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Formation of the Next Generation University: Role of State and System Policy

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As states seek to achieve ambitious degree attainment targets, and to broaden their economic bases in the wake of the Great Recession, large research universities are in a unique position to contribute substantially to both goals. The average large public research university increased the number of graduates by 11 percent from 2006 to 2011, even as state appropriations declined.[1] But some grew significantly more, while also focusing on the range and quality of their programs in graduate education and research. States can encourage the development and growth of such research institutions by providing a supportive policy environment. Based on interviews with administrators, faculty and students at six institutions—Arizona State University (ASU), Georgia State University (GSU), University at Buffalo (UB), University of California at Riverside (UCR), University of Central Florida (UCF), and University of Texas at Arlington (UTA)—and on experience working with state and system policymakers, we have identified four policy initiatives with which the state and systems can make a big difference.

- **Transfer policy.** Strong state transfer policies can encourage research universities to admit large numbers of transfer students and ensure that students are appropriately prepared for upper division work in their majors. Clearly articulated statewide general education requirements, common statewide course numbers and major prerequisites can smooth the path for transfer students.

- **Low net-price.** Net-price is the amount of tuition paid by students after all financial aid is taken into account. A well-funded statewide financial aid program helps lower the net-price at research universities when tuition rises faster than increases in family income. State and institutional need-based aid programs ensure that funds flow to students where the dollars will have greatest impact.

- **Performance funding.** In this difficult fiscal environment, institutions are focused on the bottom-line, which often means pursuing tuition revenue, private donors and sponsored research. Public research universities participating in this six-state review acknowledged performance funding can keep campus leaders focused on state priorities. Funding that focuses on outcomes and on reaching under-served populations can provide incentives to recruit transfer students, reduce time-to-degree and graduate more low-income students.

- **Preparation and access.** States should commit their K-12 systems to better preparing students for success in research universities while research universities commit to admitting more students (and not just increasing selectivity) as preparation levels improve.

Transfer Policy

Across the six states studied, we observed the interplay between clearly communicated state and system-wide transfer policies and institutional commitments to extend a transfer promise to a large number of students in the regions they serve. For instance, the State University of New York system provides guaranteed admission to a four-year campus for any student earning an associate degree within the system, guaranteed junior standing for transfer students with an associate degree, common general education requirements across the system and common core coursework for specified majors across the system.[2] This policy is very similar to Florida's, which also includes a well-communicated transfer guarantee with junior standing and a common course numbering system. Arizona has a general education transfer core and seven transfer associate degree pathways that guarantee students junior standing upon transfer.[3] Texas has a statewide general education core and requires all public 2- and 4-year institutions in the state to accept the core as a block, fulfilling general education requirements.[4] The University System of Georgia has had a general education transfer guarantee since 2009 that addresses transfers among all University of Georgia System institutions.[5] Recently, the University System has approved 17 general education courses from the Technical Colleges that also will be included in the core curriculum.[6]

In contrast, California does not have a statewide policy (and UC institutions take in relatively few transfers, compared to peers in the other large states). In 2010, California's legislature passed SB 1440 requiring the California State University system to create a guaranteed transfer associates degree and requesting that the UC System do the same.[7] In 2012, the UC system delivered a report to the legislature agreeing to review students with particular associate degrees but refusing to guarantee admission to a UC institution.[8]

UCF notably builds on a strong policy foundation and embraces its role in providing access for transfer students. DirectConnect to UCF codifies partnerships with its regional two-year colleges and guarantees admission to UCF for students who sign up for the program. UCF admits less than half of its freshmen applicants. Students not admitted are referred to the DirectConnect to UCF program. Over 10,000 community college students transferred to UCF in 2011-12 and more than 30,000 students are in the DirectConnect pipeline. This at an institution with 28,000 undergraduate students enrolled. These students succeed. More than half of the institution's bachelor degrees are awarded to community college transfer students. This clear and open transfer pathway enables UCF to provide open access to four-year education within its metropolitan area in spite of a relatively selective freshman admission process.

In Arizona, the three public four-year institutions share common general education requirements, but the state does not offer a transfer guarantee within this sector or between the public 4-year colleges and the 19 community colleges. However, ASU provides broad access through both the freshman entrance *and* the transfer pathways. ASU has created the Maricopa to ASU Pathways Program (MAPP) and the Transfer Admission Guarantee (TAG) program, which provide counseling to participating students early in the student's community college career, tuition incentives to transfer, clearly outlined transfer equivalencies and guaranteed admission. During the past seven years, the number of students transferring to ASU from Arizona community colleges has increased by nearly 13 percent to approximately 4,000 in 2011.[9]

Policy levers for facilitating improved transfer

Guaranteed transfer associate degree. States should consider implementing a statewide guaranteed transfer

associate degree. In Florida, any student who earns 60 credits as part of an associate's degree at a two-year state college is guaranteed admission to a four-year public university as a junior. Even many private universities in Florida recognize this transfer policy. This policy helps ensure that the public four-year system continues to admit community college transfers even in the face of declining state support.

