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NATIONAL CONFERENCE OF STATE LEGISLATURES

A Framework for Evaluating Higher Education Performance in Alaska

Presentation to the Senate Special Committee on University Oversight

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The Importance of Higher Education

- The annual income of a worker with a bachelor's degree averages 80 percent higher than that of a high school graduate.

Over a lifetime, the gap in earnings between those with a high school diploma and a BA (or higher) exceeds \$1 million.

The Importance of Higher Education

- The demographic distribution of who goes to college and who doesn't is not equal. Only 54 percent of high school graduates from the lowest income families enroll in college compared to 82 percent of those with family incomes of more than \$86,000.
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The Importance of Higher Education

Education Pays:

- College grads earn more and pay more taxes than high school graduates.
- College graduates are more financially independent and rely less on public services and subsidies. *ei: frequently, as suppliers, less incarceration, more active/healthy*
- College graduates have higher levels of civic participation than high school graduates.

↑ voting
charitable contributions
blood drive

Six Dimensions for Evaluating State Higher Education Policy

NCPPHE ~~7~~



- Preparation
- Participation
- Affordability
- Completion
- Benefits
- Learning

Caveats:

- This framework isn't perfect. It's intended to spark a different context for conversations about higher ed policy.
 - Categories are not independent of each other but interrelated.
 - Alaska has unique characteristics.
 - More money isn't the solution -- better use of money is a better solution.
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Preparation

How well prepared are high school students to enter college or other post-secondary activities?

Indicators:

The degree to which students are enrolled in challenging high school courses (i.e. math and science).

Scores on national and state assessments.

Participation in college entrance and advanced placement exams.

The number of high quality teachers in the K-12 system.

Preparation

Alaska's Strengths:

Compared with other states, Alaska's 8th graders perform well on national assessments in math.

Alaska performs well on the number of students taught by qualified teachers. Over the past decade, the state's substantial improvement on this measure has outpaced the nationwide increase.

Alaska's Weaknesses:

Low-income 8th graders perform very poorly on national assessments in math. Over the past decade, Alaska's substantial decline on this measure contrasts with a nationwide increase.

Participation

Do residents of all ages have sufficient opportunities to enroll in education or training beyond high school?

Indicators:

The rate high school students go on to college.

Enrollment levels of traditional aged college students.

Enrollment levels of working-aged (adult) students.

Participation

Alaska's Strengths:

A fairly large percentage of working-age adults are currently enrolled part-time in college. However, Alaska has seen the steepest decline in the nation on this measure over the past decade.

Alaska's Weaknesses:

Over the past decade, the likelihood of 9th graders enrolling in college within four years has dropped more than the national decline on this measure. The state's decrease is primarily due to a decline in the percentage of students graduating from high school.

The Alaska Student Pipeline

- In Alaska, for every 100 9th grade students:
 - 61 students graduate from high school four years later.
 - 30 students immediately enter college.
 - No number is available for how many students are still enrolled in their second year.
 - 12 students graduate with either an associate's degree within three years or a bachelor's degree within six years.
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Affordability

How affordable is higher education for students and families?

Indicators:

Tuition levels relative to family income levels (family ability to pay).

Availability of need-based financial aid.

Levels of student debt.

Affordability

Alaska's Strengths:

Alaska's Weaknesses:

Net college costs for low and middle income students to attend public four-year colleges and universities represent about a third of their annual income. These institutions enroll over 90% of students in the state. (Net college costs equal tuition, room, and board minus financial aid).

Trends in Affordability

- States have decreased the share of higher education funding in state budgets.
 - Tuition has significantly increased.
 - More students are borrowing more money.
 - States are putting more money into merit-based financial aid.
 - Lower-income students are increasingly being priced out of college.
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Completion

Do students make progress toward and complete their certificates and degrees in a timely manner?

Indicators:

The degree to which students return year after year (persistence).

Completion of bachelors degrees within 5 and 6 years.

Completion

Alaska's Strengths:

Alaska's Weaknesses:

Compared with other states, a low percentage of first-time, full-time students earn a bachelor's degree within six years of enrolling in college.

A very small proportion of students complete certificates and degrees relative to the number enrolled.

Benefits

What benefits does the state receive as a result of having a highly educated population?

Indicators:

Number of adults with bachelors degrees and advanced degrees.

Percent of population that votes, contributes to charity.

Adult literacy rates.

Benefits

Alaska's Strengths:

Alaska's Weaknesses:

Over the past decade, the gap has widened between whites and minority ethnic groups in the percentage who have a bachelor's degree.

Learning

How well are students learning in their higher education experience?

Indicators:

No adequate indicators.

Potential indicators include literacy levels of adult residents, graduates ready for advanced practice, performance of college graduates.

Next Steps

- Ask more questions and get more data.
- Talk with the higher ed community to uncover the story behind the numbers.
- ① ■ Identify together the fundamental state priorities for higher education. → *what are Ark's educ. goals?*
- ② ■ Discuss specific policy approaches that can obtain those objectives.
- Learn about policy approaches that are working in other states and institutions.

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MEASURING UP

2004

**THE STATE REPORT CARD
ON HIGHER EDUCATION**

ALASKA



**THE NATIONAL CENTER FOR
PUBLIC POLICY AND
HIGHER EDUCATION**

WHAT IS MEASURING UP?

This state report card is derived from *Measuring Up 2004*, the national report card for higher education. Its purpose is to provide the public and policymakers with information to assess and improve postsecondary education in each state. *Measuring Up 2004* is the third in a series of biennial report cards.

Measuring Up 2004 evaluates states on their performance in higher education because it is the states that are primarily responsible for educational access and quality in the United States. In this report card, "higher education" refers to all education and training beyond high school, including all public and private, two- and four-year, for-profit and nonprofit institutions.

The report card grades states in six overall performance categories:

- **Preparation:** How adequately are students in each state being prepared for education and training beyond high school?
- **Participation:** Do state residents have sufficient opportunities to enroll in education and training beyond high school?
- **Affordability:** How affordable is higher education for students and their families?
- **Completion:** Do students make progress toward and complete their certificates and degrees in a timely manner?
- **Benefits:** What benefits does the state receive as a result of having a highly educated population?
- **Learning:** What is known about student learning as a result of education and training beyond high school?

Each state receives a grade in each performance category, and the grades are based on the state's performance on several indicators, or quantitative measures, in each category. Most states receive an "Incomplete" in learning because there are no common benchmarks that allow for state-by-state comparisons in learning. Five states, however, receive a "Plus" in learning to highlight their work in developing measures to evaluate the state's educational capital—that is, the reservoir of high-level knowledge and skills

that the state's population has attained. For more information about this, see page 12 of this state report card.

In four of the performance categories—preparation, participation, completion, and benefits—grades are calculated by comparing each state's current performance to that of the best-performing states. This provides a basis for assessing and comparing each state's performance in the national context and encourages each state to "measure up" to the highest performing states.

In the affordability category, however, the nation as a whole is "measuring down." That is, even in the best-performing states, higher education has become *less* rather than *more* affordable when the costs of attending college are considered in relation to family income. As a result, grades in the affordability category are calculated by comparing each state's current results to the performance of the top states a decade ago. This enables policymakers to examine their state's results in relation to other states, while also encouraging improved performance over time. A glance at the table of state grades on page 15 reveals that the affordability category is the only one in which no state receives an A.

Measuring Up 2004 also compares each state's current results with its own performance a decade ago. Although this historical information is not graded, it is offered to allow states to examine their improvements and declines in performance. In gathering information for this period, information from 1992—or the closest year available—is compared with the most recently available data. All information was collected from national, reliable sources, including the U.S. Census Bureau and the U.S. Department of Education. (For more information about grading, data collection, and sources, please see the technical report at www.highereducation.org.)

This state report card begins by summarizing the state's performance today compared with ten years ago, and by presenting key policy questions that these results suggest for the state. Next, the state's performance in each category is described in greater detail, followed by additional contextual information.

A Snapshot of Improvement Over the Past Decade

High school graduates are, in general, better prepared for college today than their peers were a decade ago. However, most states, and the nation as a whole, have made little progress in translating these gains into improvements at the college level.

Preparation: 44 states improved on more than half of the indicators; 6 improved on some of the indicators.

Participation: 8 states improved on more than half of the indicators; 23 improved on some of the indicators; 19 declined on every indicator.

Affordability: 2 states improved on more than half of the indicators; 31 improved on some of the indicators; 17 declined on every indicator.

Completion: 37 states improved on more than half of the indicators; 9 improved on some of the indicators; 4 declined on every indicator.

Benefits: 41 states improved on more than half of the indicators; 8 improved on some of the indicators; 1 declined on every indicator.

Learning: 45 states receive an "Incomplete"; 5 states (Illinois, Kentucky, Nevada, Oklahoma, and South Carolina) receive a "Plus."

For more information about improvement, please see *Measuring Up 2004: The National Report Card on Higher Education* at www.highereducation.org.



ALASKA

A Decade Ago and Today

Alaska has made progress in preparing young people for higher education over the past decade. However, this improvement has not been matched by comparable increases in college enrollment. The state has lost ground in providing students and families with an affordable higher education, which may undercut state efforts to send clear messages to students about the importance of taking rigorous courses and being prepared academically during high school.

Strengths

Preparation

■ Compared with other states, Alaska's 8th graders perform well on national assessments in math.

■ Alaska performs well on the number of students taught by qualified teachers. Over the past decade, the state's substantial improvement on this measure has outpaced the nationwide increase.

Participation

■ A fairly large percentage of working-age adults are currently enrolled part-time in college. However, Alaska has seen the steepest decline in the nation on this measure over the past decade.

Benefits

■ Compared with other states, a fairly high proportion of residents have a bachelor's degree.

Weaknesses

Preparation

■ Low-income 8th graders perform very poorly on national assessments in math. Over the past decade, Alaska's substantial decline on this measure contrasts with a nationwide increase.

Participation

■ Over the past decade, the likelihood of 9th graders enrolling in college within four years has dropped more than the national decline on this measure. The state's decrease is primarily due to a decline in the percentage of students graduating from high school.

Affordability

■ Net college costs for low- and middle-income students to attend public four-year colleges and universities represent about a third of their annual income. These institutions enroll over 90% of students in the state. (Net college costs equal tuition, room, and board minus financial aid.)

Completion

■ Compared with other states, a low percentage of first-time, full-time students earn a bachelor's degree within six years of enrolling in college.

