

Higher Ed-a-ches

States are searching for ways to control the ever-increasing costs of a college education.

*“Our higher education system is antiquated—
we have to face it.”*

—IDAHO SENATOR DEAN CAMERON (R)



BY SUZANNE WEISS

Today, nearly 60 percent of the 20 million Americans who attend college each year borrow money to help cover costs. Tuition is skyrocketing, state funding is sinking and the average student borrower graduates with more than \$26,000 of debt. Loan default rates are rising, and only about half of those who start college graduate within six years. That’s why a growing number of states are taking a radically different approach to funding colleges and universities that could change forever the way we look at higher education.

At a time when a college education has never been more expensive—or more important—a rising chorus of critics argues that many students are graduating ill prepared for a rapidly changing and increasingly competitive job market.

“Our higher education system is antiquated—we have to face it,” says Senator Dean Cameron (R) of Idaho. “These schools are providing students with degrees, but with degrees that will not necessarily get them a job. Up until now, it feels like all we’ve done is chase down rabbit trails here and there, looking for ways to make the system more functional, but it just ends up being an exercise in futility.” Idaho is one of the states that are considering, or have already established, a new way to fund public colleges and universities.



*Senator
Dean
Cameron (R)
Idaho*

“We’ve tried to protect our higher education system here in Idaho,” he says. “We know it’s an asset and how important it is to our future. But the demands on our tax dollars are so great right now that colleges and universities simply have to figure out how to deliver a better product. I’m not sure what it’s going to take to make that happen, but it needs to happen.”

Declining Subsidies, Rising Tuitions

State appropriations have historically been the most important source of funding for higher education, but over the past

Suzanne Weiss, a freelance writer in Denver, is a frequent contributor to State Legislatures magazine.

two decades that support has steadily waned.

Between 1987 and 2012, in real dollars, government support for public colleges and universities declined from \$8,497 per student to \$5,906 per student, according to the latest report of the State Higher Education Executive Officers (SHEEO). In the past five years alone—since the onset of the Great Recession—state fiscal support for postsecondary education has fallen 10.6 percent nationwide, with cuts ranging from 4.5 percent in South Dakota, to nearly 50 percent in Arizona, Florida and New Hampshire.

As state subsidies declined, institutions made up the difference by raising the price of attendance, shifting costs that once were a social investment onto students and their families. Since 1990, tuition costs at public four-year institutions have increased by 112 percent and at community colleges by 71 percent. Today, tuition constitutes roughly half of postsecondary institutions' educational revenues, compared with just 23 percent 20 years ago.

With rising tuition and stagnating incomes—the median household income grew by just 2.1 percent over the past two decades—students and their families have taken on record levels of debt. Student loan debt in the United States has nearly tripled since the mid-2000s, topping \$1 trillion and encompassing roughly 39 million borrowers. It is now the largest form of consumer debt outside home mortgages.

At Least a Slowdown

The latest report by the College Board shows that tuition continues to rise, but at a somewhat slower rate—2.9 percent at public four-year institutions and 3.5 percent at community colleges

in the 2013-14 school year. The slowdown is due at least in part to higher-education budget increases in many states in 2012 and 2013—modest increases, for the most part, but exceeding 10 percent in five states, according to a recent NCSL report on state budget and tax actions.

The new funding reflects a brightening financial picture in many state capitols. Tax revenue in 47 states rose in 2012 by an average of 4.5 percent, U.S. Census data show. “Historically, funding for higher ed tracks the economy,” says James Palmer of the Center for the Study of Education Policy at Illinois State University. “As the economy gets better, state funding for higher education increases. That’s been the pattern.”

But it’s unlikely that funding will return to pre-recession levels. “Who knows when, or even if, that will happen,” says Colorado Senate Majority Leader Rollie Heath (D). The \$30 million increase in higher education funding that Colorado legislators approved in spring 2013 “was really just a drop in the bucket, considering the cuts we’ve made over the past several years,” Heath says.