Common course numbering. States and systems should consider ways, like common course numbering, to simplify the transfer process for students. Florida also assigns similar course numbers between two-year and four-year colleges. This allows transfer students to easily identify whether previously taken courses will count toward particular majors in their new institutions.[10]

Low net-price benefits low-income students

State and system policies play an instrumental role in ensuring that cost is not an insurmountable barrier for low-income students to enroll and succeed in public research universities. The current enrollment and financial support of low-income students at many public research universities is insufficient.

Table 1:

Institution[11]	Avg. Institutional Grant Aid
ASU	$7,773
UCR	$6,384
UTA	$5,252
UB	$4,915
UCF	$1,823
GSU	$1,436

Students from families earning less than $30,000 a year make up 20 percent of all students but only 13 percent at public research-extensive universities.[12] A recent study by the New America Foundation found that low-income students are charged over $10,000 a year at public four-year universities in 10 states after taking into account all financial aid.[13]

UCR enrolled the highest percentage of Pell students of any of the six institutions we studied and it also had the highest overall six-year graduation rate for first-time, full-time students. These outcomes are not due to an intentional institutional policy to increase selectivity, or only enroll the best-prepared low-income students. The average SAT scores of UCR's enrolled students were lower than most of the institutions in this study. UCR provides a high level of institutional aid to low income students, with an average of over $6,000 per student, second only to ASU in our group of six institutions studied (see Table 1). Also, although UCR had the highest published in-state tuition rates among these six institutions, its net-price for low income students was third lowest. Part of this low net price is due to California's large need-based grant program (Cal Grants), which covers up to $12,192 in tuition and fees annually for low-income students enrolling in the University of California System.[14] UCR bundles the Cal Grant with the Pell Grants and its institutional need-based aid to reduce the amount of out-of-pocket dollars for low-income students to $8,446 a year.

Despite 30 percent increases in tuition since 2007 and a very small statewide need-based aid program, ASU continues to provide its students with the lowest net price among the six universities.[15] To a large extent, this is due to an historic policy of keeping tuition low at Arizona's public colleges and universities. However, since 2004, Arizona's public four-year universities have increased their published tuition and fees by 78 percent, a higher percentage than any other state.[16] In 2007, ASU began to invest more in financial aid, increasing the average grant by 27 percent over four years.[17]

State and system policy levers for lowering net-price for low-income students

Tuition Regulation. States and systems should use tuition and state aid policy to moderate net-price for low-income students. The leaders of all the institutions we studied believed that the amount of tuition that students and their families can pay at four-year public universities has reached a breaking point. National data bear this out. Between 1991 and 2011, median household income grew by 3 percent while the net-price of four-year college grew by 58 percent adjusted for inflation.[18] The average low-income student must pay more than $11,000 a year after grants to attend a public or private nonprofit college, or approximately 75 percent of his/her family income. In contrast, the average middle-class student pays the equivalent of 27 percent of their family income to go to a four-year college, while high-income students pay just 14 percent.[19]

Table 2:

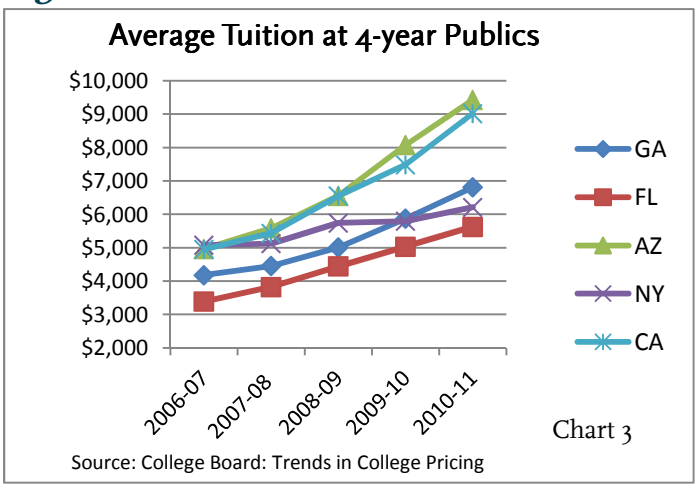
State	Tuition set aside requirement
Arizona	Board of Regents requires a set aside of the equivalent of 17% of resident tuition and fee rate for each enrolled student to be used for need-based aid. ASU provides institutional aid above and beyond this requirement.
California	As required by the UC System, 30% of tuition is set aside for aid.
Florida	As mandated by the legislature, 30% of new tuition must be allocated to need-based aid
New York	30% of tuition increases set aside for need-based aid.
Texas	As required by the UT System, 20% of undergraduate tuition increases must be allocated to need-based aid.

