

Dynamics Affecting Public Higher Education Financing and Highlights from States' Legislative Sessions in 2012

July 2012

Global Slowdown Cools U.S. Economic Forecast

Slowdown in Asian & European Economies, Eurozone Debt Crisis Dampening U.S. Growth Prospects

A deceleration in Asian markets, a contraction in several European economies and the ongoing eurozone debt crisis are collectively hampering efforts to set the U.S. economy on a strong and consistent course following the Great Recession. Mere nervousness on Wall Street has given way to hard evidence that economic ripples overseas have finally reached American shores, as U.S. manufacturing fell in June for the first time since July 2009—the first month of the economic recovery—with new factory orders plunging at their fastest pace since the post-9/11 freefall in October 2001, reports the *Wall Street Journal*, based on the latest data from the Institute for Supply Management.

Diminished Growth Projections

U.S. gross domestic product ([GDP](#)) grew at an annual rate of 3 percent in the fourth quarter of 2011, then cooled down to a 1.9 percent clip in the first quarter of 2012, according to the Bureau of Economic Analysis ([BEA](#)). The International Monetary Fund ([IMF](#)) in July revised its 2012 [U.S. growth forecast](#) to 2 percent from a prior estimate of 2.1 percent. Its 2013 forecast was also pared back to 2.25 percent from an earlier estimate of 2.4 percent. For the past 65 years, the average annualized U.S. GDP growth rate has been 3.2 percent.

Forthcoming Federal Spending Decisions to Impact State, Regional Economies

All Eyes on Congressional Lame Duck Session and the Pending Fiscal Cliff

While considerable focus is being placed on the November presidential elections, the issues facing Congress in the post-election lame duck session will play a more immediate and significant role as it involves federal spending and its impact on state and regional economies. The lame duck Congress will be faced with extending the so-called “Bush tax cuts,” completing the fiscal year 2013 appropriation bills, and possibly thwarting a scheduled sequestration—an across the board cut of \$110 billion effecting nearly all federal programs. The questions before Congress will involve which tax provisions to continue and how to pay for them. The cost of extending the most popular provisions total more than \$380 billion in fiscal year 2013 alone (including \$221 billion in personal federal income taxes and \$95 billion for the payroll tax holiday) and over \$4 trillion over the next ten years. According to the Congressional Budget Office ([CBO](#)), allowing this tax provisions to expire would contract U.S. economic growth to 0.5 percent, enough to sink the economy back into a recession.

The trickle-down effect, of course, is that massive reductions in federal spending, if realized, will negatively impact federal allocations provided to states, hurt regional economies, especially those that are home to major military installations and contractors, pare back personal income, and with it, consumer spending that fuels economic activity. At about the same time as the Congressional lame duck session, the U.S. Treasury will once again reach its borrowing limit, which nearly caused a credit default last summer, shaking U.S. markets, and resulting in the first-ever downgrading of the nation's previously sterling AAA credit rating. All eyes will be on Congress to see if, and how, it addresses a weighty mix of fiscal and tax policy issues that taken together may well foretell the trajectory of the U.S. economy in 2013 and beyond.

Tepid U. S. Job Growth

After a strong start to 2012, job growth moderates

The U.S. [unemployment rate](#) was 8.2 percent in June, unchanged from May, as employers added 80,000 new jobs—numbers sufficient to integrate new workers entering the job market, but at a rate that does not accommodate any of the 12.7 million individuals who remain jobless. After adding more than a quarter million jobs in both January and February, job growth cooled down significantly in March, with most economists' expectations that job growth will remain lukewarm for the balance of the year.

In June the Federal Reserve revised upward by 0.2 percent its fourth quarter 2012 [unemployment rate forecast](#), to between 8 and 8.2 percent, an increase from its April estimate of between 7.8 and 8 percent. Its 2013 forecast predicts an unemployment rate of between 7.5 and 8 percent. Since 1948, the average U.S. unemployment rate has been 5.7 percent.

