



POLICY MATTERS

Top 10 Higher Education State Policy Issues for 2011

by the AASCU State Relations
and Policy Analysis Research Team

Presented here are the top 10 issues most likely to affect public higher education across the 50 states in 2011, in the view of the state policy staff at the American Association of State Colleges and Universities (AASCU). This listing is informed by an environmental scan of the economic, political and policy landscape surrounding public higher education, as well as a review of recent state policy activities and trends. Some issues are perennial in nature, while others reflect attention to near-term circumstances (i.e., the aftermath of the Great Recession). The influence of any given issue will, of course, vary considerably across individual states.

#1—State Operating Support for Public Higher Education

Given the cascading effect that state funding has on key issues such as college affordability, enrollment capacity and academic quality in public higher education—and the still austere circumstances facing states' budgets—it comes as little surprise that legislatively-directed taxpayer support for public colleges and universities tops the 2011 list of critical state higher education policy issues. While the Great Recession technically ended in June 2009, the rebound in economic growth, and thus states' fiscal

resources, has been especially slow. A return to pre-recession (2008) state revenue and spending levels is not likely for another two to three years.

States' financial support for higher education has been pared back considerably during the past two years. Combined with strong growth in student enrollments, this has resulted in a sharp decline in states' per-student spending. The prospects of reversing this in 2011 remain dim, especially when looking at other factors that will constrain state higher education budgets in the year ahead. Monies from the federal government's 2009 emergency aid package, the American Recovery and Reinvestment Act—which provided \$23 billion in stimulus funds for states to invest in higher education—will have largely been exhausted by the end of fiscal year 2011, which ends June 30 for 46 states. States that utilized federal stimulus monies to patch their current year budgets must now deal with this funding cliff as they craft fiscal year 2012 budgets.

State lawmakers' funding priorities will likely focus on high-stress fiscal areas such as meeting spending obligations associated with growing Medicaid enrollments and shoring up severely underfunded

state pension programs. And while most states' revenue streams have returned to positive territory—based on current sales, personal income and business tax structures—the likelihood of generating additional state revenues via tax increases is doubtful given the message sent by taxpayers in the 2010 midterm elections. The anti-spending platforms espoused by many political candidates proved effective; now these newly elected legislators and governors must stamp out state spending plans based more on reduced spending and less on tax increases. Several incoming governors, some representing economic bellwether states already facing multibillion dollar budget shortfalls in the current fiscal year, will begin their terms having won on “no new taxes” pledges. The ramifications of these pledges as they affect states' spending overall, and especially monies allocated to operate state colleges and universities, will be something to watch in 2011.

#2—States' College Completion and Educational Attainment Agendas

The 2011 forecast for state higher education funding, however bleak, has not lessened the significant federal, national and state efforts aimed at boosting college completion rates, degree production and lifting citizens' overall educational attainment levels. Leading the movement is President Barack Obama, who embarked on an ambitious higher education policy agenda early in his term by calling for the U.S. to regain its former first place status of having the highest proportion of young adults (aged 25–34) who have, at a minimum, earned a two-year degree. The U.S. has slipped to tenth place in the world on this key economic and educational metric.

The philanthropic community, led by the Bill and Melinda Gates Foundation and the Lumina Foundation for Education (which itself is driving its similarly aimed “Big Goal” initiative to increase the proportion of Americans with high-quality degrees and credentials), is rallying to the cause, using its considerable resources to identify and test pilot institutional, system and state-level strategies for boosting degree production. Other entities, such as the College Board, Complete College America, Jobs for the Future, and Achieve, Inc., are among many

working with state leaders to implement policies and programs to increase college preparation, degree completion and overall productivity in public higher education. Many governors—some new to the office—will lead efforts to craft policy strategies to boost the effectiveness, efficiency and outcomes of their states' P-20 systems; leaders from the public, nonprofit and private sectors will be involved in the process. One positive byproduct of the recent recession has been a consensus among diverse stakeholder groups to fully leverage the capacity of state public higher education institutions and systems, given their critical role in lifting states' workforce and innovation capacity.