Senate Majority Leader Rollie Heath (D) Colorado

Iowa, Minnesota, Montana, Nebraska, Oregon and Washington have made budget increases contingent on tuition freezes. Other states boosted higher education funding, but earmarked the new money for specific things, ranging from the creation of online degree programs to expanded financial aid for low-income students.

In Wisconsin, a furor erupted when a routine state financial review revealed that cash reserves of the 26-campus University of Wisconsin System had been carrying over from year to year, building to nearly \$650 million. University officials defended the cash reserves as a necessary hedge against a volatile funding picture, including declining state funding and an expected enrollment slump in years to come.

Legislators weren’t sympathetic. They not only pulled a planned budget increase off the table, but also directed the university system to draw down its reserves by \$180 million for a tuition freeze and 1 percent raises for faculty and staff.

“I can’t tell you how disappointed I am,” Senator Alberta Darling (R) told UW System officials at a legislative hearing last spring. “Here we have accounts of tuition being squirreled away at

The Cost of College By the Numbers

10.6%

The average decline in state funding of higher ed since 2007

112%

Increase in tuition costs at public four-year institutions since 1990

71%

Increase in tuition at community colleges since 1990

2.1%

The growth in median household income from 1990 to 2010

50% vs. 23%

Tuition’s portion of higher ed revenues, 2013 vs. 1993

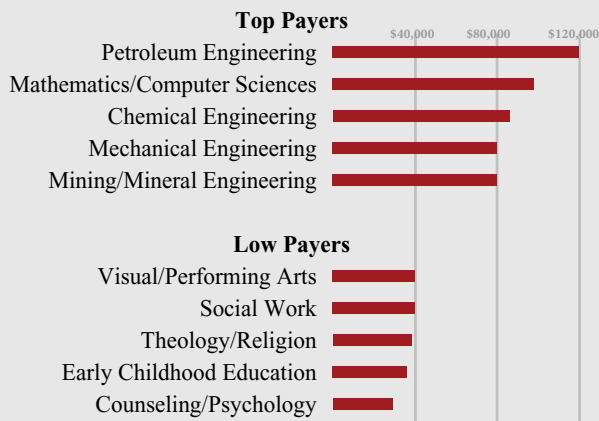
39 million

The number of students in debt, second only to home buyers

Sources: U.S. Census Bureau, American Institutes for Research Delta Cost Project, State Higher Education Executive Officers

Majors Matter

College graduates may have paid the same tuition, but their average earnings vary greatly by major. Below, median annual earnings, by occupation, during prime earning ages of 24-65.



Source: “What’s It Worth? The Economic Value of Majors,” May 2011, Georgetown University Center on Education and the Workforce

Federal Plan Would Tie Financial Aid to College Rating

As states look at making college more affordable and accountable, federal discussion includes a plan unveiled by President Obama last year to rate colleges and universities and ultimately, tie all federal financial aid to those ratings.

The plan sets a fall 2015 deadline for the U.S. Department of Education to develop a system that compares colleges against their peer institutions on rates such as tuition, graduation, student debt, graduates' earnings and the number of low-income graduates. Obama said he will ask Congress to pursue legislation that would tie the ratings to financial aid by 2018, so that students at highly rated colleges might get larger federal grants and more affordable loans. "It is time to stop subsidizing schools that are not producing good results, and reward schools that deliver for American students and our future," Obama said.

Almost all of the federal government's \$150 billion in annual student aid is distributed based on the number of students a college enrolls, regardless of how many graduate or how much debt they incur. Under the new proposal, students could still attend whatever college they chose, public or private, but taxpayer support would shift to higher-ranked schools.

Obama's proposal urges colleges to experiment with approaches that reduce costs. The plan mentions competency-based degrees, in which college credits are based not on the hours students spend in classrooms, but on how much they can show they know; three-year degree programs; and dual enrollment options that allow high school students to earn college credits.

The initiative calls for offering regulatory waivers to colleges that serve as experimental sites promoting high-quality, low-cost innovations in higher education, especially those that make it possible for students to obtain financial aid based on how much they learn, rather than how much time they spend in class. It also proposes letting colleges offer Pell Grants to high school students who are taking college courses.



