



**REPORT OF
THE
STATE AUDITOR**

**Postsecondary Programs for
High School Students**

**Performance Audit
June 2001**

**LEGISLATIVE AUDIT COMMITTEE
2001 MEMBERS**

Representative Fran Coleman
Chairman

Senator Jack Taylor
Vice-Chairman

Senator Norma Anderson
Representative Glenn Scott
Senator Stephanie Takis
Senator Ron Tupa
Representative Val Vigil
Representative Tambor Williams

Office of the State Auditor Staff

J. David Barba
State Auditor

Larry T. Gupton
Deputy State Auditor

Heather Sanchez
Mary Acosta
Nancy Howe
Gari Ramirez
Legislative Auditors



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

March 27, 2001

Members of the Legislative Audit Committee:

This report contains the results of the performance audit of Postsecondary Programs for High School Students. 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 Colorado Department of Education, the Colorado Commission on Higher Education, and the State Board for Community Colleges and Occupational Education.

TABLE OF CONTENTS

	PAGE
REPORT SUMMARY	1
Recommendation Locator	5
BACKGROUND	9
FINDINGS AND RECOMMENDATIONS	
CHAPTER 1. PARTICIPATION IN POSTSECONDARY PROGRAMS	13
Accurately Identifying the Number of Participants Is Difficult	13
Tracking Students Can Help Determine the Benefits of Postsecondary Programs	17
A Definition of Successful Completion Is Needed	21
Define FTE Funding Eligibility for Higher Education Courses Taken by Postsecondary Students	23
Participation in Postsecondary Programs Is High But Access Could Be Improved	25
Institutions Should Separately Report Participation in All Postsecondary Programs	27
CHAPTER 2. COST OF DISTRICT-PAID POSTSECONDARY PROGRAMS	29
Cost of Programs Is Difficult to Calculate	29
High School Credit Should Be a Requirement When Assessing Eligibility for PPOR Funds	31

	PAGE
Consider Methods to Reduce Costs	32
Fifth Year Programs Raise Questions	35
Concerns Exist Regarding the Fiscal Impact and Legality of Fifth Year Programs	37
Conduct a Study of the Potential Costs and Benefits of Fifth Year Programs	41
Tuition Rates Are a Concern	43
High School Students Enroll in Secondary and Postsecondary Vocational Courses	44



**STATE OF COLORADO
OFFICE OF THE STATE AUDITOR**

REPORT SUMMARY

**J. DAVID BARBA, CPA
State Auditor**

**Postsecondary Programs for
High School Students
Performance Audit
June 2001**

Authority, Purpose, and Scope

This audit of postsecondary programs for high school students 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 the types of postsecondary programs available to high school students; the extent to which high school students, school districts, and higher education institutions participate in these programs; and the cost of these postsecondary programs. To accomplish our audit objectives, we surveyed school districts and higher education institutions regarding their participation in these programs. We also interviewed representatives of individual school districts, higher education institutions, the Colorado Department of Education, the Colorado Commission on Higher Education, and the State Board for Community Colleges and Occupational Education. In addition, we analyzed data provided by these entities. The audit work, performed from August 2000 to February 2001, was conducted according to generally accepted governmental auditing standards.

We gratefully acknowledge the assistance and cooperation extended by management and staff at the Colorado Department of Education, the Colorado Commission on Higher Education, and the State Board for Community Colleges and Occupational Education. We also acknowledge the representatives of the school districts and the higher education institutions who responded to our survey and follow-up questions.

Overview

In Colorado, individual school districts offer high school students the opportunity to experience college-level work at the districts' expense while they are still in high school. District-paid postsecondary programs allow school districts to receive per pupil operating revenue (PPOR), a portion of which is used to pay the students' college tuition costs. Colleges can also claim state FTE funding for the resident college credit hours generated by these students. There are currently two statutory postsecondary programs, Fast Track and Postsecondary Enrollment Options (PSEO), giving high school students the opportunity to take college courses.

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

Number of Participants Needs to Be Identified

District-paid postsecondary programs, such as Fast Track and PSEO, represent a low-cost opportunity for high school students to experience college-level work. We attempted to identify the actual number of students participating in postsecondary programs. We found that accurate participation numbers do not exist. The inability to accurately identify high school students who take district-paid postsecondary courses hinders analysis of the costs of these programs. It also prevents any programmatic evaluation of the programs to determine if they produce positive outcomes such as better academic performance in college and earlier graduation from college. One way to determine actual program outcomes and then analyze if those outcomes make the programs cost-effective is to institute long-term tracking of participating high school students. **Therefore, we recommend that the Department and the Commission enact procedures to require school districts and higher education institutions to accurately identify students participating in postsecondary programs and report those numbers to the Department and the Commission. Also, we recommend that the Commission implement tracking procedures for students who participate in postsecondary programs to determine outcomes.**

Department and Commission Need to Define Successful Completion

PSEO appears to be the largest district-paid postsecondary program. The statute notes that high school students taking postsecondary courses should be expected to show a high degree of maturity and responsibility. Therefore, the statute mandates that the students pay the tuition costs up-front and that the school districts reimburse the students upon their successful completion. The statute lacks a clear definition of successful completion but indicates that school districts should reimburse students if they simply pass the college courses. However, in practice, successful completion at the college level usually means that the student earns a grade of C or above. This is especially significant regarding transferring credits between colleges. Since the school district is paying the tuition costs, PSEO students should be held to an appropriate standard requiring a grade of C or above. **We recommend that the Department amend its administrative rules to define successful completion and/or passage under the PSEO program as a grade of C or above. If that doesn't work the Department and the Commission should amend the PSEO statute.**

Department and Commission Should Examine Methods to Reduce Program Costs

Our broad calculations based on the best information available indicate that school districts and higher education institutions received at least \$24.1 million in state FTE funds and PPOR monies for students participating in the PSEO program. These costs are only estimates and do not include costs related to other postsecondary programs such as Fast Track. The Commission oversees the policy detailing which

college credit hours generated by high school students are eligible for state FTE funding. Therefore, the Commission has the authority to place limitations on which credit hours can be submitted by the colleges for FTE funding. Such limitations could reduce the amount of state funding received by the colleges. School districts receive either one-half of the PPOR or the full PPOR for high school students taking postsecondary courses depending upon the number of college course credit hours and/or the amount of teacher instruction the student receives for high school instruction. The Department's administrative rules allow school districts to receive PPOR funding for those students who spend little if any time at the high school. One way to reduce the cost of postsecondary programs is for the Department to develop a more incremental PPOR payment for students who spend very little time at the high school. **Overall, we recommend that the Department and the Commission work together to determine the costs of providing postsecondary programs to high school students and assess alternative methods for funding these programs that might reduce the costs.**

Fifth Year Programs Raise Questions

Fifth year programs allow high school students to voluntarily extend their high school education one year and graduate with a high school diploma and an associates degree simultaneously. Our audit work indicates that the existing fifth year programs involve a rigorous curriculum and require high school students to complete a minimum of 60 postsecondary credit hours between their junior and fifth year of high school while also meeting high school graduation requirements. This may be one reason why only 203 students, or 0.2 percent of Colorado high school juniors and seniors, participated in fifth year programs during Fiscal Year 2000.

The Colorado Commission on Higher Education expressed concerns regarding fifth year programs. One concern involves the potential financial impact if large numbers of students decide to participate in fifth year programs. Since the student voluntarily remains in high school for an additional year, the school district receives an extra year of PPOR funding. On the basis of the 203 students who participated in fifth year programs during Fiscal Year 2000, we estimate that school districts received an extra \$370,000 in PPOR funding. Commission staff believe that increased awareness could lead to more juniors and seniors wanting to stay in high school an extra year to receive free tuition at a community college. We agree that any large expansion of the number of students participating in these programs would have a significant financial impact. The Commission through its revised FTE policy is seeking to prevent higher education institutions from receiving state funding for students taking courses while in their fifth year of high school. It would do this by funding only credit hours generated by high school students who have completed more than two but less than four years of high school.

Commission staff also expressed concerns regarding the legality of fifth year programs, since they are not specifically defined in statute. However, an informal Attorney General opinion sought by the Commission notes that the "statutes appear to permit a student to take advantage of the Fast Track and PSEO programs

until age 21 by simply deferring some of their high school graduation requirements." Our audit work indicates that fifth year students meet the statutory limitations of the PSEO program such as the student is enrolled in the eleventh or twelfth grade, is under age 21, and has the permission of their parent or guardian. In addition, representatives of the Office of Legislative Legal Services believe that fifth year programs do not, in their opinion, violate the Public School Finance Act. **However, since concerns exist regarding these programs, we recommend that the Commission and the Department work together to determine if specific statutory authority is needed, and if so, propose such changes.**

High School Students Enroll in Vocational Courses

The Colorado Vocational Act (CVA) provides state funding to school districts to help cover a portion of the excess cost of providing vocational education. Eligible vocational programs can be taught at the high school, a community college, or an area vocational school (AVS). We found that the potential exists for students funded with CVA dollars to receive both high school and college credit. Since high school students receiving funding through PSEO or CVA enroll in vocational courses at a community college or an AVS, we have concerns that school districts may include PSEO students in their count for CVA funding. As a result, three funding sources, PPOR monies, state FTE funding, and CVA state funding, may be paying for these students. Although we were unable to find any authority that prevents school districts from counting PSEO students for funding under CVA, this represents an additional cost and may not be what the General Assembly intended when funding high school vocational education programs. **Therefore, we recommend that the State Board, as part of its audit process, determine if students participating in PSEO programs are also being funded through CVA and whether this practice violates legislative intent and statutory funding requirements.**