Looking back one year from the May 2012 unemployment figures, rates had decreased in every state except *New York*. *Nevada* again had the highest unemployment rate, at 11.6 percent, nevertheless an improvement of nearly 2 percent compared to a year prior. An interactive [infographic on state-level jobs gains and losses](#) produced by [Stateline](#) shows that 43 states added jobs during the 12 months ending in April. North Dakota led job growth at 7.2 percent during the 12-month period, while the national growth rate was 1.1 percent. Still, the U.S. economy has 4.8 million fewer jobs than it did in 2008.

State Budgets—Slow Growth, Cautious Spending, and Concerns about Medicaid Costs

Continued revenue growth, but at a rate half the historical average

State budgets continue to be squeezed by growing yet constrained revenues, increased expenditure pressures, reduced federal funding, and the need to replenish reserves and provide resources for critical areas cut during the recession; this according to the June release of [Fiscal Survey of the States](#), produced by the National Governors Association ([NGA](#)) and the National Association of State Budget Officers ([NASBO](#)). Due to the severity of the economic contraction and the lag time between tax collections and changes in the national economy, states have been slow to recover from the Great Recession.

The fiscal fallout from unprecedented budgetary declines in fiscal 2009 and 2010 put states well below historical growth trends in general fund spending and revenue. Growth in state budgets remains below average, increasing at half the average rate of recent decades, according to the NGA/NASBO study of state revenues. Fiscal trends indicate that while aggregate state revenues were near their pre-recession levels in fiscal 2012, total budgetary spending will not yet surpass pre-recession levels. Governors recommended general fund spending of \$683 billion in fiscal 2013, two percent over fiscal 2012, compared to a three percent increase over fiscal 2011.

Preliminary [tax collection data](#) for the January-March quarter of 2012 show continued growth in overall state tax collections for the ninth consecutive quarter, based upon data compiled by the [Nelson A. Rockefeller Institute of Government](#). Data from 47 states indicate that collections increased in 41 states and decreased in six, with an overall growth rate 4.1 percent above the first quarter of 2011. The nine consecutive quarters of state revenue growth follows five quarters of declines brought on by the Great Recession. However, growth in tax collections has been slowing for three quarters ending in March 2012.

State and Local Spending Witnesses Largest Drop in Years

Despite rising revenues and no shortage of pressure for increasing public spending, state and local government expenditures were negative in the first three quarters of fiscal year 2012, based upon a *USA Today* [analysis](#) of Bureau of Economic Analysis data. State spending declined 2.7 percent (adjusted for inflation) in the January-March quarter compared to the same period last year—declines not seen since the 1980s, and in contrast to quarterly growth rates in the four percent range in 2007 and 2008. The state budgets that took effect July 1 for the new fiscal year largely reflect continued rejection of large spending increases and tax hikes.

Despite Pre-Recession Revenue Levels, Tax Cuts Prevail in State Legislative Sessions

In a partial reflection of the anti-tax sweep of state offices that took place in the 2010 elections, tax cuts were the favored mechanism for dealing with budget imbalances heading into the new fiscal year. Policymakers in **Georgia, Idaho, Kansas, Maine, Nebraska** and **Tennessee** passed measures significantly curbing key revenue streams including personal income, business, sales, and estate taxes. Where budget surpluses were realized, excess funds were often steered toward state rainy day (reserve) funds that had been depleted during the recession, and to restoring some services that had been drastically cut in recent years.

States' Medicaid Costs Continue to Skyrocket....

Medicaid, the \$400 billion federal-state health care program for low-income citizens, covers some 60 million people. State spending on Medicaid increased by 20 percent in fiscal 2012, following a 23 percent increase in fiscal 2011, while federal spending declined by 8 percent due to the expiration of the enhanced federal matching rates temporarily authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). The NGA/NASBO fiscal survey reports that while governors' proposed budgets for fiscal 2013 project a restrained four percent growth rate in state Medicaid spending, expected payments on the program continue to outpace overall growth in general fund expenditures. Over the past decade, the growth in state spending on Medicaid has exceeded the growth in all other categories of spending, and has been twice as much as the growth in education spending.

Medicaid is the single largest portion of total state spending, estimated to account for 24 percent in fiscal 2011, the last year for which data is available. States have utilized a host of strategies for reducing Medicaid program costs including reducing provider payments, cutting prescription drug benefits, limiting benefits, reforming delivery systems, expanding managed care and enhancing program integrity efforts, reports the NGA.

