Higher Education
State Policy Issues for 2021
by the AASCU Government Relations and Policy Analysis Division

Summary
As the 2021 legislative cycle begins, campus leaders and state policymakers know a lot more about the effects of COVID-19. This knowledge can help inform and advance improved policies to overcome the plethora of challenges that the pandemic has created. Most of the prominent higher education policy issues in 2021 will be influenced by the persisting effects of the COVID-19 pandemic—especially its enduring economic consequences. This paper describes the higher education policy issues that state policymakers are likely to face in the current legislative sessions.

Top 10 at a Glance
1. State Economies and COVID-19
2. Federal Support to States
3. Workforce Development
4. State Financial Aid Reform
5. Racial Justice Movement
6. COVID-19 Liability
7. Campus Sexual Assault
8. Political Partisanship and Governance
9. Consumer Protection
10. Free College

Plus, Honorable Mentions

Introduction
Last year’s Top 10 list predicted a pivotal year for higher education policy. Policymakers were anticipating increasing investment in higher education and taking action on issues that had been on the agenda for years. Of course, 2020 proved to be an unpredictable year. As a result, higher education policymaking was much more reactive than proactive. States and institutions largely focused on the immediate crises brought on by the COVID-19 global pandemic—making decisions on closing campuses, digital learning, and student supports for reopening campuses.

As we enter 2021, state and institutional leaders have more knowledge about the effects of COVID-19 and can develop more informed strategies to overcome the challenges that the pandemic has created. Despite an increase in certainty, and even hope that vaccine mobilization will end the pandemic, most of the prominent higher education policy issues in 2021 will be influenced by the persisting effects of the COVID-19 pandemic—especially the economic implications.

Higher education leaders are concerned that states will cut funding for higher education. Coupled with enrollment disruptions, many institutions are facing financial insecurity. The impact may be mitigated through federal relief aid, but it is unclear how much federal financial intervention will be distributed to higher education, either through states or directly to institutions. The economic crisis will affect different states in different ways, which has the potential to further exacerbate inequities across state funding for higher education and financial aid that existed prior to this recession.
State and institutional leaders will also continue to respond to changes in federal policy that were implemented in 2020—from relief aid to Title IX to simplification of the Free Application for Federal Student Aid (FAFSA)—while also anticipating new changes from the Biden administration. It is unclear if the major postsecondary policy proposals that President Joe Biden campaigned on will gain traction in Congress during his first year in office, but additional federal relief aid will be critical to the financial security of public institutions of higher education.

Some are optimistic about physically reopening campuses for fall 2021 and returning attention to state higher education policy issues that were sidelined by the COVID-19 pandemic, such as campus sexual assault and free speech. However, policymakers are still operating under uncertain conditions. Amid unresolved social demands for racial justice, a continuing public health emergency, and uncertainty in federal policy, state policymaking in 2021 may prove to be just as unpredictable as 2020.

This paper describes the higher education policy issues that state policymakers are likely to face in 2021. The analysis explores the contextual factors at the federal, state, and institutional level that could influence policymaking in these areas. Many of the issues in this list are topics that have appeared on prior editions of this top 10 list, which is now in its 14th year. However, the current situation has substantially altered the approaches that policymakers are likely to take in the coming year to address them. This analysis was informed by policy reports from state agencies and education organizations, along with news coverage, economic forecasts, and academic research.

1. State Economies and COVID-19

In early 2020, when governors proposed their budgets for FY21, none could have predicted that nearly a decade of economic growth would be upended by the COVID-19 pandemic and a global recession. Amid this fiscal uncertainty, state policymakers enacted budgets that reduced general fund spending and assumed decreases in revenue. This comes at a time when state funding for higher education has yet to fully recover from the 2008 recession in most states. Throughout 2021, states will continue to adjust their budgets in response to ever-changing economic projections, making it challenging for institutions to develop their own budgets.

Higher education spending is typically one of the first areas cut during a recession. In the FY21 state budgets, there is a projected net loss for higher education appropriations nationally. However, there is substantial variation by state—28 states increased their higher education spending in 2021 budgets, though 10 states made mid-year adjustments decreasing appropriations. States that rely heavily on revenue from tourism and energy, for example, have been hit especially hard by shutdowns and the historical drop in the price of oil. However, these states may also be quick to recover if there is a post-pandemic economic boom in late 2022.

