



October 2015

U.S. Economic Forecast

Moderate Economic Growth Projected into 2016

The third estimate of the real Gross Domestic Product ([GDP](#)), released in late September by the Bureau of Economic Analysis (BEA), indicated that the national output of goods and services increased by an annualized rate of 3.9 percent in the second quarter of 2015. By comparison, the 1st quarter of 2015 recorded GDP growth of .6 percent. Economists at leading national and international institutions predict real GDP to increase between 2 and 3 percent this year, with growth next year that could approach historical averages. Since 1947, the average annualized GDP growth rate in the U.S. has been [3.25 percent](#).

| <u>Organization</u> | <u>Date of Projection</u> | <u>2015 Forecast</u> | <u>2016 Forecast</u> |
|---|---------------------------|----------------------|----------------------|
| Congressional Budget Office | August 2015 | 2% | 3.1% |
| Federal Reserve Board | June 2015 | 1.8-2.0% | 2.4-2.7% |
| International Monetary Fund | April 2015 | 3.1% | 3.1% |

Unemployment Rate Declining, Approaching 5 Percent

The U.S unemployment rate for September was 5.1 percent, down from 5.7 percent at the beginning of the year and below the 5.9 percent rate in September 2014, according to the [latest numbers](#) from the U.S. Bureau of Labor Statistics ([BLS](#)). BLS estimates that 7.9 million people remain unemployed, of which 26.6 percent are long-term unemployed. According to the Hamilton Project at the Brookings Institution, the U.S. still has a “[jobs gap](#)” of 3.2 million jobs, meaning that the U.S. has to gain 3.2 million jobs in order to return to pre-recession levels. Analysts at the Hamilton Project forecast that the jobs gap will close in mid-2017. Using unemployment data from September 2015, [state unemployment rates](#) range from 2.8 percent to 7.3 percent. The states with the highest unemployment rates were *West Virginia* (7.3 percent), *New Mexico* (6.8 percent), *Nevada* (6.7 percent) and *Alaska* (6.4 percent). States with the lowest unemployment rates were *North Dakota* (2.8 percent), *Nebraska* (2.9 percent), *Hawaii* (3.4 percent) and *New Hampshire* (3.4 percent). Since 1948, the [historical](#) average rate for U.S. unemployment is 5.83 percent.

State Economic Conditions

State Budgets Slowly Rebound from Recession, but Long-Term Health and Pension Obligations Loom

State budgets have grown each year since 2011, but collectively remain below inflation-adjusted 2008 levels, according to a June [state fiscal survey](#) from the National Association of State Budget Officers (NASBO). While executive budget proposals outlined earlier this year call for spending increases in most states, these increases are considered modest by historical comparisons. According to the report, the executive budgets collectively call for directing most new revenue to K-12 education (\$10.2 billion) and Medicaid (\$9.2 billion). New revenue directed at higher education was tallied at \$2.8 billion.

The NASBO brief, along with a [report](#) issued in June from the Rockefeller Institute of Government at the State University of New York, point to troubling long-term trends for state budgets, as health care and state pension obligations continue to consume larger shares of state budget revenues. In the near-term, the Rockefeller report indicates that the economic recovery from the Great Recession has been slower than in past recessions, with weak tax collections from sales, personal income (particularly capital gains), and corporate income. As a result, state lawmakers have transitioned to other state revenue streams, including cigarette and fuel taxes.

State Higher Education Financing

Most States Increase Higher Education Budgets for FY 2016

State higher education funding increased by 5.2 percent for the fiscal year that ended June 30, 2015 in most states, according to Illinois State University's [Grapevine analysis](#) of state funding, with state higher education budgets increasing 11.7 percent over the last two fiscal years and 9.6 percent over the past five fiscal years. The [report indicates](#) that higher education funding has increased the most over the last five years in the Rocky Mountain states (36.4 percent), New England (20.4 percent) and the Great Lakes (18.1 percent). Conversely, the regions in the U.S. with the smallest increases in funding during the past five years were the Southwest (1.7 percent), Mideast (5.2 percent) and Southeast (5.3 percent).

For the fiscal year that started July 1, based on an informal AASCU survey of state higher education officials, most states increased funding to higher education (see Table 1). A number of Western states made considerable increases to their higher education budgets, including *California, Nevada, Oregon,* and *Washington*. Due in part to the decline in oil prices, the states of *Alaska, Louisiana,* and *Oklahoma* had less state revenue and made reductions to their higher education budgets. *Arizona* and *Wisconsin* stood apart from the rest of the states for making deep cuts to higher education amid increases in neighboring states.