Senator
Alberta
Darling (R)
Wisconsin

the same time you raised tuition. What were you thinking?"

The same practice in Idaho has drawn the ire of Senator Cameron, co-chair of the Legislature's Joint Finance-Appropriations Committee. "These institutions, they fight and fight for state money, but you could give them all the money in the world and they'd still raise tuition," says Cameron. "They've resisted doing the kinds of things they need to do—cutting administrative costs, evaluating the effectiveness of programs, looking at new delivery systems. And at a time when their budgets are being cut and tuition is going up 5 percent a year, they're actually putting more and more money into reserves. I tell you, if we were to invent higher education today, it would not look like this."

Cameron is among many state policymakers who contend that postsecondary institutions haven't focused enough on eliminating duplicative or underperforming programs, or curbing "institutional support" costs. A recent report by the American Institutes for Research Delta Cost Project showed sharp increases over the past decade in the ranks of college and university administrators—from assistant deans, counselors and communications officers to sustainability coordinators and diversity specialists.

Katharine Lyall, who served as president of the University of Wisconsin System from 1992 to 2004, said in a recent interview that "administrative bloat" could be reduced by restructuring the large number of individual

departments, centers and institutes into fewer administrative units. But that's a tall order. "Anyone who has tried this knows how jealously these little fiefs are guarded," she said.

Cameron says he would like to see higher education officials in his state pursue cost-cutting ideas such as three-year baccalaureate programs and competency-based degrees, and comprehensively redesigning what he called "antiquated" courses of study.

Performance Counts

Widespread and rising concern about college affordability has added momentum to a push for holding postsecondary institutions more accountable for key results.

The traditional higher-education funding model—based on how many full-time equivalent (FTE) students are enrolled at the beginning of the semester—provides incentives for colleges to enroll students, but not necessarily to help them graduate. Many states are reconsidering the enrollment-based funding model and instead are allocating money to colleges based on the number of students who complete courses and degrees.

Twenty-nine states—Arizona, Arkansas, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Virginia, and Washington—currently have in place, or are transitioning to, a model that provides some amount of funding based on performance indicators such as course completion, time taken to earn a degree, transfer rates, the number of degrees awarded or the number of low-income and minority graduates.

The specific goals vary from state to state. New Mexico and Tennessee, for example, are using the power of the purse to boost the number of older and low-income students who complete a degree; Mississippi, to promote science and technology programs; and Missouri, to improve students' scores on tests and professional licensing exams.

In North Dakota, which recently adopted a new performance model, Senator Tim Flakoll (R) said that by encouraging institutions to graduate more students on time, the new funding formula will help reduce college costs for the state's young people.

"This is an output-based, transparent funding mechanism," says Flakoll, who serves on the Senate Education Committee. "We were finally able to crack the code." The key factor, Flakoll says, was that policymakers and higher-education officials were able to agree on a formula to determine the actual cost of delivering different types of courses. Each course is assigned a "cost factor" that determines the amount of state funding per credit hour earned by students—ranging from a low of 1 for lower-level courses in core subject areas to a high of 38 for medical school courses.

The most current iteration of performance funding policies—the systems that put a percent of base funding at stake—have not been in effect long enough to draw conclusions about their effectiveness. However, research on early performance funding systems suggests states need to make a long-term commitment to performance funding because it takes several years to generate positive results.

New Jersey Assemblywoman Celeste Riley (D) says she hopes her state will be the next to move to a performance-based funding model. "We're still in the early stages, but we have held a hearing and there's a lot of interest. Among the models we've looked at, we like Tennessee's."



Senator
Tim Flakoll (R)
North Dakota

“I think we policymakers haven’t focused nearly enough on higher education. It’s like we just woke up and realized we weren’t as on top of it as we should have been.”