Higher education spending can be an easier area for policymakers to cut since institutions can generate their own revenue in ways that other state agencies, like the K–12 education sector, cannot. For example, during the 2008 recession, institutions were able to make up for some lost state funding through enrollment increases and tuition hikes. During the current recession, undergraduate enrollment has declined 3.6%, largely driven by reduced demand at community colleges. Additionally, some institutions were operating under tuition freezes. Moody’s Investors Service has projected an expected decrease in net tuition revenue of 0.9% in 2021. In addition, institutions have suffered significant losses in critical auxiliary revenues such as housing, parking, and food services. This combination of reduced state support and reduced capacity to generate revenue means that many institutions will be operating under tremendous financial strain in 2021.

2. Federal Support to States

Federal relief aid to state governments in 2021 will critically impact state policymakers’ capacities to adequately fund higher education. The effect of federal aid will depend on the aid amount and the conditions attached to the aid. As has been the case for relief aid in past recessions, there may be unintended consequences—including incentives for states to cut spending to certain areas of higher education—if the aid does not include carefully configured conditions. We can make a reasonable expectation about how state policymakers will respond to federal aid based on how they have responded to aid in the past.

During the 2008 recession, states were highly responsive to federal aid from the American Recovery and Reinvestment Act (ARRA). ARRA required state policymakers to maintain
funding for postsecondary institutions at 2008 or 2009 levels. States were generally responsive to this provision and maintained general support for higher education. However, state policymakers decreased funding for student financial aid, which was not part of the maintenance of effort requirement. While the maintenance of effort requirement was an effective means of ensuring federal dollars supplemented rather than replaced state dollars, this example serves as an important reminder to consider the unintended consequences of federal aid design.

The federal government enacted two relief bills in 2020. The first—the Coronavirus Aid, Relief, and Economic Security (CARES) Act—distributed funding for higher education to both states and institutions through the Higher Education Emergency Relief Fund. Some states and institutions were uncertain about how these funds could be used, with the U.S. Department of Education issuing clarifications throughout 2020. If the guidelines for federal relief aid continues to be unclear, there is a greater likelihood that states will be unable to allocate funding effectively and swiftly. The second relief bill, the Consolidated Appropriations Act, did not include direct aid for state governments, so it is unlikely to benefit higher education budgets in 2021.

At this point, it is unclear what types of aid the U.S. Congress will approve and the Biden administration will offer in 2021. States will continue to spend CARES funds throughout 2021, but CARES funding alone will not be enough to counteract the continued changes and expenses required because of the COVID-19 pandemic. Even if federal funding to states is not directly allocated to higher education, increasing aid for other budget areas—especially K–12 education and health care—will reduce the likelihood that states will need to make such drastic cuts to higher education budgets to make up for cuts in other areas.

3. Workforce Development

The COVID-19 pandemic has caused large portions of the workforce economy to shut down—especially for workers in the service, leisure, and hospitality industries. Unemployment peaked at 14.7% in April 2020 and decreased to 6.7% by the end of 2020. Amid these high levels of unemployment, the emphasis on using postsecondary education as a means of workforce development will increase in 2021. Many states have underscored this priority by protecting funding for community colleges and workforce development in their FY21 budgets.

Community colleges are often the target of workforce development policies. They are well-positioned to directly align their program offerings with community-specific workforce needs. They can also offer short-term certificates aimed at helping unemployed people get back to work quickly. In 2020, community colleges experienced a drastic reduction in enrollment, contradicting the pattern of past recessions. Policymakers will be looking for new ways to induce enrollment at community colleges and redirect workers to programs of study that will lead to more stable jobs. One approach may be to target financial aid to students who are pursuing high-demand fields, similar to programs like the Arkansas Future Grant or Work Ready Kentucky. While implementing a new financial aid program during a recession may not be feasible for many states, an industry-specific aid program could prove to be more attractive as a cheaper option than broad-based programs.

At four-year colleges, an emphasis on workforce development accelerates the shifting focus of higher education away from humanities and liberal arts. Institutions may feel state pressure to consolidate or eliminate these departments. Coupled with declines in state funding for higher education, some institutions may invest in revenue-generating graduate programs instead. This emphasis may be accompanied by a shift away from publicly oriented activities like community outreach or increasing access to students who have been historically excluded from higher education.