Table 1.

| Approximate Year-Over-Year Percent Change in FY 2016 State Operating Support for Public Four-Year Universities | | | |
|--|-----------|----------------|-------|
| | % | | % |
| Alabama | 1.5 | Montana | 5 |
| Alaska | -5.3 | Nebraska | 3.8 |
| Arizona | -14 | Nevada | 11.6 |
| Arkansas | .2 | New Hampshire | 0 |
| California | 8* | New Jersey | -4.7 |
| Colorado | 11 | New Mexico | 2.1 |
| Connecticut | -1.8/5.3* | New York | 2.1 |
| Delaware | 2.6 | North Carolina | 3.6 |
| Florida | 5.5 | North Dakota | 5.4 |
| Georgia | 4 | Ohio | 4.7 |
| Hawaii | 4.4* | Oklahoma | -2.4* |
| Idaho | 3 | Oregon | 15.6 |
| Illinois | TBD | Pennsylvania | TBD |
| Indiana | 1.2 | Rhode Island | 4.1 |
| Iowa | 1.3 | South Carolina | 2.7 |
| Kansas | .6 | South Dakota | 3.8 |
| Kentucky | .6 | Tennessee | 5.5 |
| Louisiana | -.3 | Texas | 6.2 |
| Maine | 1.7 | Utah | 5.6 |
| Maryland | 3.4 | Vermont | 0 |
| Massachusetts | 2.9/4* | Virginia | 2.8 |
| Michigan | 1.5 | Washington | 16 |
| Minnesota | 6* | West Virginia | -2.3 |
| Mississippi | 4.3 | Wisconsin | -13.9 |
| Missouri | 1.3 | Wyoming | 3 |

Approximations: Data current as of September 22, 2015. Data compiled by AASCU.

Notes:

California: The University of California funding number includes general obligation debt service and the California State University funding number includes health benefit costs for retirees and general obligation debt service.

Connecticut: State operating support for the University of Connecticut declined 1.8 percent, while state operating support for the Connecticut State Colleges and Universities increased 5.3 percent.

Hawaii: Number includes pre-existing collective bargaining increases.

Massachusetts: State operating support for the Massachusetts state universities increased 2.9 percent, while state operating support for the University of Massachusetts increased 4 percent.

Minnesota: Funding number includes support for the University of Minnesota and the Minnesota State Colleges and Universities (MnSCU). MnSCU funding includes community and technical colleges.

Oklahoma: Number includes debt bond service.

State Reinvestment in Public Higher Education Resulting in Tuition Freezes or Relatively Modest Tuition Increases in Many States

According to [data](#) published last year by the College Board, published in-state tuition and fees increased 2.9 percent in 2014-15, slightly higher than the 2.8 percent increase in 2013-14. The report indicates that these tuition increases are the only such increases since the mid-1970s that have been below 3 percent.

For this academic year, state reinvestment in public higher education, coupled with agreements to freeze tuition or cap tuition increases, will likely result in another year of tuition increases that are collectively mild by historical standards. Shown below are year-over-year percent changes in in-state, undergraduate tuition rates for the 2015-16 academic year for select state higher education systems (Table 2).

Table 2.

| Changes in In-state, Undergraduate Tuition for 2015-16 Academic Year | |
|---|-----------------|
| California State University | 0% |
| Kansas Board of Regents | 3.6% |
| Pennsylvania State System of Higher Education | 3.5% |
| South Dakota Board of Regents | 5.8% (average) |
| University of California | 0% |
| University of Illinois | 0% |
| University of Maine System | 0% |
| University of Minnesota | 1.5% |
| University of Missouri | 0.8% |
| University of Montana System | 0% |
| University of Nebraska | 1.75% |
| University of Tennessee System | 3% |
| University System of Georgia | 2.5 - 9%* |
| University System of New Hampshire | 2.75% |
| University of Wisconsin System | 0% |
| Utah System of Higher Education | 3.06% (average) |
| All public colleges and universities—Washington | -5% |

Note: The University System of Georgia had 20 institutions that increased tuition by 2.5 percent, and 10 institutions that increased tuition between 3 percent and 9 percent.

State Financial Aid Increased in 2013-14

An annual [report](#) by the National Association of State Student Grant and Aid Programs (NASSGAP) indicates that for the 2013-14 academic year, states collectively awarded \$11.7 billion in student financial aid, representing an increase of 1.6 percent in constant dollar terms and 3.6 percent in nominal terms from the previous year. Promisingly, undergraduate need-based aid increased from the previous year from \$7.0 billion to \$7.4 billion, a 5.8 percent nominal increase. According to the report, states collectively awarded 75 percent of grants based on need and 25 percent based on factors other than need.

