



**POLICY  
MATTERS**

## **Top 10 Higher Education State Policy Issues for 2012**

by the AASCU State Relations  
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While history was witness to many notable events that affected the United States and the world in 2011, the defining theme of the year was that of an increasingly and dangerously fragile interconnected global economy. The cascading effect of the lackluster domestic economy on higher education was felt in its most acute form yet, with 2011 marking a new low point in state funding for public colleges and universities. Hundreds of millions of dollars in funding cuts, combined with increasing student enrollments, resulted in per-student funding reaching a 30-year low.

Coming off the heels of the 2010 elections and the ensuing wave of fiscal conservatism that swept over many state legislatures and gubernatorial offices, public college and university leaders were challenged with navigating the shifting state policy landscape in their efforts to maintain the essential missions of these public institutions. For many, 2011 seemed to have marked a somber turning point in which the major stock owner of the American public university switched hands—from that of the collective taxpayer, through funding allocated by the state, to that of students and their families, through funding paid for via tuition payments.

And while 2011 was a stressful year for all stakeholders in the American academy, state lawmakers and campus leaders worked to mitigate the impact of what at times appears to be an irreversible slide of U.S. public higher education being a collectively-funded public good to that of an individually purchased private good. The protracted period of fiscal austerity in the public financing of higher education has, in many states, simultaneously spurred policy reform and campus innovation. The ongoing economic and budgetary conditions have led to a redoubling of efforts to move the dial on many measures, among them: college readiness, student success, institutional productivity and instructional delivery, all the while maintaining, if not improving, the academic quality for which U.S. public universities are renowned. At the state level, in the absence of new funding, this work has been borne out of efforts to provide greater flexibility to campuses and to strategically allocate resources in a manner that incentivizes institutions to achieve state educational and economic goals.

What lies ahead for 2012? Presented here are the top 10 state issues most likely to be at the forefront of discussion and action that will affect public higher education across the 50 states, in the view

of the state relations and policy analysis staff at the American Association of State Colleges and Universities (AASCU). This synopsis is informed by an environmental scan of state policy activities, current trends and events that will continue to shape the policy landscape. Some issues are perennial in nature, while others reflect attention to near-term actions in state policy and events that shape public discourse.

It is abundantly clear that one overarching issue is dominant and infused throughout this discussion of top higher education state policy issues: college affordability. While long a theme of American public higher education, the issue has reached a crescendo. The ten issues briefly discussed below share an overarching and common goal of restraining the rise in college prices. A second pervasive theme underlying state and institutional policy efforts is a shift in conversation from one that has been acutely focused on college access to one that is focused more broadly on both access and completion. It has become increasingly clear that meeting U.S. educational attainment goals and ensuring economic competitiveness will require a concerted effort to get a larger proportion of students across the degree completion finish line.

### **#1—State Operating Support for Public Higher Education**

Topping the list for the fourth consecutive year is state funding for public higher education. The impact of reductions in legislatively-allocated taxpayer appropriations for colleges and universities is profound, negatively affecting virtually every aspect of the campus enterprise. Much attention will be on states' budget plans for fiscal year 2013 to see if the budget year that begins July 1 in most states will see improvement in higher education funding from the current fiscal year, which witnessed funding reductions in 36 states—15 of which saw double-digit decreases. Despite a weak U.S. growth forecast and stubbornly high unemployment rates, state revenues have picked up considerably since the depth of the Great Recession in 2008, with a 2012 forecast calling for a continued revenue growth trajectory.

Despite having closed budget gaps of more than a half trillion dollars in recent years, states continue to deal with budget imbalances caused by insufficient revenue streams and a multitude of spending pressures. The greatest pressure point will come from states' Medicaid spending commitments, which according to one estimate, are slated to increase nearly 29 percent in fiscal year 2012 alone. State budget pressure points include the funding of state public employee health programs, state employee pension programs and unemployment insurance programs, as well as meeting K-12 education funding commitments—among others—all of which may continue to drown out higher education as a state funding priority.