4. State Financial Aid Reform

Due to the outsized effect of the pandemic on low-income students, there have been calls for more streamlined financial aid eligibility processes. In 2020, students faced many new challenges that made meeting the traditional requirements for financial aid difficult. For example, many testing centers were closed, which limited access to college entrance exams that states often rely on to allocate merit-based financial aid. State policymakers made a variety of changes to their financial aid requirements to accommodate these challenges: California suspended community service requirements, Louisiana changed the test scores required for financial aid, and New Jersey added...
flexibility to aid retention criteria. Most of these actions are intended to be temporary to aid students and ease enrollment disruptions. However, policymakers are likely to debate making some of these changes permanent in 2021.

States will be cautious not to overextend their financial aid programs. During this recession, more students will become eligible for need-based financial aid, but states will have a reduced capacity to fund financial aid. If states can no longer afford broad need-based financial aid programs, they may limit aid to more narrowly defined groups—either by adding merit-based eligibility criteria or allocating aid based on other characteristics such as program of study, veteran status, or status as a frontline worker. As has been the case in past recessions, state policymakers may increase financial aid as a means of compensating for cuts to higher education.

State financial aid policies will also reflect changes to federal financial aid. The Consolidated Appropriations Act significantly expands eligibility for the federal Pell Grant. While these changes will not go into immediate effect in 2021, states may begin conversations about their own financial aid eligibility criteria to realign them with federal standards.

5. Racial Justice Movement

In 2020, the racial justice movement received widespread attention with high-profile cases of police brutality against Black people and evidence of the disproportionate impact of COVID-19 on racially minoritized communities. In 2021, campus leaders will continue to wrestle with diversity, inclusion, and the historical legacy of racism in academia—including controversies over building names and statues on campuses, campus policing, and lack of a racially diverse faculty.

One issue that is likely to be debated at the state level is race-conscious admissions practices. In 2021, the Students for Fair Admissions v. Harvard admissions lawsuit is expected to be appealed up to the Supreme Court. The Supreme Court’s new conservative majority may take a dim view of race-conscious admissions policies. These types of rulings may undermine institutions’ efforts to rebuild college admissions with an eye toward racial justice.

Institutions that primarily serve racially minoritized students will also continue to receive attention in 2021. At the federal level, historically Black colleges and universities, tribal colleges and universities, Hispanic-serving institutions, and other minority-serving institutions received additional funding from the CARES Act, and President Biden campaigned on promises of investing in these institutions. States are less likely to have the resources to increase funding for these institutions amid broad expenditure cuts brought on by the recession.

Postsecondary access for the recipients of the Deferred Action for Childhood Arrivals (DACA) immigration policy will be part of the policy conversation. States may wait to see if the Biden administration reissues guidance on use of federal relief aid for “Dreamers” and DACA students or includes these students in additional relief aid. Policies may focus on expanding financial aid eligibility and in-state tuition to Dreamers and DACA students, as well as services to support these students.

Despite a new presidential administration that has expressed intent to work toward racial justice, the underlying racial conflicts in this nation will persist.

6. COVID-19 Liability

In fall 2020, about 45% of public institutions conducted their semesters fully or primarily online, and 28% operated under a hybrid model. Many of the institutions that operated in person required students to sign an informed consent or liability waiver, acknowledging the risk of contracting COVID-19 on campus. Campuses saw varying degrees of COVID-19 spread and compliance with new precautions. Outbreaks were linked to parties, sporting events, and other campus activities. Many communities were concerned about students bringing COVID-19 to college towns and back to hometowns during breaks. The federal government provided minimal guidance for in-person instruction in 2020, which created nonuniform standards for reopening.

President Biden issued an executive order during his first week in office directing the Department of Education to provide evidence-based guidance for in-person instruction at colleges and universities. Additional guidance will increase certainty for safe operations in 2021, but it remains unclear when
guidance will be offered, what other resources institutions will need in order to comply, and if any legal protections will accompany the guidance.

Institutions in some states, including Maine and Massachusetts, have asked for protection against COVID-19-related liabilities. In 2021, there is likely to be state-level court action in this area. Institutions may also face lawsuits related to accessibility, as education formats shifted quickly for remote learning and some accessibility services may have become unavailable to remote learners. Additionally, there may be employment lawsuits due to faculty and staff exposure to risk. Institutions may also receive legal scrutiny for their distribution of funds from the CARES Act and other federal relief aid.