■ A very small proportion of students complete certificates and degrees relative to the number enrolled.

Benefits

■ Over the past decade, the gap has widened between whites and minority ethnic groups in the percentage who have a bachelor's degree.



Improvement
Over Past
Decade



Preparation



Participation



Affordability



Completion



Benefits



Learning

- Wendy -

Policy Questions

- Can higher education build upon partnerships with K-12 schools to improve student achievement and preparation for college?
- Can Alaska provide more opportunities for working-age adults to enroll in higher education?
- The University of Alaska Scholars Program provides funds for students to enroll in higher education based largely on academic performance in high school. Can the state develop financial aid programs focusing on students' financial need in order to ensure access to college for all qualified students?
- In what ways can community colleges increase participation in higher education and make higher education more affordable?
- Can Alaska close the gaps in educational achievement between whites and minority ethnic residents?
- Given that Alaska is one of the lowest performing states in completion, can its colleges and universities encourage students to complete degrees and certificates in a timely manner?

- partnerships w/ schools
- gap w/ non-native / native students

2004
Grade

Improvement
Over Decade



Over the past decade, Alaska has improved in preparing students to perform well in college, but has not kept pace with the rest of the country. This year Alaska drops to a B- in preparation.

Graded Information

■ Eighth graders in Alaska perform well on national assessments in math; however, they perform fairly poorly on national assessments in reading.

■ Compared with their peers in other states, low-income 8th graders perform very poorly on national assessments in math.

■ Extremely small proportions of 11th and 12th graders score well on Advanced Placement tests, but fairly large proportions score well on college entrance exams.

■ About three-quarters of secondary school students are taught by qualified teachers, which compares well with top-performing states.

Change in Graded Measures

■ Over the past decade, the percentage of low-income 8th graders performing well on national assessments in math has declined substantially.

■ In the same period, the percentage of secondary school students taught by qualified teachers has increased substantially.

Other Key Facts

■ Among young adults, 11% receive a General Education Development (GED) diploma rather than a high school diploma, the highest percentage in the nation.

PREPARATION	ALASKA		Top States 2004
	A Decade Ago	2004	
High School Completion (20%)			
18- to 24-year-olds with a high school credential	87%	89%*	94%
K-12 Course Taking (35%)			
9th to 12th graders taking at least one upper-level math course	n/a	n/a	59%
9th to 12th graders taking at least one upper-level science course	n/a	n/a	41%
8th grade students taking algebra	n/a	n/a	35%
12th graders taking at least one upper-level math course	n/a	n/a	66%
K-12 Student Achievement (35%)			
8th graders scoring at or above "proficient" on the national assessment exam:			
in math	n/a	30%	36%
in reading	n/a	27%	39%
in science	31%	n/a	42%
in writing	n/a	n/a	41%
Low-income 8th graders scoring at or above "proficient" on the national assessment exam in math	16%	13%	23%
Number of scores in the top 20% nationally on SAT/ACT college entrance exam per 1,000 high school graduates	168	181	227
Number of scores that are 3 or higher on an Advanced Placement subject test per 1,000 high school juniors and seniors	64	96	219
Teacher Quality (10%)			
7th to 12th graders taught by teachers with a major in their subject	54%	72%	81%

*Seventy-eight percent of 18- to 24-year-olds have a regular high school diploma; 11% have a GED.

Note: Indicators in italics are new for 2004.

■ About 11% of children under age 18 live in poverty, compared with a national rate of 17%.

■ Policymakers and state residents do not have access to important information about the courses students take in high school, as well as 8th graders' performance in writing and science, because the state declined to participate in the national survey and assessments.

The preparation category measures how well a state's K-12 schools prepare students for education and training beyond high school. The opportunities that residents have to enroll in and benefit from higher education depend heavily on the performance of their state's K-12 educational system.

PARTICIPATION

2004 Alaska

2004
Grade

Improvement
Over Decade



Over the past decade, the number of students who enroll in higher education in Alaska has declined. Alaska receives a C in participation this year.

Graded Information

■ Compared with other states, the chance of Alaska high school students enrolling in college by age 19 is very low, because few students graduate from high school and enroll in college.

■ A fairly large percentage of working-age adults (ages 25 to 49) are enrolled part-time in college-level education or training.

Change in Graded Measures

■ Over the past decade, the chance of enrolling in college by age 19 has declined by 6%, compared with a national decline of 3%. The state's decrease is primarily due to a decline in the percentage of students graduating from high school.

■ The percentage of working-age adults who are enrolled part-time in college-level education or training has declined by 29%, the largest decline in the nation over the past decade. Nonetheless, the state's current performance on this measure remains fairly good compared with other states.

PARTICIPATION	ALASKA		Top States 2004
	A Decade Ago	2004	
Young Adults (60%)			
Chance for college by age 19	29%	28%	52%
18- to 24-year-olds enrolled in college	29%	26%	40%
Working-Age Adults (40%)			
25- to 49-year-olds enrolled part-time in any type of postsecondary education	6.0%	4.3%	5.4%

Other Key Facts

■ The state's population is projected to grow by 21% from 2000 to 2015, far faster than the national rate of 13%. During approximately the same period, the number of high school graduates is projected to decrease by 4%.

■ About 9% of the adult population has less than a high school diploma or its equivalent, compared with 14% of adults nationwide.

■ In Alaska, 1,680 more students are leaving the state than are entering to attend college. About 48% of Alaska high school graduates who go to college attend college out of state.

The participation category addresses the opportunities for state residents to enroll in higher education. A strong grade in participation generally indicates that state residents have high individual expectations for education and that the state provides enough spaces and types of educational programs for its residents.

AFFORDABILITY

2004 Alaska

2004
Grade

Improvement
Over Decade



Alaska has lost ground in making higher education affordable over the past decade. This year Alaska receives an F in affordability.

Graded Information

■ Compared with best-performing states, families in Alaska devote a fairly large share of family income, even after financial aid, to attend public four-year colleges and universities, which enroll over 90% of college students in the state.

■ Alaska has made no investment in need-based financial aid, and does not offer low-priced college opportunities.

■ Undergraduate students borrowed on average \$3,277 in 2003.

Other Key Facts

■ In Alaska, 92% of students are enrolled in public four-year colleges and universities.

AFFORDABILITY	ALASKA		Top States A Decade Ago
	A Decade Ago	2004	
Family Ability to Pay (50%)			
Percent of income (average of all income groups) needed to pay for college expenses minus financial aid:			
at community colleges	17%	20%	15%
at public 4-year colleges/universities	17%	21%	16%
at private 4-year colleges/universities	34%	41%	32%
Strategies for Affordability (40%)			
State investment in need-based financial aid as compared to the federal investment	5%	0%	89%
At lowest-priced colleges, the share of income that the poorest families need to pay for tuition	10%	12%	7%
Reliance on Loans (10%)			
Average loan amount that undergraduate students borrow each year	\$3,101	\$3,277	\$2,619

Note: In the affordability category, the lower the figures the better the performance for all indicators except for "State investment in need-based financial aid."

Tuition level vs. annual income level

The affordability category measures whether students and families can afford to pay for higher education, given income levels, financial aid, and the types of colleges and universities in the state.

A CLOSER LOOK AT FAMILY ABILITY TO PAY	Average family income	Community colleges		Public 4-year colleges/universities		Private 4-year colleges/universities	
		Net college cost*	Percent of income needed to pay net college cost	Net college cost*	Percent of income needed to pay net college cost	Net college cost*	Percent of income needed to pay net college cost
Income groups used to calculate 2004 family ability to pay							
20% of the population with the lowest income	\$15,726	\$7,285	46%	\$7,918	50%	\$15,482	98%
20% of the population with lower-middle income	\$35,334	\$7,565	21%	\$8,248	23%	\$15,607	44%
20% of the population with middle income	\$54,543	\$7,717	14%	\$8,399	15%	\$15,531	28%
20% of the population with upper-middle income	\$79,597	\$7,772	10%	\$8,530	11%	\$15,462	19%
20% of the population with the highest income	\$127,730	\$7,755	6%	\$8,627	7%	\$16,022	13%
40% of the population with the lowest income	\$25,530	\$7,425	29%	\$8,083	32%	\$15,545	61%

*Net college cost equals tuition, room, and board, minus financial aid.

Those who are striving to reach or stay in the middle class—the 40% of the population with the lowest incomes—earn on average \$25,530.

■ If a student from such a family were to attend a public four-year college in the state, their net cost to attend college would represent about 32% of their income annually:

Tuition, room, and board:	\$9,350
Financial aid received:	-\$1,267
Net college cost:	\$8,083

Percent of income: 32%

Note

The numbers shown for tuition, room, and board minus financial aid may not exactly equal net college cost due to rounding.

Need-based Financial Aid

needed to borrow \$ for bachelor's

1994 - 49%

2004 - 64%

2004
Grade

Improvement
Over Decade



Despite substantial improvement over the past decade, Alaska is one of the worst-performing states in the proportion of students earning certificates or degrees in a timely manner. This year Alaska is one of only two states to receive an F in completion.

Graded Information

■ Compared with other states, a small percentage (40%) of first-time, full-time college students complete a bachelor's degree within six years of entering college.

■ A very small proportion of students complete certificates and degrees relative to the number enrolled.

Change in Graded Measures

■ Over the past few years, Alaska has more than doubled the percentage of first-time, full-time college students earning their bachelor's degree within six years of enrolling in college. However, the state's current performance remains low when compared with other states.

■ During the past decade, the state has also substantially increased the proportion of students completing certificates and degrees relative to the number enrolled, although Alaska's current performance relative to other states remains extremely low.

Other Key Facts

■ Policymakers and state residents do not have access to important information about first-year community college students returning for their second year because the state declined to participate in the national survey.

COMPLETION	ALASKA		Top States 2004
	A Decade Ago	2004	
Persistence (20%)			
1st year community college students returning their second year	n/a	n/a	53%
Freshmen at 4-year colleges/universities returning their sophomore year	59%	n/a	84%
Completion (80%)			
First-time, full-time students completing a bachelor's degree within 6 years of college entrance	19%	40%	64%
Certificates, degrees, and diplomas awarded at all colleges and universities per 100 undergraduate students	6	10	21

*admin
open - enrollment*

The completion category addresses whether students continue through their educational programs and earn certificates or degrees in a timely manner. Certificates and degrees from one- and two-year programs as well as the bachelor's degree are included.