...With Future Spending Increases Virtually Assured, in Light of SCOTUS Health Care Decision

In its recent decision on the Affordable Care Act (ACA), the Supreme Court of the United States struck down a provision that would have allowed the federal government to force states to expand their Medicaid programs, as called for in the health care legislation. The court ruled that existing Medicaid funds provided to states cannot be taken away by the federal government, only those funds targeted specifically for expansion called for as part of the ACA implementation. However, even in states where policymakers have resisted the ACA's intent to expand Medicaid participation, lawmakers may be hesitant to forgo the huge sum of federal matching funds at stake.

Analyses provided by [Governing](#) and [Stateline](#) offers insight into how ACA-facilitated expansion of the Medicaid will impact states' spending on the program. Excerpts follow:

In the existing Medicaid program, the federal share of financing ranges from 50 to 80 percent, depending on a state's average income. The ACA will expand Medicaid program eligibility, but the federal government will pay 100 percent of the expansion costs for the first three years, beginning in 2014. Starting in 2017, the federal government's contribution will gradually decline until it reaches 90 percent in 2020, where it will remain. Nevertheless, for some states, covering 10 percent of the costs for the expanded beneficiary pool will be especially difficult given current economic and budgetary circumstances. Attention will now turn to states' decisions on whether or not to expand their Medicaid programs, given the Supreme Court's ruling that makes doing so optional. After the Supreme Court's decision, more than a dozen governors suggested that they might decline participation in the Medicaid expansion. The governors of **Florida, Iowa, Kansas, Louisiana, Nebraska, Texas, South Carolina** and **Wisconsin** have indicated their intentions to not implement the program's expansion.

Nearly one-half of the 22 million currently uninsured people could qualify for the Medicaid expansion as called for in the health care law, and if implemented by all the states. A 2010 [estimate](#) by the Kaiser Family Foundation found that the federal government would spend \$443 billion to implement the expansion through 2019, with states spending a combined \$21 billion. **California, Florida, Illinois, North Carolina** and **Texas** would spend between \$1 billion and \$3 billion in additional state dollars between 2014 and 2019 under the new ACA standards, whereas **Hawaii, Maine, Massachusetts** and **Vermont** would actually save millions, as a result of the federal government

taking over spending that these states had previously taken responsibility for, reports *Governing*, in its review of the Kaiser study.

State Pension Programs—Funding Gap Widens, but Reforms May Improve Future Fiscal Stability

In addition to Medicaid spending, other severe pressure points on state budgets include public employee health care and retiree pension programs. Regarding the latter, the gap between what states owe their retirees in pension benefits and what they have set aside to pay them has grown to at least \$1.38 trillion, according to the latest study from the Pew Center on the States. The [report](#), based on data from the 2010 fiscal year, indicates the gap has increased nine percent compared to fiscal year 2009 [data](#), and increased 38 percent compared to fiscal year 2008 [data](#), reports *Governing*. To be deemed fiscally stable, a pension system should be at least 80 percent funded, according to analysts. In 2010, 34 states were below that threshold, compared to seven in 2000. According to the Pew study, seven states had pension systems that were more than 90 percent: ***Delaware, New York, North Carolina, South Dakota, Tennessee, Washington and Wisconsin***. Eight states' pension systems were less than 60 percent funded: ***Connecticut, Illinois, Kentucky, Louisiana, New Hampshire, Oklahoma, Rhode Island and West Virginia***.

Most states have enacted reforms to their pension systems, but most of which have taken place since fiscal year 2010. From 2009 to 2011, 43 states enacted reforms to their pension plans, such as increasing the minimum age and years of service needed to retire with a full pension, requiring larger employee contributions, and limiting annual cost-of-living increases.

State Funding of Public Higher Education Stabilizing in Fiscal Year 2013

After the 2012 fiscal cliff, an improvement in the state funding scenario

A year after the largest decline in state funding of public higher education in nearly a half century—during which an overall reduction of 7.5 percent took place—state lawmakers sought to buffer higher education from additional steep cuts as they crafted their fiscal year 2013 budget plans.