Summary of Agency Responses

The agencies agreed or partially agreed with 10 of our 13 recommendations. The Commission disagreed with our two recommendations related to fifth year programs and the State Board disagreed with our recommendation related to the Colorado Vocational Act. The agencies full responses are contained in the audit report.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	16	The Colorado Department of Education should enact procedures to ensure that school districts maintain records to accurately identify students participating in district-paid postsecondary programs. The Department through existing processes should periodically verify the district records and share the headcount totals with the Colorado Commission on Higher Education.	Colorado Department of Education	Agree	Fiscal Year 2002
2	17	The Colorado Commission on Higher Education should enact procedures to require all higher education institutions to identify high school students enrolled through all district-paid postsecondary programs and report this enrollment to the Commission. The Commission should share the reported information with the Colorado Department of Education.	Colorado Commission on Higher Education	Agree	January 1, 2002
3	20	The Colorado Commission on Higher Education should implement tracking procedures for students who participate in district-paid postsecondary programs to determine outcomes. The Commission should use this information to assess the performance of postsecondary programs including: <ul style="list-style-type: none"> a. Percentage of students in each postsecondary program (PSEO, Fast Track, Fifth Year, etc.). b. Percentage of students that continue on to Colorado public higher education institutions compared with students without postsecondary program experience. c. Freshmen retention rates. d. Cumulative credit hours. e. Cumulative GPA. f. Higher education costs. g. Accelerated graduation rates. 	Colorado Commission on Higher Education	Partially Agree	January 1, 2002

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
4	22	The Colorado Department of Education should amend its administrative rules for the Postsecondary Enrollment Options program to define successful completion and/or passage for college courses and eligibility for tuition reimbursement as a grade of C or above. If an amendment to the administrative rules does not sufficiently address the problem, the Department should work with the Colorado Commission on Higher Education to amend the PSEO statute to include a grade of C or above as the definition of successful completion.	Colorado Commission on Higher Education	Agree	September 2001
			Colorado Department of Education	Agree	2002-2003 School Year
5	24	The Colorado Commission on Higher Education should work with the colleges to define which courses taken by high school students participating in district-paid postsecondary programs are eligible for state FTE funding and amend its FTE policy accordingly.	Colorado Commission on Higher Education	Agree	July 1, 2001
6	27	The Colorado Department of Education should explore how the implementation of the Multi-Use Network could provide greater and more cost-effective accessibility for district-paid postsecondary programs.	Colorado Department of Education	Agree	Fiscal Year 2002
7	28	The Colorado Commission on Higher Education should require higher education institutions to separately report high school students taking courses through all postsecondary programs as part of the annual <i>Final Student Enrollment Report</i> .	Colorado Commission on Higher Education	Agree	January 1, 2002
8	32	The Colorado Department of Education, through its administrative rules, should ensure that college courses taken through the Postsecondary Enrollment Options program provide credit toward high school graduation requirements before they are included in the calculation for per pupil operating revenue (PPOR).	Colorado Department of Education	Agree	July 1, 2001

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
9	34	The Colorado Commission on Higher Education and the Colorado Department of Education should work with the higher education institutions and individual school districts to determine the costs of providing postsecondary programs to high school students. Then the Department and the Commission should assess alternate methods for funding district-paid postsecondary programs that might reduce the cost of these programs while not removing the incentive school districts and colleges have for allowing high school students to experience college-level work. Some options could include seeking opportunities to limit FTE funding for credit hours generated by high school students and considering a more variable PPOR amount for students who spend most of their time at a college.	Colorado Commission on Higher Education	Agree	June 2002
			Colorado Department of Education	Agree	Fiscal Year 2002
10	39	The Colorado Commission on Higher Education and the Colorado Department of Education should work together to determine if specific statutory authority is needed for fifth year programs, and if so, propose statutory change.	Colorado Commission on Higher Education	Disagree	—
			Colorado Department of Education	Agree	Fiscal Year 2002
11	42	The Colorado Commission on Higher Education, as part of its tracking of students participating in postsecondary programs, should analyze students participating in established fifth year programs to determine student participation, costs, outcomes, and benefits of fifth year programs.	Colorado Commission on Higher Education	Disagree	--

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
12	43	The Colorado Commission on Higher Education, as part of its tracking of students participating in postsecondary programs, should analyze the tuition rates charged by higher education institutions to determine if they are in compliance with statutes. If noncompliance issues are discovered, the Commission should work with the higher education institution(s) to correct the situation.	Colorado Commission on Higher Education	Agree	June 2002
13	46	The State Board for Community Colleges and Occupational Education, as part of its audit process, should determine if students participating in the Postsecondary Enrollment Options (PSEO) program are also being funded by Colorado Vocational Act dollars, the extent to which it occurs, the associated costs, and whether this practice violates legislative intent and statutory funding requirements. The State Board should share its audit findings with the Colorado Commission on Higher Education.	State Board for Community Colleges and Occupational Education	Disagree.	—

Background

A national study prepared by the American Federation of Teachers indicates that a large number of high school graduates lack the job skills necessary for most high-paying jobs and fail to learn enough in their high school academic courses to prepare them for college-level work. According to the report, although more than 60 percent of high school graduates go on to a higher education institution, a high percentage end up dropping out prior to receiving a degree. The increase in the number of remedial education courses at higher education institutions also indicates that many high school graduates are not prepared for college-level academic work. A study issued by the Colorado Commission on Higher Education (Commission) in January 2000 stated that 18 percent of all students enrolled in Colorado's community colleges took one or more remedial classes in Fiscal Year 1998. According to information provided by the State Board for Community Colleges and Occupational Education (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. 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.

Postsecondary Programs Are Available for Colorado High School Students

One way to better prepare high school students for college is for them to understand the demands of college-level curriculum. In Colorado, individual school districts offer high school students the opportunity to take postsecondary courses at the district's expense while they are still in high school. Allowing high school students to take postsecondary courses provides additional curriculum choices. It also gives students the opportunity to experience the demands of college-level curriculum without incurring college tuition costs, which may, in particular, help students from low-income families. The district-paid postsecondary programs allow the school districts to receive per pupil operating revenue (PPOR) averaging \$4,765 in Fiscal Year 2000 for participating students. The district uses some of those funds to pay the student's college tuition costs. At the same time, the institution of higher education can also claim the resident credit hours generated by the student for state FTE funding.

Our audit work indicates that even prior to the creation of statutes giving high school students the opportunity for district-paid postsecondary opportunities, individual school

districts worked with local community colleges to allow their students to take both vocational and academic courses. The ad hoc nature of the previous system meant that while some school districts actively sought postsecondary options for their students, others elected not to do so. As a result, not all high school students had the opportunity to experience postsecondary courses. In 1980 the Legislature passed the first statutory postsecondary program known as Fast Track. In 1988 it enacted a more far-reaching program known as the Postsecondary Enrollment Options Act (PSEO).

School districts continue to develop other postsecondary options for their students that may be derivations of the two statutory programs. During the course of our audit work we reviewed several district-paid postsecondary options for high school students. These include:

- **Fast Track.** This program allows a pupil who fulfills the requirements for graduation from high school to take one or more higher education courses during their twelfth grade year. Since students have met their graduation requirements, they only earn college credit. However, the statute does not require school districts to allow students to participate in the Fast Track program. Students participating in the Fast Track program remain eligible for all sanctioned high school events, but do not receive any of the rights or privileges of a regularly enrolled college student. Individual school districts receive state support for their students participating in the Fast Track program, while the colleges also claim FTE funding based on the course credit hours taken by the students. The statute requires the district to pay for their students' higher education tuition up to 75 percent of the per pupil operating revenues (PPOR). Survey responses received by our Office indicate that an estimated 96 high school students participated in the Fast Track program during Fiscal Year 2000.
- **Postsecondary Enrollment Options (PSEO).** This appears to be the State's largest postsecondary options program for high school students. Our audit work indicates that the PSEO program was established in order to challenge students to continue their academic interests, to stimulate the interests of students who may potentially drop out by allowing them to take courses not offered in high school, to provide a wider variety of options to high school students by furnishing new and exciting academic challenges, to help students understand the experience of moving to the college level, and to accelerate the process of receiving a college degree.

PSEO provides students with the opportunity to take postsecondary courses and receive both high school and college credit. It is available to any student enrolled

in the eleventh or twelfth grade who is not more than 21 years old and who is deemed by both the student's parent and the high school's officials to be in need of course work at a higher academic level. While the statute requires school districts to notify all students and parents of the opportunity for postsecondary enrollment, it also provides the individual school district with the authority to deny high school credit and limit the number of postsecondary courses taken. The statute allows higher education institutions to limit the number of high school students who enroll under PSEO. When the student receives dual credit, the school district claims the student for PPOR funding and the college claims the resulting credit hours for FTE funding. The statute requires the student to pay the postsecondary tuition costs up-front and then be reimbursed by the school district upon successful completion of the postsecondary courses. However, the statute directs the school district to pay the tuition for students who are eligible for free or reduced-cost lunch. It also gives the district the discretion to pay the tuition when the district decides that payment would constitute a financial hardship and the student has shown evidence of responsibility for and commitment to successfully completing the postsecondary courses. In our survey, school districts reported 4,439 students participated in PSEO during Fiscal Year 2000.

- **Fifth Year Programs.** This postsecondary option allows high school students to remain in high school for a fifth year while also being admitted to a postsecondary institution, usually a community college. At the end of the fifth year, the student graduates with both a high school diploma and an associates degree. This program does not have specific statutory authority, but a fifth year program appears to meet the general requirements of the PSEO program, namely students enrolled in the eleventh or twelfth grade who have not yet met graduation requirements and are under the age of 21. Currently colleges and school districts participating in fifth year programs impose more stringent participation requirements than other PSEO programs. The districts and colleges impose enrollment limitations, require college placement tests, and call for students to have a specified high school and college grade point average. During their last three years of high school, including the fifth year, students take a mixture of high school and college courses. Students must meet all high school graduation requirements as well as earn at least 60 college credit hours. The fifth year programs basically provide students with a free community college education because the school district pays the students' tuition costs using PPOR dollars. This program appears to be somewhat controversial because not only is it not specifically authorized in the statute but it also allows the school districts to receive an additional year of PPOR for the participating students. As a result, it could have a significant financial impact on the State if large percentages of high schools allow their students to participate. Our audit work indicates only a very limited number of

school districts, community colleges, and students are currently participating in the program. According to information we received from school districts, 203 students took part in fifth year programs during Fiscal Year 2000. Four community colleges reported having active fifth year programs. We include more discussion about fifth year programs in Chapter 2.