BENEFITS

2004 Alaska

2004
Grade

Improvement
Over Decade

B



Over the past decade, Alaska has seen an increase in benefits from: having a more highly educated population. This year Alaska earns a B in benefits.

Graded Information

■ Compared with other states, a fairly high proportion of residents have a bachelor's degree, but the economic benefits to the state as a result are only fair.

■ Residents contribute substantially to the civic good, as measured by charitable giving, volunteerism, and voting.

Change in Graded Measures

■ Over the past decade, Alaska has consistently performed very well on the percentage of residents voting.

Other Key Facts

■ If all ethnic groups had the same educational attainment and earnings as whites, total personal income in the state would be about \$802 million higher, and the state would realize an estimated \$281 million in additional tax revenues.

■ Over the past decade, the gap between whites and minority ethnic groups in the percentage who have a bachelor's degree has widened. Currently, whites are more than twice as likely as those from minority ethnic groups to have a bachelor's degree. This is among the widest gaps in the country on this measure.

■ In 2002, Alaska scored 56 on the New Economy Index, compared to a nationwide score of 60. The New Economy Index, developed by the Progressive

BENEFITS	ALASKA		Top States 2004
	A Decade Ago	2004	
Educational Achievement (37.5%)			
Population aged 25 to 65 with a bachelor's degree or higher	27%	28%	36%
Economic Benefits (31.25%)			
Increase in total personal income as a result of the percentage of the population holding a bachelor's degree	9%	9%	12%
Increase in total personal income as a result of the percentage of the population with some college (including an associate's degree), but not a bachelor's degree	2%	2%	3%
Civic Benefits (31.25%)			
Residents voting in national elections	64%	60%	60%
Of those who itemize on federal income taxes, the percentage declaring charitable gifts	84%	83%	92%
Increase in volunteering rate as a result of college education	n/a	21%	22%
Adult Skill Levels (0%)*			
Adults demonstrating high-level literacy skills:			
quantitative	29%	31%	33%
prose	29%	30%	33%
document	24%	26%	28%

*Adult Skill Levels for 2004 are estimated and are not used to calculate grades.

Note: Indicators in italics are new for 2004.

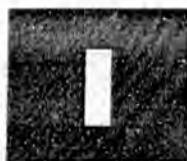
Policy Institute, measures the extent to which states are participating in knowledge-based industries.

■ Policymakers and state residents do not have access to important information

about high-level literacy skills because the state has declined to participate in the national literacy survey.

The benefits category measures the economic and societal benefits that the state receives as the result of having well educated residents.

2004
Grade



Like most states, Alaska received an Incomplete in learning because there are no comparable data that would allow for meaningful state-by-state comparisons in learning. The Incomplete in this category highlights a gap in our ability to measure each state's educational capital—the reservoir of high-level knowledge and skills that benefit each state.

Measuring Up 2004 gives a "Plus" in learning to five states (Illinois, Kentucky, Nevada, Oklahoma, and South Carolina) that have developed learning measures through their participation in a national demonstration project conducted by the National Forum on College-Level Learning and funded by The Pew Charitable Trusts.*

Based on the results of the project, the learning category is being constructed like the other performance categories in *Measuring Up*, with indicators that are grouped in several themes, each of which is weighted (see parentheses) and reflects a particular dimension of state performance:

1. Abilities of the College-Educated Population (25%). This cluster of indicators examines the proportion of college-educated residents who achieve high levels of literacy. For the 2004 demonstration, the data used are the same as those included in the benefits category and are based on the 1992 National Adult Literacy Survey (NALS) for citizens aged 25 to 64, updated through the 2000 census. The NALS assessment poses real-world tasks or problems that require respondents to read and interpret texts (prose), to obtain or act on information contained in tabular or graphic displays (document), and to understand numbers or graphs and perform calculations (quantitative).

2. Institutional Contributions to Educational Capital (25%). The indicators in this area reflect the contributions to a state's stock of "educational capital" by examining the proportion of the state's college graduates (from two- and four-

Learning	Alaska
Literacy Levels of the State's Residents (25%)	
Prose	?
Document	?
Quantitative	?
Graduates Ready for Advanced Practice (25%)	
Licensures	?
Competitive admissions	?
Teacher preparation	?
Performance of College Graduates (50%)	
<i>From four-year institutions</i>	
Problem-solving	?
Writing	?
<i>From two-year colleges</i>	
Reading	?
Quantitative skills	?
Locating information	?
Writing	?

Note: Measures included under the first two clusters are available nationally and can be calculated for all 50 states. Measures included in the third will require special data-collection efforts similar to those undertaken by the five demonstration project states in 2004.

year institutions) ready for advanced practice. For the 2004 demonstration, the measures are based on available records for college graduates within each state who have demonstrated their readiness for advanced practice by (a) passing a national examination required to enter a licensed profession such as nursing or physical therapy, (b) earning a competitive score on a nationally recognized graduate admissions examination such as the Graduate Record Examination (GRE) or the Medical College Admissions Test (MCAT), or (c) passing a teacher licensure examination in the state in which they graduated. These measures are presented as a proportion of total bachelor's and associate's degrees granted in the state during the time period.

1 What are the abilities of the college-educated population?

2 To what extent do colleges and universities educate students to be capable of contributing to the workforce?

3 How well can graduates of two- and four-year colleges and universities perform complex problem-solving tasks?

3. Performance of College Graduates (50%). These indicators examine how well the graduates of the state's two- and four-year colleges and universities can perform complex tasks related to academic and real-world problem-solving situations. For the 2004 demonstration, the measures consist of two sets of assessments, the Collegiate Learning Assessment (CLA) for four-year students and the ACT Work Keys assessment for two-year students. The CLA is an innovative examination that poses real-world tasks that a student is asked to understand and solve. For example, students could be asked to draw scientific conclusions, examine historical evidence, or develop a persuasive essay. The ACT Work Keys examines what students can do with what they know. Students might be asked to extract information from documents and instructions, or use mathematical concepts such as probability or estimation in real-world settings. The Work Keys writing assessment requires students to prepare an extended essay.

* A report on the results and lessons of the five-state demonstration project will be released in November.

ADDITIONAL INFORMATION

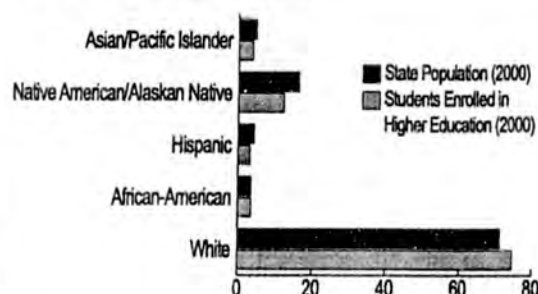
2004 Alaska

State Context	Alaska	State Rank
Population (2003)	648,818	47
Gross state product (2001, in millions)	\$28,581	45
Leading Indicators	Alaska	U.S.
Projected % change in population, 2000-2015	21.1%	12.9%
Projected % change in number of all high school graduates, 2002-2017	-4.2%	8.0%
Projected budget surplus/shortfall by 2010	-2.4%	-3.4%
Average income of poorest 20% of population (2002)	\$15,726	\$12,072
Children in poverty (2001)	12.0%	16.0%
Percent of adult population with less than a high school diploma or equivalent (2003)	9.4%	14.0%
New economy index (2002)*	56.3	60.3
Facts and Figures	Alaska	
	Number/Amount	Percent
Institutions of Postsecondary Education (2002-03)		
Public 4-year	3	
Public 2-year	2	
Private 4-year	2	
Private 2-year	1	
Students Enrolled by Institution Type (2001)		
Public 4-year	23,932	92%
Public 2-year	1,061	4%
Private 4-year	1,007	4%
Private 2-year	0	0%
Students Enrolled by Level (2001)		
Undergraduate	26,000	94%
Graduate	1,756	6%
Professional	0	0%
Enrollment Status of Students (2001)		
Full-time	11,490	41%
Part-time	16,266	59%
Net Migration of Students (2000)		
Positive numbers for net migration mean that more students are entering than leaving the state to attend college. Negative numbers reveal the reverse.	-1,680	
Average Tuition (2002-03)		
Public 4-year institutions	\$3,425	
Public 2-year institutions	\$1,942	
Private 4-year institutions	\$11,851	
State and Local Appropriations for Higher Education		
Per \$1,000 of personal income, FY 2004	\$10	
Per capita, FY 2004	\$335	
% change, FY 1994-2004		21%

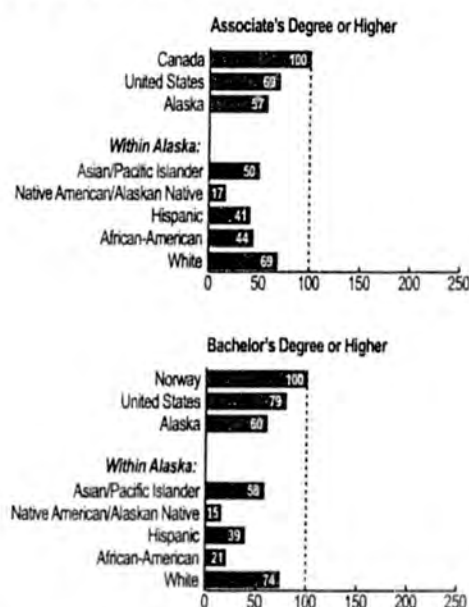
* This index, created by the Progressive Policy Institute, measures the extent to which a state is participating in knowledge-based industries. A higher score means increased participation.

Note: Percentages might not add to 100 due to rounding.

Ethnic Distribution (%)



Attainment of College Degrees in United States and Top Country, 25- to 34-year-olds (2000)



Note: These two charts compare performance in the U.S. to the performance of the top country, which receives a score of 100.

QUESTIONS & ANSWERS

Q: Who is being graded in this report card, and why?

A: *Measuring Up 2004* grades states, not individual colleges or universities, on their performance in higher education. The states are responsible for preparing students for higher education through sound K-12 systems, and they provide most of the public financial support—\$69 billion currently—for colleges and universities. Through their oversight of public colleges and universities, state leaders affect the kind and number of programs available in the state. They determine the limits of financial support and often influence tuition and fees for public colleges and universities. They determine how much state-based financial aid to make available to students and their families, which affects students attending private as well as public colleges and universities.

Q: How are states graded?

