

Denver College Success Corporation

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Approved by Denver voters in 2018, the purpose of the Denver College Affordability Fund (the “Fund”) is to “increase post-secondary institution enrollment and completion for Denver residents” by dedicating revenue generated through a sales and use tax increase to the Fund to reimburse eligible nonprofit organizations for up to 75% of 1) scholarships they award to eligible students and 2) money they spend on support services for eligible students. The Denver College Success Corporation (“DCSC”) is a nonprofit organization created to administer the Fund. The DCSC Board consists of one member of Council (Councilman Herndon) and six mayoral appointees.

This memorandum explains amendments the DCSC Board is asking Council to make to the ordinance. After working with eligible nonprofit organizations, the DCSC board has identified the following changes as necessary for the efficient administration of the Fund. They are largely technical in nature and consistent with voter intent. We have vetted all of these changes with the City Attorney’s Office and the Office of Children’s Affairs. Thank you for your consideration. Please contact us with any questions or comments.

***Sec. 11-31.b.(6)** In administering the Denver College Affordability Fund, or expending any monies derived from the Denver College Affordability tax, the corporation shall not discriminate against any person on the basis of race, color, religion, national origin, gender, age (except as to the age of students eligible for *scholarship or support services* ~~tuition~~ reimbursement), military status, sexual orientation, gender variance, marital status, or physical or mental disability.*

The term “scholarship” or “scholarships” replaces “tuition” throughout the ordinance.

DCSC Justification

Changing “Tuition” to “Scholarships” - In working with eligible nonprofits, it has become clear the DCSC Board that if reimbursement is limited to “tuition,” the intent of the voters will be frustrated. Tuition is only a portion of the total cost of attendance and does not include other substantial expenses like room and board, fees, books, supplies and health insurance. Reimbursing only tuition would leave many students short of the level of support necessary to enable them to begin or continue their post-secondary education.

Eligible Nonprofit Feedback - The DCSC Board has identified no eligible nonprofit that awards only tuition. Instead, these organizations universally fund scholarships to defray any cost of attendance for their students.

Ballot Title – The ballot title (the language that appears on each voter’s ballot and in the voter guide distributed to all voters) said that the program would pay for “scholarships” and made no references to “tuition”. In other words, this change is consistent with representations made to voters about the scholarship program.

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Practical Concern - These changes also address an important practical concern of the eligible nonprofits. Many scholarships are paid directly to a student's post-secondary institution to cover all or a portion of the student's bill for a semester. The organizations typically do not have access to a line-item breakdown of the student's bill and so cannot determine the portion of any scholarship that would fund only tuition. This problem is exacerbated by the fact that many students "stack" scholarships. That is, they secure a number of small scholarships to cover all or a portion their costs of attendance. It would be practically impossible for each nonprofit to determine the amount of its scholarship that covered the student's tuition as opposed to other costs of attendance.

Sec. 11-33.(a) For an organization to be eligible for ~~funding~~ reimbursement from the Denver College Affordability Fund, the student benefitted ("eligible student") must have resided in Denver continuously for more than thirty-six (36) months prior to his or her ~~their~~ first scheduled post-secondary class day. Any student whose first scheduled post-secondary class day is before January 1, 2021, who attended his or her last three years of high school in Denver, and who meets the requirements of subsections (b) through (d) below shall be an eligible student, ~~and otherwise meet all criteria for in-state tuition.~~ An otherwise eligible student will not lose eligibility because of a temporary absence, as may be allowed by the corporation's board of directors, from Denver after high school.

DCSC Justification

Eligible Nonprofit Feedback – Based on outreach to eligible nonprofits, none of these organizations track historical addresses, nor do they collect any proof of residency for their scholars. Eligible nonprofits have expressed concern over the difficulty of collecting this information and the potential to limit accessibility to DCSC funding. The change is applicable to students who have started their post-secondary education or who will do so in the fall of 2020 (who have already or shortly will apply for scholarships). Beginning next year, the residency requirement will return to its original form, by which time, eligible nonprofits will be able to begin collecting historical address information for new students.

Student Transiency – Denver Public Schools ("DPS") students will represent most DCSC-eligible students. Based on DPS Board figures: 20,000 of 93,000 students move *at least* once during the school year (22%). Under current ordinance language DCSC would need to confirm residency 3 years in arrears, which, in some cases, would require student to validate residency as far back as 2012.

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Participation suppression – The impact of the current language will constrict the ability of DCSC to approve students for reimbursements and help qualified nonprofits build capacity, with a disproportionate exclusionary impact to low income families in temporary housing.

Cost constraints – DCSC is constrained to a 5% administrative limit. The time and effort to collect and validate residency (either directly or indirectly) will be significant and will divert funds from other activities such as program efficacy and systems building in the scholarship making community.