- **Vocational Programs.** The Colorado Vocational Act (CVA) gives state funds to individual school districts to help pay the excess costs of providing vocational education to high school students. The State Board for Community Colleges and Occupational Education (State Board) distributes the funds to the individual school districts. State Board representatives informed us that vocational programs are more expensive than regular academic classes. According to representatives of the State Board, school districts can use CVA funds to pay the cost of establishing in-house vocational programs or to send students to established vocational programs at either community colleges or area vocational schools. Students attending vocational programs at community colleges or area vocational schools may be eligible to receive both high school and college credit. Our audit work also indicates that some local school districts create vocational education-specific programs under the provisions of the PSEO statute.

District-paid postsecondary programs provide high school students with the opportunity to become familiar with college-level academic requirements without incurring a significant financial impact. Our audit work indicates that a large majority of individual school districts and all public institutions of higher education participate in one or more of these district-paid postsecondary programs. Some private institutions of higher education also participate.

Accurate Statewide Information Is Difficult to Obtain

Since very limited information exists about overall participation in postsecondary programs, we attempted to collect participation information on a statewide basis. We developed a survey which was sent to all 176 school districts and 35 public and private institutions of higher education. The survey included definitions of Fast Track, PSEO, and fifth year programs and sought fiscal year participation numbers for each program as well as perceived benefits, challenges and obstacles. We received survey responses from 148 (84 percent) of the 176 school districts and all 35 of the higher education institutions. Although we achieved a high response rate, we did not verify the accuracy of the surveys' self-reported information. However, we think that it is the most detailed data available, and we, therefore, use it extensively throughout the audit report.

Participation in Postsecondary Programs

Chapter 1

Overview

The district-paid postsecondary programs, Fast Track and Postsecondary Enrollment Options (PSEO), represent a low-cost opportunity for a significant portion of high school juniors and seniors to experience college-level work. In most cases the school districts pay the tuition costs for students in postsecondary programs, using a portion of their per pupil operating revenue (PPOR). We estimate that between 5 and 6 percent of all Colorado high school juniors and seniors took advantage of these programs during Fiscal Year 2000. District-paid postsecondary programs are also popular with both school districts and higher education institutions. We found that all public colleges and at least 142 school districts participate in postsecondary programs. One reason for their popularity is the fact that the school districts continue to receive per pupil operating revenue (PPOR) for the participating students while the higher education institutions can claim FTE funding based on the number of credit hours generated by the high school students.

Accurately Identifying the Number of Participants Is Difficult

The overall cost of district-paid postsecondary programs relates directly to the number of participating students. As part of our audit work we attempted to identify how many high school students actually take advantage of these programs. We found that it was difficult to obtain accurate participation numbers for the postsecondary programs. Both the Colorado Department of Education (Department) and the Colorado Commission on Higher Education (Commission) seek annual information regarding participation in only one postsecondary program, the PSEO program. We surveyed both the school districts and the colleges and requested that they provide us with the number of students participating in their PSEO programs. The following table details the information we received regarding the number of PSEO participants during Fiscal Year 2000.

Participation in Postsecondary Enrollment Options Program Fiscal Year 2000		
Source	Number of Districts or Higher Education Institutions Reporting	Number of Participants
Colorado Department of Education End of Year Pupil Membership Report	129 school districts	4,147
Office of the State Auditor Survey of School Districts	148 school districts	4,439
Colorado Commission on Higher Education Final Student Enrollment Report	32 higher education institutions	4,049
Office of the State Auditor Survey of Higher Education Institutions	35 higher education institutions	4,973
Sources: Office of the State Auditor analysis of information reported on the Colorado Department of Education, Fiscal Year 2000 End of Year Pupil Membership Report, the Colorado Commission on Higher Education Final Student Enrollment Report for Fiscal Year 2000, and the survey responses from individual school districts and higher education institutions.		

As detailed in the table, the reported participation in the PSEO program during Fiscal Year 2000 varied by approximately 924 students. Higher education institutions reported 924 more participants through our survey than they reported to the Commission. In terms of local school districts, survey responses detailed 292 more PSEO students than were included on the Department's report. We also compared, on a district-by-district basis, the PSEO numbers provided to the Department and to us. We found that 130 school districts reported different PSEO participation numbers to our Office and the Department. At the same time, our survey of school districts identified 4,439 PSEO participants, while the higher education institutions reported 4,973 students through their surveys.

The varying numbers imply that neither the school districts nor the colleges are accurately identifying district-paid postsecondary students. As a result, we could not determine either on a statewide basis or by school district the actual number of program participants. The inability to accurately identify high school students who take postsecondary courses hinders any analysis of either the costs or the benefits of these programs. On the basis of the

reported participation numbers detailed above and using an average PPOR of \$4,765, we estimate the PPOR generated by PSEO students in Fiscal Year 2000 ranged from \$19.3 million to \$23.7 million. These estimates do not include FTE funding or costs related to other postsecondary programs. A cost analysis is dependent upon counting individual students as well as aggregate totals to determine the amount of funds spent for PPOR, to pay tuition, and for FTE funding for students participating in these programs. Deciding whether the program is beneficial is also dependent on long-term tracking of the individual students to determine the program outcomes. Outcomes may include whether high school students who gain college-level experience are more likely to attend college and to remain at a Colorado college, have better freshman retention rates, maintain higher grade point averages and, perhaps most importantly, tend to graduate sooner and therefore enter the workforce sooner with a better-paying job.

Identification Procedures Already Exist

Both the Department and the Commission already require school districts and higher education institutions to report participation in district-paid postsecondary programs. During the course of our audit we also found both statutory and administrative rules which indicate that school districts and colleges should already be identifying participating students.

Statutes for the Fast Track and the PSEO programs require agreements between the school districts and the higher education institutions, which provide an opportunity for the both the districts and the colleges to maintain a list of participating students. Additionally, since the PSEO statute requires the school district to reimburse students for their tuition costs upon successful completion of the college courses, it is in the district's interest to have an accurate list of students taking postsecondary courses. School districts receive PPOR for students who take postsecondary courses. The Department pays the school district either one-half of the established PPOR or the full PPOR depending upon the number of college course credit hours and/or the amount of teacher instruction the student receives for high school courses. The Department is responsible for auditing student records at the school districts to ensure that the proper amount of PPOR funding is provided. The Department's administrative rules specifically require the school districts to maintain at the central district office a record of all students who are also enrolled at a college as well as a copy of their class schedule. These rules give the school districts a ready source of information to document postsecondary participation to the Department. This required information could also be used by the Department to verify the information it receives from school districts annually. The conflicting information we received when we performed follow-up illustrates that school districts are not maintaining the records required by the administrative rules.

At the college level the Commission requires the individual institutions to report by semester the headcount and credit hours generated by high school students participating in the PSEO program. To provide this information to the Commission, the institutions should have an accurate method of identifying students enrolled through PSEO. In addition, the Commission requests headcount numbers but not the underlying student identification numbers that would allow it to verify the headcount total.

Our audit work indicates that school districts and higher education institutions should be maintaining accurate records of students taking postsecondary courses, and they are not. As the oversight bodies for the school districts and the colleges, the Department and the Commission should take an active role in ensuring that high school students participating in postsecondary programs are properly identified. For example, the Department through its PPOR auditing process could verify that districts maintain the required records. In addition, the Department could use the records to verify the end-of-year participation numbers reported by the districts. By providing active oversight and guidance, the Department and the Commission can be more confident in the information they receive. It will also give them an opportunity to share the reported participation numbers, providing additional assurance that the State has an accurate account of all high school students who participate in these programs. The accurate identification of students will also allow for tracking of the students' college progress in the future.

Recommendation No. 1:

The Colorado Department of Education should enact procedures to ensure that school districts maintain records to accurately identify students participating in district-paid postsecondary programs. The Department through existing processes should periodically verify the district records and share the headcount totals with the Colorado Commission on Higher Education.

Colorado Department of Education Response:

Agree. The Department currently collects this information from school districts, but because we do not collect any individually identifiable information only the total count will be shared with the Colorado Commission on Higher Education.

Recommendation No. 2:

The Colorado Commission on Higher Education should enact procedures to require all higher education institutions to identify high school students enrolled through all district-paid postsecondary programs and report this enrollment to the Commission. The Commission should share the reported information with the Colorado Department of Education.

Colorado Commission on Higher Education Response:

Agree. The Commission will request that higher education institutions report students enrolled as either Post-Secondary Enrollment Options students or Fast-Track students and that they determine the students' grade level and age at enrollment.

Tracking Students Can Help Determine the Benefits of Postsecondary Programs

District-paid postsecondary programs allow students to take courses at higher education institutions at a limited cost because the school district reimburses the student's tuition provided the student successfully completes the postsecondary course work. This affords students at all economic levels a glimpse of college academic life prior to graduation from high school. Responses to our survey indicate that both school districts and colleges perceive that the postsecondary experience benefits high school students. The following chart outlines the most frequently cited benefits from the survey.

Perceived Benefit	% of Districts Who Said It Was a Benefit	% of Colleges Who Said it Was a Benefit
Challenges students	92%	91%
Provides a head start on college credits	90%	89%
Provides advanced courses not offered through our school district	90%	89%
Provides monetary savings to families of students who participate	85%	86%
Source: Office of the State Auditor Analysis of School District and College Survey Responses.		

Other perceived benefits cited by school districts and colleges include:

- Provides opportunities to students who might not otherwise attend college.
- Allows students to test their abilities in a university environment.
- Increases high school graduation rates.
- Provides opportunities for small districts to meet the needs of upper-level and special needs students.

The survey responses from school districts and higher education institutions impart the perception that postsecondary enrollment programs are beneficial to high school students. However, without programmatic evaluations in place, it is unknown whether participation in postsecondary programs results in positive outcomes such as higher freshman retention rates, better academic performance at higher education institutions, or accelerated graduation resulting in earlier entry into the Colorado workforce.

Our audit work indicates that the Commission might be the best agency to track postsecondary participants who enroll at Colorado public higher education institutions upon graduation from high school. The Commission already collects student data from all higher education institutions, including limited information on high school students taking postsecondary courses. Conversely, Department of Education representatives informed us that they are not allowed to collect individually recognized data on students. In addition, it would be difficult for the Department to do long-term tracking of students beyond their high school graduation.