Based on the results of an informal survey conducted by AASCU, 30 states witnessed a year-over-year increase in state operating support for public four-year universities heading into fiscal year 2013, which began July 1 in 46 states (See Table). This is a notable improvement compared to last year, when only eight states invested more in their public four-year universities compared to the prior year. Still, 11 states cut their support for public four-year universities this fiscal year, but nonetheless a notable improvement compared to the 36 states that cut funding last year. Nine states provided flat-funded this year, compared to six last year.

There was less variation in year-to-year changes among the states this fiscal year—a 25 percent spread, with ***South Dakota*** receiving the biggest boost, at 11.3 percent and ***Florida*** receiving the largest cut, at 14 percent. Last year, there was a 57 percent spread between the state with the largest gain (***North Dakota***, at 9.5 percent) and the state with the steepest cut (***New Hampshire***, at 48 percent). Public universities in only two states received funding reductions in excess of 10 percent this year, compared to 14 last year. Overall, the collective average percent change in year-over-year state operating support for public four year universities heading into fiscal year 2013 was 0.9 percent. In the 31 states with annual budgeting cycles, the collective average increase was one percent for this fiscal year, compared to -4.9 percent last year, a positive swing of nearly 6 percent. It should be noted that fiscal year 2013 marks the second year of a two-year budget in a number of states, thus in many states the annual fluctuation in appropriations is marginal, compared to last year.

Higher education leaders in ***California*** continue to find themselves in particularly difficult straits as they assemble their budgets for the current fiscal year. As passed by policymakers, the fiscal year 2013 state budget calls for a modest increase in state operating support for the University of California system and flat funding for the California State University system. These budgetary intentions, however, are built on the assumption that voters will approve an increase in personal income taxes on the wealthy and a slight sales tax increase via a ballot box referendum this November. If voters turn down the measure, it will trigger an automatic \$250 million in combined cuts to the UC

and CSU systems. The cuts, if realized, would come on top of an astounding \$750 million cut in state support to the CSU system alone just last year—and would amount to a more than 30 percent reduction in state support to the CSU system and an over 20 percent reduction to the UC system in just the past two years.

In its latest compilation of [State Higher Education Finance](#) data, the State Higher Education Executive Officers organization reports that state and local per student support fell to \$6,290 in 2011, the lowest level in 25 years. Given ongoing increasing enrollment demand in many states and public spending pressures, this continued downward trend in per-student state support may well be evident once this year’s final state appropriation and institutional enrollment numbers are known.

Approximate Year-Over-Year Percent Change in FY 2013 State Operating Support for Public Four-Year Universities			
Alabama	3.5	Montana	-0.5
Alaska	3.5	Nebraska	1.8
Arizona	3.2	Nevada	-0-
Arkansas	0.4	New Hampshire	3.9
California	1.5	New Jersey	-0-
Colorado	-1.2	New Mexico	5.8
Connecticut	0.2	New York	6
Delaware	1.1	North Carolina	0.9
Florida	-14	North Dakota	-0-
Georgia	5	Ohio	0.9
Hawaii	-2	Oklahoma	-0-
Idaho	8.6	Oregon	4.2
Illinois	-6.1	Pennsylvania	-0-
Indiana	0.3	Rhode Island	0.9
Iowa	4.1	South Carolina	-0-
Kansas	1.5	South Dakota	11.3
Kentucky	-6.4	Tennessee	5.2
Louisiana	-11.7	Texas	0.1
Maine	-1.2	Utah	3.4
Maryland	0.5	Vermont	-0-
Massachusetts	4	Virginia	6
Michigan	3	Washington	-1.2
Minnesota	-0-	West Virginia	1.6
Mississippi	-3	Wisconsin	2.7
Missouri	-1	Wyoming	4.4
		50 State Average	0.9%

Approximations; Figures are as of July 12, 2012. Data compiled by AASCU.

