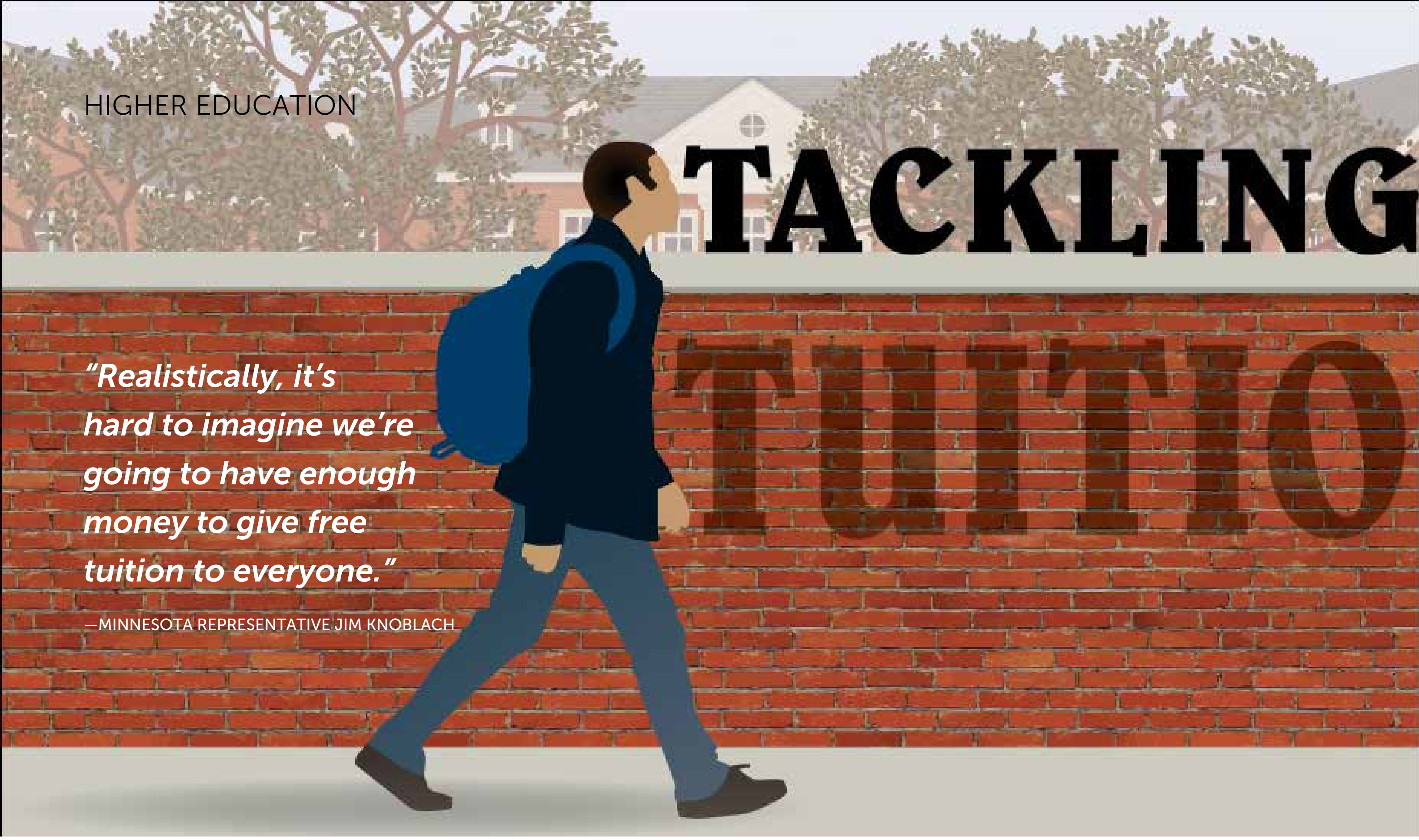

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"Realistically, it's hard to imagine we're going to have enough money to give free tuition to everyone."

—MINNESOTA REPRESENTATIVE JIM KNOBLACH

Lawmakers continue to seek ways to help students and families as the costs of college soars.