### **#2—Productivity (The Cost of Providing a College Education)**

Given its utilitarian connotations, the term “productivity” has historically been eschewed by many who have been most closely associated with the core teaching and learning functions within the academy. Yet, with few exceptions, the perceived importance of productivity improvement has changed mightily in recognition of the overused axiom that has come to define the state of higher education funding in a post-Great Recession America: Public college and universities are operating in a “new normal” era. There is now a consensus that it may take years for state funding levels for higher education to reach pre-recession levels. Yet, with the mission of public colleges and universities inextricably tied to the economic, cultural and social vitality of the states in which they reside, considerable focus is being given by state lawmakers and campus and system leaders alike to maximize the utility of all resources in the pursuit of boosting student outcomes without diluting academic quality. This has led to considerable state policy activity, especially as it involves the next three state policy issue areas.

### **#3—Governance Restructuring and Regulatory Reform**

With an eye toward saving money, reducing state bureaucracy and increasing effectiveness, lawmakers

in several states have proposed and enacted reforms in higher education governance. These include consolidation measures such as combining, reducing or eliminating coordinating and governing boards. State lawmakers in the year ahead will continue to pursue regulatory reforms aimed at boosting efficiency, cost savings and productivity, while also ensuring institutional accountability and transparency. In lieu of new, additional state operating monies, lawmakers have shown an increased willingness to provide institutions with greater flexibilities, often accompanied with incentives, while also holding them accountable for meeting agreed-to measures of performance on an array of outcomes. An easing of state regulatory burdens will manifest in the form of providing public universities with greater control over fiscal matters, such as those involving tuition setting authority, procurement, personnel policy and rules regarding campus construction.

#### **#4—College Completion**

While college access continues to climb, college completion—those who actually earn a degree once enrolled—has generally remained stagnant in recent decades. Although the U.S. ranks third in the percentage of 55-64-year-olds that hold a college degree, the 25-34-year-old age group ranks a disappointing twelfth. Responding to these trends, the Obama administration set a goal for the U.S. to once again become the world's leader in higher education attainment by 2020. This ambitious undertaking requires the nation to increase the number of graduates that hold a postsecondary degree or certificate by fifty percent by the decade's end. This means that college completion will remain a top priority for states in the upcoming year.

Data show that there will be an increase in careers/jobs that require a postsecondary degree or certificate, illustrating the importance of college completion as a key tool in the growth and sustained success of the U.S. economy's ability to remain competitive on a global scale. A number of nationally funded initiatives and programs have been introduced in recent years to address the issue of college completion and to help states implement their

completion goals. While the challenge of increasing citizens' educational attainment rates has gained national attention, it is up to individual states to carry out their specific completion agendas. 2012 will witness an increased focus on collaboration between states and public colleges and universities in their collective efforts to address regional workforce needs and to increase the production of postsecondary degrees and certificates.

#### **#5—Performance-based Funding**

With encouragement from major players in American higher education, including the Lumina Foundation, the National Governors Association (NGA) and the U.S. Department of Education, performance-based funding (PBF) re-emerged as a popular higher education financing and productivity improvement strategy in 2011. Some 17 states are either discussing or designing PBF systems, with a number of them developing new approaches linking appropriations and campus performance.

The PBF trend is fueled by the need for increased productivity in public higher education. The demand for more skilled graduates, coupled with substantial state funding cuts, has led to calls for greater efficiency within the academic enterprise. While PBF has a mixed history of success, advances in institutional and state data systems and best practices garnered by previous PBF attempts have led to more sophisticated efforts to link state funding and institutional outcomes. 2011 yielded a clarion call for productivity improvement in higher education; innovative PBF systems designed and unveiled throughout the U.S. in 2012 will be a manifestation of the advanced role being played by this funding mechanism.

