provisions of the PSEO statute differently than does Arapahoe Community College, which we audited previously. The PSEO statute underwent a statutory change in 1998 that demonstrated the intent of the General Assembly to require high school students to pay for courses taken under the Act. The school district should reimburse the tuition only if the student successfully completes the course. While Pueblo and the school districts noted this legislative change, they have decided not to require payment from the student unless the student does not successfully complete the course. The college and local school districts use one of the payment exceptions described in the PSEO statute as the support for this decision. That is, the statute requires the student to pay for the PSEO courses unless the student exhibits financial hardship or “shows evidence of responsibility and commitment for successful completion of the PSEO course,” in which case the school district pays the tuition cost. Therefore, PCC is in compliance with this statute but exemplifies the ability for inconsistent application of financial provisions related to this statute across the State. Due to the inconsistency in payment methods and a question regarding the number of students participating in PSEO that we found during the course of our recent FTE audits, our Office has decided to perform an audit of the entire PSEO program. That audit should be completed in early 2001.

We use the remainder of this chapter to discuss issues we found during our audit of Pueblo Community College. The second chapter addresses public policy and issues that have arisen through our three recent Student FTE audits.

## **Pueblo Should Determine the Cost of Partnerships**

Pueblo Community College contracts with private businesses and high schools to provide training and/or educational opportunities. The business contracts provide training or educational opportunities to employees of specific businesses; the high school contracts outline agreements required under the Postsecondary Enrollment Options Act (PSEO).

Pueblo's contracts with local employers provide continuing education and training for the employees of these businesses. While topics vary, the three main areas of expertise that Pueblo offers to these local employers are related to computers, supervisor training, and manufacturing. In Fiscal Year 1999, through its main campus, Pueblo offered courses to 16 business entities. Additional training courses were offered to four other entities through the Fremont County Campus and Southwest Center. Pueblo submitted FTE generated through 11 of these 20 partnerships for FTE funding.

Pueblo generates a very small number of FTE through its Continuing Education and Training Division; in Fiscal Year 1999 about 5.55 FTE were claimed through these courses. These 5.55 FTE equate to \$18,187 in state funding. According to Pueblo staff, these courses offered to private businesses are part of a marketing and educational community outreach strategy. If employees take a course through their employer, their interest in attending the college may increase. Therefore, Pueblo sees this introduction to the campus as a possible impetus to people going back to school or widening their educational background.

Interviews with Continuing Education and Training Division staff indicated that there was not a set method for determining the costs of providing training to private employers. From our limited sample of these contracts, we were not able to determine the methodology used to determine the fees charged for courses delivered to employers. Although Pueblo staff explained that tuition, fees, and books are part of the overall contract costs, it was difficult to discern what the remainder of the contracted amount covered. We believe that it is a good business practice to capture costs and also to ensure consistency across contracts.

Pueblo also offers courses to high school students through the Postsecondary Enrollment Options Act (PSEO). The purpose of the program is to academically challenge, encourage, and enable students by providing access to postsecondary courses prior to graduation from high school. Under the Act, students can take college courses and receive both high school and college credit. These courses are delivered

in various ways. Some students attend courses taught at the Pueblo's main and satellite campuses. Instruction is also provided at numerous high schools in the southwest corner of the State. Tuition for these courses is typically paid for by the school district.

We believe that the college should make an effort to recognize the costs associated with the components of the PSEO program. For example, Pueblo fiscal staff estimate PSEO instructor costs through establishing an hourly salary and a payroll rate (factoring in retirement, medicare, workers' compensation, and unemployment insurance). We think this is a commendable step toward recognizing the costs of educating PSEO students. Pueblo staff use the instructor costs in the following equation:

$$\begin{array}{r} \hline \text{Tuition + Fees} = \text{Instructor Costs} + (\text{Costs of Instruction} + \text{Facility Rental}) \\ \hline (\text{Set}) \quad (\text{Set}) = (\text{Calculated}) \quad + (\text{Costs Required to Balance}) \\ \hline \end{array}$$

We found that Pueblo fiscal staff manipulate the costs of instruction and facility rental to make this an “our costs equal their costs” situation. Thus, the costs of instruction and facility rental are artificially determined. If actual instructional costs are not known, the college cannot determine whether rates charged are reasonable or if offering courses through partnerships is a viable choice for the college. Overall, we believe that a more methodical and consistent manner for determining partnership-related costs should be developed. This cost estimation process should include partnerships with business entities and school districts.

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**Recommendation No. 1:**

Pueblo Community College should determine the actual instructional costs related to its partnership agreements.

**Pueblo Community College Response:**

Agree. What was once a simple process that involved a relatively small number of schools and business partnerships has gradually evolved into a much more complex situation due to the marked increase in the number of PSEO and business partnerships. Therefore, we have redefined the variables in our original formula and the manner in which they are calculated to provide for us the true cost of delivery of instruction. This change will become effective with all contracts in Fiscal Year 2002.

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## Vestibule Laboratories and Basic Skills Courses Are a Significant Source of Funding

Most community colleges use the result of a basic skills assessment to direct students into the appropriate English, reading, and mathematics course(s) and to advise new students in the selection of other courses. At the time of this assessment, the college may also recommend that the student needs to improve his/her basic skills before regular college courses can be taken. Pueblo and other community colleges offer assistance in these areas through two different methods, both of which under the Commission's policy are eligible for state funding.