—NEW JERSEY ASSEMBLYWOMAN CELESTE RILEY (D) NEW JERSEY



Assemblywoman
Celeste Riley (D)
New Jersey

Riley said that New Jersey has begun to address the issue of college affordability by, for example, reorganizing and streamlining some institutions and asking colleges and universities to post detailed information about the cost of various degrees on their Web sites. But a lot of hard work lies ahead, Riley says. “It’s certainly got our attention now, but I think we policymakers haven’t focused nearly enough on higher education. It’s like we just woke up and realized we weren’t as on top of it as we should have been.”

Tuition-Free Community Colleges

America already guarantees free access to a K-12 education for all young people—so what’s a couple more years? That’s the question posed by Senator Mark Hass (D) of Oregon, who is championing a proposal to make community colleges in his state tuition-free.



Senator
Mark Hass (D)
Oregon

Hass, who chairs the Senate Education Committee, sponsored legislation directing the state’s Higher Education Coordinating Commission to study the idea and come up with a plan to implement it by fall 2015. “We have an astonishingly high number of kids with diplomas who just aren’t going anywhere after high school,” Hass says. “This would be a way to put them on a better footing to enter the job market or on the path to a four-year degree.”

Hass estimates it would cost about \$200 million a year to pick up the tab for community college students’ tuition. Among the revenue streams that could be tapped, he says, are Pell Grants and voter-approved bond issues.

“It’s a big number, but not as big as the social costs of things like unemployment and incarceration, and so many young people who don’t have the resources to raise a family,” Hass says. The proposal has been endorsed by Governor John Kitzhaber, Hass says, and has attracted substantial support from the business community and legislators on both sides of the aisle. The only opposition, he says, appears to be from the state’s universities, “which are worried about it how it would affect them.”

Hass says he also favors expanding dual-enrollment programs, and would like to require high-school students to earn six hours of college credit in order to graduate.

Low-Income Guarantees

Over the past 15 years or so, several states have passed legislation that allows qualified students to attend public colleges and universities tuition-free: Florida, through its Bright Futures Program; Georgia, through the Hope Scholarships, which are funded by state lottery proceeds; and Wyoming, through its Hathaway Scholarships.

The oldest such program, Oklahoma’s Promise, was established in

1992. It pays the college tuition of students from low-income households (defined as earning under \$50,000 a year) who are attending any of the state’s two- and four-year institutions.

Students apply for the program in the eighth or ninth grade and commit to maintaining at least a 2.5 grade-point average while taking four years of college-prep courses during high school. The state spends about \$60 million a year on Oklahoma’s Promise, which currently serves 19,600 students at two- and four-year institutions. The program is not subject to cuts, points out Senator John Ford (R), chairman of the Senate Education Committee. “Every year, whatever is needed to support the program, it comes off the top,” he says.

Ford says the program is “a great use of state resources,” as is Oklahoma’s CareerTech system, which provides roughly 500,000 people a year with competency-based education and training in a wide variety of fields and occupations. CareerTech programs and services are offered at 57 campuses throughout the state.

“People come out of these one- or two-year programs with certifications that allow them to compete for well-paying jobs in energy, aerospace, aviation and other industries where we know there will be growth in the future,” Ford says.

In Ford’s view, students and parents need to focus on getting as much information as possible about postsecondary education and training options, then take advantage of those that suit them.

“I absolutely believe that a college education is affordable, if parents and students make good choices,” he says. “That’s the key.”

Tuition Costs 2013-14

\$3,264
Public two-year colleges
(in-state students)

\$8,893
Public four-year colleges
(in-state students)

\$22,203
Public four-year colleges
(out-of-state students)

\$30,094
Private four-year colleges

Source: The College Board’s 2013 Trends in College Pricing



Senator
John Ford (R)
Oklahoma



set to reconsider requiring the monetary condition of release. Levy said this is intended to reduce the significant number of people who haven't been convicted of a crime but are in jail because they can't afford bail, even though they don't pose a risk of flight or a danger to public safety.

The Role of Research

"We've learned that assessment can reduce the number of low-risk people in county jails, and help courts distinguish those who pose the greatest risk," says Anne Milgram, vice president of criminal justice for the Laura and John Arnold Foundation in New York. Milgram, who served as New Jersey's attorney general before joining the Arnold Foundation, noted the Foundation's research revealed that nearly half of the highest-risk defendants were obtaining release before trial. Yet, 90 percent of jurisdictions today do not use risk assessment instruments that can help guide these determinations, according to Milgram.