#3—College Readiness

College readiness is a perennial issue, and one that will garner much attention in 2011. For several decades, researchers have documented the gap between high school and college expectations, noting that even students who complete a college-preparatory curriculum in high school are often poorly prepared for college. This lack of alignment contributes to high postsecondary remediation rates and hinders college completion. Over the years, state policymakers and education leaders have responded with a variety of wide-ranging and costly efforts, including the development of state-level content standards and assessments. However, these standards vary widely among states and generally lack sufficient rigor to assure readiness for credit-bearing courses in college. A significant breakthrough occurred in 2009 when the National Governors Association (NGA) and the Council of Chief State School Officers (CCSSO) coordinated the Common Core State Standards Initiative. This effort brought states together to develop national (not federal) standards for K-12 education that are aligned with college and work expectations. It is encouraging that more than 40 states have adopted the English Language Arts and Mathematics standards released in mid-2010. The hard work lies ahead, however, as states move from adoption of standards to their full implementation, including development of curriculum and assessments.

As 2010 came to an end, AASCU, CCSSO and the State Higher Education Executive Officers (SHEEO)

announced a noteworthy partnership through which K-12 and higher education will work together to implement the new standards. The partnership will focus on facilitating dialogue among state and local education leaders; identifying strategies to improve college readiness; working with in-service high school teachers to identify problem areas; and incorporating the new common core standards in teacher preparation programs. In this context, state policymakers should recognize new opportunities for putting into place comprehensive state policies promoting college readiness and student success, based on an equal partnership between postsecondary and K-12 education. Such policies address alignment of high school assessments and college admissions and placement assessments; high-quality pre-service and in-service teacher education; and new kinds of comprehensive data and accountability systems that reflect a P-20 agenda and focus on college and career readiness.

#4—Tuition Prices and Policy

Tuition prices and tuition policy will continue to be a major focus for state lawmakers in 2011. As described above, record enrollment, deep state budget deficits, and “no new tax” pledges taken by candidates during the 2010 elections will undoubtedly lead to difficult choices for lawmakers, university officials, students and families. The trend of shifting responsibility for higher education funding from the state to students and families will likely continue for the foreseeable future.

During the past year, published tuition prices continued to escalate at a level far exceeding inflation. According to the College Board, published in-state tuition and fee prices at public four-year institutions—averaging \$7,605 in 2010-11—increased \$555 or 7.9 percent compared to 2009-10. Over the decade (beginning in academic year 2000-01 and ending in academic year 2010-11), published tuition and fees at public four-year colleges and universities increased at an average rate of 5.6 percent annually beyond the rate of general inflation.

Despite growing disinvestment in higher education by state lawmakers, there are some positive

developments related to tuition-setting authority. In 2010, some states discussed having performance “contracts” between higher education and the legislature to allow greater institutional autonomy in exchange for meeting certain performance measures. This followed similar actions taken by states in previous years, aimed at yielding greater revenues, increasing campus efficiencies and generating cost savings. Dialogue regarding institutional versus state authority to set tuition prices, as well as performance funding for higher education, will likely continue in 2011.

#5—State Student Aid Program Financing

According to the National Association of State Student Grant and Aid Programs (NASSGAP), more than four million students were awarded about \$8.4 billion in state grant aid (need-based and non-need-based) in 2008-09, the most recent year for which data is available. This reflects an increase of approximately 5.2 percent over the previous year. However, the report cautions that “the worst might still be yet to come at the state level” due to states’ economies lagging the national economic recovery.

Given sustained financial pressures on students and families, combined with ongoing state budget crises, state student aid programs will be further stretched in 2011. Examples of cuts to state student aid funds include Michigan’s elimination of multiple state scholarship programs, New York and New Jersey cutting state grant awards for 2010-11, and Washington state suspending funding for a number of financial aid programs.

Other than reiterating states’ ongoing bleak fiscal pictures, it is difficult to forecast an across-the-board impact on students and families. This is due, in part, to state-level policy differences in the awarding of state need-based aid versus merit-based aid. Some states’ programs are entirely or primarily need-based, while other states’ programs are based in whole or in part on merit. Funding sources vary as well, and states that depend on lottery proceeds are particularly vulnerable. For example, the Georgia Student Finance Commission, which administers the popular HOPE Scholarship program, recently announced a 50

percent cut in the program's book allowance. Since the HOPE program spent more last year than the lottery received in revenue, it is widely anticipated that legislators will make further cuts in 2011, and Georgia is not the only state in this situation.