- **Vestibule labs** are set up similar to a tutorial study hall, and the instruction is individual, self-paced, and staffed by an instructor. A formula created by the Commission translates minutes spent in vestibule labs to FTE.
- **Basic skills** courses are academic skills and preparatory courses that are prerequisite to the level of work expected for college-level instruction. FTE credit is generated the same as any other college course (i.e., 30 credit hours equals one FTE). However, basic skill courses are considered below college level and may not be counted toward a degree.

The purpose of vestibule labs and basic skills is to help improve students' chances for success in college and strengthen weak areas that, if not addressed, may lead to difficulties or failure in college. Basic skills courses and vestibule labs may also include General Education Degree (GED) preparation and comprise the remedial education offered at community colleges.

According to Commission policy, institutions with a special mission to serve marginally qualified or academically deficient students may report credits calculated through vestibule laboratories for state funding, even though credits are not recorded on student transcripts. The laboratory must be directly supervised by faculty and records maintained of the actual hours of each student's participation. Vestibule laboratories consist of supervised time devoted to raising a student's basic skill levels. Some vestibule labs focus on helping students increase their skills so that they may attain their GED while others focus on specific deficiencies (e.g., math or reading). Therefore, vestibule labs provide a bridge between high school and college and the state funding generated through these types of labs is limited to two-year institutions. Vestibule laboratories are a larger part of Pueblo Community College's program than many other Colorado institutions because Pueblo offers vestibule labs at seven state

correctional facilities as well as at the Fremont County Campus and at its Southwest Center. In Fiscal Year 1999, Pueblo claimed a total of 141.32 FTE from vestibule labs, which enabled it to receive approximately \$463,106 in state funds.

Vestibule lab credits and headcount are calculated by lab site contact staff. After staff at the lab calculate the credit, they typically submit this information on a monthly basis to PCC. Pueblo then totals all labs three times a year and transfers this information several times through a series of reports and includes these data on the Final Student Enrollment (FSE) Report. Vestibule lab information is reported separately on the FSE Report, but is rolled up into the totals reported for state funding. In addition to generating credit hours for state funding, the Commission uses separate vestibule lab information to track the need for and availability of remedial education courses across the State's higher education system. It is therefore important that the totals reported are correct.

We tested supporting documentation, including student sign-in sheets, for 8 of the 25 vestibule labs offered by Pueblo Community College in Fiscal Year 1999 and found numerous small errors. Most were due to human error and were made at the initial calculation of minutes to hours. We found several addition errors, an error in a computer formula used to calculate totals, transposition errors, and other exceptions. These errors were small and none resulted in large adjustments to FTE calculations. However we are concerned that they may indicate ongoing calculation problems. Since we discovered errors in both manually computed and computer formulas, we do not believe the college needs a specific recommendation in this area. We would suggest that steps be taken to address these errors, possibly through another level of verification or limiting the number of times the number is transferred, through the process of totaling the FSE Report.

## **Basic Skills Courses Also Contribute to PCC's Funding**

As discussed above, basic skills courses include academic skills and preparatory courses that are prerequisite to the level of work expected for college-level instruction. Credit hours generated by basic skills courses taught at community colleges are eligible for state FTE funding. Basic skills courses are submitted as part of the Final Student Enrollment Report.

In order to separate and report basic skills from other courses, State Board staff have developed a method for "flagging" these courses in the computer system used by all the community colleges in the State. However, the individual colleges are responsible for determining which courses are to be flagged and then entering the flag into the

system. The system contains data on students and enrollment, including enrollment in basic skills courses.

Generally, basic skills courses are those numbered below 100, but there are exceptions. Our audit work showed variation among community colleges in the courses they term "basic skills" and variation in the number of basic skills courses offered. Using information from 13 institutions under the authority of the State Board for Community Colleges and Occupational Education, we identified other examples of inconsistencies:

- Colleges may offer the same courses, but some colleges flag them as basic skills, while other colleges do not. For example, Math 100 and Math 105 are offered at Arapahoe Community College, Pueblo Community College, and Community College of Aurora, but are flagged as basic skills only at Arapahoe and Pueblo Community Colleges.
- GED preparatory courses are also considered remedial. There are at least seven codes for GED courses offered at the 13 colleges under the State Board's authority. Some community colleges have several levels of GED courses, while others have no GED courses.
- Courses with the same course number are not always the same course. For example, generally Math 100 is Introduction to, Beginning, or Elementary Algebra, while Math 105 is Intermediate Algebra. However, at Front Range Community College, Math 101 is Intermediate Algebra.

These inconsistencies became an issue when we looked at transferability of these courses between schools. One would expect that Math 105 from one community college would provide the same skill set as Math 105 from another community college. This is not currently the case. The State Board for Community Colleges and Occupational Education has taken steps to standardize course content and develop uniform numbering systems across the community colleges. Staff also told us that they are developing a workshop for college employees to increase the understanding and consistency in the system. We believe that the State Board should continue to work with community colleges to further ensure that basic skills courses are recorded consistently across the community college system. Consistent reporting will also help ensure that the Commission receives an accurate report of the number and types of remedial courses being provided to students as well as the number of students enrolled in these courses.

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## **Recommendation No. 2:**

The State Board for Community Colleges and Occupational Education should ensure consistency among the colleges by improving recording procedures of basic skills courses.