7. Campus Sexual Assault

In early 2020, multiple states enacted different campus sexual assault policies, including additional funding in Pennsylvania and a new commission in New Jersey. When the pandemic became the most immediate crisis, it appeared that sexual assault would fall to the background. However, in May 2020, the federal government issued new regulations on Title IX, refocusing attention to the issue. The new regulations changed evidence standards, narrowed the definition of sexual harassment, and allowed for student cross-examination.

President Biden has expressed opposition to the new Title IX regulations and intends to reverse them. Federal action could take years, at which point many states and institutions will have invested substantial resources and time into Title IX compliance. In the meantime, we can expect some Democrat-led states to enact their own rules on campus sexual misconduct that are stricter than the 2020 federal regulations. For example, in early January 2021, Massachusetts legislators enacted a bill aimed at increasing transparency about sexual misconduct policies and requiring campuses to provide free sexual assault crisis services.

8. Political Partisanship and Governance

The Chronicle of Higher Education issued a report in late 2020 documenting how college governance increasingly reflects the political partisanship of the nation. The report found that a single political party controlled the appointment process for nearly 70% of board member confirmations. Many board members are also political donors, typically donating to the party that controls the board appointment. As a result, there are concerns that governing boards are not independent from political pressures, which is typically a requirement for regional accreditation.

Politically and business-minded board members are likely to have different priorities from the academic communities that they oversee. Political ties may shape which programs of study board members approve, campus leadership decisions, and private contracts for campus services. Boards may also become more directly involved in campus activities to manage the politics of institutions, especially for liberal student bodies in conservative states (the controversial University of Tennessee Sex Week, for example). We expect that many college and university boards will also increasingly speak about the need to intensify and improve democracy and civic learning on campuses because of the events in Washington, D.C., on Jan. 6, 2021. One consequence is a possible erosion of the shared governance between leadership and faculty.

Just as the state leaders may have undue influence on the board members, board members who have political connections are well positioned to influence legislative decisions about higher education policies and funding. This threatens to shift the distribution of resources toward the institutions with the most powerful board members. Policies directly related to governance are unlikely to be a priority in 2021, but the trend of increased politicizing of college boards is likely to continue.

9. Consumer Protection

Typically, consumer protection policies in higher education are focused on regulations for student loan providers and protections for student borrowers. This year, the parameters of consumer protection will expand. Student borrowing will still be part of the conversation, but students are facing new vulnerabilities amid rapid changes brought on by the COVID-19 pandemic. Policies will focus on protecting students against school closure and consolidation. State policymakers will likely increase oversight of institutions'
When institutions do close, the state will need to ensure institutions manage their records and transcripts appropriately. Higher education may also need to prepare for mass student transfer after closures, but enacting statewide articulation agreements is unlikely due to more pressing priorities.

When institutions moved online in 2020, the U.S. Department of Education issued new guidelines that offered more flexibility for accreditation of distance education and allowed virtual evaluation visits. While these steps were necessary to ensure a smooth and quick transition to online learning, some are concerned that these changes allow for loopholes in quality of instruction, which may put students at risk. Guidelines are likely to continue to shift throughout 2021 as policymakers consider when to return to old processes and which changes, if any, should become permanent.

10. Free College

Free college has been a popular state policy proposal over the past five years. The momentum of this movement is likely to slow over the next year, hindered by the economic recession. In 2020, policymakers in New Mexico substantially scaled back a proposed free-college program that would have been funded by oil and gas revenues after these industries were hit hard by COVID-19 shutdowns. States that take action in this area are more likely to implement targeted aid programs than broad programs with universal eligibility. Eligibility may be restricted along need- or merit-based criteria, creating more complex hybrid programs. Or free college may only be awarded to certain subsects of the population, such as frontline workers, as Michigan implemented in 2020.

Free college will also be debated at the federal level. President Biden campaigned in support of free college for low- and middle-income students, and free-college proposals have been introduced in Congress. The fate of a federal free-college program is uncertain given the narrow Democratic majority in Congress. If federal free college were enacted, the state-level impact would depend on how the aid is funded, including the extent to which states are required to supplement the aid and how federal free college would interact with existing state aid programs.