To determine the feasibility of the Commission's tracking of postsecondary program participants, we provided the Commission with a sample of high school student social security numbers we obtained from seven higher education institutions that reported participation in PSEO. The social security numbers represented high school students who enrolled in PSEO courses in Fiscal Years 1998 and 1999. We included both high school juniors and seniors in the sample because most of the higher education institutions we selected do not collect the high school grade level as part of their record keeping. Commission representatives performed an analysis by comparing the social security numbers to enrollment files for all Colorado public higher education institutions for the Fall 1999 term. We sought to identify some program outcomes including whether PSEO participants tend to enroll in a Colorado college when they graduate from high school and if they have a higher grade point average (GPA) and more cumulative credit hours than non-PSEO participants.

The limited analysis performed by the Commission indicates that PSEO students may perform at a higher level in their postsecondary education than their non-PSEO counterparts. However, Commission representatives indicate that no trends can be presumed because of the small sample size and the limitations on the data.

Commission representatives agree that they are the appropriate agency to perform long-term tracking of postsecondary participants. To take on this new responsibility, the Commission will have to ensure that it receives accurate information regarding the number of participants, the high schools they attend, and their anticipated date of graduation. Accurate information will allow the Commission to identify these students when they formally enroll in a Colorado college after their graduation from high school and track them throughout their college career. Commission staff informed us that, beginning in July 2001, it will require higher education institutions to identify high school students participating in postsecondary programs by specific program such as PSEO, Fast Track, Fifth Year, and Other. Additionally, the Commission is tightening the requirement that colleges provide it with high school codes and anticipated high school graduation dates. This additional data will facilitate the Commission's ability to track postsecondary program outcomes.

Responses to our survey indicate that the perception exists that these postsecondary programs benefit high school students by helping them perform better in college. This is supported by the limited analysis performed for us by the Commission. However, no clear deductions can be made from either the survey responses or the Commission's analysis because no long-term tracking or assessment mechanisms are in place at either the Department or the Commission to determine postsecondary program outcomes. The only way to determine actual program outcomes and then analyze if those outcomes make the program cost-effective is for the Commission to institute long-term tracking of participating high school students. This will allow the Commission to regularly assess the benefits of

district-paid postsecondary programs from both performance and funding/cost perspectives.

Recommendation No. 3:

The Colorado Commission on Higher Education should implement tracking procedures for students who participate in district-paid postsecondary programs to determine outcomes. The Commission should use this information to assess the performance of postsecondary programs including:

- a. Percentage of students in each postsecondary program (PSEO, Fast Track, Fifth Year, etc.).
- b. Percentage of students that continue on to Colorado public higher education institutions compared with students without postsecondary program experience.
- c. Freshman retention rates.
- d. Cumulative credit hours.
- e. Cumulative GPA.
- f. Higher education costs.
- g. Accelerated graduation rates.

Colorado Commission on Higher Education Response:

Partially Agree. The Commission agrees with implementing tracking procedures for students participating in statutorily-authorized postsecondary programs. The Commission wishes to go on record, however, as stating that it believes there is no statutory authorization for the so-called “fifth year program” developed by some school districts and colleges. The Commission requests that the Colorado General Assembly review the statute and its intent and, if it deems “fifth year programs” acceptable, then it should acknowledge or authorize such programs by statute. Meanwhile, as the auditor staff has suggested, the Commission will track these so-called “fifth year programs” developed by certain school districts and colleges; however, by tracking these programs, the Commission in no way expresses its agreement that “fifth year programs” are legitimate or authorized by statute. Because the Commission believes the programs are not authorized by statute, it will not count the FTE generated at the higher education institution for state reimbursement.

A Definition of Successful Completion Is Needed

Generally, the PSEO statute requires high school students or their parents to pay the up-front tuition costs for college courses. However, the statute mandates that the school districts reimburse the students upon their successful completion of the courses. Some sections of the statute seem to indicate that successful completion means the student simply passed the college courses. While passing a course may define successful completion at the high school level, it might not meet the requirements of successful completion at the college level.

The PSEO statute notes that a high school student who enrolls in postsecondary courses should be expected to show a high degree of maturity and responsibility, and that payment of the college tuition is an important method of fostering such responsibility. This change was made in response to concerns about the number of PSEO students who were failing postsecondary courses, and the resulting financial losses to the school districts because they paid the tuition costs. The statute still allows the district to pay the up-front tuition costs in certain situations such as when the student is eligible for free or reduced-cost lunch or when the payment of tuition would constitute a financial burden. However, when the district agrees to pay the up-front tuition costs, the student and his/her parents must agree to reimburse the district if the student fails to pass or drops the college courses. The underlying concept is that the district using PPOR funding will only pay for those college courses successfully completed by high school students. Therefore, reimbursement depends upon the definition of successful completion.

The statute lacks a clear definition of successful completion but indicates that school districts should reimburse students and/or their parents if they simply pass the college courses. The statute states that “upon passage of any postsecondary course, the pupil, or the pupil’s parent or guardian shall present evidence of such passage to the school district and shall receive reimbursement for the amount of tuition paid.” A sample of school districts and discussions with the Department indicate that school districts reimburse PSEO students for tuition costs as long as they receive a passing grade of D or above. We asked the districts how many students did not successfully complete PSEO courses. Their responses indicated a failure rate of between 2.7 and 4.3 percent during Fiscal Year 2000. However, we cannot determine from our survey responses how many students who “passed” did so with a grade of D.

According to the information we received from higher education institutions and the Commission, a grade of D rarely qualifies as successful completion at the college level.

Most higher education institutions allow a grade of D to be applied as degree credit for limited course work, such as lower level and/or general area requirements. However, this applies only after the student begins regular college course work at the college after graduation from high school. Generally, high school students participating in postsecondary programs are not officially admitted to the higher education institution and therefore have to transfer the grades they earned in postsecondary programs to a college if and when they are formally admitted. Under existing transfer agreements between all two-year and four-year institutions, Colorado colleges only accept the transfer of courses where students earn a grade of C or above. As a result, our audit work indicates that high school students who earn a grade of D have not met a higher education institution's definition of successful completion.

In reality, successful completion at the college level means that the student earns a grade of C or above. Since the school district is covering the cost of postsecondary programs by paying the students' tuition costs, these students should be held to an appropriate standard. As a result, for the PSEO program a grade of C should be the definition of successfully completing or passing college courses and therefore the standard for tuition reimbursement. The Department and the Commission should work together to ensure that school districts inform students wishing to participate in the PSEO program that they need to earn at least a grade of C in the college course work to receive tuition reimbursement. Department representatives indicated that they can amend their administrative rules for the PSEO program to define passage or successful completion as a grade of C or above. However, if an amendment to the administrative rules does not sufficiently address the problem, the Department and the Commission should seek statutory changes to the PSEO statute to define successful completion and eligibility for tuition reimbursement as a grade of C or above.

Recommendation No. 4:

The Colorado Department of Education should amend its administrative rules for the Postsecondary Enrollment Options program to define successful completion and/or passage for college courses and eligibility for tuition reimbursement as a grade of C or above. If an amendment to the administrative rules does not sufficiently address the problem, the Department should work with the Colorado Commission on Higher Education to amend the PSEO statute to include a grade of C or above as the definition of successful completion.

Colorado Commission on Higher Education Response:

Agree. The Commission maintains that transfer guidelines are the purview of institutions of higher education and are often dictated by accreditation requirements. Maintaining this definition ensures that the state's taxpayers are supporting PSEO students' efforts to work toward degree completion. It enables the student to "count" this course work toward a degree. The Commission's policy on "successful completion" is that a passing grade, and a transferable grade, is a C. The Commission will work with CDE to provide information for the Department to enable the administrative rule change.

Colorado Department of Education Response:

Agree. The Colorado Department of Education will work with the Colorado Commission on Higher Education to develop a definition for successful completion. We will work to change the rules for the various programs during the next fiscal year once the definition is done.

Define FTE Funding Eligibility for Higher Education Courses Taken by Postsecondary Students

PSEO represents the largest postsecondary program for high school students. As stated in its statute, the purpose of the PSEO program is to academically challenge students, to stimulate or maintain the interests of students who may potentially drop out by allowing them to take courses not offered in high school, and to provide a wider variety of options to high school students by furnishing new and exciting academic challenges. The statute also requires that all courses taken by PSEO students must be applicable to a degree or certificate at the higher education institution.

The PSEO statute provides the school districts with the authority to decide what college-level courses they will agree to reimburse. School districts also have great latitude in how they can spend their PPOR dollars. This means that school districts can choose to allow students to take "nonacademic" college courses through the PSEO program and use PPOR dollars to pay for those courses. In addition, although required by the PSEO

statute, only 30 percent of those districts who responded to our survey stated that they require students to take courses that are applicable to a college degree or certificate. The Commission expressed concerns about PSEO students taking "nonacademic" courses, including whether the State should be supporting them under the PSEO program. We share those concerns.

Overall, we determined that very few credit-bearing courses are not applicable to a certificate or degree. In general, all courses except basic skills courses and noncredit continuing education courses are applicable toward a degree or certificate. However, colleges offer other courses that while applicable to a degree are of questionable academic value, especially when PPOR funds are paying the tuition for them. We received documentation from two state-supported institutions of higher education listing all courses in which PSEO students were enrolled in Fiscal Year 2000. At one institution, we found a small number of PSEO students were enrolled in basic skills courses. The documentation also detailed that a small number of students at both higher education institutions were taking courses of questionable academic value. These courses included recreational physical education courses, such as Backpacking, Basic Rock Climbing, Walking, and Aerobics. Physical education courses apply to a degree and so higher education institutions are allowed to claim these course credit hours for FTE funding when they are taken by regular college students. However, since they are of questionable academic value, it may not be appropriate for colleges to receive FTE funding for the course credit hours generated by PSEO students.

Although the statute allows students to take recreational and other nonacademic courses and be reimbursed by the school district, the Commission may want to consider limiting the courses eligible for state FTE funding under the PSEO program. The underlying purpose of the PSEO statute is to academically challenge students and get them ready for college-level work. Since the district uses PPOR funds to pay the tuition costs of the courses taken by high school students participating in postsecondary programs, it is reasonable to place stricter limitations on what courses will be eligible for FTE funding. Commission representatives informed us that they are considering enacting limitations that will prevent FTE funding for credit hours generated by high school students taking recreational and other nonacademic courses.