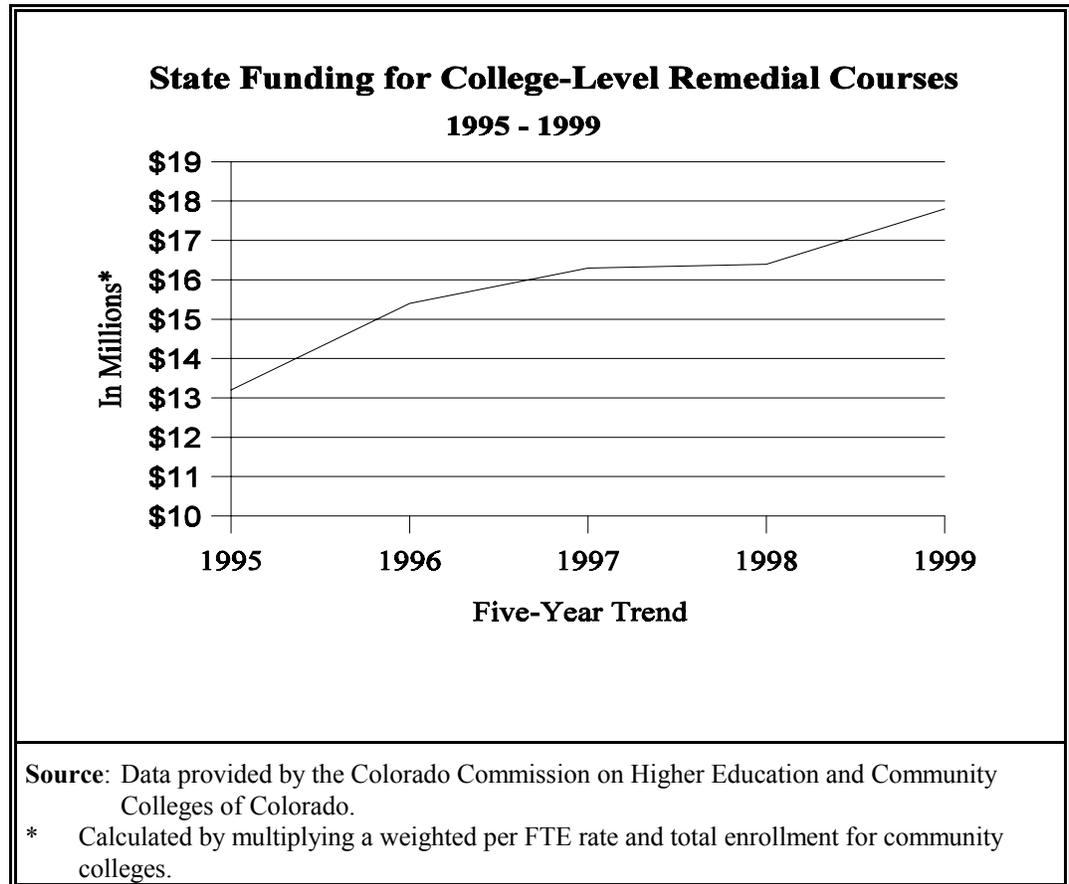
### **State Board for Community Colleges and Occupational Education Response:**

Agree. SBCCOE's staff will continue its work in developing common course numbering, common course definitions, the establishment of common competencies and common student placement procedures so that consistency and quality assurance are maintained among the colleges. The Community Colleges of Colorado is in the process of implementing House Bill 1464, which includes common definitions for basic skills instruction, common cut off scores and common placement procedures.

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## **Amount of Funding Spent on Remedial Education Is a Legislative Concern**

In January of 2000 the Commission completed the first phase of a mandatory two-year study of various elements of the State's higher education system, which included remedial education. Due to concerns of legislative policy makers in Colorado and the Commission about the rising numbers of students needing remediation, the study seeks to determine the scope of remedial education being offered in the higher education system. Basic skills courses and vestibule labs compose the remedial education offered at institutions of higher education. In this study, the Commission states that 18 percent of all students enrolled in Colorado's community colleges took one or more remedial classes in Fiscal Year 1998. Our audit work indicates that community colleges are generating a substantial number of FTE through remedial courses. For example, in Fiscal Year 1999, Pueblo Community College claimed approximately 556 FTE representing about \$1.8 million from its basic skills courses and vestibule labs. Arapahoe Community College claimed 131.2 FTE totaling \$279,981. Our analysis of community college expenditures indicated that the total state cost of college-level remediation has increased from \$13.1 million in 1995 to \$17.8 million in 1999.



Remedial education is a component of the community college's mission to provide access to affordable education for all Colorado residents and serves a valuable function in preparing students for careers. Remedial education also serves those students going to college several years after graduating from high school. For example, the State Board informed us that 44 percent of students enrolled in remedial education courses during Fiscal Year 1998 had graduated from high school at least three years previously. However, the increasing need for remedial courses may indicate a weakness in the State's K-12 educational system. According to the State Board, during Fiscal Year 1998, at least 31 percent of those students taking remedial classes had graduated from high school during the previous three years. The Commission should assess the reasons for the increasing amount of funding for college level remediation. This could include determining how much may be due to students going to college several years after graduation from high school and how much may result from inadequate K-12 education. While some participants in remedial education courses are not Colorado high school graduates, most will be. Thus, we think that the number of students requiring remedial education is one measure of the effectiveness of K-12 education in Colorado. As the effectiveness of

K-12 education increases, the number of students requiring remedial education at the college level should decrease. As a result, the amount of funding for remedial education should also go down.