As shown in Figure 1, tuition has risen substantially in the six states studied since 2007. Notably, published tuition prices were lowest in the two states, Florida and New York, where the legislatures control tuition. Again, low published tuition does not guarantee affordability for the lowest income students. State institutional support and need-based financial aid play important roles. Neither UCF nor UB, where sticker prices are low, have the lowest net price for low income students; UB's net price was highest among the six institutions.

Institutional Aid. States and systems should insist that institutional aid be effectively targeted towards low-income students. In response to tuition increases, five of the six institutions we studied were mandated to allocate a certain percentage of tuition increases toward need-based aid. Arizona, California, Florida, New York and Texas have these tuition set-aside programs (See Table 2).

Public institutions in Georgia, by contrast, perceived that they are governed by a different policy. They believe that they are prevented from using any state tax, fee or tuition money for financial aid. Instead, GSU works to package student federal aid, privately donated money and the Georgia HOPE scholarship, which exists because the money comes from lottery proceeds (not general fund or tuition dollars), to help low-income students afford their education.

Figure 1:



State Financial Aid Programs. States should recognize the difficulty of keeping the door open to low-income residents without a general investment in need-based financial aid.

Public research universities in this study, with the exception of Arizona, benefited from generous student aid programs to maintain affordability for students, particularly low-income students. California, New York and Texas have generous need-based financial aid programs for low-income students. Florida and Georgia both have large merit-based aid programs with thresholds low enough to ensure that many low income students with modest academic profiles qualify. Recent changes in Florida, however, will leave out large numbers of low-income students between now and 2014.[20]

Performance funding

Performance funding can benefit institutions like those studied that contribute disproportionately to meeting state goals but often do not see their state funding levels change to reflect that success. Performance funding also may raise overall state attainment rates. Since implementing its performance funding formula in 2002, the Pennsylvania State System for Higher Education has documented a nearly 10-point increase in overall four-year graduation rates, including increases of 6 and 9 points for African American and Hispanic students and a jump in persistence rates. This was especially true for Hispanic students, who saw a 15-point persistence improvement. This was all done while institutions increased enrollment by nearly 20 percent.[21]

The institutions we studied were well aware of, and focused on, the state conversations around performance funding. In fact, each institution in a state with an active performance funding conversation recognized performance

Table 3:

State	Sector	Metrics	Funding	Implementation
AZ	4-year	1) Degree production, 2) Student credit hour enrollment, and 3) Research expenditure growth (which has a different weighting for Northern Arizona University because it has less research capacity.)	$5 million of existing base	FY2013
FL	4-year	Cost per degree and TBD	Bonus allocation	FY 2014 (with Board Approval)
GA	2-year & 4-year	1) Credit accumulation, 2) Credentials conferred. Priority population weighting Might include: Strategic initiatives, transfer out and remedial success	100% of base	FY2015
TX	2-year & 4-year	Community College metrics: "Momentum Points": Remedial Education; gateway courses; Credit accumulation (15, 30, core curriculum completion); Completion (associate degree, certificate, apprenticeship); transfers out to 4-year institutions (minimum 15 credit hours completed) Four-year institutions metrics: Degree completion (bachelor's); time-to-degree; degrees/100 FTE; persistence (30, 60, 90 credit hours completed)	10% of state base funding	FY 2013 (with legislative approval)

funding as the main state policy lever it faced. Arizona, Florida, Georgia and Texas are at different stages of considering or implementing a statewide performance funding policy. Institutions like these generally believe that they will benefit, or at least that funding will not be adversely affected, if dollars flow based on outcomes. Table 3 shows detail on the performance funding conversations in each state.

Performance funding policy levers

Performance funding can align university priorities with state priorities. Tuition, external grants and private donations are all sources of funds that research universities aggressively pursue based on existing incentives. States should supplement those existing incentives with performance funds for outcomes that do not otherwise have dollars attached. Top among these are degree completion and serving low-income students (who can't pay tuition).

