



# Top 10 Higher Education State Policy Issues for 2010

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In 2009, two contradictory movements shaped the U.S. public higher education policy landscape. At the national level, President Barack Obama placed higher education near the top of his policy agenda, focusing on increasing college access and participation by all Americans and backing it with an ambitious slate of proposed federal policies and programs. An invigorated U.S. Department of Education, led by Secretary of Education Arne Duncan, is unrolling a vision of reform throughout the K-16 continuum—and has plenty of resources to work with, courtesy of the American Recovery and Reinvestment Act.

At the state level, however, rhetoric and policy action were considerably more subdued, with most attention focused on mitigating the effects of state funding cuts to public postsecondary education institutions. This is not to suggest that state policymakers and higher education leaders have completely placed progress and innovation on the backburner. Clearly, however, the main priority is developing short-term solutions to maintaining college affordability while ensuring high-quality instruction in the wake of drastic reductions in state appropriations for higher education.

What higher education state policy issues will be at the forefront of discussion and legislative activity throughout the United States in 2010? Provided here is the consensus of the AASCU state relations and policy analysis staff, informed by continual scanning of state policy activities, current trends, and consideration of events likely to shape the policy landscape. Some issues are perennial in nature, while others reflect near-term circumstances; however, even perennial issues are shaped by current events and take a particular direction in a given year. The influence of any given issue will, of course, vary across individual states. While numerous topics shape state higher education policy, each affecting the issues of affordability and quality, our focus is on the overarching issue of college access.

## **#1—States' Fiscal Crises**

The overwhelming force behind much of the policy action that will occur in 2010 is the quarter-trillion-dollar collective deficit that has devastated states' budgets in the past 24 months. Public colleges and universities throughout most of the U.S. are performing budgeting triage in the wake of major reductions in state appropriations. From classrooms to state capitols, virtually every aspect of the public postsecondary pipeline is being dramatically

affected by insufficient taxpayer-provided dollars for higher education. Such dollars are critical to keeping tuition prices affordable, especially in light of current spikes in student enrollment accompanying state economic downturns. While higher education systems coast-to-coast are facing heightened fiscal challenges, nowhere is it more apparent that this recession has fundamentally reshaped the relationship between states and their citizens' access to college than in California. Tuition prices in the state are increasing at unprecedented rates, while tens of thousands of prospective students are simultaneously being denied educational opportunity as a result of enrollment caps and limited instructional capacity due to huge reductions in state funding. Unfortunately, forecasts suggest that state revenues may not return to pre-recession levels until 2013. While the federal stimulus monies given to states have provided a much-needed fiscal lifeline, most of these dollars will be exhausted this year, leaving little prospect for greater breathing room in the foreseeable future.

A lack of money, however, also provides opportunity. The current recession provides a chance to fundamentally change how higher education is delivered and how campuses operate. Amidst a drought of new state revenues, seeds of innovation—born of necessity—are being planted at the institutional level. The same may also take place at the state level. Recession-induced reform may be witnessed on issues such as appropriations policy, tuition policy, state student grant aid programs, system and institutional governance structures, and capital outlay policy and related funding.

## **#2—President Obama's American Graduation Initiative**

The ambitious American Graduation Initiative proposed by President Obama calls for America to lead the world again in college graduates by 2020 and to have every American enroll in at least one year of college or career training after high school. While there is continued debate in the higher education community on whether America has actually fallen behind in graduating students from college or whether the methodology used in international studies accurately compares the

American higher educational system to other tertiary education systems around the world, one thing is certain: billions of federal dollars are being invested in this plan. The American Recovery and Reinvestment Act (ARRA) and the Student Financial Aid and Fiscal Responsibility Act (SAFRA) also reflect a significant Obama administration investment in higher education with the expectation of significant human capital return.

The impact on states is multifaceted. While state community colleges are getting the lion's share of attention and funding, states are also being pressured to graduate more students from both two-year and four-year colleges and universities. This means states and their four-year public institutions will be required to demonstrate more accountability and more precise measurement of where students go after high school—be it to a community college or a four-year institution—in order to document their contributions to the Obama administration's goals.