BY ROGER FILLION

Austin Wright-Pettibone was walking to lunch last summer in Seattle when he got an email on his phone from a legislative staffer. Wright-Pettibone, a junior chemical engineering major at the University of Washington, had been lobbying the Legislature on behalf of the university's student union. He and others appealed to lawmakers to pass a budget that would cut tuition at the state's four-year colleges and universities .

"We got it!" the email read. Wright-Pettibone was "so relieved and happy, I cried," he says. "It was the hallmark of what could be done in Washington state in higher education. I really hope this will start a conversation and lead to action in other statehouses."

The tuition rollback passed by the Legislature shaved 5 percent off tuition this year. For Wright-Pettibone, it was "the first year I haven't had to take out loans to go to school." Next year, when the largest cuts kick in, he'll save $1,611.

"I've been able to cut back on my working hours so I can now spend more time in the lab, which is preparing me to go to graduate school."

Looking for Answers

Students like Wright-Pettibone and their families aren't the only ones grappling with ever-escalating college tuition costs. So, too, are state legislators.

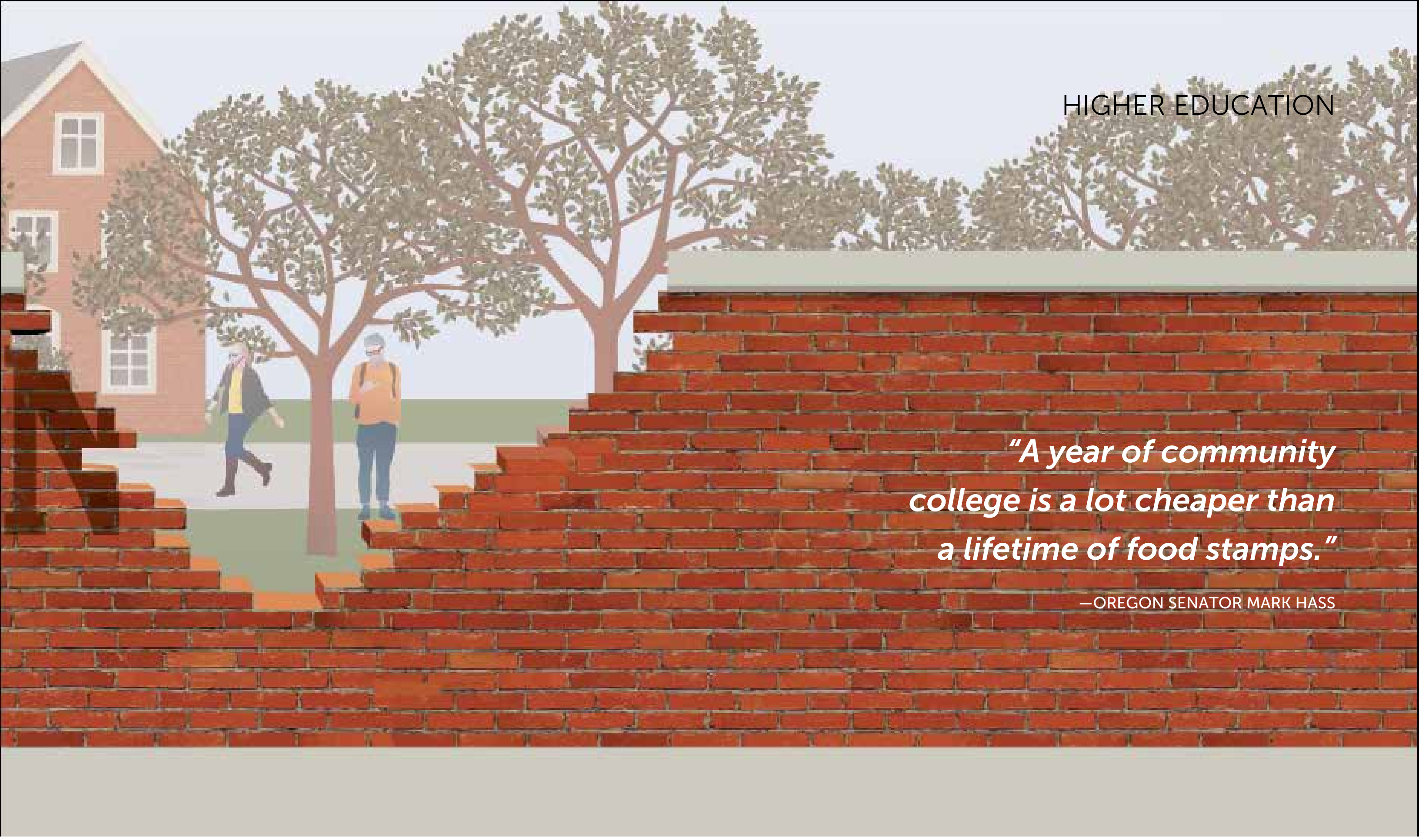
Crafting higher education finance policy is tricky, however. In effect, legislatures have three policy levers at their disposal: tuition, general appropriations and financial aid. Pulling one lever can often affect the other two. So it's wise to consider how changes affect all three simultaneously.