Over the past two years, the foundation has conducted extensive research on pretrial decision making and has developed the Public Safety Assessment-Court (PSA-Court) tool to help distinguish among defendants at different risk levels. The tool determines how likely a defendant is to fail to return to court or commit a new crime if released. It also identifies those defendants who are most likely to commit a new violent crime.

The PSA-Court tool was developed and validated by a research team that studied hundreds of thousands of pretrial cases in more than 300 U.S. jurisdictions. They identified the factors that were the best predictors of new crime, new violence and failure to appear. They determined that the risk assessment tool—without a time-consuming interview—can reliably predict risk posed by a given defendant.

Kentucky is the first pilot site for the tool. All 120 counties started using it in July 2013, and other pilot sites will begin this year, followed by a national rollout. Preliminary results in Kentucky are confirming the tool's value in predicting pretrial success.

Kentucky legislation in 2011 paved the way. It broadly addressed criminal justice reforms, and required judges to use results of an interview tool designed to measure a defendant's risk of flight and potential for criminal conduct while on pretrial release pending case disposition. The process effectively gauged risk and improved pretrial release success rates, but it was labor intensive. The new PSA-Court tool changes what was a 20-minute interview process to a five-minute assessment, according to Tara Klute, director of Kentucky Pretrial Services.

"We're finding it saves time and resources and produces better results," Klute says.

Kentucky's legislation also requires that low-risk and some moderate-risk defendants be released on their own recognition or on unsecured bond. Since that requirement was put in place, non-financial releases have risen 15 percent. This adds up to 11,000 more defendants released since the new policy

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—ANNE MILGRAM, VICE PRESIDENT OF CRIMINAL JUSTICE FOR THE LAURA AND JOHN ARNOLD FOUNDATION IN NEW YORK

was put in place compared to the same time frame before the law, according to a recent report of the state's Administrative Office of the Courts. Representative John Tilley (D), who sponsored the 2011 legislation, says the changes have saved Kentucky counties \$30 million to \$40 million in pretrial detention costs. "And in a state that already was safe, crime has fallen," Tilley says of the reforms.



Representative John Tilley (D) Kentucky

States where courts must use the results of risk assessment tools in making pretrial release decisions

- Colorado
- Connecticut
- Delaware
- Hawaii
- Illinois
- Kansas
- Kentucky
- Maine
- Oklahoma
- South Carolina
- Virginia

The court report said that appearance rates are slightly up and re-arrests slightly down, even with the considerable increase in defendants released from jail pending trial. The pretrial services office has been responsible for monitoring results in each county both before and after the legislative reforms.

Each year, 12 million people are booked into jails in the United States. Even though the majority are charged with nonviolent crimes, more than 60 percent of jail inmates are awaiting trial. Many of those in jail are there because they can't afford bail. A recent Bureau of Justice Statistics report said that about nine in 10 detained felony defendants in large urban counties had a bail amount set that they were unable to meet.

Other Arnold Foundation research is shedding light on the effect of pretrial detention. Findings released in late 2013 show that defendants held for the entire pretrial period had a three or four times greater likelihood of being sentenced to prison or jail than defendants released at some point before trial, and prison or jail sentences imposed were two to three times longer. The research also found that low- and moderate-risk defendants who were detained before trial were more likely to commit new crimes within two years of case disposition. Arnold analysis in two states also found that moderate- and high-risk defendants released who received pretrial supervision were significantly more likely to appear in court as scheduled.

Traditionally, criminal justice hasn't had enough data and analysis, says Milgram, who likes to refer to Arnold's national efforts to bring smart, statistical analysis to issues as the "moneyball" approach.

"You can't solve problems you don't know you have," Milgram says. "That's why we are collecting and analyzing data needed to answer critical questions about how we can make our communities safer, make our criminal justice system more just, and use our already scarce resources more wisely."