## **#3—Tuition Policy and Prices**

The complex issue of tuition and fee increases at state colleges and universities will continue to be a major issue in 2010. This includes how college price increases affect access to higher education for not only the neediest students, but also middle-class students and families battered by the recession. Specifically, mid-year tuition increases are one way in which public colleges and universities attempt to partially compensate for drastic state budget cuts (mid-“academic” year, beginning in January). For instance, several public colleges and universities in Virginia have imposed mid-year tuition increases for the 2009–2010 academic year ranging from \$100 to \$300. Similarly, the University of California system was forced to levy a 15 percent mid-year increase in fees for undergraduates and professional students in the spring of 2010, with another 15 percent increase effective this upcoming summer.

However necessary they may be, mid-year tuition increases can provoke backlash. Recent student protests at California State University and University of California campuses are one example. This situation is further complicated by the different

ways states set tuition rates for their public colleges and universities. Not all states allow public institutions full legal authority to set tuition. Other state entities or individuals who play differing roles include the governor, the state legislature, state higher education coordinating agencies, and system governing boards. A potential harbinger of future trends is in Louisiana, where the state-level commission charged with reviewing Louisiana's public postsecondary educational systems—the Postsecondary Education Review Commission—has recently suggested the Louisiana state legislature give up its control over tuition increases at state public colleges. Currently, the state legislature must approve tuition increases by a two-thirds vote, which is the most restrictive requirement in the country; a temporary arrangement by which public institutions' governing boards can raise tuition up to 5 percent without a vote will expire in two years. Other states may follow suit and review their tuition-setting methods based on the current economic climate.

#### **#4—Enrollment Capacity**

The tail end of the Baby Boom Echo generation is graduating from high school in large numbers. Combined with a return to college by thousands of unemployed and underemployed workers, this has contributed to an enrollment surge at public two- and four-year colleges and universities throughout the nation. The Pew Research Center has estimated that nearly 40 percent, or 11.5 million, of 18-24 year olds were enrolled in college in 2008. The percentage share and absolute numbers are both record highs. Two-year colleges, which educate roughly 44 percent of American undergraduates, have recorded significant enrollment increases as students seek less costly college options. According to the American Association of Community Colleges (AACC), headcount in credit classes is up 11.4 percent from last year and 16.9 percent over two years. The increase has led to concerns over capacity issues at some institutions. Four-year public college and university enrollment has increased more modestly, yet many institutions are witnessing record-setting highs. State university officials in Georgia, Kentucky, Oregon, Rhode Island, Arkansas, Texas and elsewhere have reported record enrollments for the fall 2009 semester.

As state tax revenues continue to dissipate, legislators have substantially reduced higher education budgets. The reduction in public investment to higher education is having a tangible impact on student access in some states. Nationwide, state appropriations per students declined by 5.7 percent in 2008-09 in inflation-adjusted dollars, with funding likely to decline further in the current and coming fiscal year. Many public institutions and systems of higher education are being forced to make the unenviable decision on how to offset reductions in state appropriations through a blend of increasing tuition or capping enrollment. Here again, California serves as an example. An \$825 million reduction in state support to the state's 110 community colleges may limit their collective ability to serve as many as 250,000 students. The California State University System, the nation's largest four-year public university system, projects that nearly 56,000 students may be denied access by 2011 due to the state budgetary crisis. Other states will be coping in 2010 with how to address heavy demand for public college access with constraints on those colleges' state funding, including essential capital outlays needed to maintain and expand upon instructional space.

#### **#5—State Student Aid Programs**

According to The College Board's 2009 *Trends in Student Aid* report, preliminary numbers indicate a flatlining of total state grant aid during the 2008-09 academic year. The total amount of grant aid held constant at \$8.4 billion from the 2007-08 to the 2008-09 academic year. However, the amount represents a 72 percent increase in constant dollars from the 1998-99 school year. Funding reductions to state aid programs have been either proposed or implemented in a number of states, including California, Florida, Illinois, Michigan, Missouri, Utah and Washington. Declining revenues from dedicated funding streams (such as state lotteries) continue to adversely affect funding for some state grant aid programs. State legislators may have to make difficult decisions in upcoming years on how to fund these programs. Moreover, the proportion of state aid for students with financial need continues to erode from 90 percent in 1992-93 to 72 percent in 2007-2008. Southern states have shown a preference for the merit-based state grant

funding model, with popular large-scale merit-based programs in Florida and Georgia. However, revenue declines have forced these states to tighten eligibility requirements or freeze grant awards while tuition prices increase.