Recommendation No. 5:

The Colorado Commission on Higher Education should work with the colleges to define which courses taken by high school students participating in district-paid postsecondary programs are eligible for state FTE funding and amend its FTE policy accordingly.

Colorado Commission on Higher Education Response:

Agree. The Commission agrees and has drafted a revised FTE policy currently being reviewed and considered by Commissioners. “Attachment B” of this revised FTE policy contains a statewide agreement/contract between Colorado school districts and a Colorado college for high school concurrent enrollment. This contract specifically excludes certain college courses from the PSEO and Fast-Track programs, including courses that involve remedial instruction, physical education courses, basic skills courses, or advanced placement courses. In addition, because the Commission views “fifth year programs” as not authorized by statute, the Commission’s revised FTE policy makes courses taken under “fifth year programs” ineligible for state FTE funding.

Participation in Postsecondary Programs Is High But Access Could Be Improved

Participation in district-paid postsecondary programs for high school students appears to be popular, both at the high school and college levels. Our survey results indicate that postsecondary program participation is geographically widespread throughout the State. Of the 148 school districts that responded to our survey, only 6 districts reported that they do not participate in any district-paid postsecondary programs.

For those six school districts who reported they do not participate in postsecondary programs, accessibility to a higher education institution seemed to be the most common obstacle. In many cases these school districts reported that the nearest college is several hours away, which hinders their students’ ability to take postsecondary courses. Although some participating districts report that high school faculty serve as adjunct college faculty in order to overcome the distance barrier, it is not an option for all districts. Some high school instructors do not have the credentials or in some cases the desire to teach postsecondary education courses. Some nonparticipating districts also indicated that budgetary constraints affect their ability to offer students the opportunity to take district-paid postsecondary courses.

We found that the issue of college accessibility might be overcome if districts had greater and more affordable access to the telecommunication infrastructure necessary for them to offer distance learning via interactive video or the Internet. Representatives from some of

the nonparticipating districts indicated they are interested in distance learning options, but their budgets cannot support the current cost of installing and maintaining the necessary telecommunication lines. Our audit work found that the State's Multi-Use Network (MNT) may serve as a cost-effective instrument for school districts to use in order to provide postsecondary distance learning opportunities. The MNT is a high-speed fiber-optic network with a telecommunication infrastructure aimed at enhancing existing services and providing service to lesser-developed areas of the State. The MNT will have the technology to carry voice, video, and data over the same fiber-optic line. Once implementation is complete in 2002, the MNT will consist of 70 Aggregated Network Access Points (ANAPS) located in each of Colorado's counties. MNT representatives informed us that school districts and Colorado public higher education institutions have the option to join the MNT. Currently all but four public higher education institutions are planning to participate. MNT representatives informed us they are working with those four institutions to persuade them to participate.

Since the State is paying for the infrastructure to be installed in each county, school districts that want to join the MNT will only have to pay a local telephone provider to connect them to the ANAP site in the county. In addition to the connection fees, school districts will pay monthly usage fees to participate in the MNT. Representatives from both the MNT and the Colorado Department of Education (Department) informed us that although the fee structure has not yet been finalized, the fees should be less than the costs school districts pay for the current piecemeal telecommunication services. Department representatives report that they are aware of school districts that are interested in joining the MNT, but the level of school district participation statewide is uncertain, since the fee structure is not settled and districts are not yet able to assess their financial ability to participate. Department representatives indicate they will promote participation in the MNT at the school district level once the fee structure is established.

Our audit work indicates that the MNT will provide school districts with greater and more cost-effective access to distance learning. This could allow isolated school districts to provide postsecondary opportunities to their students. The implementation of the MNT will also give high school students the opportunity to take distance learning courses from a variety of higher education institutions throughout the State, not just the college closest to their high school. In addition, the Colorado Commission on Higher Education is currently contemplating the creation of an on-line, statewide distance education course catalog, which could provide a wider variety of course options for high school students participating in postsecondary programs. As the oversight body for school districts, the Department should assist school districts in evaluating the telecommunication alternatives and budgetary impact related to participation in the Multi-Use Network.

Recommendation No. 6:

The Colorado Department of Education should explore how the implementation of the Multi-Use Network could provide greater and more cost-effective accessibility for district-paid postsecondary programs.

Colorado Department of Education Response:

Agree. The Colorado Department of Education will work with all Colorado school districts and libraries to find ways to have their telecommunication and Internet needs met through the MNT. Postsecondary options courses are delivered regularly across the state via the MNT.

Institutions Should Separately Report Participation in All Postsecondary Programs

Each year through the *Final Student Enrollment Report (FSE)*, higher education institutions report the number of full-time equivalent (FTE) students they serve. Higher education institutions receive state general funds based upon the number of credit hours generated by resident students. One full-time equivalent student equals 30 credit hours for a school on a semester system and 45 credit hours for a college on the quarter system. The FSE includes all credit hours generated by resident students including those high school students taking postsecondary courses. Although the FSE requires colleges to separately report information on students taking courses through the PSEO program, it does not seek any information about high school students in other postsecondary programs. As a result, the high school postsecondary participation numbers received by the Commission are incomplete.

Commission representatives informed us that they use the reported PSEO student participation numbers to track enrollment patterns, to make policy changes, and to exclude those students from federal financial aid allocation formulas. As we have noted, although PSEO appears to be the largest postsecondary program for high school students, it is not the only one. In addition to PSEO, we found that school districts also offer Fast Track and other opportunities for high school students to take postsecondary courses. Some of

these opportunities appear to be very similar to PSEO, but for various reasons may not be considered by the school districts or the colleges to meet the requirements of PSEO. As a result, colleges may not separately report these high school students on the FSE. The Commission needs information on all high school students taking postsecondary courses to properly track enrollment patterns and make sure no ineligible students are included in the federally funded financial aid calculations. Although it appears the Commission has been excluding PSEO students from federal higher education financial aid formulas, it is possible that it has underreported the total number of high school students served by Colorado colleges. We also have a concern regarding the accuracy of the information reported to the Commission through the FSE. Currently the Commission requires colleges to report the PSEO headcount and credit hours generated by semester. Not only does this undercount the number of high school students taking postsecondary courses by concentrating only on PSEO students, it also duplicates the count for those PSEO students taking courses in both the Fall and Spring semesters. The Commission informed us that it does not require supporting documentation such as a student identifier to verify the headcount totals.

In order to accurately identify all high school students enrolled in district-paid postsecondary courses, and to ensure that high school students are excluded from federal higher education financial aid formulas, the Commission needs to change its FSE reporting requirements. In the future the Commission should require institutions of higher education to report unduplicated headcount numbers and provide supporting student identifiers on all high school students enrolled in postsecondary courses.

Recommendation No. 7:

The Colorado Commission on Higher Education should require higher education institutions to separately report high school students taking courses through all postsecondary programs as part of the annual *Final Student Enrollment Report*.

Colorado Commission on Higher Education Response:

Agree. Beginning with the Fall 2001 reporting, institutions will be asked to designate this information separately.

Cost of District-Paid Postsecondary Programs

Chapter 2

Overview

In Fiscal Year 2000 between 5 and 6 percent of all Colorado high school juniors and seniors took advantage of the opportunity to take district-paid college-level courses. Districts receive either one-half of the established PPOR or the full PPOR depending upon the number of college course credit hours and/or the amount of teacher instruction the student receives for high school courses. At the same time, colleges receive state FTE funding for the credit hours generated by the high school students. These postsecondary programs allow high school students to experience college-level work requirements with limited financial impact. The statutes call for the district to either pay the students' tuition costs up-front or to reimburse the students if they receive high school credit and pass the college course. The district pays the students' tuition costs using PPOR monies.

Cost of Programs Is Difficult to Calculate

As part of our audit we attempted to calculate the overall cost of district-paid postsecondary programs. We found it impossible to determine the actual cost because we received varying information regarding the number of students who participate. We also encountered conflicting information on the number of college credit hours generated by these high school students. Most of the self-reported information we received regarding participation focused on the PSEO program, although other district-paid postsecondary programs also exist. However, we did make some broad cost calculations based on the best information available.

Estimates for participation in the PSEO program during Fiscal Year 2000 ranged from 4,049 students to 4,973 students. As we have noted, districts receive PPOR funding for students taking college-level courses as long as the students meet the college credit hours and/or instructional hours necessary to qualify for PPOR funding. The average PPOR amount for all school districts in Fiscal Year 2000 was \$4,765. As a result, on the basis of the reported participation numbers, we estimate that the school districts received

between \$19.3 million and \$23.7 million in PPOR funding for students participating in the PSEO program during Fiscal Year 2000. We also attempted to estimate the amount of state FTE funding colleges received for credit hours generated by participating high school students. The Colorado Commission on Higher Education (Commission) requires higher education institutions to report the headcount and resident credit hours generated by PSEO participants as part of the *Final Student Enrollment Report (FSE)*. In Fiscal Year 2000 the FSE included an estimated headcount of 4,049 PSEO students and resident credit hours worth \$4.8 million. As a result, school districts and higher education institutions received at least \$24.1 million in state general funds and PPOR monies for students participating in PSEO programs. Since accurate data do not exist, we emphasize that these costs are only estimates and do not include costs related to other postsecondary programs such as Fast Track. Only when the Colorado Department of Education (Department) and the Commission require school districts and higher education institutions to accurately identify the number of students participating in postsecondary programs and the resulting resident credit hours will an accurate cost assessment be obtainable.

We also attempted to estimate the per-student cost incurred by the school districts for postsecondary programs. Our per-student cost calculation is based on the postsecondary student participation numbers reported through our survey of the individual school districts. In the survey, districts reported 4,439 PSEO and 96 Fast Track students, or a total of 4,535 students, taking postsecondary courses. Using the actual PPOR amount for each district that reported participation, we found that these students generated as much as \$23.2 million in PPOR funding if every student qualified for a full PPOR. The districts reported spending \$1.7 million (7 percent) of this amount to pay their students' tuition costs at higher education institutions. Although this is a small percentage of the money received, districts also continue to teach most of these students part-time at the high school and therefore incur some of the same instructional costs as for regular high school students. In addition, some school districts make significant expenditures for distance learning equipment that allows students to take postsecondary courses while remaining in the high school. Overall, we estimated that the districts' average tuition cost per student was \$393 in Fiscal Year 2000. However, since students participating in district-paid postsecondary programs can take anywhere from 1 to 30 credit hours annually, the districts' cost per student could range anywhere from \$56.30 for a one-credit-hour course at a community college to \$4,440 for 30 credit hours at the University of Colorado at Boulder. The districts' actual tuition costs depend upon the number of college courses the students take and the colleges' per credit hour cost.