Honorable Mentions

Shifts in Public Opinion of Higher Education

Over the past few years, a partisan divide has emerged in the perception of higher education. According to public opinion polling from the Pew Research Center, 59% of Republicans think that colleges and universities have a “negative effect on the way things are going in this country,” compared with 18% of Democrats. Pew finds that Republicans and Democrats are most divided about concerns for protecting students from offensive viewpoints and about professors bringing their political viewpoints into the classroom. On a policy level, these concerns have played out through legislation related to free speech on campus, including safe spaces, free-speech zones, censorship, and campus speakers. These issues are more likely to reemerge on the policy agenda once more campuses switch back to in-person learning. While campuses operate remotely, different types of questions of free speech within the classroom may emerge, especially with the potential for recorded lectures to be shared outside the academic context.

Amid the pandemic, educational quality and institutional judgement has been called into question. Many are critical of in-person instruction, which risks student, faculty, and staff health. Others are critical of online instruction because they perceive the educational experience to be of lower quality for the same price. Increased distrust toward institutions will result in increased regulation and external pressures on academic practice. If higher education is not valued by policymakers or the public, it will become easier to defund institutions, further passing the cost of college onto students.

Data Management Practices

The Consolidated Appropriations Act includes FAFSA simplification and a new measure of student need, the Student Aid Index, to replace the expected family contribution. These changes will not take effect until FY22; however, in 2021, state policymakers will make plans for adjusting their data management practices in response. Many state higher education agencies rely on FAFSA data to administer state financial aid. If FAFSA no longer includes information that states previously relied on, agencies will either have to adjust...
their data requirement or develop their own financial aid form, decentralizing the financial aid system.

**Digital Divide and Privacy**

Amid the pandemic, many institutions quickly switched to online learning, revealing unequal access to the internet and other critical learning technologies. Comprehensive state policies related to the digital divide are more likely to be enacted related to K–12 education. However, these discussions will likely include questions about expanding digital resources for higher education, especially for community colleges.

State support for online learning may be used to ensure current students do not have to drop out or stop out due to digital inaccessibility. Online options also attract new students who could not otherwise attend in person or synchronously, such as adult learners or remote students. For example, Idaho has used CARES funding to develop an online learning platform so students can take online courses from multiple state institutions. These types of flexible offerings may help public institutions stay competitive against for-profit institutions. While the CARES Act included funding for the transition to digital instruction, the one-time relief aid is unlikely to be enough to cover the continued costs of online instruction.

The conversation about online education will also likely include debates about reasonable expectations for privacy in virtual classrooms, intellectual property on online platforms, and institutional accountability for content hosted on university systems.

**Veterans**

A September 2020 Brookings report found that veterans disproportionately attend for-profit colleges. However, veterans who enroll in for-profits are less likely to earn a credential than those who enroll in public colleges. In 2020, the U.S. Department of Veterans Affairs (VA) heavily penalized for-profit institutions that had used deceptive marketing by making them ineligible to enroll GI Bill–funded students. The VA removed this penalty after about two months.

Policymakers who prioritize protections for veteran students may enact state policies that are more strict than federal regulations. For example, in 2020, Maryland enacted a law that disallowed for-profit colleges from counting veteran education benefits as private revenue, closing a loophole to the 90/10 rule. Over the past year, other states have expanded educational access for veterans through in-state tuition and targeted free college.

**Conclusion**

State higher education policymaking in 2021 will continue to occur in an unpredictable social, political, and economic context. Amid uncertainty, policymakers are likely to operate in familiar and popular areas, such as workforce development. Policymakers will focus on the issues that need immediate attention as the pandemic and economic situations continue to evolve. Debates will reemerge about issues that were sidelined during 2020, but the way policymakers consider these issues will be reshaped through the lens of the COVID-19 pandemic, economic recession, and social justice.

Much of the action potential for 2021 hinges on the extent to which the new presidential administration offers relief aid to states and postsecondary institutions. While some policymakers may aspire to enact substantial changes to higher education policy, it is unlikely that any major changes will be feasible due to resource constraints. However, seemingly small regulatory changes can have profound impacts on postsecondary institutions and students. With the most optimistic outlook for 2021, policymakers may emerge from constraints and crises with innovative solutions to both new and persistent higher education policy problems.