No state has yet developed a comprehensive solution that keeps tuition costs under control and makes it possible for less well-off students to attend college. But efforts abound.

States have temporarily frozen or capped tuitions. Kansas lawmakers did so last year. Tennessee and Oregon offer free community college. Missouri ties tuition to the consumer price index. New York and South Carolina offer students tax credits for their tuition. Maryland uses corporate tax revenue for a tuition stabilization fund. And Illinois requires universities to offer a fixed tuition plan that guarantees a single annual tuition rate for the four years it should take to earn a degree.

There's always the desire to find the perfect solution, but "I

Roger Fillion is a freelance writer. Dustin Weeden, NCSL policy specialist, contributed to this article.



"A year of community college is a lot cheaper than a lifetime of food stamps."

—OREGON SENATOR MARK HASS

don't think anyone has a silver-bullet answer," to slowing tuition rates, says Minnesota Representative Jim Knoblach (R), who chairs the Ways and Means Committee."

Representative Jim Knoblach Minnesota

Tuition at public four-year institutions has risen faster than inflation every year since 1980. Since 1990, the national tuition average at public four-year institutions has skyrocketed more than 160 percent after adjusting for inflation. At two-year institutions, the national tuition average has doubled on a real basis.

Put another way, the national average for tuition at public four-year institutions jumped by $5,653—to $9,139 in 2014-15 from $3,486 in 1990-91. At public two-year institutions, the national average tuition increased by $1,692—to $3,347 from $1,655 during the same period.

Senator Mark Hass Oregon

Yet there's an economic argument to be made for keeping college affordable, says Oregon Senator Mark Hass (D), a major proponent of his state's free community college program. Students can gain vital skills needed to operate in today's economy—and avoid standing in the unemployment line or living off food stamps.

"Poverty is expensive to all of us. When someone escapes poverty we're all better off," says Hass, who chairs the Finance and Revenue Committee.

More Than State Cuts

What's fueling the increase? Take your pick. Many blame cuts in state funding. (Federal aid goes mostly to financial aid.) Since colleges can offset reductions in state spending with tuition hikes, cutting higher education spending is often one of a few options states have when balancing budgets. From 2010 through 2012, state and local funding levels were the lowest in 25 years, according to the State Higher Education Executive Officers Association.

The good news for colleges and universities is that, altogether, state and local funding for public higher education has increased during the last couple of years. It still remains lower than before the recession, however.