#### **#6—Tuition Policy**

Tuition prices, tuition caps and authority to set tuition levels will continue to be major state public policy issues in 2012. State funding for higher education has not kept pace with growing student enrollments, resulting in significantly less funding per student and leaving students and families to pay a greater share

of college costs while accumulating record high debt levels. This has led to intense protests in 2011 against this trend, and there is evidence to suggest this will continue in 2012.

Tuition and fee increases varied greatly from state to state in 2011, with the average published in-state tuition and fees rate increasing 8.3 percent, or \$631, to an average \$8,244 at public, four-year colleges and universities. The total cost of attendance, which includes room and board, increased 6 percent to \$17,131. Over the last five years, the published tuition rate at these institutions increased 5.1 percent over the rate of inflation. It is important to note, however, that the net tuition and fee rate, which includes increases in financial aid, increased only 1.6 percent beyond the rate of inflation during the same period.

Higher tuition and fees levels, coupled with many state governments contributing record-low proportions of institutional budgets, led legislatures, university systems and campuses to reconsider their roles and relationships in 2011. Tuition-setting authority was a core component of the changing compact between these entities, with some movement in tuition deregulation from states to systems and individual campuses. In many instances, states have granted institutions wider discretion over tuition policy in exchange for a commitment to meet specified productivity- and accountability-related measures. Discussions involving tuition-setting authority, tuition caps and other tuition related policies will continue to be major issues for state policymakers and university leaders in the coming year.

### **#7—State Student Grant Program Funding and Reform**

As the country's economic troubles grind on and more students apply for state financial aid, states have continued to cut or suspend both need- and merit-based student financial aid grant programs. While nationwide data on state financial aid cuts and/or suspensions are not yet available for the 2011-12 academic year, individual state-level cuts ranging from 15 percent in one legislative year to 70

percent over two legislative years were reported in 2011. In addition, the federal Leveraging Educational Assistance Program (LEAP), a federal matching program for state need-based aid programs, was eliminated in March 2011. The full effects of the LEAP cuts—combined with the simultaneous elimination of the federally funded but state-administered Robert F. Byrd Honors Scholarship merit aid program—will be clearer in 2012. Given the strain on state budgets, cuts to state aid programs and the increasing number of aid applicants, political discussions regarding the appropriate balance between need-based and merit-based aid will continue to take place in 2012.

Some higher education researchers are currently investigating how state grant programs could potentially ease access burdens for needy students and more efficiently target aid dollars. Research topics range from restoring previously cut need-based aid programs to simplifying the federal FAFSA form, which many states require students use in their application for state financial aid. Many of these projects are still in the preliminary research or recommendation stages. As was true in 2011, the only certainty on the state student aid grant front in 2012 is that there will be no lack of student demand for funds and an increasingly uncertain level of supply from cash-strapped states.

### **#8—College Readiness**

College readiness will continue to be a critical issue in the year ahead, with added urgency as states strive to meet college completion goals with ever-shrinking resources. The coming year will witness substantial focus on the implementation of the Common Core State Standards (CCSS), with invigorated efforts to bring about effective collaboration between the K-12 and postsecondary sectors.

For decades, state policymakers have undertaken a variety of efforts to improve college readiness, but a recurring obstacle has been the lack of connection between secondary and postsecondary education systems. This has resulted in great variability across states in K-12 education standards, lack of alignment between high school and college expectations, and

continued high rates of postsecondary remediation. In 2009, a major breakthrough occurred when the National Governors Association and the Council of Chief State School Officers (CCSSO) came together to coordinate the Common Core State Standards Initiative, an effort to develop uniform national standards for college and career readiness. In 2010, academic content standards for English language arts and mathematics were released and have since been adopted by 45 states. A crucial second step will be the development of assessments aligned to the CCSS. Federal Race to the Top funds currently support two consortia involved in this activity: the Partnership for Assessment of Readiness for College and Careers (PARCC) and the SMARTER Balanced Assessment Consortium. Another major advance occurred in late 2010 when AASCU, CCSSO and the State Higher Education Executive Officers (SHEEO) announced a partnership to facilitate the implementation of the new standards. This collaboration is working to bring together essential partners around CCSS implementation issues and will address the integration of CCSS into pre-service and in-service teacher education.