Strong Gains in Charitable Giving in 2014

According to the Council for Aid to Education, charitable contributions to U.S. universities [increased](#) by 10.8 percent in 2014 to a record \$37.45 billion. The percent increase was the highest since 2000. Notably, the top 20 fundraising institutions raised 30 percent of the total revenue.

University Endowments Experience Double-Digit Growth

A [report](#) released in January 2015 from the National Association of College and University Business Officers and the Commonfund Institute indicated that college and university endowments grew by an average of 15.5 percent in FY 2014, an uptick from an 11.7 percent increase in FY 2013. According to the report, endowments represent an average of 9.2 percent of institutions' total operating budgets, compared with 8.8 percent in 2013.

Higher Education Policy Outcomes—States' 2015 Legislative Sessions

Listed below are highlights from the 2015 state legislative sessions, aligned with the [Top 10 State Higher Education Policy Issues for 2015](#), as published by the American Association of State Colleges and Universities (AASCU). For a more comprehensive list of higher education policy measured introduced this year, visit the Education Commission of the States' [2015 State Policy Database](#).

1#—Tuition Policy

State funding increases have allowed state political and higher education officials to negotiate tuition freezes, such as in *California*. Other states, such as *Colorado*, approved caps on tuition increases this year. *Michigan* approved a voluntary 3.2 percent cap on tuition increases in exchange for institutional access to a performance-based state funding pool. The most notable move on tuition policy this year was *Washington*'s tuition reduction, which cut tuition rates by 5 percent for the 2015-16 school year, and another 10-15 percent the following year. Following 2016, state law will cap tuition increases in the state at the annual average increase in the state's median hourly wage over the past 14 years. *Minnesota* also lowered tuition, cutting tuition rates at two-year colleges by 1 percent next year after a freeze this year. *Ohio*'s enacted budget law calls on colleges to find ways to lower costs by 5 percent.

2#—State Appropriations for Higher Education

With a few notable exceptions, state appropriations for higher education will increase in FY 2016 in many states. Most notably, *Wisconsin* cut \$250 million from their higher education budget as most states in the region either maintained current funding levels or increased funding for higher education. *Arizona* made deep cuts to their higher education budget as well, while a number of states in the West, such as *California*, *Nevada*, *Oregon* and *Washington*, made significant new investments in public higher education.

3#—Campus Sexual Assault

Legislation to address campus sexual assault was prevalent on legislative agendas this year, as state lawmakers discussed whether existing state laws and campus protocols are able to effectively prevent campus sexual assault, address the needs of victims, and fairly adjudicate issues in this domain. *New York* and *Virginia* enacted legislation to annotate academic transcripts if a student has been suspended or expelled for sexual assault, while *California* and *Maryland* lawmakers introduced bills with similar provisions. A small but growing number of states, including *California* and *New York*, have adopted affirmative consent requirements for sexual relations on campus. *Hawaii* passed legislation to form a task force to study the issue, while *Oregon* enacted a law enhancing privacy protections for victims. A number of states, such as *Connecticut*, *Colorado* and *Louisiana*, passed bills to assist victims in accessing medical services. State higher education systems, such as the University of *Minnesota* and the *Louisiana* Board of Regents, also revisited and strengthened their policies in this area.

4# —Veterans Education Benefits

In accordance with a 2014 federal law, institutions must now extend in-state tuition benefits to veterans, regardless of residency status, in order to participate in the GI Bill program. According to the new federal law, veterans' spouses and dependents would also be able to participate in the program. Beyond this, some states, such as *Texas* and *Arizona*, examined veterans education benefits specific to their state. *Louisiana* passed two bills promoting education benefits for veterans, including authorizing institutions to grant credit for military training and experience, as well as establishing a "Military & Veteran Friendly Campus" designation to identify those institutions that are most successful in graduating veterans.

5#—Undocumented and DACA Students

The 2015 legislative sessions witnessed an array of discussions about state tuition and financial aid policies pertaining to undocumented students and students with federal Deferred Action for Childhood Arrival (DACA) status. In *Connecticut*, a bill was signed into law that will lower the residency standards necessary for undocumented students to be eligible for in-state tuition rates. The *Connecticut* Senate also approved legislation to extend financial aid to undocumented students, but the bill has yet to pass the House. At the other end, *Kansas* and *Texas* are among the states that considered, but did not pass, legislation to bar undocumented students from accessing in-state tuition rates. According to a [July 2015 report](#) from the National Conference of State Legislatures, 20 states offer in-state tuition to undocumented students, while five states extend state financial aid to those students. *Oregon* is now the sixth state that allows financial aid eligibility for undocumented students, due to legislation signed in August.