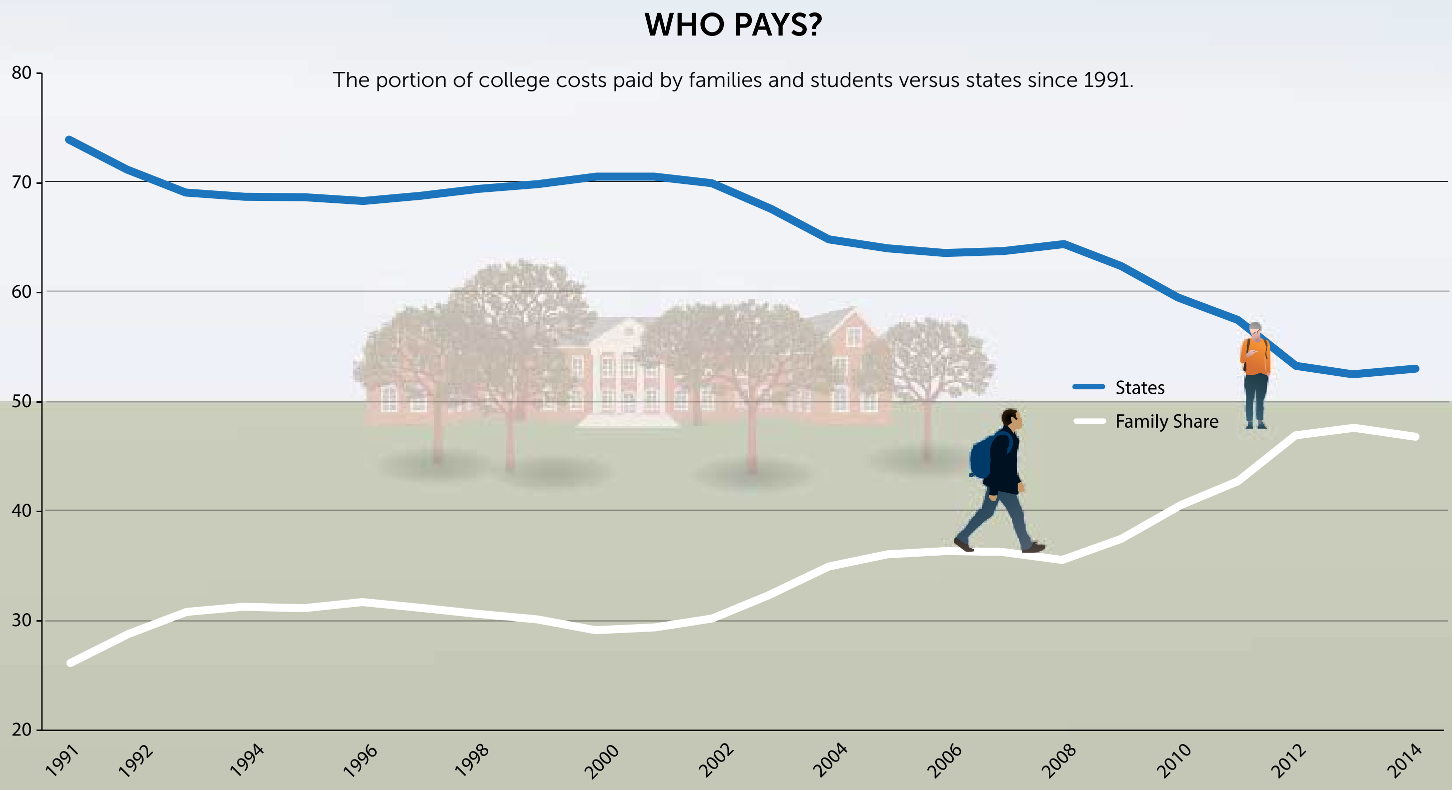
The ingredients underlying tuition hikes vary among states and institutions; and other factors play into the tuition-setting process as well. Enrollment growth and recessions have been two of the primary causes underlying tuition inflation in recent years. According to the National Center for Education Statistics, between 2002 and 2012, enrollment increased 24 percent, from 16.6 million to 20.6 million. Much of that growth was in full-time students.

Energy prices, debt service and decisions concerning compensation and benefits also can add to tuition hikes. In addition, competition for national rankings has caused institutions to upgrade facilities and technology and increase financial aid to attract the top students.

Efforts Abound

State legislatures are far from throwing in the towel, however. To make college affordable for low- and middle-income students, states have rolled out some innovative programs.

Maryland, for example, challenged out-of-control tuition in 2007, when lawmakers created a Higher Education Investment Fund to "invest in public higher education and workforce development" and "keep



Source: State Higher Education Executive Officers Association, SSOB.

tuition affordable for Maryland students and families." It relies on corporate income tax revenues.

Then in 2010, lawmakers created a Tuition Stabilization Fund housed within the investment fund. It, too, receives corporate tax revenue. The 2010 legislation set the goal of limiting tuition hikes to no more than the three-year rolling average of increases in the state's median income. The aim: Link tuition with families' ability to pay.

The stabilization account—really a higher education rainy day fund—addresses both tuition policy and annual appropriations. When higher education appropriations dip, money from the stabilization fund is used to offset the drop—and limit tuition increases.