Students may get help from the federal government in 2010. Under provisions in the Student Aid and Fiscal Responsibility Act (H.R. 3221), the maximum Pell Grant amount will be increased to \$5,550 in 2010 and increased up to \$6,900 by 2019. The proposed legislation also seeks to expand access to the Perkins Loan program and provide lower interest rates on student loans.

## **#6—Federal Focus on Community Colleges**

A major portion of the federal American Graduation Initiative focuses on community colleges, calling for an additional 5 million students to graduate from these institutions by 2020. Further, the creation of the initiative's Community College Challenge Fund injects approximately \$9 billion in challenge grant funding into the sector for innovative programs such as workforce partnerships and \$500 million to develop online courses. Another \$2.5 billion is slated for investment in upgrading community colleges' facilities so they can expand their infrastructure to meet the challenge of graduating considerably more students. The total cost of the program is expected to be \$12 billion over the next decade.

This unprecedented focus on community colleges by the federal government will affect states both in terms of money and workforce development. The Community College Challenge Fund focuses on creating and strengthening community-based partnerships between businesses and colleges; state workforce development agencies are part of this equation. The federal investment in community colleges' infrastructure also affects states. One suggestion in the White House announcement of the initiative proposed that state revolving loan funds be created for the purpose of modernizing community college facilities. Presently, it appears that the full impact of the federal Community College Challenge Fund will play out over a decade at the state level.

## **#7—Expansion of Statewide Data Systems and New Reporting Metrics**

There is widespread consensus that improved information on student outcomes is needed if the nation is to meet its ambitious educational attainment goals. In the year ahead, states will strive for continued progress in the development of comprehensive data systems designed to measure student growth and success, with momentum fueled by federal support. State Education Agencies (K-12) will benefit from the Race to the Top Fund and the State Fiscal Stabilization Fund, both part of the 2009 American Recovery and Reinvestment Act (ARRA); in part, these provide funding for and require implementation of statewide longitudinal data systems that meet specific criteria. All governors the Chief State School Officers (CSSO) have committed to building these data systems by 2011. Also, in September 2009, the U.S. House of Representatives passed the Student Aid and Fiscal Responsibility Act (HR 3221); the Senate is currently drafting its version of the legislation. The College Access and Completion Initiative, a component of this bill, provides funding to expand state data systems to track students' performance.

Also in the year ahead, many national organizations, state policymakers, and institutional leaders will continue to develop and promote improved metrics for understanding and reporting student progression. Compared to the federal IPEDS graduation rate measure currently in use, the new measures are more inclusive, disaggregated and multifaceted—better able to suggest strategies for improvement. For example, the National Governors Association (NGA) has identified four achievement milestones that all states should track: completion of remedial and core courses, advancement from remedial to credit-bearing courses, transfer from a two-year to a four-year institution, and credential attainment. The Education Trust and the National Association of System Heads (NASH) have underway an initiative tracking the progress of low-income students and racial minorities. The Thurgood Marshall College Fund supports taking into account student preparation and Pell Grant eligibility when

measuring degree attainment at Historically Black Colleges and Universities (HBCUs). Finally, several initiatives are underway to develop improved progression measures and performance indicators for community colleges.

### **#8—Veterans Education (Implementation of the Post-9/11 GI Bill and State Issues)**

As the Post-9/11 GI Bill (formally known as the Post-9/11 Veterans Educational Assistance Act of 2008) enters its first full year of implementation in 2010, states are evaluating how this federal program meshes with state-level assistance programs for veteran students. Complicating the matter is the claim-processing backlog that has plagued the Post-9/11 GI Bill since its inception in August 2009. At the time of this writing, the U.S. Department of Veterans Affairs has closed its Education Call Center for two days a week to allow staff to process education benefit claims.