A: The report card grades states in six performance categories: academic preparation, participation, affordability, completion, benefits, and learning. Each category is made up of several indicators, or quantitative measures—a total of 35 in the first five categories. Grades are calculated based on each state's performance on these indicators, relative to other states. *Measuring Up 2004* draws its data from the most recent public information available. Most of the data in *Measuring Up 2004* is from 2002 and 2003.

In the affordability category, *Measuring Up 2004* reflects the major changes in tuition and financial aid that occurred in 2003. In addition, each state's performance is now calculated in relation to the performance of top states a decade ago—rather than in relation to top states' current performance, as is the case with other graded categories. This change creates

a more stable basis for states to assess their performance in affordability, which is the most volatile of the graded categories.

In the learning category, *Measuring Up 2004* reports information about five states (Illinois, Kentucky, Nevada, Oklahoma, and South Carolina) that participated in a pilot project on measuring learning. This report card gives these states a "Plus" for their efforts in assessing and measuring learning; however, all other states continue to receive an "Incomplete" in this category, as there is no information available to make state-by-state comparisons.

All data used to grade states in *Measuring Up 2004* were collected from national, reliable sources, including the U.S. Census and the U.S. Department of Education. All data are the most current available for state-by-state comparisons, are in the public domain, and were collected in ways that allow for effective comparisons among the states. The *Technical Guide* (available at www.highereducation.org) has information about sources used in *Measuring Up 2004*.

Q: What information is provided but not graded?

A: The state report cards highlight important gaps in college opportunities for various income and ethnic groups, and they identify improvements and setbacks in each state's performance over the past decade. In addition, the series of indicators measuring adult literacy skills (in the benefits category) is not being used to calculate grades in *Measuring Up 2004* because the data have not been updated in 12 years. As a temporary placeholder for these indicators, the National Center commissioned a study to estimate adult skill levels based on the 2000 Census. These estimates are provided in the charts found in the state report cards, but they are not used to calculate any grades.

What do the arrows mean?



The state has improved on more than half of the indicators in the category.



The state has improved on some, but no more than half, of the indicators in the category.



The state has declined on every indicator in the category.

STATE GRADES

	Preparation	Participation	Affordability	Completion	Benefits
Alabama	D-	C	F	B-	C+
Alaska	B-	C	F	F	B
Arizona	D	B+	F	C+	B
Arkansas	C	C-	F	C	D+
California	C	A	B	C	A
Colorado	A-	B	D-	B-	A
Connecticut	A	A	F	B	A
Delaware	C+	C+	F	A-	A-
Florida	C	C	F	A-	B-
Georgia	C	D	F	B	B
Hawaii	C	B-	D	C	B
Idaho	C	C-	D-	C+	C
Illinois	B+	A	D	B	B-
Indiana	C	C+	D	B	C
Iowa	B+	B+	F	A	C
Kansas	B	A	F	B	B+
Kentucky	C-	B-	D-	C	B
Louisiana	F	D+	F	C	C
Maine	B	B-	F	B	B
Maryland	A-	A	F	B-	A
Massachusetts	A	A	F	A	A
Michigan	C	B+	F	C+	A-
Minnesota	B+	A	C-	B+	A
Mississippi	D+	D	F	B-	C
Missouri	B-	B	F	B	B
Montana	B+	C	F	C	C
Nebraska	B+	A	F	B	B
Nevada	D	C	F	F	C-
New Hampshire	B+	C+	F	A	A-
New Jersey	A	A-	D	B	A
New Mexico	F	A-	F	D	C+
New York	A	C+	F	B+	B
North Carolina	B	C+	D-	B	C
North Dakota	B	A-	F	B	C
Ohio	C+	C+	F	B	B-
Oklahoma	C-	C	F	C-	C+
Oregon	C	B-	F	C	B
Pennsylvania	B-	B	F	A	B
Rhode Island	C+	A	F	A	B+
South Carolina	C	C-	F	B	C
South Dakota	B	B+	F	B	C-
Tennessee	C-	C-	F	C+	C
Texas	C+	C	D	C	B-
Utah	A	C+	C	B	B
Vermont	C+	C	F	A	B-
Virginia	B+	B-	D-	B	A-
Washington	B-	C	F	A-	A-
West Virginia	C+	C-	F	C	D
Wisconsin	B+	B	D	A-	C+
Wyoming	C+	B	F	B+	D

MEASURING UP 2004 RESOURCES

To view *Measuring Up 2004* and its resource visit

www.highereducation.org

Select the *Measuring Up* icon

National Picture

- **Snapshot:** Performance overview on national maps
- **Improvement:** The nation's performance over the past decade
- **Download** the national report in PDF format

State Reports

- **State Report Cards:** A comprehensive picture of higher education in each state
- **Download** each state's report card in PDF format

Compare States

- **Graded Performance:** Compare state results by performance category
- **State Facts:** Compare non-graded state information
- **Index Scores (sort/compare/map):** Sort states by their rank within each category and create a national map based on individual indicator scores

Commentary

- **Foreword,** by James B. Hunt Jr., Chairman, and Garrey Carruthers, Vice Chairman of the National Center's Board of Directors
- **A Message** from Governor Mark R. Warner, Governor of Virginia and Chairman of the National Governors Association

- **A Ten-Year Perspective: Higher Education Stalled Despite High School Improvement,** by Patrick M. Callan, President of the National Center

- **Grading Learning: Extending the Concept**
- Special reports forthcoming

News Room

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About *Measuring Up*

- Questions and Answers about *Measuring Up 2004*
- What is *Measuring Up*?
- How We Grade States
- How We Measure Improvement
- *Measuring Up 2004* Database
- *Technical Guide*
- "Measuring Up 2004 and Beyond" Working Group
- Acknowledgements
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Investment in State Postsecondary Education

What Do Students Pay? What Do States Pay?

And What Should Each Expect In Return?

Alaska

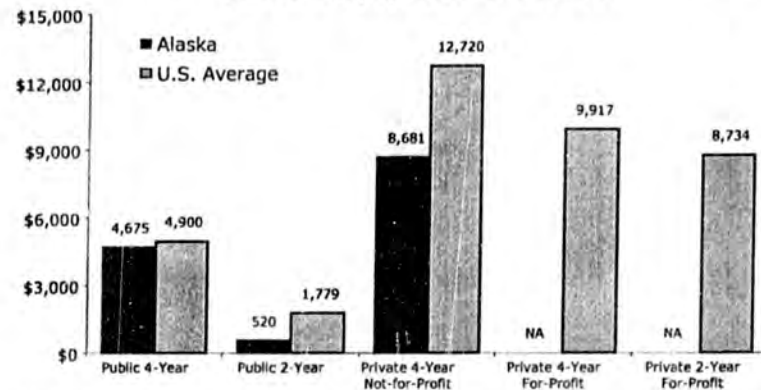
Created by the National Center for Higher Education Management Systems (NCHEMS) with
Support from the National Postsecondary Education Cooperative (NPEC)

Student Investment in Postsecondary Education

Alaska

What Do Alaska Students Pay Relative to the U.S. Average?

Net Undergraduate Tuition and Fees* In Alaska Compared to the U.S. Average, by Sector for 2002-03

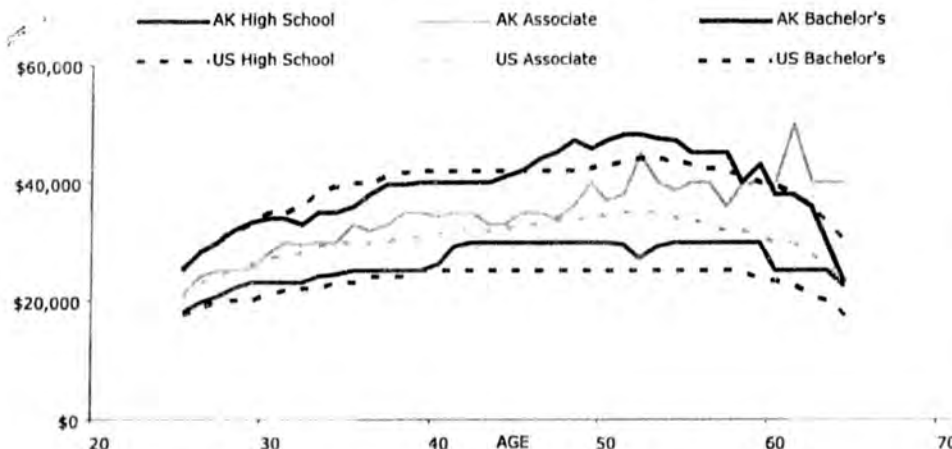


*Net undergraduate tuition and fees includes tuition, fees, and other expenses for a full-time resident freshman minus the total of all federal, state and institutional grant aid for the academic year. Room and board costs are not included even though some portion of the total grant aid could be used to defray room and board expenses.

Source: NCES, IPEDS Institutional Characteristics Survey and Student Financial Aid Survey, 2002

What are Alaska's Annual Earnings Relative to the U.S. Average?

Median Annual Earnings (Ages 25 to 64) by Degree-Level and Age

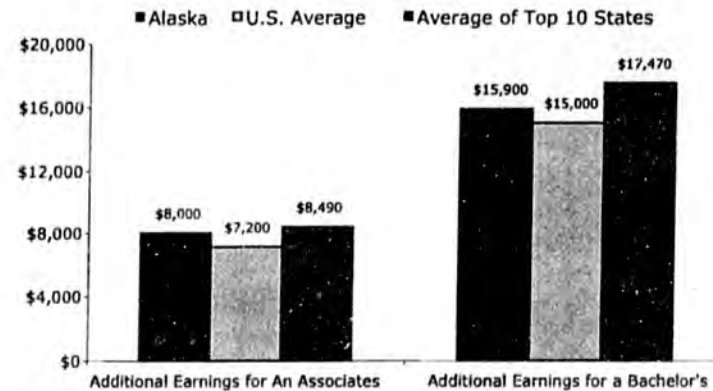


Note: Data for determining differences in earnings for public vs. private college graduates are not available.

Source: U.S. Census Bureau, 2000 Census 5% Public Use Microdata Samples

How Much More Do College Graduates Earn in Alaska Relative to High School Graduates?