High School Credit Should Be a Requirement When Assessing Eligibility for PPOR Funds

One intention of the PSEO program is to expand educational opportunities for students while they complete the requirements toward high school graduation. However, when determining eligibility for PPOR funding, the Department's administrative rules do not stipulate PSEO students receive high school credit. Essentially, the Department requires only that a PSEO student is enrolled, scheduled, and taking district-paid postsecondary courses in order to be counted for pupil funding.

The Department's administrative rules define the eligibility requirements for districts to receive PPOR funding for students taking postsecondary courses. The rules allow college courses taken and passed by high school students to be included in the calculation for PPOR funding. However, the Department does not require that the college courses provide credit toward the students' high school graduation. The rules simply demand that PSEO students taking only college courses pass a minimum number of college credit hours to be eligible for PPOR funding. Districts can receive full PPOR for a student who passes seven or more college credit hours and one-half PPOR for students who pass more than three college credit hours but less than seven. As a result, Department auditors only examine the number of college credit hours passed, not what type of credit is provided. Department representatives commented that districts can receive PPOR funding for students who take college courses because the PSEO statute requires the district to reimburse the student upon successful completion of the courses. However, the statute only calls for the district to reimburse students who receive high school credit. There is no requirement that the district pay the tuition when the student gets only college credit.

The purpose of the PSEO program is to provide students with the opportunity to take more academically challenging college courses that will count for credit toward high school graduation requirements. Since the student receives high school credit, the district must reimburse the tuition costs if the student successfully completes the course. PPOR funding is meant to help the school district cover the cost of educating the student. Under the PSEO program, the district is not required to pay the tuition costs for college courses taken for college credit only. As a result, the district would not incur any costs related to those college courses and therefore should not have those courses counted in the eligibility formula for PPOR funding.

Recommendation No. 8:

The Colorado Department of Education, through its administrative rules, should ensure that college courses taken through the Postsecondary Enrollment Options program provide credit toward high school graduation requirements before they are included in the calculation for per pupil operating revenue (PPOR).

Colorado Department of Education:

Agree. Currently this is a part of the audit performed by CDE on the district count used for per pupil operating revenue. Audit procedures will be verified to ensure that this administrative rule is being implemented.

Consider Methods to Reduce Costs

As part of the audit, we explored the possibility of reducing the general fund and PPOR costs related to district-paid postsecondary programs. Both the Department and the Commission need to evaluate opportunities to reduce the cost of these postsecondary programs. However, any attempt to reduce the costs should not remove the incentive school districts and colleges have for allowing high school students to experience college-level work.

The Commission oversees the policy for reporting student FTE including which credit hours generated by high school students are eligible for state funding. As we noted in Chapter 1, the Commission has the authority through its FTE policy to limit the courses taken by high school students that will be eligible for state funding. Placing limitations on which courses are eligible for FTE funding could reduce the amount of money received by colleges. Commission staff informed us that they are considering other ways to limit state funding for credit hours generated by high school students. Commission staff noted one possibility is to require higher education institutions to cash fund their postsecondary programs. The FTE policy prohibits state funding for cash-funded programs. One downside to such a proposal is that the school districts would likely face higher per student costs because they would have to pay the full education costs for postsecondary programs, not just in-state tuition rates. Another option under consideration is to prohibit FTE funding for college courses taught by high school teachers at the high school. This may be an option because the colleges incur few expenses for courses taught at a high school by high school teachers. A negative effect may be that without the financial incentive, colleges

may stop allowing their courses to be taught at high schools, thereby eliminating one option used by students taking postsecondary courses.

The Department's administrative rules govern how much PPOR a school district receives for students in postsecondary programs. The school district receives PPOR funding for each high school student attending either the high school or the college on the official count date. The Department pays the school district either one-half of the established PPOR amount or the full PPOR depending upon the number of college course credit hours and/or the amount of teacher instruction the student receives for high school instruction. The Department is responsible for auditing student records at the school districts to ensure that the proper amount of PPOR funding is provided. Currently students participating in postsecondary programs qualify for a full PPOR if they take and pass college courses totaling seven credit hours or more. Districts also receive full PPOR funding for students who take a combination of college courses and high school courses that provide at least 360 hours of teacher instruction per semester. The Department provides a one-half PPOR for students passing more than three but less than seven college credit hours. Unlike regular students, students taking postsecondary courses must pass the courses for the district to retain the PPOR funding. However, the administrative rules also allow school districts to receive PPOR funding, even if the student spends little if any time at the high school.

We have concerns about school districts receiving either half or full PPOR funding for students who may spend very little time at the high school. PPOR is meant to help school districts cover the cost of educating the student. Although school districts incur tuition costs for students who spend most of their time at colleges, on average, the college tuition paid by school districts is a small percentage of the PPOR received for that student. In these situations, the Department might consider the feasibility of developing a more incremental PPOR payment for students who spend all or most of their time at a higher education institution. However, Department representatives expressed concerns that any reduction in current PPOR payments to school districts might create a disincentive for the districts to encourage and support student participation in postsecondary programs. The representatives stated that PPOR funding is not tied to one particular student, but is pooled to cover the cost of educating all of the district's students. Districts receive monthly PPOR payments from the Department for all of their students, not just those taking postsecondary courses. These payments are based on student numbers established on the official count day. In addition, Commission representatives expressed concerns that some school districts may be inclined to limit participation in postsecondary programs because they are required to use a portion of the PPOR to pay the college tuition costs. Not allowing students to take postsecondary courses enables the school districts to retain the full PPOR and use it for other priorities.

Postsecondary programs provide high school students with the opportunity to experience college-level curriculum. These programs result in costs for both the school districts and the higher education institutions which are paid for through general funds and PPOR monies. While we do not want to create a disincentive for school districts and colleges to participate in these programs, both the Department and the Commission should explore ways to decrease the cost of postsecondary programs. One place to start would be for the districts and colleges to identify the costs they incur when participating in postsecondary programs including whether the payment of tuition from PPOR monies creates a disincentive for participation.

Recommendation No. 9:

The Colorado Commission on Higher Education and the Colorado Department of Education should work with the higher education institutions and individual school districts to determine the costs of providing postsecondary programs to high school students. Then the Department and the Commission should assess alternate methods for funding district-paid postsecondary programs that might reduce the cost of these programs while not removing the incentive school districts and colleges have for allowing high school students to experience college-level work. Some options could include seeking opportunities to limit FTE funding for credit hours generated by high school students and considering a more variable PPOR amount for students who spend most of their time at a college.

Colorado Commission on Higher Education Response:

Agree. The Commission is willing to work with the Department to assess costs of the PSEO and Fast-Track programs. It will fully evaluate FTE funding for the programs as implementation of the revised FTE policy continues.

Colorado Department of Education Response:

Agree. The Department will work with the Commission on this issue. We again want to reiterate our concern that this not become a disincentive for districts to allow high school students to participate in this program.

Fifth Year Programs Raise Questions

Fifth year programs allow students to voluntarily extend their high school education one year and graduate with a high school diploma and an associates degree simultaneously. These programs, although not specifically authorized in statute, appear to meet the general requirements of the PSEO statute. Commission staff expressed concerns about the potential financial impact to the State of allowing students to voluntarily remain in high school an additional year. Districts receive an extra year of PPOR funding for these students and use a portion of that money to pay the students' tuition costs. Commission staff raised concerns about the appropriateness of the districts using PPOR monies to pay a student's entire community college tuition costs. Essentially, a fifth year option increases the requirements of graduation to include additional high school courses and enough college credits to obtain an associates degree. In Fiscal Year 2000, 19 (11 percent) of the 176 school districts operated active fifth year programs in partnership with seven community colleges and area vocational schools.

Fifth Year Programs Appear to be a Subset of the PSEO Program

Students enter a fifth year program during their eleventh grade or junior year of high school. Participating students remain enrolled in either the eleventh or twelfth grade until they meet their graduation requirements at the end of their fifth year in high school. As with the PSEO program, to be eligible for PPOR funding, the student must pass the college courses and meet the minimum college credit hour and/or teacher instruction requirements for PPOR funding. Students pay tuition to the college up-front subject to the statutory exceptions and receive reimbursement based upon successful completion of the college courses. The community colleges receive FTE funding based on the number of credit hours generated by the students. During the course of our audit we determined that most of the existing fifth year programs have the same general characteristics making them a subset of the PSEO program.

When reviewing the existing fifth year programs, we found that they have some characteristics in common, even though they operate under the conditions prescribed by individual colleges and school districts. Each existing program limits the number of students that can participate in the program. Some of the common characteristics are:

- Students must meet certain academic standards at the high school. For example, a minimum grade point average (GPA) of 3.0 prior to enrollment in a fifth year program.

- Students and their parents enter into a written agreement with the high school detailing the requirements of the fifth year program.
- Students must take an admission test at the college that the high school contracts with for higher education services. If the college does not have an admission test, the fifth year students must meet the same entrance requirements as any other student applying to the postsecondary institution.
- Students participating in a fifth year program are actually admitted to the higher education institution as regularly enrolled students.
- Once students are enrolled in the college, they must maintain a predetermined GPA to continue to participate in the fifth year program. If the student is not able to complete the course work required for the fifth year program, the credits earned by the student can still be transferred toward a postsecondary degree or certificate after graduation from high school.

We determined that the existing fifth year programs involve a rigorous curriculum and require the high school students to complete a minimum of 60 postsecondary credit hours between their junior and fifth year of high school while also meeting high school graduation requirements. These educational requirements may be one reason why only 203 students participated in fifth year programs during Fiscal Year 2000. This represents 0.2 percent of Colorado high school juniors and seniors.