Note: For states highlighted in gray, fiscal year 2013 marks the second year of a two year (biennial) budget cycle, thus the percent change in state operating support for public four-year universities may be flat or negligible. In these states, the budget passed for the fiscal 2011-13 biennium included the following changes in state operating support:

Connecticut (-1.7%), Hawaii (.5%), Indiana (-1.9%), Kentucky (-1%), Maine (-0-), Minnesota (-10.6%), Montana (-2%), Nebraska (-0.7%), Nevada (-15.3%), New Hampshire (-48%), North Carolina (-14.4%), North Dakota (9.5%), Ohio (-11.2%), Oregon (-16.5%), Texas (-15%), Virginia (-7.2%), Washington (-23%), Wisconsin (-11%), Wyoming (1.2%)

States Show Commitment to Student Aid Programs

While majority of funds are in need-based programs, growth trajectory lies in merit-based programs

In the 2010-11 academic year, the most recent year for which data are available, states awarded about \$11 billion in student financial aid, a year-over-year increase of about 2.5 percent in nominal terms and 1.3 percent in constant dollar terms, according to an annual report of state program funding by the National Association of State Student Grant Aid Program ([NASSGAP](#)). Of the grant money awarded in 2010-11, 71 percent was need-based and 29 percent was nonneed-based, reflecting a slight increase in the percentage of nonneed-based aid. State funding for undergraduate need-based grant aid increased slightly nationwide from about \$6.3 billion in 2009-10 to about \$6.4 billion in 2010-11, an increase of 1.7 percent. State funding for undergraduate nonneed-based grants grew to \$2.6 billion, and at year-over-year growth rate of 10 percent, more than five times that of need-based grants. The majority of state aid remains in the form of grants, as opposed to loans. In 2010-11, almost 4.3 million grant awards were made, representing about \$9.2 billion in need and nonneed-based grant aid, an increase of about 4 percent from the \$8.9 billion in grants awarded in 2009-10.

Ongoing Escalation of Tuition Prices

Continued Price Increases in Response to State-to-Student Cost Shift

With the onset of the 2012-2013 academic year will come a series of published tuition rate increases at public colleges and universities throughout the U.S., passed in response to state appropriations that were reduced, held flat, or were simply insufficient in meeting student enrollment growth and institutional operational cost increases. Published in-state tuition rates increased by an average of 8.3 percent in 2011-12, according to [The College Board](#). Over the past decade, The College Board estimates that published in-state tuition rates at public colleges and universities have increased at 5.6 percent beyond the rate of general inflation.

Highlights from States' 2012 Legislative Sessions and Other State Policy Actions Affecting Higher Education

A Breadth of Activity Aimed at Boosting Postsecondary System Performance

At the beginning of each new calendar year, the AASCU state policy team produces a list of what it believes will be the [Top 10 Higher Education State Policy Issues](#) for that year. Shown below are highlights of selected state policy activities that have transpired thus far in 2012, aligned with these issues.

For a more comprehensive listing of laws passed in states' 2012 legislative sessions affecting postsecondary education, visit the [Education Commission of the States'](#) policy database, and its [Boosting College Completion](#) repository, which features states' efforts to boost degree completion and strengthen workforce development capacity.

#1 State Operating Support for Public Higher Education

Having fallen off the post-federal stimulus funding cliff in fiscal year 2012, evidenced by the steepest year-over-year decline in state funding of public higher education in nearly a half century, many states had nowhere to look except up. Based on a preliminary survey conducted by AASCU of fiscal year 2013 state budget allocations for public four-year universities, it appears that the period of greatest state disinvestment may be behind us. However, restoring higher education funding to pre-recession levels may be years away in many states, and when combined with continued strong enrollment demand and cost pressures at the institutional level, these dynamics underscore the narrative that public colleges and universities are operating in a "new normal" era.

#2 Productivity

Florida Gov. Rick Scott (R) commissioned a [Blue Ribbon Task Force on State Higher Education Reform](#) in May to assess the state's university system and make reform proposals. In **Pennsylvania**, Gov. Tom Corbett (R) created a 31-member [Advisory Commission on Postsecondary Education](#) to develop a long-term strategy for building a more responsive public higher education system. **Washington** created a new [state-level agency](#), the Washington Student Achievement Council, which will focus its work on boosting educational attainment.