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### **Recommendation 3:**

The Colorado Commission on Higher Education should assess the reasons for the increasing cost of remedial education. The Commission should provide this information to the Legislature and the Colorado Department of Education so they could use it as one measure of the effectiveness of K-12 education.

### **Colorado Commission on Higher Education Response:**

Agree. The Colorado Commission on Higher Education (CCHE) believes it was the intent of the General Assembly with the passage of HB00-1464 to ensure that wherever possible the costs of remedial education would be monitored and reported regularly to the Governor, the Colorado Department of Education (CDE) and to the General Assembly.

As data is collected annually by CCHE, it will be forwarded to the CDE and the Governor's office. The CCHE adopted the requisite policy changes in August to implement the legislative intent of HB00-1464. Institutions have been notified that beginning with the Fall Semester 2001, each institution must have in place an approved assessment instrument for each entering student. Students failing to meet the assessment standards must enroll in the remedial course(s) indicated by the assessment.

The results of those assessments will be aggregated and that data provided to CCHE. From that data, CCHE will compile a report showing the number of students enrolled in remedial courses, where those students are receiving the remedial instruction and the extent to which remedial work is needed by students and completed.

The policy implements legislative direction to ensure that students, wherever possible, complete all remedial work within the first two semesters of enrolling in a public higher education institution.

The results of the data collection will be forwarded to the Legislature, the Governor's office and the CDE.

## **Additional Assurance Regarding Residency Is Needed**

As we noted in our audit of Arapahoe Community College, out-of-state tuition at Colorado's state-supported institutions and colleges is more than four times higher than in-state tuition. For example, in-state tuition for 12 credit hours at Pueblo Community College for the Spring 2000 semester totaled \$676, while out-of-state tuition totaled \$3,202. Commission policy states that only credit hours earned by students who are classified as in-state residents may be reported for Colorado resident enrollment. Therefore, institutions only receive state funding for credit hours earned by in-state resident students.

State statutes give the Commission the authority to establish policies for determining tuition residency status. However, the Commission's policy generally refers to the statutes when classifying students as in-state or out-of-state for tuition purposes. Section 23-7-101 et seq., C.R.S., defines an in-state resident as a student who has been domiciled in Colorado for one year or more immediately preceding registration at any institution of higher education. The statute also lists several items that may be considered criteria for establishing in-state residency, such as graduation from a Colorado high school or voter registration. The statute provides the Commission an opportunity to use "any other factor peculiar to the individual which tends to establish the necessary intent to make Colorado a permanent home." Therefore, the statute does not limit the evidence that students may use to prove that they are Colorado residents. Additionally, the Commission allows institutions to develop detailed criteria regarding what evidence supports residency status.

As we did for the Arapahoe Community College audit, we conducted two student file reviews at Pueblo Community College. The first was to determine if PCC was charging students the appropriate tuition rate. We confirmed that the tuition rate recorded on the business office records matched the tuition listed in the course schedule in all files that we reviewed. Therefore, we verified that PCC charged the appropriate in-state tuition rate for the semesters we reviewed.

The second file review was conducted to determine what evidence of residency PCC requires before classifying a student as eligible for in-state tuition. The statute notes the need for institutions to apply uniform rules for determining in-state classification. PCC's response to the Internal Control Questionnaire stated the following:

The office receptionists make the initial decision as to a student's residency based on the information contained in the student's application for Admissions. The receptionists receive thorough

training and are instructed to classify the applicant as nonresident if there is the slightest doubt that the student qualifies for resident status. The receptionists are trained to obtain all of the information listed on the resident portion of the Application for Admissions, or to make a notation as to why the applicant left a section blank.

Our sample of 25 files determined what other evidence of residency was offered by the students. This review indicated that 15 of the 25 files (60 percent) did not include any applicable evidence of in-state residency beyond the self-reported information on the application.

As we found in our audit of Arapahoe Community College, regardless of their eligibility, students have an incentive to request residency status because of the difference between in-state and out-of-state tuition rates. Hence, if a portion of the 60 percent of the PCC sample that did not have to prove residency are ineligible for state funds, this could have a significant impact on the amount of state support provided to PCC. We also determined that institutions, including PCC, have no financial incentive to scrutinize evidence of residency. Institutions receive state funds based on the credit hours earned by in-state resident students. Students who are classified as in-state for tuition purposes contribute to the amount of general funds received by the institution. Commission staff reported that each year institutions receive base general funds representing the prior year's funding plus additional funds to cover inflation, and in-state enrollment, and to recognize achievement of performance indicators. Out-of-state students provide cash funds to the institutions; however, these students do not contribute to the institution's base funding.

Our FTE audits at both Arapahoe Community College and Pueblo Community College indicate that similar procedures for establishing residency are used at all community colleges. Representatives of the State Board confirmed this fact. As a result, we made a recommendation in our Arapahoe Community College FTE audit that community colleges should verify information on college applications by conducting residency testing on a representative sample of incoming freshmen. We suggested that the colleges approach this sample one of two ways.

- **Require additional documentation.** The college could select a representative sample of students and require evidence of residency to be physically submitted. Either the students would have to present originals and a staff member would note the evidence in their files or the students would need to supply copies of documentation for their files.
- **Amend existing college applications.** In lieu of requiring the students to provide documentation supporting claims of residency, the colleges may amend existing college applications to include a statement allowing third-party

verification of residency information. The college would have the option of developing an agreement with another state agency to access residency information (e.g., Department of Motor Vehicles to verify vehicle registration, or the Colorado Department of Revenue to verify state taxes paid). The representative sample could be conducted without requiring any effort from the students.