### **#9—Veterans Education**

Military and veterans education issues have increasing state and federal implications. In fiscal year 2010, according to the National Center for Veterans Analysis and Statistics, there were over 800,000 Veterans Administration education program beneficiaries. The Post-9/11 GI Bill alone, enacted in 2009, drew over 400,000 veteran students to colleges and universities across the country between fiscal years 2009 and 2010. Given both the withdrawal of U.S. troops in Iraq and the effect of 2010 amendments expanding the Post-9/11 GI Bill, the number of veterans using education benefits is anticipated to grow further.

However, the Post-9/11 GI Bill amendments—most notably the “last payer” provision, which requires higher education institutions to deduct most other financial assistance received by a veteran student, including state financial aid/state tuition waiver programs, when certifying Post-9/11 GI Bill eligibility—do not always coordinate smoothly with the rules

governing individual state assistance programs for veteran students. In addition, on the active-duty military education front, the ongoing higher education issues surrounding the Department of Defense (DoD) standardized Memorandum of Understanding (MOU) for institutions participating in the Tuition Assistance (TA) program continue to play out on both state and federal levels. Thus, states, higher education institutions and an increasing number of veteran students will continue to face policy and implementation questions regarding the interplay of state and federal veterans education benefits in 2012 and beyond.

### **#10—Immigration Policy**

With pressing unresolved issues pertaining to unauthorized immigrants—along with repeated failure at federal immigration reform—state legislatures across the nation have been taking immigration matters into their own hands. In recent years, they have introduced and enacted record numbers of bills and resolutions, including controversial laws eliciting backlash and legal challenges. In this context, concerns about undocumented college students represent one part of this movement, with bills designed either to expand or to restrict the educational opportunities of these individuals. Activity will continue at a high level in 2012, characterized by heightened levels of partisanship.

The primary issue of the past decade centers on whether undocumented students should qualify for in-state tuition, which helps improve affordability and increase access for these students. Thirteen states now allow this, including two states that passed legislation in 2011 and one state that approved in-state tuition through board action last year. On the other side of the matter, four states currently prohibit in-state tuition for undocumented students, and other states have been working to reverse existing in-state tuition laws. A second more recent issue centers on the ability of undocumented students to enroll in college at all. Three states now ban enrollment at some or all of their public institutions of higher education. Significantly, at least eight states attempted to ban enrollment in 2011, though only one

succeeded. A final issue is whether undocumented students should be entitled to state student financial aid. In 2011, two additional states moved in this direction, allowing some private and/or public funds to go to undocumented students, bringing the total number of states that offer this to four. All of these issues will be under discussion in the coming year.

## Conclusion

In addition to the 10 higher education issues discussed above, several others will see plenty of discussion and debate in the 2012 state policy arena. Funding campuses' critical infrastructure and capital improvement needs (deferred maintenance) is an issue many legislatures will seek to address. The continued development of state level student longitudinal data systems will take place, and with it, efforts to maximize the utility of such systems to boost accountability and inform strategies for meeting state educational and workforce goals.

Additionally, the recurring issues of teacher education, concealed weapons on public college campuses, and student enrollment policy, especially as it pertains to capacity pressures in many states, will see continued strong activity in 2012. An issue gaining increasing attention concerns states' oversight and consumer protection as it relates to for-profit education providers, reflected in growing activity in recent months by a number of state attorneys general.

The prolonged economic downturn has reaffirmed the value postsecondary education provides to economic security and the social well-being of individuals, states and the nation. The connection between prosperity and postsecondary education will be evidenced vividly in 2012 by a focus on how, despite ongoing fiscal challenges, states can utilize sound public policy to foster continued access to, and success in, college for all those who seek to derive the benefits of a postsecondary education.

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