Since the beginning of the Great Recession, Maryland's average state tuition at four-year institutions has increased 9 percent compared with 26 percent nationally.

Maryland's fund directly targets tuition rates, as do other states' efforts to freeze, roll back or even cut tuition. Other programs target students, especially those who simply can't afford college, helping them earn a degree despite the increasing costs.

A Promise to Scholars

Even before tuition began to skyrocket, Indiana's 21st Century Scholars program was helping low- and middle-income families send their children to college. According to Teresa Lubbers, the state's higher education commissioner, participants are more likely than other students to be from a single parent home and the first child in their family to attend college.

Indiana students who meet the program's income requirement—based on the Free Application for Federal Student Aid, or FAFSA—can enroll in the seventh or eighth grade. "We try to get students to understand that college is possible for them at an early age," Lubbers, a former Republican senator, says.

To qualify, students must graduate from high school with at least a 2.5 grade-point average; swear off drugs, alcohol and crime; and participate in three activities annually intended to help them plan, prepare and pay for college. In return, students can receive up to four years of paid tuition at an Indiana college or university. "It's a contractual relationship," Lubbers says.

According to the Indiana Commission for Higher Education, 76 percent of participants in 2014 enrolled in college right after high school compared with 42 percent of low-income students not in the program and 65 percent of all Indiana students.

Oklahoma has a similar program, dubbed Oklahoma's Promise. It permits eighth-, ninth- and 10th-grade students from families with an income below $50,000 to receive a college tuition scholarship for any public college or university in the state. The program also will fund a portion of the tuition at any accredited private institution in the state. Like Indiana, Oklahoma requires high school students to maintain a 2.5 GPA, shun drugs and alcohol and stay clear of serious trouble.

Free Community College

In 2014, Tennessee lawmakers approved pioneering legislation creating the statewide Tennessee Promise—a scholarship and mentoring program designed to make it more likely that high school students will get into college and succeed.

The program is what President Obama used as a model for his America's College Promise proposal, which he announced last year. It seeks to make at least two years of community college for responsible students as universal as high school.

The Tennessee program gives all recent high school grads the chance to attend one of the state's 13 community colleges, 27 colleges of applied technology or another eligible institution offering an associate degree program—without paying tuition or mandatory fees, such as lab fees.

The scholarships are so-called last-dollar grants: Students must first use all other sources of financial aid, including federal Pell Grants, Tennessee HOPE scholarships and other grants received through the Tennessee Student Assistant Award program. If all the other sources of aid combined don't cover tuition and mandatory costs, then students will receive a Promise scholarship for the unmet tuition and costs.

In the fall of 2015, roughly 90 percent of public high school seniors—more than 58,000—had filled out scholarship applications.

According to state data, the number of students enrolled in Tennessee's community colleges last fall was 25 percent higher than in 2014, before the statewide Tennessee Promise program began. The number of students enrolled in technical colleges surged 20 percent in the same period.

"We're seeing huge enrollment jumps," Tennessee Representative Harry Brooks (R), who chairs the Education Administration and Planning Committee, says.

Representative Harry Brooks Tennessee

Under the program—which extends from a student's high school senior year into the first semester of college—every student receives a mentor to help meet application deadlines and prepare for college. Research shows that at-risk students who work with a mentor are significantly more likely to want to attend college and ultimately enroll in degree programs. "That is the key to involvement in the future," Brooks says.

Tennessee Promise participants also

No More Than Four

It can be costly for students who don't graduate on time—in terms of extra tuition and expenses plus forgone pay. So some states dangle financial sweeteners to encourage students to graduate on time.

"The best and most efficient degree is a timely degree," says Teresa Lubbers, Indiana's higher education commissioner. According to her agency, only 30 percent of Indiana students finish a bachelor's degree within four years, and only 10 percent earn an associate degree within two years.