Difference in Median Annual Earnings Between College Graduates and High School Graduates in Texas vs. the U.S. and the Top 10 States (18 to 64 Year Olds) for 2000

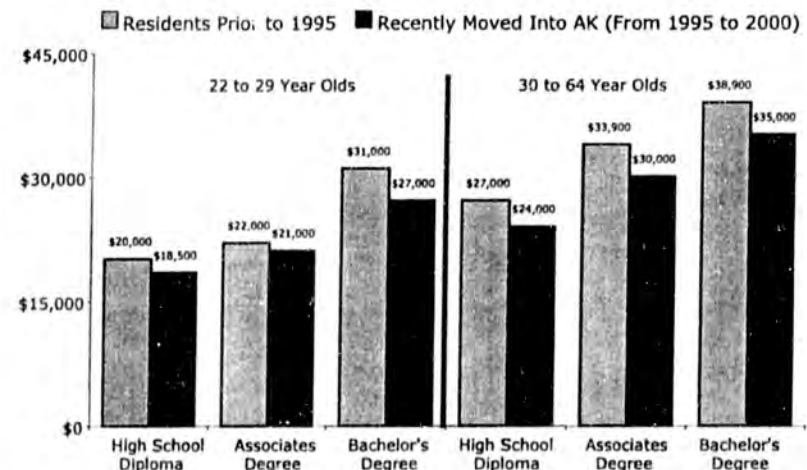


Note: The top ten states are different for each degree level.

Source: U.S. Census Bureau, 2000 Census 5% Public Use Microdata Samples

How Do the Earnings for Long-Term Alaska Residents Compare to Those Who Move In From Out-of-State?

Median Annual Earnings for Alaska Residents Prior to 1995 Compared to Those Who Moved In from Out-of-State (from 1995 to 2000) by Degree-Level and Age-Group



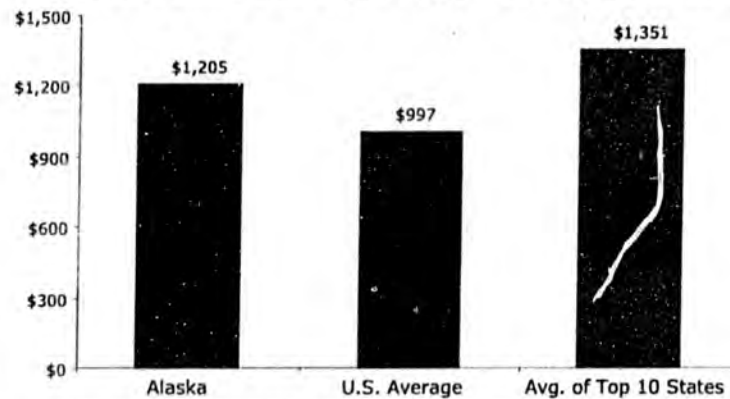
Source: U.S. Census Bureau, 2000 Census 5% Public Use Microdata Samples

State Investment in Postsecondary Education

Alaska

What Does Alaska Invest In Postsecondary Education Relative to the Eligible Population 18 to 44 Years Old?

State Appropriations for Postsecondary Education* Per Resident 18 to 44 with a High School Diploma or Some College (but No College Degree) for 2003-04

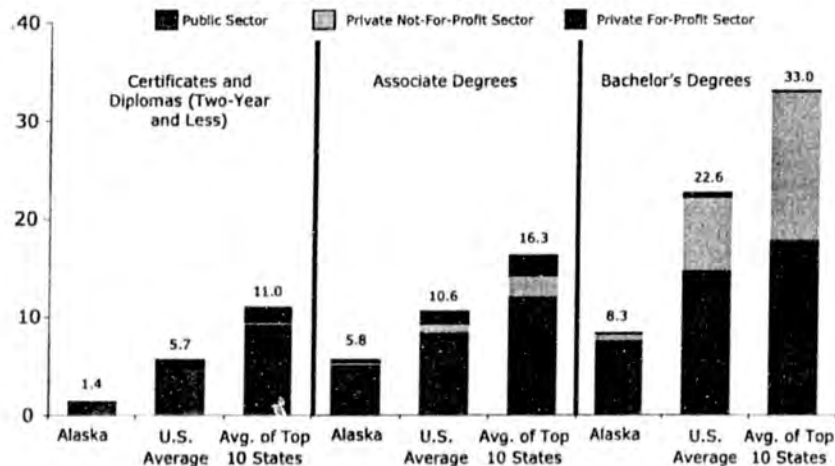


* State appropriations include all state funds appropriated for state grant financial aid and exclude state funds targeted for research, agriculture, and medicine.

Sources: State Higher Education Executive Officers (SHEEO), US Census Bureau - 2000 Census

How Many Undergraduate Credentials Are Awarded Relative to the Eligible Population 18 to 44 Years Old?

Credentials Awarded Per 1,000 Residents 18 to 44 with a High School Diploma or Some College (but No College Degree) for 2002-03

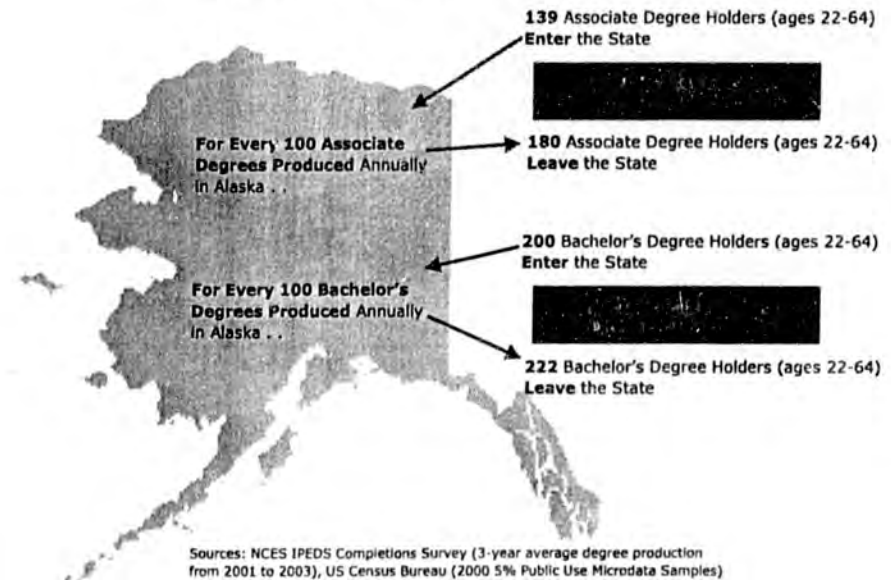


Note: The top ten states are different for each degree level. States that are large net-importers of students can produce larger numbers of degrees relative to the eligible populations. For more information regarding the migration of students see www.higheredinfo.org.

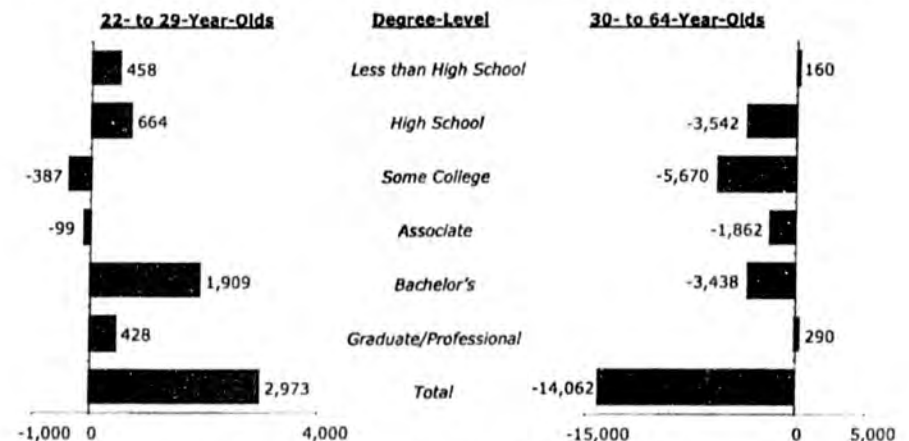
Sources: NCES, IPEDS Completions Survey (2002-03), U.S. Census Bureau 2000 Census

Is Alaska Benefiting from the Migration of College Graduates?

Recent Annual Degree-Production and Migration Patterns



Net Gain or Loss By Degree-Level and Age-Group (1995 to 2000)



Note: Net "gain or loss" is the number of in-migrants minus the number of out-migrants

Source: U.S. Census Bureau, 2000 Census 5% Public Use Microdata Samples

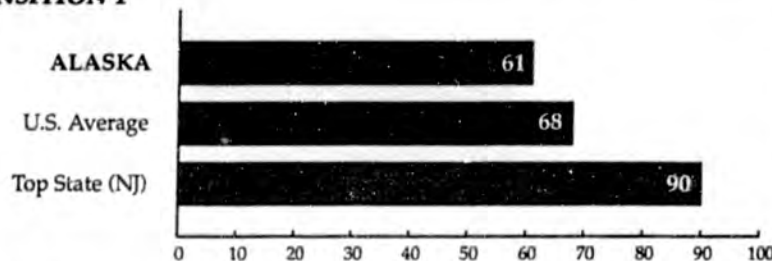
Alaska Summary

- Alaska students pay less for postsecondary education than the U.S. average at public four-year, public two-year, and private not-for-profit institutions.
- After attaining their degrees, the increase in earnings (over a high school diploma) for associate and bachelor's degree-earners is above the U.S. average but less than the average of the top ten states.
- Long-term Alaska residents earn more on average than those who recently moved in from out-of-state – at the high school, associate, and bachelor's levels.
- Alaska's investment in postsecondary education relative to its population 18 to 44 with a high school diploma or some college but no degree (the majority of residents ready to enter postsecondary education or complete degrees) is above the U.S. average but less than the average of the top ten states.
- Relative to the same population, Alaska's postsecondary education system awards fewer undergraduate credentials at all levels than the U.S. average and the average of the top ten states.
- Alaska experiences a net-loss of college-educated residents. A large net-loss of older residents (ages 30 to 29) with college degrees more than offsets the small net gain of younger residents (ages 22 to 29) with college degrees.

Note: This analysis does not include measures for each state's K-12 system and their success in preparing residents for college (e.g., high school test scores and graduation rates). It also does not include state investment and performance in postsecondary education research. For more information on how well states do on these and many other measures, see www.higheredinfo.org.

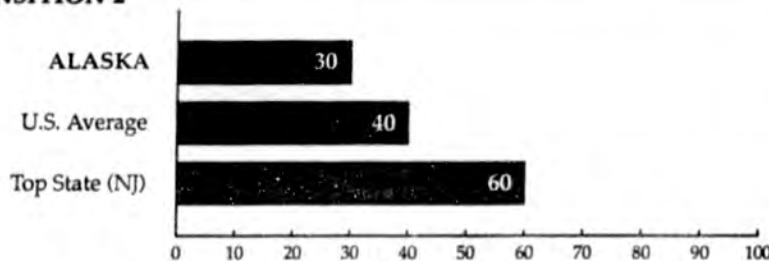
How Does ALASKA Compare to the Top State and the National Average?