In the Arapahoe Community College audit, the State Board partially agreed with our recommendation to conduct testing on a representative sample of incoming freshmen. Since we found that Pueblo had the same lack of residency evidence that existed at Arapahoe, we reiterate our conclusion that the State Board needs to develop a method for community colleges to verify residency information provided by a representative sample of incoming freshmen.

### **Conclusion:**

The State Board for Community Colleges and Occupational Education should enact our recommendation to require all community colleges to conduct a representative sample of incoming freshmen to ensure that those receiving in-state tuition can provide proof of residency.

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# Changes Needed in the Commission's FTE Policy

## Chapter 2

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### Commission Should Determine the Intent of FTE Funding

Over the last year, we have reviewed three Colorado institutions for compliance with the Commission's FTE policy. The institutions included one state college, Metropolitan State College, and two community colleges, Arapahoe Community College and Pueblo Community College. Through our review of these institutions, we have noted various interpretations of the FTE policy. The Commission is currently working on rewriting the policy and plans to incorporate the issues we have raised in the three audits conducted this year. However, we also see merit in asking the Commission, as well as state colleges and institutions, to revisit the intent of the Legislature when it provides funding for instruction of resident students.

According to Commission staff, the purpose of the State's reimbursement of resident FTE is to cover a portion of the institution's costs of educating resident students. Statutes also address the idea of supplying general fund money in support of institutional operating costs. The role and mission for community colleges according to Section 23-60-201, C.R.S., is:

Each college shall be a two-year institution offering a broad range of general, personal, vocational, and technical education programs... The objects of the community and technical colleges shall be to provide educational programs to fill the occupational needs of youth and adults in technical and vocational fields, to provide two-year transfer educational programs to qualify students for admission to the junior year at other colleges and universities, and to provide a broad range of programs of personal and vocational education for adults.

Further, in Section 23-60-102, C.R.S.:

The function of the two-year college system is to conduct occupational, technical, and community service programs with no term limitations and general education, including college transfer

programs with unrestricted admissions. It is further the intent of this article to develop appropriate occupational education and adult education programs... to maintain and expand occupational education programs... and to develop work study and on-the-job training programs designed to acquaint youth with the world of work and to train and retrain youth and adults for employment. The general assembly intends that state agencies concerned with occupational education in the public schools shall cooperate with the board in planning and implementing occupational education programs, to the end that the state of Colorado has complete and well-balanced occupational and adult education programs available to the people of Colorado at all education levels.

The mission of Pueblo Community College as stated in its 2000 course catalog is “to develop and support learning over the course of a lifetime leading to positive changes in the lives of individuals, families, and communities.”

The statutes and mission statement above address the need for community colleges to provide a variety of educational opportunities, including personal and avocational programs, to the people of Colorado. We also identified some higher education statutes that discuss the importance of delivering services in a cost-effective manner. However, it is unclear from our review of statutes the extent of support the General Assembly plans to provide, what costs the institutions are expected to absorb, or what is considered cost-effective.

The current Commission staff strictly interpret FTE policy. For example, one Commission staff stated that only degree-seeking students should be funded with state dollars. Under this interpretation, any student taking courses for general interest or education would not be eligible for funding. Based on our audit work, this interpretation could have significant ramifications on the financial support provided to colleges by the general fund. Meanwhile, our audits indicate that, at least in the cases of community colleges, the colleges typically interpret policy with a broader view, focusing on the policy requirements that credits be applicable to a certificate or degree at the institution, that credits are transferable to another institution, that the course is advertised, and that enrollment in the course is not limited to a particular employer. Thus, community colleges review and broadly interpret the policy language described above when creating new courses and submitting FTE for state funding. The various interpretations of the Commission's FTE policy may result from a different understanding of the purpose of FTE funding and the extent of general fund support that the Legislature intended to provide to state-supported higher education institutions. We believe that as part of the revision of its FTE policy, the Commission should work with higher education governing boards to better define these issues.

## **Recommendation No. 4:**

The Colorado Commission on Higher Education, as part of its revision of its Student FTE policy, should work with the higher education governing boards to define the purpose of FTE funding and the extent of general fund support that should be provided to higher education institutions.

### **Colorado Commission on Higher Education Response:**

Partially agree. CCHE staff in establishing a task force to review the FTE policy agree that fully understanding the intent of the General Assembly concerning how that policy implements the Legislature's intent to fund higher education is important. However, we would point out that the policy was enacted by the General Assembly three decades ago and that determining legislative intent from a historical perspective is not an easy task.

Because the legislative body also has changed in that timeframe, CCHE will work to discuss the potential changes in the FTE policy with legislators in both chambers who are on the Education and Joint Budget Committees.

A multi-governing board, multi-institutional task force has been created to begin developing potential changes to the current FTE policy.

The overall goal is to achieve a simpler policy that encourages access to higher education by Colorado residents for a variety of purposes, but clearly differentiates what courses and program enrollments qualify for state funding and what must be cash-funded.

However, CCHE would point out that no policy rewrite will ensure that someone does not misinterpret its intent. Only audits ensure consistent application of policies.