Representatives from Morgan Community College (MCC), which has the most long-standing and clearly defined fifth year program in the State, indicated that its program is typically utilized by motivated students who are academically in the top 30 percent, but not the top 15 percent, of their class. The representatives noted that the majority of the students in the top 15 percent usually go on to four-year colleges. Generally, existing fifth year programs are concentrated in rural communities where access to a college is more of a barrier than in a metropolitan area. In other cases fifth year programs give students from low-income families who would not otherwise be able to afford college the ability to earn a college degree. The existing fifth year programs we reviewed appear to have stringent admission standards, limit participation to a small number of students, and require a rigorous course load that would not be appropriate for every high school student.

Fifth Year Programs Cost More Than Other Postsecondary Programs

Fifth year programs allow school districts to receive PPOR funding for an additional year. The amount of FTE funding received by the higher education institutions participating in a fifth year program is the same because the students complete the same number of credit hours as any other regularly enrolled college student obtaining an associates degree. Since the districts receive an extra year of PPOR funding, fifth year programs appear to cost more than the regular PSEO program.

We attempted to quantify the additional cost related to fifth year programs. In Fiscal Year 2000, 203 students participated in established fifth year programs. The participating districts received a total of \$1.1 million in PPOR funding for those students. However, this amount includes students in their junior, senior, and fifth year. The districts would receive PPOR funds for students who were juniors and seniors, even if they were not enrolled in a fifth year program. Therefore, we estimated that approximately one-third, or 67, of the 203 students would actually be in their fifth year of high school. The average PPOR for the 19 school districts with active fifth year programs is \$5,504. As a result, the estimated extra PPOR cost for the students in their fifth year of high school during Fiscal Year 2000 was approximately \$370,000.

Fifth year programs give students the opportunity to complete high school with both a high school diploma and an associates degree. Recent studies have indicated that the value of only a high school diploma is decreasing. At the same time these studies note that increased education and training has a significant effect on the earnings of the individual and society at large. A report issued by the Joint Economic Committee of the United States Congress suggests that people with higher levels of education have a reduced reliance on welfare and public assistance programs. In Colorado for Tax Year 2000 the average wage for an individual with a high school degree was \$17,182 while a student with an associates degree earned an average annual wage of \$25,018. A more tangible benefit for Colorado is the difference in the amount of taxes paid by a high school graduate versus someone with an associates degree. A high school graduate earning the average wage paid Colorado state income taxes of \$462 while an individual with an associates degree earning the average wage would pay \$825, or a difference of \$363 (78 percent). Thus, the extra \$370,000 in PPOR funding paid to school districts in Fiscal Year 2000 due to the fifth year program would be partially offset by higher taxes paid by the participating students.

Concerns Exist Regarding the Fiscal Impact and Legality of Fifth Year Programs

During the course of our audit Colorado Commission on Higher Education staff expressed concerns regarding the legality of fifth year programs. Their concerns focused on the fact that these programs are not specifically authorized in statute as well as the potential financial ramifications of fifth year programs if large numbers of students decided to participate. Commission staff believe that school districts use fifth year programs to generate additional income. They are concerned that once awareness of the program increases more juniors and seniors will want to participate and receive two years of free tuition at a community college. Staff speculated that some school districts and higher education institutions may want to create sixth and seventh year programs to allow students to earn a tuition-free bachelor's degree. We agree that any large expansion of the number of students participating in fifth year programs would have a significant financial impact as each student would cost the state an additional year of PPOR funding. This illustrates that the fifth year program is a significant public policy issue which requires further assessment and possible legislative clarification.

Commission staff have had concerns regarding the legality of fifth year programs for several years. In a 1998 memorandum to the Academic Council, Commission staff explained the Commission's interpretation of the postsecondary options statute and stated:

...that a fifth year plan, allowing high school students to voluntarily stay in high school for an additional year, enroll in high school for reporting purposes (e.g. holding back one credit from a high school transcript), but actually enrolling in college courses as a tuition-free strategy under postsecondary enrollment option appears to violate the statutory intent of postsecondary options and is not supported under the financial provisions of the law. The practice of deferring graduation intentionally (fifth year high school student) to enroll under this statute is a questionable practice.

In March 1999, Commission staff also sought an informal Attorney General opinion "regarding whether it is permissible for students to intentionally refrain from timely fulfilling their graduation requirement at high school in order to take advantage of the provisions of the PSEO and Fast Track programs." Overall, the informal opinion concluded that it is permissible, but that school districts and higher education institutions can limit the practice through the cooperative agreements. The informal opinion also notes that the statutory limitations on the Fast Track and PSEO programs are that students be enrolled in the twelfth grade (Fast Track) and/or the student be enrolled in the eleventh or twelfth grade

(PSEO), be under age 21, and have the permission of their parent or guardian. As a result, the opinion states that the "statutes appear to permit a student to take advantage of the Fast Track and PSEO programs until age 21 by simply deferring some of their high school graduation requirements." This informal opinion appears to acknowledge that fifth year programs that meet the general requirements of the PSEO statute are legal.

As part of our audit work we obtained an interpretation from staff at Legislative Legal Services to determine if the voluntary postponement of graduation from high school violates the Public School Finance Act. Representatives informed us that fifth year programs do not, in their opinion, violate the Public School Finance Act. The Colorado Constitution in Article IX, Section 2 states that "the general assembly shall provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state, wherein all residents of the state, between the ages of six and twenty-one years, may be educated gratuitously." The Constitution recognizes that the potential exists for a student to receive more than 12 years of secondary education. Circumstances such as the need for special education services, failure of a grade, suspension, expulsion, or failure to meet the requirements for graduation can lead to a student's remaining in school for more than 12 years. The Constitution does not appear to prohibit a student from voluntarily postponing high school graduation requirements and continuing to receive a free education at the secondary level as long as the student is under the age of 21.

Although fifth year programs appear to be legal, concerns about the potential financial ramifications of these programs are valid. Fifth year programs can have a significant financial impact on PPOR funding if large numbers of students choose to participate. To reduce some of the potential costs of fifth year programs, the Commission, through its revised FTE policy, is seeking to prevent higher education institutions from receiving state funding for students taking courses while in their fifth year of high school. The revised FTE policy proposes to only fund credit hours generated by PSEO students who have completed more than two years but less than four years of high school. Since the statutes do not specifically authorize fifth year programs and concerns exist regarding the potential costs of these programs, the Department and the Commission should work together to determine if specific statutory authority is needed, and if so, propose statutory change.

Recommendation No. 10:

The Colorado Commission on Higher Education and the Colorado Department of Education should work together to determine if specific statutory authority is needed for fifth year programs, and if so, propose statutory change.

Colorado Commission on Higher Education Response:

Disagree. The Commission reiterates its stance that fifth year programs appear to violate current statutory intent. Furthermore, the Commission unequivocally disagrees with the State Auditor's liberal interpretation of the Colorado Constitution (Article IX, Section 2) that by guaranteeing a free public education for all students between the ages of six and twenty-one, students are also eligible for a free postsecondary education. The extension of that provision to higher education is beyond any reasonable interpretation of the Constitution. Although PSEO opportunities are intended by the General Assembly to offer students who have completed their high school credits a chance to gain college credits toward future degrees, the General Assembly, in the Commission's view, did not intend a student's high school years to be extended arbitrarily to gain a higher education degree. The Commission believes that if these programs are acceptable, the General Assembly needs to authorize them specifically for reimbursement.

Colorado Department of Education Response:

Agree. The Department agrees to work with the Commission on this issue. It is not currently the Department's position that specific statutory authority is needed.

Auditor's Addendum

The Commission's response does not reflect the Auditor's interpretation of the Constitution. Our focus regarding the Constitution is whether voluntary postponement of high school graduation requirements to participate in a fifth year program violates the Constitution and/or the Public School Finance Act. In the opinion of the Legislative Legal Services staff such voluntary postponement of high school graduation does not violate the Public School Finance Act since the Constitution through Article IX Section 2 recognizes the potential exists for students to remain eligible to receive a free public school education until age 21. Separately, the PSEO statute allows high school students who have not met their graduation requirements to take district-paid college courses and earn both high school and college credit. The statute gives the school districts and the higher education institutions the right to decide how many high school and college credit hours a PSEO student can earn. In addition, as noted in the informal Attorney General Opinion sought by the Commission, the PSEO statute appears to permit a student to take advantage of the PSEO program until age 21 simply

by deferring some of their high school graduation requirements. Disagreement exists regarding the need for specific statutory authority related to fifth year programs. As a result, the existence of fifth year programs is a public policy issue that the Commission and the Department should raise with the General Assembly.

Conduct a Study of the Potential Costs and Benefits of Fifth Year Programs

Our audit work indicates that fifth year programs appear to be growing in popularity as more community colleges and school districts express interest in creating fifth year programs. However, if the requirements used by existing fifth year programs are uniformly applied throughout the State, the number of students who participate could continue to be limited by the admission requirements and the demanding course load. These programs benefit high school students by allowing them to earn an associates degree while the tuition costs are paid by the school district. Districts benefit because they receive an extra year of PPOR funding provided the students meet the Colorado Department of Education's requirements for funding. This means that fifth year programs cost more than other postsecondary programs because of the extra year of PPOR funding. We acknowledge the Commission's valid concerns regarding the potential financial impact if large numbers of students seek to participate in fifth year programs.

Since fifth year programs are a relatively new concept, little data are available to quantify the potential social and economic benefits to the State. For example, although a fifth year program provides districts with an extra year of PPOR funding for each student, do students use their associates degree to obtain a job and enter the workforce one year quicker? Information compiled by Morgan Community College indicates that the majority of its fifth year program graduates continued on to four-year institutions and completed courses toward a bachelor's degree in two to three years. As a result, one advantage of the program may be that fifth year students graduate from four-year institutions more quickly than non-fifth year students. Logically, this would enable them to enter the workforce earlier and contribute to the tax base sooner. Fifth year programs allow districts to expand the value of a high school education for students who participate. Since the school district pays the tuition costs for fifth year students, these programs may help low-income students who otherwise could not afford to go to college and earn a degree.

We acknowledge that fifth year programs can be costly and that the financial burden may increase if more students participate. At the same time, potential economic and social benefits may exist that may offset some costs. The best way to determine both the actual

cost and potential benefits is to study the program outcomes. Once the outcomes are known, an objective evaluation of fifth year programs can occur.