#3 Governance Restructuring and Regulatory Reform

Policymakers in *Pennsylvania* have approved a comprehensive set of [reforms](#) aimed at providing greater flexibility to contain costs and increase revenues at the state's 14 state-owned institutions. The legislation allows the universities to offer applied doctorates and to commercialize research with any revenues being able to be retained by the institutions and professor-entrepreneurs. It also allows university presidents and other staff members with the ability to raise funds for their foundations, and for institutions to participate in consortium purchasing arrangements with out-of-state entities. Lawmakers in *Massachusetts* moved in the opposite direction, by passing [regulations](#) that will lend more scrutiny by state officials over the 15-institution community college system. The legislation calls for future funding allocations to be distributed based on a set of student achievement and other institutional performance measures, and for the state to have greater involvement in the selection of campus presidents and in the setting of CEO salaries.

Louisiana's higher education governance commission [offered reforms](#) to the state's higher education system. *New Jersey* lawmakers approved a sweeping overhaul that will break up and [merge](#) parts of three of the state's largest public universities. A new law in *Tennessee* will allow the governor to select the head of the Tennessee Higher Education Commission, the state's higher education coordinating body. Similarly, a new law in *Utah* requires approval from the state's governor and state Senate when hiring the commissioner of higher education. *Colorado*, *Indiana*, *Kentucky* and *Maryland* passed legislation reforming state oversight of proprietary colleges. *Iowa* passed new regulations pertaining to online education programs.

#4 College Completion

Georgia Gov. Nathan Deal (R) launched the campus-level completion part of the [Complete College Georgia](#) initiative. The State University System of *Florida* Board of Governors established a [commission](#) devoted to higher education access and degree attainment. Also in Florida, lawmakers passed a degree completion pilot project to help adult learners return to school, finish degree programs and find employment. *Indiana* and *Louisiana* passed legislation capping the number of credit hours needed to graduate. In *West Virginia*, a college completion task force has developed a [series of recommendations](#) aimed at increasing college completion. The state's higher education commission has also urged campuses to cap undergraduate programs at 120 credits.

#5 Performance-Based Funding

Performance-based funding (PBF) has not been as dominant an issue as it was in [2011](#), yet a number of additional states are exploring and implementing these funding allocation systems. *Michigan* lawmakers included nearly \$28 million in funding for the state's new performance-based system. The *South Dakota* Board of Regents [approved a framework](#) for a performance-based funding model that will be used as a pilot program beginning this summer. *Texas* officials are currently collaborating on an outcomes-based funding model to be introduced in 2013. *Washington* lawmakers introduced performance-based funding legislation, but the bill has not passed. *Nevada* officials are also weighing performance funding as part of the state's higher education finance overhaul. *Florida* also passed [legislation](#) calling for the state's governing board to review, rank and reward institutions based on a series of performance metrics. *Oregon* passed a bill required the state's universities and community colleges, along with its K-12 system, to develop "[Achievement Compacts](#)" with the state's Education Investment Board.

#6 Tuition Policies

Tuition policies continue to be debated as tuition prices and mandatory fee rates continue to rise. In *Florida*, a lawsuit questioning whether the state's Board of Governors or legislature has tuition-setting authority will soon be decided by the state's Supreme Court. That state's governor, Rick Scott (R), vetoed legislation that would have allowed the state's top two public research universities to increase tuition beyond the state's current 15 percent cap. *Mississippi* passed legislation allowing some colleges to waive out-of-state tuition rates, subject to approval of the state's higher education board.

#7 State Student Grant Program Funding and Reform

There have been a few noteworthy bills pertaining to state student grant aid and reform. *Alaska* created a [sustainable funding stream](#) for the Alaska Performance Scholarship and Alaska Advantage Grants. *California* Gov. Jerry Brown (D) signed a budget bill with [institutional performance standards](#) for participation in the state's Cal Grant state student grant aid program, eliminating participation of most for-profit colleges in the program. In *Illinois*, lawmakers voted to [abolish](#) the state's scandal-plagued legislative scholarship program. That state's severely underfunded needs-based scholarship program, the MAP fund, had been [depleted of funds](#) in March after serving only about one half of those eligible for the program. The *Iowa* Board of Regents have initiated an effort to [end a practice](#) of utilizing tuition and fee revenues at public colleges and universities to subsidize the tuition costs for low-income students.