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## Clarity Is Needed in the Development and Technology Areas

Through the student FTE audits we conducted over the past year we have noted areas where the existing Commission policy does not address current trends or provide clear guidance, especially in the areas of workforce development and technology. Some examples of these trends and changes include:

- **Changes in course method and type of delivery.** Our audit of Metropolitan State College identified significant growth in the number of courses offered online. Commission policy places strict limitations on which online courses can be submitted for FTE. However, under closer scrutiny, the Commission realized that it was funding the vast majority of online courses submitted by all state colleges and institutions. Thus, Commission policy and Commission actions were not aligned in the area of online courses.
- **Increases in general community outreach.** In both community college audits, we identified partnerships with business entities where confusion existed about certain areas of the FTE policy. Confusion exists in the areas of limited and sponsored enrollment and whether or not courses provided through the partnerships are eligible for state funding. Discussions with Commission staff indicate that these types of agreements were not common during the last policy update and therefore have not been specifically addressed in the existing FTE policy.

The fact that the existing FTE policy does not address current institutional practices has led to different interpretations of funding eligibility. The differing interpretations can lead to substantial differences in expected state funding between the Commission and the individual higher education institutions. During our audits we found some examples of different interpretations, specifically in the policy section labeled “Non-fundable by State FTE General Fund Support” including:

**Limited Enrollment Courses.** Courses for which the enrollment in all sections is restricted to persons employed or selected by a governmental unit or a particular employer.

The community colleges, State Board staff, and the audit team interpreted this policy to mean that if a course is to be claimed for FTE funding, at least one section must be available to the public (i.e., not restricted). However, recent discussions with Commission staff indicated that its interpretation is that *all* sections must be available and advertised in order for *any* section to be claimed for FTE funding. We have

outlined two examples below to show the financial impact of this difference in interpretation:

- **Principles of Macroeconomics, Spring 1999.** One of the six sections of this course was offered to students at the Youthful Offender facility in Pueblo (thus a limited section). According to Commission staff's interpretation of limited enrollment, none of the credit hours from any of the six sections of the Principles of Macroeconomics are eligible for funding. However, the college would argue that all sections were not restricted, as proven by the five open sections; therefore, all sections are eligible for FTE reimbursement. This difference in interpretation, if enforced, would have large financial ramifications for many, if not all, community colleges. For the example given above, the section of Principles of Macroeconomics offered at the correctional facility generated about \$5,571 in state funds; the five other sections of Principles of Macroeconomics generated \$12,453 in state funds. According to recent Commission interpretation, none of the \$18,024 generated through any of the Principles of Macroeconomics sections should have been submitted. As stated previously, we believe that all \$18,024 was appropriate and eligible for FTE reimbursement.
- **Programmable Logic Controllers (PLC) Maintenance, Summer 1998.** PCC offered a PLC Maintenance course through its manufacturing program. Four of the eight sections were offered to employees at Rocky Mountain Steel Mill. Again, according to the Commission's interpretation of limited enrollment, none of these sections would be eligible for state funding. The four sections limited to the Steel Mill generated \$9,176 in state funds. The other four, nonlimited, sections generated \$10,159 in state funds. While the Commission's current interpretation would not support submittal of any part of the \$19,334, we believe that these funds are eligible for FTE reimbursement.

Our second example of differences of interpretation between the Commission and institutions with regard to the "Non-fundable by State FTE General Fund Support" section of the FTE policy is:

**Sponsored Courses.** Courses that are fully funded by an outside source, such as the federal government, non-state agencies, and/or state agencies, and are offered on the institution's campus.

The definition of "fully funded" or "fully sponsored" is the central point of controversy for this section of policy. One way of determining whether a course is fully sponsored is by looking at the cost of the course or the funds needed to provide the course. These costs typically include tuition, books, fees, instructor costs, and

facility rental. Our discussions with Pueblo indicated that since tuition, books, and fees are costs paid by students, payment by an outside entity of these costs would not cause the course to be classified as “sponsored.” That is, the instructor costs and facility rental would also need to be paid by the outside entity in order for a course to be fully funded. In that case where tuition, fees, books, facility rental, and instructor costs are paid by an outside entity, Pueblo does not submit these courses for funding. However, if a third party, other than the student, covers the cost of tuition, books, and fees, Pueblo still submits these courses for funding.

For example, Pueblo Community College has offered Culinary Arts and Business Technology courses to inmates in federal prisons since June 1998. The costs of tuition, fees, and books are paid through a grant awarded to the prison; instructor costs are not covered by this grant and are paid by Pueblo. In Fiscal Year 1999 these courses totaled 40.5 FTE and generated \$132,719 in state fund reimbursement. Under the Commission’s recent interpretation, it would consider this a sponsored course and thereby ineligible for state funds. We recognize the lack of clarity with regard to the phrase “fully sponsored” and therefore agree with the college’s interpretation and support the funding of these FTE.

Our audits indicate that the current policy does not address all types of courses provided by institutions. Commission staff have referred us to the section of the FTE policy that states, “Not every possible circumstance can be covered in a set of policies. Institutions are responsible for consulting with Commission staff to obtain guidance in uncertain cases.” However, we have also noticed that communication is limited or stilted between the institutions and the Commission regarding interpretations of the FTE policy. This communication issue was addressed as part of our 1995 audit:

The nature of the problems we found in this audit are different from those we found in the past. Previously, we found significant errors at schools in the areas of contact hours, tuition waivers, and reporting concurrently enrolled students.... The problems we identified this year... appear to result from a lack of guidance from the Commission or differences in policy interpretation.