Allocate significant base funding to performance. Some previous experiments with performance funding had limited effect because they allocated small amounts of money as a bonus to the institution's base funding on enrollment.[22] Current successful examples of performance funding allocate some measure of annual base state appropriations on student outcome measures. States should allocate a significant portion of base funding to institutions for meeting state goals.

Fund numbers of graduates or low-income students rather than rates. Incentive funds based on numbers of students graduating are simpler to administer and avoid the gaming and definitional challenges that come with the numerators and denominators in measures such as graduation rates or degree per full time student (FTE).

College readiness

Increasing college readiness is a critical way to help assure that research universities remain a well-accessed pathway for low-income students. Recent research shows both the power of a good match (between selectivity of the college and academic potential of the student) in attaining college success and the comparatively lower rate at which low-income, highly prepared students enroll in selective colleges.[23] Further, research universities provide strong pathways to subsequent professional and graduate education, which is critical to ensuring diversity among the nation's judges, doctors, educators, engineers and other professional leaders.

High school exit and college admissions policies varied among the six states. To be admitted to an institution in the University of California System, students must complete the college preparatory A-G course sequence and maintain a high school GPA of 3.0 or better. These entry requirements help ensure that UCR students are more likely to have taken rigorous high school courses and are thus more likely to succeed in college.

All high school students in Texas graduate with the state's "four-by-four" program. Specifically, high school graduates are required to earn four credits in each core content area – English, math, science and social studies.[24] At the same time, the state developed its college and career readiness standards through teams of faculty from high school and higher education in the disciplines of English, science, social sciences and mathematics.[25]

All students in New York are required to pass five Regents Examinations (English, mathematics, United States history and government, science and global history and geography) in order to receive a diploma. However, students may substitute an acceptable score on a department-approved/college aligned alternative such as the SAT II, Advanced Placement or International Baccalaureate Exams.[26] The Regents exams will be aligned to the Common Core college and career ready standards by 2015.[27]

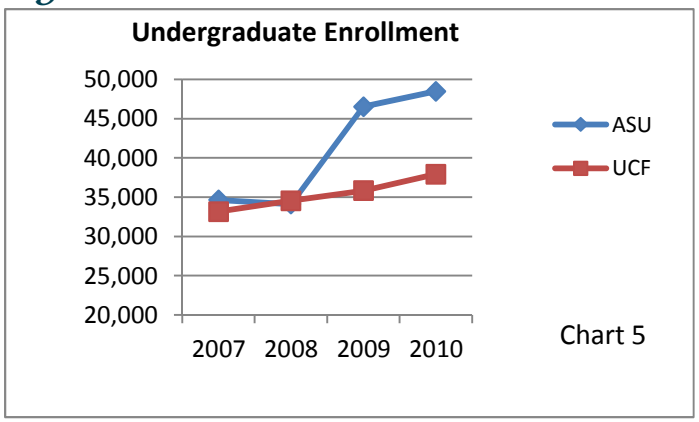
In Florida, the three-year, 18-Credit college preparatory program constitutes the basic diploma for students to gain admission to the Florida state universities such as UCF. Students must earn at least six of the 18 required credits in

specified rigorous courses required for admission to a public four-year Florida college. However, this is not the default diploma for all high school students.[28] In addition to implementing the Common Core, public four-year and community colleges governed by the University System of Georgia require four years of English, math and science for entry into an institution in the University System of Georgia.[29]

Ensuring preparation and access policy levers

Align requirements for success in first-year courses with high school exit requirements. Research universities are powerful leaders in states and should engage actively in the state and system-wide discussion of how to increase readiness and reduce remediation. Some of the ways to improve student success and preparation include: prioritizing student enrollment in major related gateway courses, aligning the math requirements in those gateway courses to major requirements, cutting down on student enrollment in stand-alone remediation by providing additional academic support inside gateway courses and improving placement assessments for incoming students.[30]

Figure 2:



Encourage research institutions to grow with the population of qualified students. States can encourage research institutions to grow their capacity to serve more qualified students as ASU has done (see Figure 2). ASU grew enrollments more than any of the other institutions we studied and continues to expand to more eligible students.

Conclusion

Large, public research universities are state assets that can be powerfully engaged to promote state economic growth, including growth in the number of students they graduate. A handful of large, public research universities combine a robust research mission with a strong focus on enrolling and graduating more students, particularly low-income students. In each of the six states studied, system- and state-level policies help create the conditions or strengthen the environment for research university leadership. The state and system policy levers promoting transfer, low net price, performance funding, and college readiness help mitigate the strong market pressures facing large, public research universities to privatize and become increasingly selective.

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