Recommendation No. 11:

The Colorado Commission on Higher Education, as part of its tracking of students participating in postsecondary programs, should analyze students participating in established fifth year programs to determine student participation, costs, outcomes, and benefits of fifth year programs.

Colorado Commission on Higher Education Response:

Disagree. This recommendation puts the Commission in an awkward position. As noted earlier, the Commission does not recognize that fifth year programs are authorized by statute. To require the Commission to analyze and evaluate such programs is tantamount to the State Auditor's office legitimizing them by fiat. However, should the Audit Committee agree with the staff's view, the Commission will attempt to obtain accurate data regarding the fifth year programs as now implemented by some institutions and school districts

Auditor's Addendum

Although the Commission may not recognize the legality of fifth year programs, other agencies believe them to be legal. In fact, several fifth year programs currently exist throughout the state and more school districts and higher education institutions are considering developing programs. An evaluation of existing fifth year programs provides the opportunity to give the General Assembly objective information about an ongoing program including actual cost, benefits and program outcomes. The Commission objected to our original proposal to have the State Board for Community Colleges and Occupational Education perform the study so we recommended that the Commission perform it. The Commission staff informed us that they already planned to collect data from higher education institutions regarding students participating in fifth year programs, therefore, they have the capability to perform the study. We are simply asking the Commission to collect data and produce an objective evaluation of a program that is already operating at several school districts and community colleges.

Tuition Rates Are a Concern

Since the school districts use PPOR funds to pay the college tuition for PSEO students, the statute limits the amount of tuition that can be charged to high school students participating in the program. Tuition for PSEO students taking courses at public colleges cannot exceed the in-state tuition rate charged to a regularly enrolled student taking such courses. Tuition for PSEO students attending any nonpublic institution of higher education is limited to the average in-state tuition charged by the representative group of comparable state institutions. As part of our audit work we obtained the per credit hour tuition rates charged by all higher education institutions participating in the PSEO program during Fiscal Year 2000. We found that one nonpublic institution charges PSEO students a tuition rate that exceeds the statutory limitations.

The University of Denver reported a tuition rate of \$268 per quarter hour, which includes a 50 percent tuition discount given to PSEO students. We converted this per quarter hour rate into a comparable per credit hour semester rate. This resulted in a comparable tuition rate for the University of Denver of \$402 per credit hour. This far exceeds the highest tuition rate reported by other colleges for PSEO students. The next closest tuition rate was \$154 per credit hour at the Colorado School of Mines. The average in-state tuition charged by three comparable colleges, the University of Colorado at Boulder, the University of Colorado at Colorado Springs, and the Colorado School of Mines, is \$132 per credit hour. Overall, it appears that the University of Denver is charging tuition rates that exceed the average in-state tuition charged by a comparable group of state-supported institutions. As a result, the school districts are paying too much for PSEO students taking courses at the University of Denver. We have already recommended that the Commission begin tracking student participation in PSEO as well as other postsecondary programs. As one aspect of that tracking, the Commission should analyze tuition rates to ensure statutory compliance. In addition, although a private institution, the Commission should work with the University of Denver to bring it into compliance with PSEO's statutory requirements.

Recommendation No. 12:

The Colorado Commission on Higher Education, as part of its tracking of students participating in postsecondary programs, should analyze the tuition rates charged by higher education institutions to determine if they are in compliance with statutes. If noncompliance issues are discovered, the Commission should work with the higher education institution(s) to correct the situation.

Colorado Commission on Higher Education Response:

Agree. Further, the Commission agrees to examine the barriers to student participation in PSEO programs. Specifically, the Commission is aware that some school districts discourage students from participating in the postsecondary options programs as a means of keeping their full PPOR allocation. Their students attend school for partial days, and certain high schools and school districts prefer not having these students attend college courses for other parts of the day, using their PPOR funds to underwrite the costs associated with college tuition. Those school districts that discourage students from participating in PSEO programs do a disservice to the students of the State of Colorado.

High School Students Enroll in Secondary and Postsecondary Vocational Courses

Our audit survey results indicate that some high school students take vocational courses under the Postsecondary Enrollment Options Act (PSEO). Several districts reported that they have tailored their PSEO programs to meet the needs of students who wish to earn a vocational certificate rather than pursue academic course work. PSEO students focusing on vocational course work take classes at either a community college or an area vocational school (AVS) and receive both high school and college credit. The PSEO statute does not appear to prohibit students from taking vocational rather than academic courses. Although the statute notes that postsecondary course work should provide academic challenges, supporters of the original PSEO legislation indicate that it was intended to include both academic and vocational courses.

The Colorado Vocational Act (CVA) provides state funding for high school students taking vocational courses for secondary credit. State Board for Community Colleges and Occupational Education (State Board) representatives informed us that the CVA was established to encourage school districts to provide career and technical classes to high school students by reimbursing a portion of the excess costs of providing vocational education. To receive funding, districts must offer State Board-approved vocational programs that provide students with an entry-level occupational skill and be of sufficient duration to provide entry-level skills and related knowledge required by business and industry. Eligible vocational programs can be taught at the high school, a community college, or an area vocational school (AVS). According to a CVA program manager,

students participating in vocational programs funded, in part, with CVA funds are encouraged to pursue higher education upon graduation from high school. We received information that between 65 and 70 percent of students funded through CVA pursue at least a two-year degree. In discussions with CVA representatives at some school districts, we found that the potential exists for students funded with CVA dollars to receive both high school and college credit. Since high school students receiving funding through PSEO or CVA enroll in vocational courses at colleges and area vocational schools, we have concerns that school districts may include PSEO students in their count for CVA program funding. As a result, three funding sources, PPOR monies, state FTE funding, and CVA state funding, may be paying for these students.

Potential Exists for Duplicate Funding Under the Colorado Vocational Act

Our audit work found that CVA funds are allocated each year based on an estimate of excess costs and enrollments submitted the prior year. Excess costs are those costs exceeding 70 percent of the district's PPOR amount. State Board representatives report that school districts determine their excess costs based on a formula in the CVA statute. Reportable excess costs include instructional costs, which constitute 85 to 90 percent of costs, supplies, and equipment. Excess costs represent the higher cost per student FTE faced by school districts when providing vocational education. State Board representatives noted that CVA does not cover all excess costs incurred by the school districts but instead reimburses about 28 percent of excess costs. As we already noted, some school districts send their vocational students to established vocational programs at community colleges or area vocational schools rather than creating their own in-house vocational programs. State Board representatives indicate this practice is allowed under the Colorado Vocational Act because the costs of instruction, although incurred through payment of tuition to another institution, may qualify as an excess cost under the CVA formula.

The State Board is responsible for ensuring that CVA funds are allocated and expended according to the statute. We expressed concerns regarding the potential overlap between PSEO and CVA funding resulting in the same high school student being funded through three sources. State Board representatives informed us that school districts are instructed not to count PSEO students as part of their costs, so they do not believe this is occurring. However, the representatives conceded that their audit process does not include a control for ensuring that PSEO students are not included in the CVA excess cost calculation. In discussions with CVA representatives at some school districts, they acknowledged that the potential exists for a limited number of PSEO students to be counted for funding under the

CVA and therefore having the same student supported through three funding sources. First, school districts receive PPOR funding for the student, and the tuition for district-paid postsecondary courses comes from the PPOR funding. Second, the higher education institution where the student enrolls receives FTE funding. Although the four area vocational schools receive a separate line-item appropriation and are not currently funded on the basis of enrollment, State Board representatives informed us that a proposal has been made to allocate AVS funds based on increases or decreases in enrollment. If this occurs, students in PSEO programs who enroll at AVS would generate FTE funding. Third, school districts receive funding under the CVA to help cover the excess cost of providing approved vocational education programs. CVA funding is computed based on the number of FTE served by the programs. Our audit work found that if school districts count district-paid postsecondary students as FTE in a CVA program, it could result in additional CVA funding for the district. We were unable to find any authority that prevents school districts from counting PSEO students for funding under the CVA. However, this represents an additional cost and may not be what the General Assembly intended when funding high school vocational education programs.

Recommendation No. 13:

The State Board for Community Colleges and Occupational Education, as part of its audit process, should determine if students participating in the Postsecondary Enrollment Options (PSEO) program are also being funded by Colorado Vocational Act dollars, the extent to which it occurs, the associated costs, and whether this practice violates legislative intent and statutory funding requirements. The State Board should share its audit findings with the Colorado Commission on Higher Education.

State Board for Community Colleges and Occupational Education Response:

Disagree. The Colorado Vocational Act statute was written to encourage school districts to offer vocational training to their students. To this end, the Act provides supplemental funding to school districts over and above their per pupil operating revenue. The Vocational Act is very clear in allowing and encouraging school districts to send students to another educational entity for vocational training if a district cannot provide particular vocational programs. Whether the student attends as a secondary or postsecondary student does not affect the districts' funding under the Vocational Act. The Board believes, as the auditors stated, that there

is nothing in state statute to prevent PSEO students from being claimed for Colorado Vocational Act funding.

Auditor's Addendum

Although the Colorado Vocational Act (CVA) does not specifically prohibit the inclusion of PSEO students in the CVA funding formula, we are unsure whether the General Assembly intended for vocational students to be funded through three separate sources. The State Board appears to have concerns regarding the inclusion of PSEO students in the CVA funding formula since its representatives informed us that they instruct school districts not to count PSEO students as part of their excess costs under the CVA. We are simply asking the State Board as part of its existing CVA audit process to ensure that school districts are following this direction.

Distribution

Copies of this report have been distributed to:

Legislative Audit Committee (12)

Colorado Commission on Higher Education (16)

Colorado Department of Education (6)

State Board for Community Colleges and Occupational Education (3)

Joint Budget Committee (2)

Department of Personnel
d.b.a. General Support Services
Executive Director (2)
State Controller (2)

Honorable Bill Owens, Governor

Office of State Planning and Budgeting (2)

Depository Center, Colorado State Library (4)

Joint Legislative Library (6)

State Archivist (permanent copy)

National Conference of State Legislatures

Legislative Oversight Committee

Legislative Legal Services

Auraria Library

Colorado State University Library

Copies of the report summary have been distributed to:

Members of the National Legislative Program Evaluation Society

Members of the Colorado General Assembly

National Association of State Auditors, Comptrollers, and Treasurers

Report Control Number 1336