We believe that both the Commission and the institutions need to work to improve communication regarding eligible and ineligible FTE. In addition, the higher education institutions need to contact the Commission whenever questions arise about the eligibility of courses for state FTE funding. In return, the Commission needs to respond to these inquiries in a timely manner.

## **Cost Identification May Provide Middle Ground**

As we have already discussed, we believe the first step to resolving the issue of FTE funding is to determine the intent of FTE funding and to what extent the colleges' costs should be covered by the General Fund. The second step is the identification of institutions' costs. The cost identification process could also help community colleges plan for the future by determining whether changes are necessary to maintain their long term-viability.

Under some partnership agreements, we noted that schools submitted credit hours for full reimbursement for courses either taught at and/or by the institution's partner but for which the institution provided college credit. Our audit work indicated that such courses should not receive full funding (e.g., the National Cable Television Institute courses submitted by Arapahoe Community College). However, the institutions do incur some administrative and faculty costs that the Commission may want to consider quantifying and supporting through the General Fund. Once costs are determined, the Commission can work with the institutions to determine when it is appropriate to fund some FTE fully, some partially, and omit others altogether. Since the current policy is subject to interpretation, and the general intent of how much money should come from the General Fund is unknown, we believe that legislative intent needs to be the focus of the FTE policy. In addition, the apparent lack of communication between the Commission and the institutions with regard to the FTE policy interpretation needs to be addressed.

According to Commission staff, a task force has been assigned the duty of rewriting the FTE policy. Due to the wide variety of courses offered through colleges and institutions, we believe the most effective course of action to rewrite the current FTE policy would include representatives from colleges, boards, and the Commission. Statutes support this coordination. In fact, the language "the commission shall set policies after consultation with the governing boards..." is reiterated throughout Title 23 of the Colorado Revised Statutes. By working together, the Commission and the community colleges should improve communication. As we have already noted, communication should also improve if the institutions seek the Commission's input when questions arise about the eligibility of funding for specific courses and the Commission responds to all questions in a timely manner. We believe that this policy may need to address the ability to partially fund student FTE in order to cover some administrative costs. Further, the FTE policy should specifically address the issues of funding technology, business partnerships, and community outreach courses.

## **Recommendation No. 5:**

The Colorado Commission on Higher Education, as part of its revision of its Student FTE policy, should work with the governing boards to:

- a. Define which courses and/or programs are eligible for general fund support, specifically technology, business partnerships, and community outreach courses.
- b. Consider partial FTE funding for some courses including limited and sponsored courses.

### **Colorado Commission on Higher Education Response:**

Partially Agree. Citing the Pueblo/Federal Prison culinary arts example, above, the Commission believes current policy is not vague. First, residing in a federal prison does not automatically confer residency status. The argument that the state's taxpayers should fund even a portion of such a course under the existing FTE policy we believe is very difficult to defend.

The fact that the federal government does not pay all costs does not automatically lead to the conclusion that, therefore, Colorado's taxpayers through the FTE policy should pay the remaining costs. CCHE staff strongly disagrees with the audit staff that there is ambiguity in the policy that now exists concerning this example.

It is true that PCC would have some administrative costs in offering this program. However, that argues for a stronger effort on the part of PCC to negotiate a contract that covers its costs with the federal prison authorities, not to seek a subsidy for those costs from Colorado taxpayers. Both statute and the FTE policy clearly articulate that resident student programs only are to receive general funds. Sentencing to a federal prison within Colorado's borders does not in any way comply with the CCHE reading of the residency requirements.

We agree that more clarity can result from the policy rewrite efforts. Nonetheless, we would point out that current policy **requires** institutions in the case of questions not to make the judgment call independently and assume funding, but to contact the Commission to discuss the issue. The institutional argument that in its mind the programs fit within the policy and

that therefore they have no questions begs that issue and could be made about any policy interpretation.

The Commission would also point out that FTE funding questions get significant attention and are addressed promptly. Discussions of the FTE policy and its application are frequently agenda items with the various governing board/CCHE joint councils. The FTE data submissions are always followed by discussions to verify data submissions and note potential problems in advance.

The Commission will consider as the task force pursues the policy revisions limited or weighted funding options.

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## **Commission Should Develop Requirements for Employee Institutional Scholarships**

The State Board for Community Colleges and Occupational Education encourages its employees to develop job skills and abilities that will benefit the community college system by allowing employees to take community college courses at either no cost or at a reduced cost. The Commission's FTE policy prohibits institutions from submitting FTE generated by institutional employees whose tuition was waived. However, the policy allows credits earned by employees who receive institutional scholarships to be submitted for state funding. Our audit work shows that Pueblo Community College provides its employees with institutional scholarships supported solely through state general funds. During the course of our audit we identified several issues related to the provision of institutional scholarships to employees that we believe the Commission needs to address.

The State Board for Community Colleges and Occupational Education, as an employee benefit, allows Community College employees to enroll in state-funded credit courses at any state system community college at no cost or reduced cost. A representative of the Board noted that the policy grants each employee the "right" to free or reduced tuition for up to three courses a year. However, this policy does not prohibit an employee from taking more than three courses in a year, nor does it prohibit the individual institutions from granting tuition benefits for the additional classes. The Board representative added that the individual institutions can choose to offer the free or reduced tuition through institutional scholarships, which means the resulting credit hours are eligible for state funding. In addition, the State Board policy notes that courses eligible for the tuition benefit include those that are job-

related or applicable to a degree or are career-enhancing. In practice, this policy allows almost any course to be eligible for the free or reduced tuition because almost any state-funded credit course offered at a community college is applicable to a degree.