TRANSITION 1



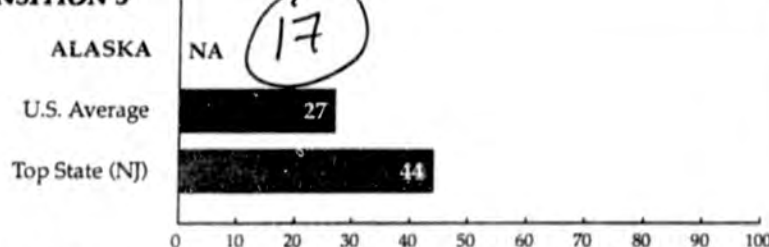
In Alaska, for every 100 ninth grade students, 61 graduate four years later.

TRANSITION 2



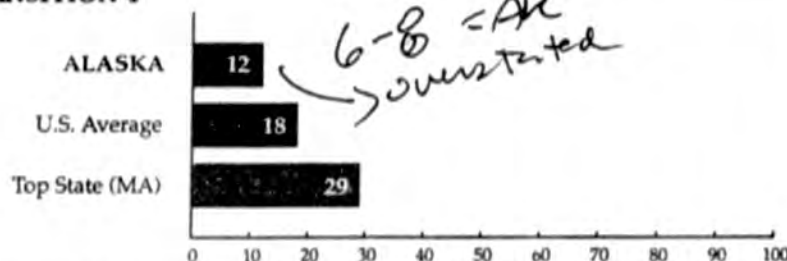
Of the 61 high school graduates, 30 immediately enter college.

TRANSITION 3



Of the 30 students who enter college, no number is available for how many are still enrolled in sophomore year.

TRANSITION 4



Twelve (12) go on to graduate within 150% time, with either an associate's degree within three years or a bachelor's degree within six years.

Note: "Top State" is the best performing of the 50 states.

Policy Alert Supplement

April 2004

ALASKA's Educational Pipeline



In Alaska, for every 100 ninth grade students ...

*nat'l
average:*



68

... 61 students graduate from high school four years later.

*top
state:*
90
(NS)



... 30 students immediately enter college.



... no number is available for how many students are still enrolled in their second year.



... 12 students graduate with either an associate's degree within three years or a bachelor's degree within six years.

*6-8
yr*

Data are from 2002. Sources: ACT. "Institutional Data Questionnaire 2003." Unpublished analysis prepared for the National Center for Public Policy and Higher Education, Iowa City, Iowa, 2004; National Center for Education Statistics. "Common Core of Data": <http://nces.ed.gov/ccd/> (accessed Jan. 26, 2004); —, "IPEDS Fall Enrollment Survey 2002": <http://nces.ed.gov/ipeds/> (accessed Jan. 26, 2004); —, "IPEDS Graduation Rate Survey 2002": <http://nces.ed.gov/ipeds/> (accessed Jan. 26, 2004); —, "IPEDS Residency and Migration File 2002": <http://nces.ed.gov/ipeds/> (accessed Jan. 26, 2004); Western Interstate Commission for Higher Education. *Knocking at the College Door: Projections of High School Graduates from 1988 to 2018*. Boulder, CO: 2004. For more detailed source information, see our web site at <http://www.higheredinfo.org/reports/pipeline/>

The concepts reflected in this supplement are from *Conceptualizing and Researching the Educational Pipeline*, by Peter T. Ewell, Dennis P. Jones, and Patrick J. Kelly of The National Center for Higher Education Management Systems. For most current data, see The National Information Center for Higher Education Policymaking and Analysis web site at www.higheredinfo.org

College Affordability

by
Christine Walton



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March 2004



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ABOUT THE AUTHOR

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Thanks also go to all the individuals who made this publication possible with their input and review of this work, including Julie Bell, Jerry Davis, Cathy Fernandez, Phillip McCarthy and Demarée K. Michelau.

EXECUTIVE SUMMARY

In the new economy, fewer high-paying jobs are available to those who do not hold a bachelor's degree, and many occupations now require advanced degrees to even enter the profession. At the same time, the cost of a college education is rising, making access to college an important public policy issue. Although most state legislatures do not directly set tuition rates, state fiscal policy significantly affects college prices. For nearly 10 years, strong economic conditions contributed to substantial state support for higher education. This support was seen in increased state appropriations and financial aid funding and decreases or sustained pricing levels in tuition and fees.

During the present decade, however, most states have reported that their budgets are not meeting projections, leaving them with uncertain economic futures or causing them to implement budget cuts. State legislators often find post-secondary education budgets a tempting source of funds for other high-demand state expenditures because these institutions have alternative ways to secure funds, including the common choice of raising tuition. As a result, higher education budgets were often targeted for appropriations cutbacks. Current state economic conditions are likely to force state legislators to once again weigh higher education against other priorities. Thus, now is an especially important time for state legislatures to consider innovative higher education finance policy, particularly with respect to college affordability.

College affordability refers to a student's ability to pay for college, taking into consideration the proportion of income needed, financial aid available and the cost of attendance. The three basic components of affordability policy are 1) tuition and fees 2) financial aid, and 3) state appropriations. College affordability is a function of the sometimes complex relationships among tuition, financial aid and state appropriations as connected policy. Although they should work together, this may not always be the case. States that have effectively integrated financial aid, tuition and financing policies consider family income, combine higher education with generous financial aid packages and, in some cases, charge lower tuition.

Tuition is steadily rising, however, and financial aid is not keeping pace with these increases. In addition, the need-based federal Pell Grant has lost its purchasing power during the last two decades, shifting more of the tuition burden to the student. In the mid-1970s, the Pell Grant covered 84 percent of public college tuition. During the mid-1990s, this number dropped to 34 percent. Financial barriers prevent 48 percent of qualified low-income students from attending a four-year university, and 22 percent from attending any college. Students are forced to compensate by borrowing more money from public and private sources, leaving them with a larger debt burden when they graduate.

State legislators play a critical role in shaping how affordable higher education is for students and families. By determining funding levels for higher education, legislators directly influence the price of tuition. During the last decade, several policies have been implemented to address the issue of college affordability. These include merit-based scholarships, tuition tax credits and deductions, prepaid tuition plans, 529 plans, in-state tuition for undocumented immigrants and tuition guarantees. College affordability is proving to be an issue of increasing concern for legislators as states realize the need to help students achieve access to a post-secondary degree not only the well-being of the individual, but also for that of the state.

INTRODUCTION

In the past, a high school diploma was a substantial credential for a graduate to receive a decent job that paid a livable wage. In the new economy, however, fewer high-paying jobs are available to those who do not hold a bachelor's degree, and many occupations—particularly those in science and health services—require advanced degrees to even enter the profession. At the same time, the cost of a college education is rising, making access to college an important public policy issue.

Although most state legislatures do not directly set tuition rates, state fiscal policy significantly affects college prices. For nearly 10 years, strong economic conditions contributed to substantial state support for higher education. This support was seen in increased state appropriations and financial aid funding and decreases or sustained pricing levels in tuition and fees. During the present decade, however, most states have reported that their budgets are not meeting projections, leaving them with uncertain economic futures or causing them to implement budget cuts. During such conditions, higher education budgets were often targeted for appropriations cutbacks. Thus, now is an especially important time for state legislatures to consider innovative higher education finance policy, particularly with respect to college affordability.

This primer is designed to help legislators and legislative staff develop a better understanding of the major trends in college affordability by examining and describing current research and various state approaches to achieve college affordability for their residents. These approaches include policies such as broad-based merit scholarship programs, tuition tax credits and deductions, and college savings plans. It also discusses the role of state legislatures in creating policies that affect college affordability and provides a list of policy questions that are intended to help legislators craft more informed, effective higher education policy. A glossary of key terms is included as appendix A.

WHAT IS COLLEGE AFFORDABILITY?

College affordability refers to a student's ability to pay for college, taking into consideration the proportion of income needed, financial aid available and the cost of attendance.

It also refers to the availability of need-based financial aid and levels of student debt after college.

The three basic components of affordability policy are 1) tuition and fees 2) financial aid, and 3) state appropriations. Tuition is the cost of instruction at a college or university, while a fee is the amount required by each student for use of the university or college facility. Fees generally are set aside for specific uses, which may include athletic fees, library facility fees and course materials. Financial aid can consist of low-interest loans, need-based grants, scholarships and work-study programs. Grants are awarded to students and do not have to be repaid. Scholarships do not require repayment and usually are awarded based on academic performance. Loans may be from public or private sources and must be repaid; they may be subsidized or unsubsidized. Subsidized loans carry below-market interest rates. Students do not have to make payments on these loans while they are in school because the government is subsidizing the loans. Work-study awards, based on financial need, require that students work on or off-campus for an hourly wage while they are in school.

States generally award financial aid in the form of grants and scholarships. At the federal level, loans and grants are the most prevalent forms of aid. Work-study awards represent less than 2 percent of all federal aid. To apply for any type of federal aid, students must complete and file the Free Application for Federal Student Aid (FAFSA) to determine their eligibility for the various types of aid. Awards are based on financial need, the cost of the institution's tuition, and on the student's status as full-or part-time. Federal Pell Grants, awarded to low-income students, are available only to undergraduate students.

WHY DOES TUITION INCREASE?