In-state tuition qualification – With very few if any exceptions, students that meet the 36-month residency requirement will meet all in-state tuition requirements. Confirming this fact for each student, however, would be costly, administratively cumbersome and unnecessary.

Student realities – Ordinance language currently does not allow for residency flexibility post high school graduation. Students may have obligations such as military service, gap year enrichment, religious obligations or family need. Others will take time to work to earn money for their post-secondary education. DCSC does not believe personal circumstance should exclude participation in DCSC.

Sec. 11-33.(c) Eligible students must attend a *nationally or* regionally accredited non-profit or public post-secondary institution located in Colorado and certified to be in good standing at said institution, as demonstrated by the institution's determination that the student has achieved "satisfactory academic progress."

DCSC Justification

Institution certification change – Over the last few years, the system for accreditation of trade schools has changed. While these institutions used to be regionally accredited, today they are nationally accredited. The definition of accredited institution is currently limited to those that are regionally accredited. The amendment would expand the definition to include nationally-accredited schools.

Sec. 11-34.(2) "Scholarship" means a payment or payments from an organization to a student or post-secondary institution to defray a student's cost of attendance, including but not limited to tuition, fees, room and board, books and supplies. Whether a particular cost or category of costs is reimbursable as a scholarship shall be determined by the corporation's board of directors.

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DCSC Justification

Ordinance clarification and definition – “Cost of attendance” is a term of art used by post-secondary institutions and eligible nonprofits to describe all of a student’s direct and indirect costs of attendance. The use of “cost of attendance” in the definition of “scholarship” will align the ordinance with this universal and well-defined term. This amendment also gives the DCSC board discretion to determine what costs of attendance are reimbursable.

Sec. 11-34.(3) "Support services" means services designed to increase college student persistence and graduation, including *but not limited to* the following: academic tutoring; advice and assistance in college course selection; graduation coaching; services that assist with student financial aid, such as resources for locating scholarships and assistance in completing financial aid applications; education or counseling services designed to improve student financial and economic literacy; assistance for students enrolled in certificate and two-year programs in applying for admission to, and financial assistance for, enrollment in two-year and four-year programs; career and academic counseling; and mentoring programs. *Whether a service or category of services is reimbursable as a support service shall be determined by the corporation’s board of directors.*

DCSC Justification

Flexibility – The ordinance lists a number of items that qualify as reimbursable “support services”. *See* Sec. 11-34(3). In working with qualifying nonprofit organizations, DCSC has learned that the range of support services provided is quite broad and that certain valuable support services do not fit within the current list of items. To address this issue, the amendment would allow the DCSC board to determine what qualifies as a reimbursable support service.

Sec. 11-34.(4) Individual reimbursement rates shall be calculated based on the demonstrated financial need and expected family contribution of the eligible student, but in no case shall reimbursement be made for a student whose expected family contribution exceeds two and one half (2 1/2) times the maximum expected family contribution that would qualify for a federal

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Pell Grant or similar measure of financial need as determined by the corporation for ~~a given the student's first~~ academic year of post-secondary education.

DCSC Justification

Qualification For First Year Only – Only students that have a certain level of financial need qualify under the ordinance. Eligible nonprofits only determine financial need once, for the student's first year of post-secondary instruction. The amendment clarifies that DCSC is only required to qualify a student for his or her first year.

Sec. 11-34.(9) In order to be qualified to receive payments from the Fund **(i)** The organization shall be ~~duly incorporated and in good standing under the Colorado Revised Nonprofit Corporation Act, and~~ in good standing with the Colorado Secretary of State's Office and approved by the Internal Revenue Service as a tax exempt, charitable organization.

DCSC Justification

Clarifying That Foreign and Non-Corporate Entities May Be Eligible Nonprofits – In its current form, the section above could be read to limit eligible nonprofits to Colorado entities. It could also be read to limit eligible nonprofits to corporations. Some scholarship granting organizations take other forms. Some are organized in other states. This amendment clarifies that any nonprofit supporting Denver students, regardless of form or state of organization, recognized by the IRS as a tax exempt charitable organization, may be eligible for reimbursement from the Fund.

Sec. 11-34.(9) In order to be qualified to receive payments from the Fund **(ii)** The organization shall have existed for not less than three (3) years, and shall operate independently as a financial and operational entity separate from any post-secondary institution, ~~school district, or charter school management organization.~~

DCSC Justification

Eliminating Prohibition on Certain Organizations – The prohibition on reimbursement for otherwise eligible nonprofits that are affiliated with a school district or charter school management organization is unnecessary and may exclude organizations affiliated with certain Denver high schools.

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