There was also discussion about how students with “lawful presence” in the U.S. through DACA status fit into state tuition and financial aid policy. *Missouri* lawmakers incorporated new language into their higher education appropriation bill mandating that public institutions must apply international tuition rates to students with an “unlawful immigration status” in the U.S. in order to receive state funds. This change made students with DACA status ineligible for the in-state tuition rate, as it replaced language requiring “lawful presence” for the lower in-state rate. Missouri lawmakers also passed a bill barring students with DACA status from accessing the state’s A+ scholarship program. While Gov. Jay Nixon vetoed the bill, lawmakers ultimately overrode Nixon’s veto, turning the legislation into state law. In *Georgia*, a case on whether DACA students are eligible for the lower in-state tuition rates has reached the state’s Supreme Court. A similar court case in *Arizona* found that DACA students are eligible for in-state tuition, and the state’s Board of Regents adopted a policy extending in-state rates to these students.

#6—Guns on Campus

Legislation designed to restrict the authority of campus officials to establish campus weapons policies remains prominent in many state legislatures. Over a dozen states, including *Arkansas, Florida, Georgia, Indiana, Michigan, Montana, Nevada, Oklahoma, South Carolina, South Dakota, Tennessee, Texas* and *Wyoming* considered bills remove campus or state restrictions regarding carrying guns on campus. However, *Texas* was the only state that approved major legislation to allow guns on campus. As of February 2015, [seven states](#) allow guns on campus; *Texas* will be the 8th state. Conversely, *California* passed legislation that bans concealed weapons on college campuses. Although guns on campus legislation in *Florida* failed in committee this year, state lawmakers are already revisiting the issue. *Wisconsin* is also currently considering legislation to allow guns in campus buildings.

7#— Secondary-Postsecondary Education Standards Alignment

Five years after states initiated the development of the Common Core State Standards (CCSS) and voluntarily adopted them, the standards continue to generate considerable debate. Yet despite some efforts to repeal them, the standards remain in place in the vast majority of states. During the 2015 legislative session, no state passed a full-scale repeal of the CCSS. *Tennessee, Louisiana and New Jersey* have initiated a review of their standards, joining *Alabama, Arizona, Arkansas, Idaho, Kentucky, Maine, Missouri, Mississippi, North Carolina, North Dakota, New York, Ohio and West Virginia*. To date, most states that have reviewed the standards have only made minor changes. Since the initial adoption by 46 states and Washington, D.C., only *Oklahoma* has repealed the standards and replaced them with something completely different. Other states, like *Indiana* and *South Carolina*, developed new standards that ended up being relatively well aligned with Common Core. *Alaska, Nebraska, Texas and Virginia* never adopted the CCSS.

8#—State Student Aid Programs

State lawmakers continued to revise their approach to state student grant aid programs. *Texas* lawmakers agreed to phase out the B-On-Time loan system and the Top Ten Percent Scholarship, but increased funding to TEXAS Grants and the Texas Education Opportunity Grant. *Nevada* implemented the Silver State Opportunity Grant Program, which offers funds to low-income students enrolled in 15 credits per semester at a Nevada community college or Nevada State College.

9#—Performance-Based Funding

The movement toward performance- and outcomes-based higher education funding has continued in states throughout the country this year. *Connecticut* formed a taskforce to explore an outcome-based funding model for the state’s public colleges and universities, while a *Vermont* committee also began work on system linking state funding to performance. *Iowa* had a debate on performance-based funding, but legislators ultimately did not approve the model proposed by the Board of Regents. A handful of other states, including *Alabama, Arkansas, Arizona, Kentucky, Rhode Island* and *Texas* explored or are exploring performance-funding models, while *Utah* approved moving to a performance-based funding model. Governors in *Florida, New York* and *Wisconsin* voiced their support for performance-based higher education funding this year. [Thirty-two states](#) have some form of performance-based funding, with five additional states currently transitioning to the model, according to the National Conference of State Legislatures.