College affordability is a function of the sometimes complex relationships among tuition, financial aid and state appropriations as connected policy. Although they should work together, this may not always be the case. For example, when state appropriations decrease, tuition rises and financial aid does not keep pace, it is much more difficult for students to afford college. States that have effectively integrated financial aid, tuition and financing policies consider family income, combine higher education with generous financial aid packages and, in some cases, charge lower tuition. According to John Klacik, president of the National Association of State Student Grant and Aid Programs (NASSGAP), whenever funding does not keep pace with increases in students' education expenses, the results are more loans, reduced access to higher education, and a loss in student aspiration to participate in post-secondary education.¹

According to Dennis Jones of the National Center for Higher Education Management Systems, "When all is said and done, the requirement is not to choose one component of policy and ignore all others; rather, the requirement is for policy alignment and integration. Only one piece needs to be out of sync to jeopardize the whole framework." In addition, with nearly 70 percent of recent high school graduates going on to higher education, these policies should be analyzed from the perspective of those they affect most—the students.²

The College Cost Commission cited that tuition increases for six reasons, including 1) financial aid, 2) people, 3) facilities, 4) technology, 5) regulations, and 6) expectations.³

- **Financial Aid:** The commission found no direct evidence to suggest that loans have contributed to the rising cost of college. There is concern, however, about sharp increases in student borrowing. It is unclear whether these increases have occurred because 1) higher loan limits and the new "unsubsidized" program permit more borrowing; 2) more families are choosing to finance college expenses through loans rather than from savings or current income; or 3) the price of attending higher education has increased. The commission's judgment is that all three factors probably are involved.
- **People:** Students, administrators and faculty are associated with the rising cost of college. Students are entering college in record numbers, which drives up costs. More administrators are needed to cover both expanded services and larger numbers of federal, state and local regulations. Lastly, higher education is a labor-intensive industry, and changes in policies affect the number of faculty required to teach courses and the types of faculty hired (part-time vs. full-time, tenured vs. nontenured) all can affect an institution's cost of providing education.

- **Facilities:** Growth in higher education enrollments during the past 30 years has meant that colleges and universities have had to construct new classrooms, laboratories, and dormitories to accommodate students. Serving students with special needs also has meant that higher education institutions have had to redesign classrooms, dormitories, and other public spaces.
- **Technology:** Institutions must provide equipment for faculty and students as well as the infrastructure to accommodate it. Given the age of many campus buildings and the state of the infrastructure to support this equipment, this expense may be substantial.
- **Regulations:** The number and types of regulations with which colleges and universities are asked to comply have grown rapidly in recent years, and compliance with these regulations is expensive.
- **Expectations:** Less concrete than the other cost and price drivers are changing expectations about quality. Prospective students visiting college campuses today expect to see gyms equipped with state-of-the-art exercise equipment and facilities. Students also expect a complete range of course offerings, dormitories that are wired for computers as well as stereo equipment, and specialized counselors who can advise on personal as well as career and job placement matters. The changing student population has also brought changing expectations to campus. Parents look for child care on campus; older students returning to college anticipate counseling that is relevant to their interests; and part-time students who work during the day expect courses (and administrative services) to be available on evenings and weekends.

WHAT DOES THE RESEARCH SAY?

When creating public policy, policymakers generally strive to base their decisions on sound, comprehensive data and research. Fortunately for state legislators, numerous studies and reports about college affordability provide a solid foundation of knowledge for policymakers.

The National Center for Public Policy and Higher Education publish *Measuring Up*. This state-by-state report card on higher education grades all states in five categories of performance: preparation, participation, affordability, completion and benefits. By allowing each state to compare itself to others and to compare its own results with those in the previous edition, *Measuring Up* challenges each state to raise its performance.

The report card intentionally focuses on evaluating the state, not specific higher education institutions. It provides states with an overview of the aggregate consequence of individual policy decisions—such as how budget decisions affect affordability—and it connects K-12 and higher education policy by demonstrating how K-12 policy decisions affect college preparation.

The results on affordability are mixed. Between 2000 and 2002, 41 states improved on most measures in rating the provision of an affordable education. Since these reports were published, however, tuition subsequently has risen, revenue shortfalls in state budgets have led to decreased state support for higher education, and family incomes have declined. These measures may not accurately reflect the current situation of college affordability in the states.

Another report by the National Center for Public Policy and Higher Education, *Losing Ground: A National Status Report on the Affordability of American Higher Education*, examines the affordability of higher education. *Losing Ground* identifies five national trends surrounding college affordability:

- Increases in tuition have made colleges and universities less affordable for most American families;
- Federal and state financial aid to students has not kept pace with increases in tuition;
- More students and families at all income levels are borrowing more than ever before to pay for college;

- The steepest increases in public college tuition have been imposed during times of greatest economic hardship; and
- State financial support of public higher education has increased, but tuition has increased more.

WHY IS COLLEGE AFFORDABILITY IMPORTANT TO THE STATE AND ITS RESIDENTS?

As stated previously, a high school diploma no longer guarantees a decent job that pays a livable wage. A person who obtains a bachelor's degree averages an 80 percent higher income than does a high school graduate and earns more than \$1 million over a lifetime. With college costs rising and student enrollment increasing, however, students are facing many of the following obstacles in obtaining a post-secondary degree.

College Costs Keep Rising

The College Board reports that, during the 2003-2004 school year, students are paying an average tuition of \$4,694 for a four-year public college, an increase of 14.1 percent from 2001-2002. Tuition at private schools rose from \$18,596 to \$19,710 in the same year. Room and board charges for 2003-2004 average \$5,942 at four-year public colleges, a 6.6 percent increase; and private four-year institutions charged \$7,144, or approximately 5 percent more than the previous year. Table 1 outlines the average increase in tuition for two-year and four-year public colleges from 2002-2003 to 2003-2004.

Table 1. Change in College Tuition from 2002-2003 to 2003-2004

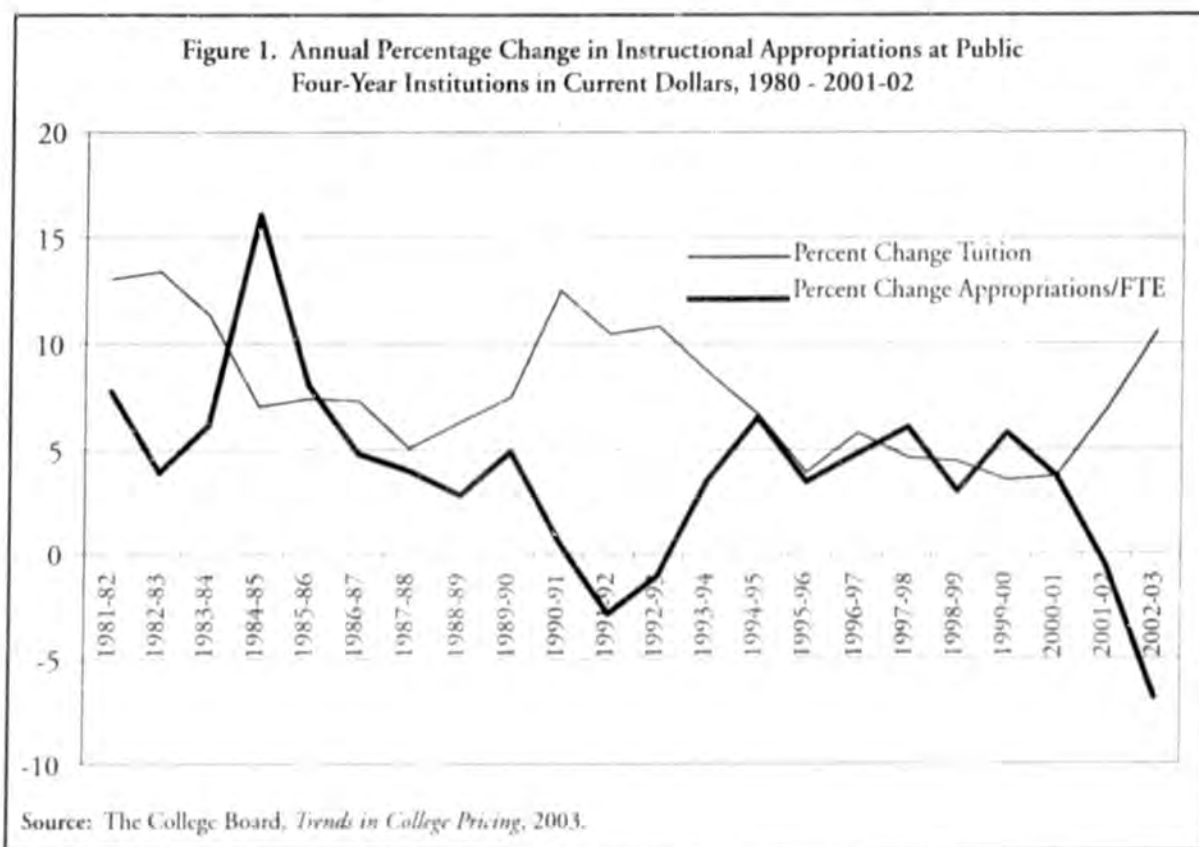
Sector	TUITION AND FEES			ROOM AND BOARD			TOTAL CHARGES		
	2003-04	2002-03	% Change	2003-04	2002-03	% Change	2003-04	2002-03	% Change
Two-Year Public	1,905	1,674	13.8%	*	*	*	*	*	*
Four-Year Public	4,694	4,115	14.1%	5,942	5,575	6.6%	10,636	9,689	9.8%
Four-Year Private	19,710	18,596	6.0%	7,144	6,807	5.0%	26,854	25,403	5.7%

Source: The College Board, *Trends in College Pricing 2003*.

Tuition Rises when Economies Are at their Worst

As noted above, during strong economic times, state funding for higher education generally is increased to cover expanding enrollments, taking inflation into consideration. During a downturn in the economy or a recession, state appropriations for higher education often become the "balance wheel in state finance," or are harder hit than most other state services, according to the late Harold Hovey, one of the nation's leading public finance experts. During the past 20 years, tuition increases have been the greatest when the economy has been at its worst.

During good economic times, state appropriations to higher education tend to increase, driving down the rate of increase in tuition expenses. When state appropriations decrease during difficult economic times or during recessions, tuition increases to make up for the shortfalls in institutional revenue. Students are forced to pay more for college at a time when, because of the recession, it is harder to pay more. Thus, families and students have been forced to absorb higher costs for colleges when state budgets are cut. This trend is detailed in figure 1.