#8 College Readiness

Remediation has also been an active policy issue in state legislatures. *Arizona* passed competency-based pathways for college and career readiness. *Connecticut* Gov. Daniel Malloy (D) signed a [bill](#) that will eventually eliminate the offering of remedial courses at the state's public universities and community-technical colleges. Similarly, *Kansas* Gov. Sam Brownback (R) signed [legislation](#) halting state funding for remedial courses at regent universities. *Colorado* Gov. John Hickenlooper (D) signed a [bill](#) that provides universities with increased flexibility to offer remedial courses. *Missouri* approved legislation calling for adopting best practices in remediation. *New York* lawmakers passed a measure calling for a study of issues related to remediation. *Maine* passed a bill that will lead to recommendations by state higher education leaders to reduce the number of students in remedial courses.

#9 Veterans Education

Legislation passed in *Colorado, Indiana, Florida, Hawaii, Oklahoma* and *Virginia* requiring the creation of criteria and policies for awarding prior learning credit that specifically include military training. *Idaho* lawmakers passed a bill granting scholarships to spouses or children of fallen or disabled soldiers. *Florida* and *Tennessee* mandated that student veterans receive priority registration. State legislators also made changes to residency and eligibility requirements for tuition and state student aid programs for military personnel in *Alabama, Idaho, Louisiana, Oklahoma* and *South Dakota*.

#10 Immigration Policy

Immigration policies were a topic of robust debate in state legislatures this spring, with mixed results for college access for undocumented students. A bill to lower tuition prices for undocumented students in *Colorado* to a rate slightly above the resident tuition rate passed one chamber of the legislature but ultimately failed to pass. A bill in *Georgia* aimed at banning undocumented students from all public college campuses failed to pass. Legislation intended to create a state DREAM Act in *New York* was introduced, but no action was taken. Separate legislation in New York created a privately-funded scholarship program for undocumented students passed the state Assembly but died in the Senate. A measure in *Kansas* to repeal in-state tuition for undocumented students failed in the legislature, but a bill requiring documentation was [signed into law](#) in *New Hampshire*. A bill passed and was signed into law last year in *Maryland* that will allow undocumented students to apply for limited resident tuition status has been placed in abeyance pending the outcome of a citizens' vote on the matter on the November ballot. *Texas* officials passed a [rule](#) requiring that undocumented students apply for legal status. University officials will have to remind students to seek legal status upon initial entry into the institution, again during every subsequent year of enrollment, and upon graduation.

Other Higher Education State Policy Issues

State 529 Plans

The *Alabama* legislature passed a [bill](#) that seeks to salvage a settlement for participants in the state's prepaid tuition plan. A lawsuit settlement with program participants would allow the plan to cover tuition at 2010 levels. *Illinois'* prepaid tuition program has struggled again this year and may need a bailout from the state in order to remain solvent.

Guns on campus

Arizona lawmakers considered campus gun legislation again this session, and again it [failed to pass](#). The [Colorado](#) Supreme Court ruled that students with gun permits are allowed to carry guns on campus.

The 2012 Elections and Impacts on State Public Higher Education

Ballot measures will put parameters on tax, spending policy in many states

AASCU will closely monitor the outcomes of the 2012 elections and will provide an analysis of potential impacts to higher education funding and policy, at both the federal and state level, similar to that which the association provided at the conclusion of the [2010 elections](#). Ballot measures can affect state higher education funding and policy, both directly and indirectly, and as of July 10, 143 measures had been approved, spread across 35 states. As is always the case, a large array of measures will appear on *California's* ballot, where 12 propositions will be voted on, 11 of which were successfully proposed by state residents. The implications for higher education funding in the state are huge, given that the funding model proposed by Governor Jerry Brown is based on passage of a ballot measure that if approved will raise taxes on wealthy residents, with funds to be allocated to public colleges and universities, and if turned down by voters, will result in yet another round of state funding reductions to California's public higher education systems.

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