10#—Free Community College

The tuition-free community college concept has received a significant amount of attention nationally due to President Obama’s America’s College Promise Act. At the state level, *Oregon* became the second state, after *Tennessee*, to advance the free community college concept. The Oregon Promise program will cover any remaining tuition after deducting state and federal grants (“last dollar”). The Oregon program provides each eligible student with a minimum grant of \$1,000 that students can use for educational expenses; the maximum grant will cover the entire tuition cost of full-time community college in the state. *Minnesota* approved the College Occupational Scholarship Pilot program that will provide “last dollar” support to cover any tuition and fees for programs in high-demand fields. According a [July analysis](#) from the National Conference of State Legislatures, at least 10 other states considered free community college in this legislative session.

Notable Policy Issues from the AASCU Top Ten

Community College Bachelor’s Degree

Currently, 22 states allow community colleges to confer bachelor’s degrees, with *California* higher education officials approving bachelor’s degree programs in select disciplines. *Michigan* lawmakers considered a bill that would allow the state’s community colleges to offer bachelor’s degrees in nursing. *New Hampshire* also considered legislation that would allow community colleges to offer bachelor’s degrees.

Dual Credit/Concurrent Enrollment

State policies to promote dual credit/concurrent enrollment opportunities remain popular with state legislators and governors, with the Education Commission of the States (ECS) noting that at least 19 [bills](#) were signed into law on this topic this year. According to ECS, 47 of the 50 states currently have statewide dual enrollment policies. Governors also raised the profile of dual enrollment, with an AASCU analysis finding that 11 governors mentioned dual enrollment in their *State of the State* addresses earlier in the year.

Consumer Protection Involving For-Profit Colleges

A number of state attorneys general remain protecting consumers from fraud and abuse in the for-profit college sector. **Kentucky** Attorney General Jack Conway (D) who leads a 37-state working group to review practices in the sector, joined 11 other attorneys general in May in a letter to the U.S. Department of Education asking federal officials to refrain from advising students to transfer to for-profit institutions that are currently under investigation. Individual state attorneys general also took action against alleged improprieties in the for-profit college sector this year, such as **Massachusetts** Attorney General Maura Healey (D) settling a lawsuit against two for-profit colleges for \$2.3 million in July.

Pay-It-Forward College Financing

Over the past several years, a number of states have explored implementing a college financing system that would allow students to attend college without paying tuition. The students would instead pay back a portion of their earnings over an extended period of time following completion of their academic program. The concept, called “Pay It Forward” (PIF), has garnered significant media attention but remains costly and impractical. In the 2015 legislative sessions, [12 states](#) have introduced PIF legislation, according to the National Association of College Admissions Counseling. Since 2012, three states have approved bills to study the idea.

Reciprocal State Authorization of Distance Education Programs

States throughout the nation enacted bills this year allowing them to participate in an interstate reciprocity agreement for oversight of distance education, known as the State Authorization Reciprocity Agreements (SARA). **Arkansas, Illinois, Iowa, Michigan, Minnesota, New Mexico, Ohio, Oklahoma, Tennessee** and **Wyoming** joined SARA in 2015. The new members of SARA bring the total number of participating states to 29.

States’ Review of Privacy Laws

State lawmakers continue to demonstrate interest in legislation related to student data privacy in both K-12 and higher education. According to a September 2015 [report](#) from the Data Quality campaign, 15 states passed 28 new data privacy bill this year, up from 24 bills approved last year. While only a few of these bills explicitly addressed privacy in higher education, the unspecified scope of others could be interpreted to include higher education.

Other State Higher Education Policy Issues in 2015

Removal of Tenure Provisions

Wisconsin lawmakers approved legislation that removed tenure from state law and gave it to the state's higher education governing body but weakened tenure in the process. In *Florida*, the State College of Florida board eliminated tenure for new faculty members beginning next year. In addition, the governing board of the *Connecticut* State University System (CSCU) has proposed that faculty members could be involuntarily reassigned to another system campus without the guarantee of retaining tenure. Further, the board has recommended provisions that could allow faculty to be terminated for economic and programming reasons, not simply in cases of financial exigency.

Removing non-resident student enrollment caps

Two states made considerable changes to their policies on nonresident students. Officials at the University of *Wisconsin* System temporarily lifted the 27.5 percent nonresident student cap at the University of Wisconsin-Madison, while the *Arizona* Board of Regents completely removed their nonresident student enrollment cap.

Lowering the Cost of Textbook Purchases

Lawmakers in several states, including *Florida, Texas, and Ohio*, have introduced legislation that would eliminate the sales tax on textbooks. *Connecticut* lawmakers and *Georgia*'s Board of Regents are exploring using open source textbooks as another option to reduce student spending on instructional materials, while *California* passed a measure that will seek to expand the use of open source textbooks.

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