The only sure observation for 2011 is that there is currently no sign of decreased demand for state student financial aid, whether need- or merit-based. The question will be how long its supply can last with ever-tightening state budgets.

#6—Student Enrollment Capacity

Student enrollment capacity will continue as a top issue in 2011. States throughout the nation have announced record student enrollments for the current academic year. A sluggish economy and corresponding weak job prospects, peak numbers of high school graduates, and high rates of college enrollment immediately upon graduation have contributed to these record enrollments. Another contributing factor is sizable gains in the proportions of ethnic minorities participating in postsecondary education.

These enrollments are taking place during an era of stagnant or declining state operating support for higher education, calls for tuition freezes, and an uncertain philanthropic environment. In response, 11 states capped enrollment at their public flagship universities during the 2010-2011 academic year, among them four of the five largest states, including California. Enrollment at public regional universities was capped in seven states, among them three of the five largest states. California was the only state to limit community college enrollment.

More states have opted for policies that direct students to community colleges rather than capping student enrollment. From 2007 to 2009, enrollments at community colleges surged nearly 25 percent. These institutions, with their emphasis on accessibility and affordability, have experienced the greatest spike in student enrollment in the past year. A survey of state community college directors, conducted by the University of Alabama Education Policy Center, forecasts an estimated average nine

percent enrollment increase in 35 states for fiscal year 2010, with no states predicting enrollment declines. However, these institutions' capacity to absorb these enrollments is questionable, as one third of those reporting indicated that their state's community colleges did not have sufficient capacity to meet current or future student enrollment projections.

#7—State Data System Development

Attention to the development and use of statewide data systems will continue in 2011. Though statewide postsecondary data systems have historically been built chiefly to meet accountability requirements, recent years have seen a shift in focus to the use of data to promote student success from pre-school through college and the workplace. This shift has coincided with the recent and rapid development of K-12 statewide student databases and the growing recognition that better data on student progression through the educational pipeline are needed to help the nation meet its educational attainment goals. According to SHEEO, 44 states and the District of Columbia have a least one state postsecondary student unit record system. Twenty-three states link, share and/or exchange data with their K-12 state education agency and 26 do so with a labor/workforce agency in their state. However, their ability to address major policy issues (such as P-20 pipeline issues and factors affecting student success) varies widely, and certain key data elements are needed to enable leaders to make effective policy decisions. In 2010, a Common Data Standards (CDS) Consortium was formed to develop voluntary model common data standards for a core set of variables to increase data comparability and portability and to reduce collection burden.

As comprehensive statewide longitudinal data systems become more widespread and reach greater maturity, key stakeholders will have the ability to better understand which factors correlate with college success and completion and which policies and practices promote student success. However, states need to take actions to ensure effective use of data. The Data Quality Campaign has identified 10 state actions to help key stakeholders actually use the data, which include linking state K-12 data

systems with postsecondary education, workforce and other critical agencies; creating stable, sustained support for data systems; developing governance structures to guide data collection, sharing and use; creating reports using longitudinal statistics to guide system-wide improvement efforts; and developing a purposeful P-20/workforce research agenda.

#8—Economic and Workforce Development

A scan of today's headlines reinforces that job creation, workforce development and economic development issues will continue to be vital in 2011. The U.S. Department of Labor's Bureau of Labor Statistics (BLS) reported that in November 2010, unemployment increased in 21 states and the District of Columbia, while 15 states' unemployment rates decreased and 14 states had no rate change. As of November 2010, the national unemployment rate stood at 9.8 percent. Meanwhile, colleges and universities across the country are grappling with higher enrollments partly driven by unemployed and underemployed students enrolling for job-retraining purposes. Furthermore, the majority of the fastest-growing occupations recorded by BLS in 2008 and projected in 2018 require at least some kind of postsecondary education credential.

With the economy and labor data in mind, state lawmakers are calling for public colleges and universities in particular to be more responsive to regional workforce needs. A common argument is that institutions should focus on job needs in their local communities and target their educational offerings to those needs. Discussion will continue throughout 2011 about the appropriate balance needed between short-term, workforce-oriented credentials and more traditional baccalaureate programs, influenced by national debates on educational productivity and measuring how degrees correlate to workforce needs.