Pueblo Community College provides its employees with the tuition benefit through an Employee Tuition Scholarship, which is one of several general-funded institutional scholarships available at PCC. The eligibility for this scholarship is even broader than the State Board Policy. The scholarship is available to most nontemporary employees and will pay tuition for an unlimited number of credit hours, which do not need to be job-related. Our audit work determined that in Fiscal Year 1999, PCC provided employee tuition assistance totaling \$16,376. The 64 employees who benefitted from this tuition assistance generated credit hours representing approximately 9.9 FTE. Since this tuition assistance was provided through an institutional scholarship, PCC received \$32,442 in general funds. In Fiscal Year 2000, PCC provided employee tuition assistance equaling \$22,262 and generated credit hours representing 12.8 FTE. This equals \$42,867 in state general funds. Over these two fiscal years, PCC used \$38,638 in state general funds for its Employee Tuition Scholarship. The use of these general funds as an institutional scholarship allowed the institution to receive another \$75,309 in state general funding. We realize that under the Commission's current policy, Pueblo Community College was eligible to receive this FTE funding and is in compliance with existing policy regarding employee benefits and scholarships. However, we believe that the Commission should reexamine its FTE funding policy to determine if funding employee scholarships and reimbursing the FTE is appropriate and meets the intention of the General Assembly.

As a result of our audit work, we also have other concerns regarding the lack of requirements attached to institutional scholarships provided to higher education employees. These include:

- **The policy encourages institutions to offer institutional scholarships to their employees.** The Commission's FTE policy prohibits state funding of credit hours generated as a result of a tuition waiver to an employee but allows funding if the employee receives an institutional scholarship. In our opinion, this seems like a distinction without a difference. Our 1995 FTE audit also discussed this issue noting that "by providing employee 'scholarships' the institution is paying itself and is not better or worse off financially than it would have been if it had waived the tuition." The audit also pointed out that offering these "scholarships" enables the institution to receive additional state funding because of the increase in FTE enrollments and therefore the institutions have little incentive to balance the benefits of employee education with the cost to the State. PCC uses general funds to

support all of its institutional scholarships. Therefore, it uses general fund dollars to obtain additional FTE funding. We believe that the Commission needs to examine its policy and determine if it supports this practice.

- **The policy does not limit FTE funding for employees using state-funded institutional scholarships to job-related courses.** State Fiscal Rules note that job-related and career-enhancing courses may be provided to state employees at no or reduced cost only if the courses benefit the State and enhance the employee's performance. Commission policy does not define job-related or career-enhancing and, in fact, provides FTE funding for all courses taken by employees who receive institutional scholarships. Through our audit work, we found that both the State Board and PCC have policies which may encourage higher education employees to take non-job-related courses. Our audit work indicates that PCC provides its employees general-funded tuition assistance for an unlimited number of credit hours that do not have to be job-related. We are concerned about individuals employed by the State taking courses that are funded with general fund dollars which are not related to their jobs. In line with State Fiscal Rules we believe that the Commission may want to consider tightening requirements to only allow FTE funding for employees taking courses at free or reduced tuition if the course is job-related and enhances the employee's performance at his or her current position.
- **The policy does not require successful completion of state-funded courses.** Our audit work indicated that employees receiving general-funded institutional scholarships are not required to successfully complete the courses they are enrolled in. Our review of the sample of 30 PCC employees who received institutional scholarships found that seven recipients (23 percent) either failed a course or withdrew after the add/drop date.

Under the current PCC policy employees have no incentive to successfully complete these courses, because they do not bear any negative financial impact (the full tuition is paid by the institution). In addition, the institution can still claim FTE funding, even though the courses were not successfully completed. We believe that both the institution and the employee should be held responsible for the unsuccessful completion of these courses. The Postsecondary Enrollment Options Act (PSEO) requires high school students to pay for the college courses if they fail to successfully complete them. We do not believe that it is unreasonable to hold employees to the same standard as high school students. In addition, we think the Commission should consider allowing state funding only for credit hours taken by employees that are successfully completed.

Commission representatives informed us that there is no existing definition of "successful completion." However, we believe based on a review of course catalogs and transfer agreements that a definition of a grade of "C" or better can be inferred. For example, a transfer agreement between the community colleges and 10 four-year institutions only allows the transfer of academic courses with a grade of "C" or better. Pueblo's catalog notes that all courses required for the major of a certificate or degree must be completed with a grade of "C" or better. As a result, we believe the Commission should consider defining "successful completion" as a letter grade of "C" or better.

We do not oppose higher education institutions' providing their employees with the opportunity to take courses for free or reduced tuition. However, we believe that there should be some requirements imposed on both the institutions and their employees if they intend to submit these courses for FTE funding. We also believe that the Commission should review its policy regarding FTE funding for general-funded employee institutional scholarships.

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### **Recommendation No. 6:**

The Colorado Commission on Higher Education, as part of its revision of its Student FTE policy, should reexamine the provisions related to general-funded institutional scholarships provided to higher education employees.

### **Colorado Commission on Higher Education Response:**

Agree. CCHE believes unlimited course availability under "scholarship" for employees should be assessed in the revised FTE policy. The difference between barring tuition waivers and allowing "institutional" scholarships is one of semantics.

CCHE will incorporate how this employee benefit should be offered and counted for reimbursement purposes in its rewrite of the FTE policy.

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