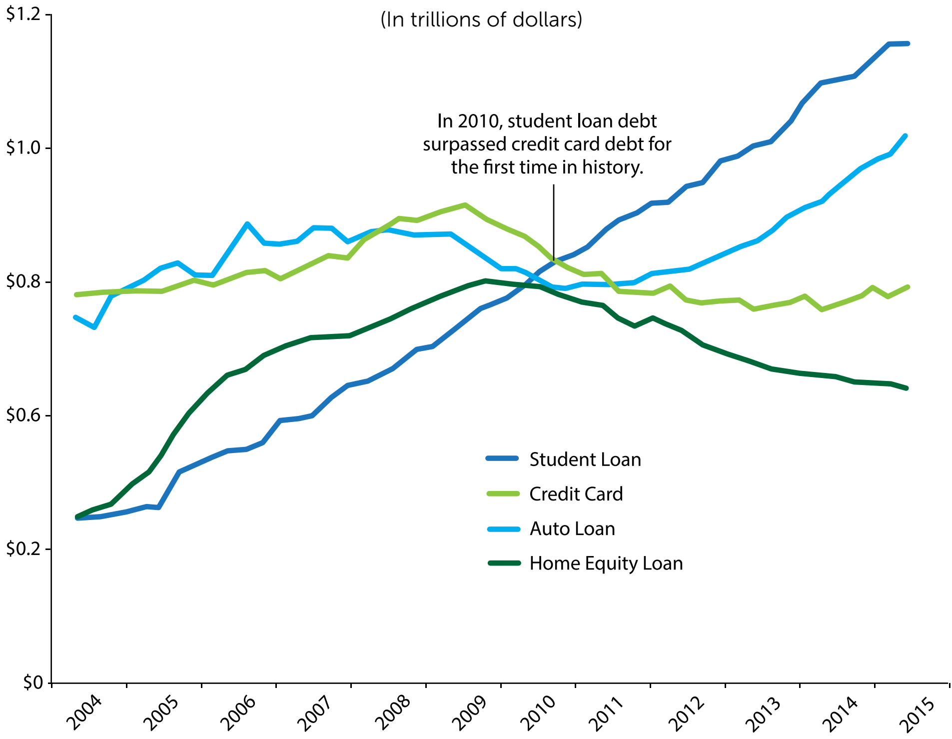
How much will an extra year of college set you back? It can cost an Indiana student nearly $50,000 in tuition, lost wages and related costs, according to Lubbers' agency. Staying in school prevents students from "reaping the benefit of that degree," she says.

To encourage financial aid recipients to carry full loads so they can graduate on time, Indiana overhauled its grant programs in 2013. Students who receive aid through the 21st Century Scholars program, for example, now must complete at least 30 credit hours during the academic year to keep it. "I sometimes refer to this as tough love," Lubbers says. "But it's still love at the end of the day in terms of the metrics we have for students to earn the maximum financial aid."

The Frank O'Bannon grants, another scholarship program for low-income students in Indiana, also encourages students to complete at least 30 credits during one academic year. But the program adds an incentive: cash. Students who complete at least 30 hours get a few hundred dollars more than students who finish only 24. They receive an even more when they complete 39 credit hours each year. That bonus amounted to an extra $1,300 during the 2014-15 academic year, when there were 46,090 scholarship recipients.

Massachusetts is finishing a similar pilot program that began in 2012 targeting low-income students. The Massachusetts Completion Incentive Grant Fund awards students more aid for each credit hour completed. A student who completes 12 credit hours during a semester, for example, earns $700 or $1,000 for 15 credit hours.

Debt Balances by Type of Consumer Loan



Source: Consumer Price Index, analyzed by JP Morgan Funds.

must complete eight hours of community service each term they're enrolled, as well as maintain a year-end GPA of at least 2.0.

Last year, Oregon followed suit, becoming the second state to offer a free statewide community college program beginning this fall. To qualify, students must be Oregon residents, enroll in a community college within six months of graduating from high school or passing the high school equivalency exam, have a high school GPA of 2.5 or higher and complete the financial aid application.

Each eligible Oregon Promise student receives a minimum grant of $1,000 annually—even if state and federal grants fully cover the student's tuition—for educational costs such as textbooks. In addition, each recipient must pay $50 a term to enroll in courses. Students can be enrolled part time or full time at any of the 17 community colleges in the state.

To win passage of the bill, Oregon's Hass put the argument in economic terms, using state figures to support his case. Some 70,000 Oregonians between the ages of 18 and 24 lack both a job and a post-secondary education, which costs the state about $14,000 a year in social services and indirect costs to support each of them.