In addition, the federal Workforce Investment Act (WIA) may come up for renewal in 2011. The Act has not been reauthorized since 1998 and expired in 2003, but the post-election changes in Congress and a focus on job creation may bring more attention to WIA. If this happens, state and local partnerships—

including those involving colleges and universities—may become a priority in terms of competing for funding available under WIA. In 2011, higher education and business leaders will continue to work together to craft workforce-related partnerships.

#9—States' Political Climate

While not a "policy issue" per se, it would be shortsighted to ignore the possible impact of the 2010 elections on the formation of higher education policy. Republicans achieved the biggest state-level gains in 80 years, picking up six governorships, an additional 11 legislatures, 700 more legislative seats, and total state government control (both legislative chambers and the governorship) in an additional 12 states. This gave the party control of state government by a two-to-one margin over Democrats (20 states to 10). The Republican sweep was profound in many states; in Wisconsin and Maine, control of both legislative chambers and the governorship was wrested from Democrats. In Alabama and North Carolina, Republicans gained control of those states' assemblies for the first time since the 1870s.

Unlike other policy areas, higher education has generally been at the periphery of state-level partisan battles, leaving it somewhat protected from state politicians' ideologically-driven agendas. This is due, in part, to the historical autonomy granted to colleges and universities. Higher education is among the more bipartisan policy domains, with Democrats championing it from a social equity and gateway-to-the-middle-class perspective, and Republicans lauding the economic development aspects of state investment in public higher education. While those general philosophies will remain intact, there may be some impact on higher education due to a fiscally conservative movement that thrust many new politicians into state legislatures and governorships—some with little, if any, higher education policy-making experience. This may, in turn, increase the vulnerability of higher education, due to potentially greater partisanship and intrusiveness on the part of lawmakers who may seek to advance policies that reflect more conservative fiscal, social and political views.

#10—States' Regulatory Framework

Absent the prospect of additional funding for higher education this year, many lawmakers—with considerable encouragement from state and institutional higher education leaders—will be looking into ways to help public colleges and universities contribute to broader state education and economic development goals. One such nonmonetary area of state-led policy leadership in 2011 may involve regulatory reform. Higher education leaders have argued, for example, that decreasing the constraints brought about by state administrative rules and reporting protocols in critical areas such as procurement, tuition policy, capital outlay and public-private partnerships can lead to significant cost savings and increased revenues at the institutional and system level. These monies can in turn be invested in core pursuits such as enhancing college affordability, student success and degree production.

Legislators and other officials in several states have shown interest in cutting state-imposed bureaucratic red tape that state higher education leaders say hinders their ability to fully maximize their public purpose missions. Higher education leaders contend that such reform—without diminishing public accountability standards—can enable them to better generate and utilize both fiscal and non-fiscal resources. Such state-granted flexibility can more effectively increase college access and student success, boost regional economic development capacity, and enhance the stewardship of both taxpayers' and students' tuition dollars. The current

fiscal and policy environment has provided a window of opportunity for state regulatory reform as it affects public higher education. In 2011, the prospects are good that several states will implement measures leading to improved capacity for their public higher education systems.

Conclusion

In addition to the 10 issues discussed above, many other higher education issues will be addressed by state legislatures in 2011. Some will be fiscal in nature, such as how to finance critical infrastructure improvement (deferred maintenance) and capital improvement needs on campuses. Other legislative deliberations will involve non-fiscal issues, such as concealed weapons possession laws on college campuses; enrollment and tuition policy involving undocumented students; and policies that facilitate enrolling, retaining and graduating veteran students. One issue often at the periphery of state policy discussions and legislative action that may see increased visibility in the year ahead is states' investigation into, and potentially tighter regulation of, the for-profit higher education industry. Policymakers in several states are beginning to follow recent efforts by Congressional leaders to shed light on the recruitment practices of some proprietary institutions, the sector's comparatively high student loan debt and loan default rates, and low "gainful employment" prospects associated with former students and graduates of some for-profit education providers.

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