Common forms of state aid to veteran students are either tuition waivers or adjustment of their residency status. These forms of state aid are not technically related to the federal Post-9/11 GI Bill. However, since some veteran students may be better off financially if they remain in the old Montgomery GI Bill program, state aid is still necessary for these students and the public institutions they attend. Thus, cuts to state aid for veterans can be more problematic than they may initially appear. For instance, the Illinois Veterans Grant program offers resident veteran students free tuition at public colleges and universities. The state's public colleges and universities waived veteran students' tuition and were reimbursed by the state. However, this reimbursement was cut from the 2009 state budget. And contrary to state expectations, Illinois veterans did not switch to the Post-9/11 GI Bill in overwhelming numbers; for many, combining the old Montgomery GI Bill program with the Illinois Veterans Grant program was simply a better deal. The funding cut is therefore anticipated to cost some Illinois public colleges and universities between \$723,000 and \$4,000,000 in 2009, which will have to be made up from their own budgets. As veteran students evaluate the advantages and disadvantages of the Post-9/11 GI Bill program

in relation to varying levels of state financial assistance—and cash-strapped states decide whether to cut state-level veteran aid based on Post-9/11 GI Bill benefits—this kind of situation may become more common.

### **#9—College Readiness**

Though states have made significant progress over the past decade in implementing K-12 education standards, there is currently great variation among states in the rigor of these standards and lack of alignment with college and workplace expectations. As a result, many students can pass all required tests for high school graduation, but still need remedial work in college; many of these students will ultimately not reach their education goals. Some recent progress has been made through the American Diploma Project, through which 35 states are now working to raise high schools standards and align them with college and employer expectations. However, the nation's long tradition of local autonomy in public education has led to resistance to federal involvement in developing rigorous national standards.

In 2009 there was a major breakthrough in the development of national (not federal) college and career-readiness standards, which should undergo continued progress over the coming year. The National Governors Association and the Council of Chief State School Officers undertook the Common Core State Standards Initiative, and by year's end, 48 states and the District of Columbia had signed on. The effort has thus far developed draft standards for English-language arts and math. The next step will be the development of grade-by-grade standards, to be followed by development of assessments and appropriate curricula.

This effort was stimulated by the Obama administration, which supports the notion of common standards. Specifically, in order for states to receive Race to the Top funds, they are required to adopt common, internationally benchmarked standards and work toward developing and implementing common, high-quality assessments. The federal government has set aside \$350 million for a separate competition in 2010 to help states develop assessments tied to the common standards.

Though there is much work left to do, these efforts are noteworthy, with potential for a major impact on postsecondary education in the future.

### **#10—Teacher Effectiveness**

Though certainly not new, issues of teacher quality and effectiveness will be front and center in 2010 as the federal government and states work to improve student readiness and success. Recognizing the well-documented assertion that teacher quality is the most important school-based factor affecting student learning, Race to the Top requires states applying for funds to develop longitudinal data systems that link K-12 student achievement with teacher data. Data on teacher effectiveness are to be used to identify and reward effective teachers as well as to inform professional development. States are also being challenged to use teacher effectiveness data to rate the quality of their teacher education programs so that such programs can be improved. Also in 2010, teacher education issues will be central as the reauthorization of the Elementary and Secondary Education Act (ESEA) is discussed.

At the state level, Louisiana has been a leader in linking student achievement data with teacher preparation programs. As the first state in the nation to use student test scores to evaluate teachers and then teacher education programs, the state is now working out the details on policies to guide improvements in postsecondary teacher education programs. Several other states are closely studying what is happening in Louisiana and considering similar efforts.

## **Conclusion**

Other higher education policy issues are sure to make headlines in the months ahead, with potential reverberations across the U.S. Some will be economic, such as state actions regarding prepaid tuition plans (which have been hit hard by Wall Street), and state efforts to harness the full capacity of public colleges and universities to drive economic recovery. Others pertain to social policy, such as court decisions related to affirmative action as it affects college admissions decisions and states' policies regarding undocumented individuals, prompted by additional court action and immigration reform legislation that may be taken up by Congress. Additionally, higher education policy proposals and programs will be given enhanced visibility via the 2010 midterm elections, where 37 states will be holding gubernatorial elections.

The current economic downturn has increased the focus on the value of postsecondary education for individuals, as well as for communities, states and the nation as a whole. The public's and lawmakers' attention to issues such as college access, affordability, accountability and cost containment will further spur state higher education leaders to redouble their efforts to innovate and collaborate and in so doing help fulfill American aspirations in the wake of the greatest recession since the Great Depression.

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