"A year of community college is a lot cheaper than a lifetime of food stamps," Hass says. "The business model is easy to see." The legislation passed both houses with bipartisan support.

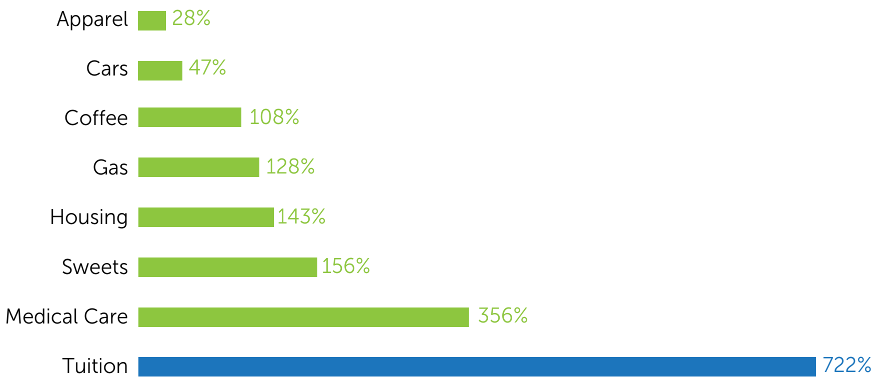
Lawmakers in Minnesota decided to take things a little slower. They agreed on a scaled-down pilot program after opting not to make community college free by eliminating tuition. "I'm OK with experimenting with the pilot," Minnesota's Knoblach says. "Realistically, it's hard to imagine we're going to have enough money to give free tuition to everyone."

The $8.5 million, two-year pilot will start this fall and is expected to serve an estimated 1,300 students. It will cover any tuition and fees not covered by other state or federal grants.

The program is open to students who enroll in high-demand job training programs, ranging from accounting and law enforcement to applied engineering technology. Recipients must have an adjusted gross family income of less than $90,000, and enroll within two years of completing high school or passing an equivalency test. The pilot also includes a mentoring program.

Tuition Versus Other Expenses

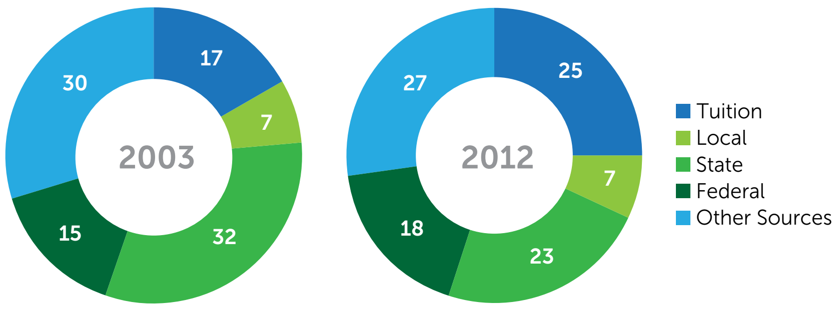
Cumulative percent price change since 1983



Source: Consumer Price Index, in "College Planning Essentials" by J.P. Morgan.

Percent of Public College Revenue by Source

(National Averages in FY 2003 and FY 2012)



Source: GAO, "State Funding Trends and Policies on Affordability," December 2014.

The Freeze Option

Minnesota lawmakers also agreed to freeze community and technical college tuition at existing levels for the current 2015-16 academic year and cut it by 1 percent next year.

Several states have frozen tuition in recent years, although a study by the California Legislative Analyst's Office found that, following a freeze, tuition often shoots right back up.

Tuition cuts are far more unusual, which is why Washington's action is notable. Washington legislators agreed to cut tuition at all public colleges and universities over the next two years. This year, tuitions were reduced 5 percent in all Washington higher ed institutions. This fall, tuition will be lowered an additional 10 percent at large research universities and 15 percent at regional four-year universities, and frozen at community colleges.

In addition, future tuition increases—starting in 2017—will be tied to changes in the median family wage. It's another effort at trying to tie tuition increases to the ability of families to pay.

The Search Continues

Plenty of other approaches are being tried across the nation. And it's probably a safe bet that lawmakers will continue to look for new ideas to keep tuition down and college affordable as they debate how much money is necessary, and where it should come from, to maintain the world's best higher education institutions.