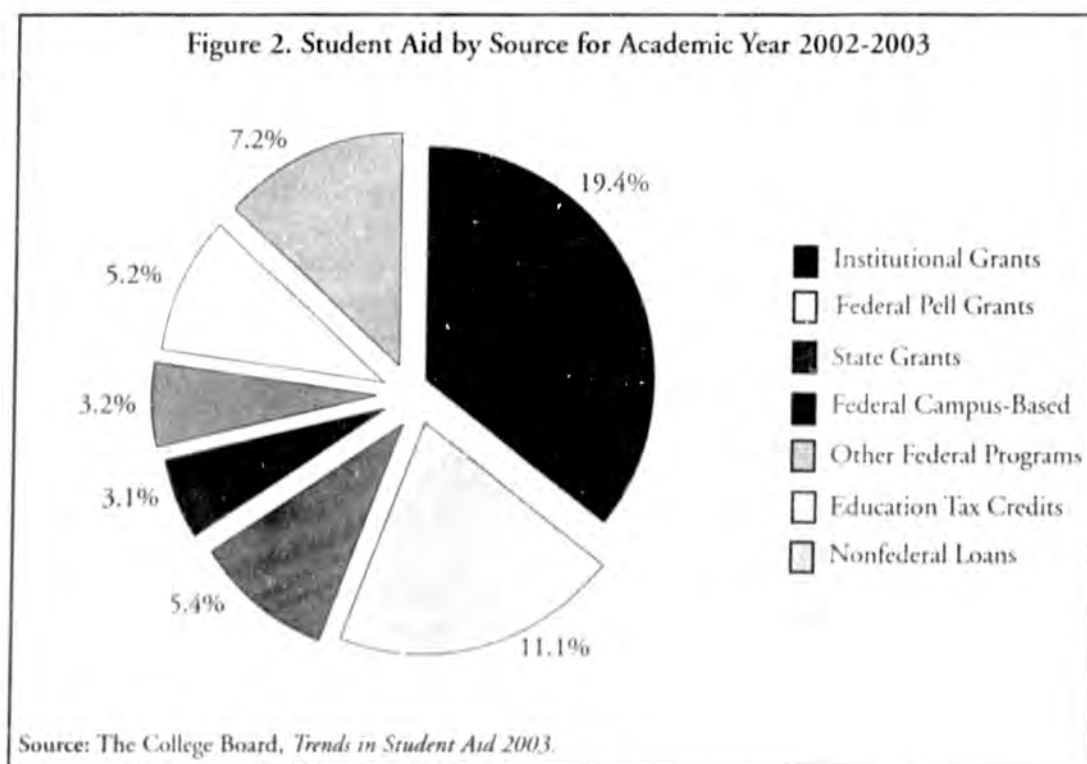
Financial Aid Has not Kept Pace with Rising College Costs

The purpose of financial aid is to assist students who would not otherwise be able to attend college to do so. Aid—in the form of grants, scholarships, loans and work-study awards—is intended to close the gap between educational expenses and the students' ability to pay for them. According to the National Center for Public Policy and Higher Education, although financial aid has increased during the last 10 years, college costs have risen faster than family income. In addition, the College Board reported that, in 2002-2004, average tuition and fees rose 47 percent at public four-year colleges and universities.⁴

During this time, according to the State Higher Education Officers (SHEEO), at least 25 states raised tuition by 25 percent to 30 percent; however, minimal plans have been made to increase financial aid to help students meet this increase. Instead, the trend has been to increase tuition and decrease aid, making it even more difficult for students to attend college during these difficult economic times. In 2002-2003, 17 states spent less on need-based aid, according to the National Center for Public Policy and Higher Education. State cuts affected everything from work-study programs to scholarships and need-based grants.

More Students now Need Loans to Attend College

Data show that college costs are rising, and financial aid no longer is keeping pace. However, aid comes in various forms—including grants, loans and work-study programs—and it is critical to understand which types of aid students and their families rely upon. The College Board reported that, for the 2002-2003 academic year, student aid was estimated at \$105 billion. Of this amount, 52.6 percent of this amount or \$55.2 billion— was in the form of federal and private loans.⁵ Figure 2 outlines the breakdown of student aid by source.



Students can expect to be paying back those loans over a period of five, 10, 20 and even 30 years, especially if they pursue an advanced degree. The result of this change is that, to avoid huge college debt, students will work full-time and attend college part-time. Many students therefore take longer to graduate, and completing an undergraduate degree in four years is almost an exception. A report by the American Council on Education, *Crucial Choices: How Students' Financial Decisions Affect their Academic Success*, found that 45 percent of freshman who worked 15 hours or more and did not secure loans to pay for school were more likely to drop out of college. According to the report "These individuals will pay for the rest of their lives in lost earning power. Even those students who simply extend their undergraduate career

will pay in opportunity costs because they are delaying their entry into the job market as full-time, college-educated workers."⁶

Low-Income and Minority Students Are Affected Most

Measuring Up 2002 shows that few states provide both affordable institutions and significant financial aid targeted specifically to low-income students and their families. Another report, *Empty Promises: The Myth of College Access in America*, from the Advisory Committee on Student Financial Assistance, shows that financial barriers prevent 48 percent of qualified low-income students from attending a four-year university, and 22 percent from attending any college.⁷

Low-income students who do manage to attend college with the assistance of financial aid still may not be able to afford the expense. According to the American Council on Education, after receiving their financial aid, low-income, dependent students had an average unmet need of \$3,265.

These effects on low-income students are due in part to a shift in state grant aid from need-based to merit-based programs. In addition, the need-based federal Pell Grant has lost purchasing power during the last two decades, shifting more of the tuition burden to the student. According to *Empty Promises*, in the mid-1970s, the Pell Grant covered 84 percent of public college tuition. During the mid-1990s, this number dropped to 34 percent. Students are forced to compensate by borrowing more money from public and private sources, leaving them with a larger debt burden when they graduate.

The Advisory Committee report also showed that low-income students may not be able to attend college full-time due to these financial constraints and may be forced to live at home and work full-time. They found:

- 50 percent of all low-income college students are living at home with their families to reduce living expenses;
- 65 percent work while enrolled, on average 24 hours a week; and
- 70 percent of students enrolled in two-year public colleges live at home, and 80 percent work an average of 27 hours per week.

As stated previously, college affordability is the percent of family income needed to pay for college after financial aid. Table 2 outlines the percent of family income needed to pay for college in the 50 states.

Students Are Graduating with More Debt

During the past decade, grant aid for students has grown by 85 percent, while student loans have increased by 173 percent.⁸ Students are graduating with record levels of debt and it is estimated that 39 percent will have a difficult time repaying their loans. Students therefore may be forced to alter their career choices, restrict their economic participation, (i.e., not purchase a house) or default on their loans because they cannot make the monthly payments.

According to the State Public Interest Group, during 1999-2000, 64 percent of students borrowed money from the federal government to cover the costs of their education. This percentage has risen by more than 50 percent since 1991-1992. During the same period, the average total student loan debt has almost doubled to \$16,928 with students borrowing more each year to pay for the increase in costs. This scenario is especially true for low-income students. Seventy-one percent of students whose families earn less than \$20,000 per year borrow money to finance their education.⁹

The rising cost of college is cited by the PIRG study as one reason for the sharp increase in debt. The study cites that, during the last decade, tuition and fees alone (excluding room and board, books, transportation and living costs) at private and public universities grew by 40 percent and 33 percent, respectively. By comparison, the median family income increased by only 12 percent.

Table 2. Percent of Family Income Needed to Pay for College

State	Percent of Income Needed
Vermont	37.7%
Rhode Island	34.9
New York	29.8
Pennsylvania	29.6
Oregon	29.3
Delaware	29.3
Ohio	28.9
New Hampshire	28.8
California	28.2
New Jersey	27.5
Montana	26.2
West Virginia	25.8
South Carolina	25.6
Michigan	25.5
Arizona	25.5
Maine	25.3
Maryland	24.9
Massachusetts	24.8
Connecticut	24.7
Indiana	24.5
UNITED STATES	24.2
Texas	24.2
Hawaii	24.2
Tennessee	23.6
Alabama	23.3
Illinois	23
Nevada	22.9
Florida	22.8
Washington	22.6
New Mexico	22.6
Mississippi	22.4
Nebraska	21.9
Missouri	21.5
Louisiana	21.3
Alaska	21.1
Virginia	20.7
North Dakota	20.2
Wyoming	20.1
South Dakota	20.1
Colorado	20
North Carolina	19.9
Arkansas	19.9
Idaho	19.6
Iowa	19.4
Kansas	19.1
Kentucky	18.9
Wisconsin	18.4
Georgia	18.4
Minnesota	17.5
Oklahoma	17.2
Utah	16.2

Source: The National Center for Public Policy and Higher Education: *Measuring Up 2000*.

HOW ARE STATES ADDRESSING THE ISSUE OF AFFORDABILITY?

During the last decade, several policies have been implemented to address the issue of college affordability. These include merit-based scholarship, tuition tax credits and deductions, prepaid tuition plans, 529 plans, in-state tuition for undocumented immigrants, tuition guarantees, and federal programs.

Merit-Based Scholarships

Many states are turning from need-based grants to merit-based grant programs. Georgia began the trend when it created its HOPE Scholarship Program. Under this program, the state pays for tuition, fees and books at a state public college as long as the student graduates from high school with a B average and maintains that average in college.

State grant and scholarship aid generally is divided into two categories: need-based and merit aid. Need-based grants are designed to ensure that students are not denied access because of their financial circumstances. Merit scholarships usually are awarded to students who excel academically, without regard to their financial circumstances.

Following the passage of the Higher Education Act of 1965, the criteria for student eligibility for state or federal scholarships and grant programs were based mainly on financial need in order to help low-income and minority students attend college. In 1972, the federal Pell Grant was created; it became the largest need-based grant program in the country. In 2002–2003, the program provided \$11.7 billion to 4.8 million students—one-quarter of the undergraduate population.¹¹ The average award was \$2,421.¹²

During the past decade, however, a fundamental shift in philosophy created a popular higher education policy. Many states began targeting more money for merit. Although merit scholarships are not a new concept, the new merit aid programs differ from former programs. States always have had merit programs, but they were awarded only to the top students of a graduating class. Now, however, these scholarships provide the full cost of tuition to students who have a B average.

Impressed by the popularity of this program, many states—such as Florida, Kentucky, Louisiana and Michigan—have implemented similar merit-based aid programs. Merit scholarship programs are similar in criteria, but range significantly in size and scope. Table 3 summarizes broad-based merit programs that are available in the states.

Table 3. Broad-Based Merit Scholarship Programs

Program	Year Created	Funding Source	Award	Eligibility
Alaska Scholars Program	1999	Land leases and sales	\$2,750 per year	Class rank
Arkansas Academic Challenge Scholarship		General revenues	\$2,500 per year at in-state public university	2.75 GPA; student must complete 30 academic hours per year
Florida Bright Futures	1997	Lottery	Full tuition and fees plus \$300 for books	GPA and SAT or ACT
Georgia Helping Outstanding Pupils Educationally (HOPE)	1993	Lottery	Full tuition and fees plus \$300 for books	GPA
Kentucky Educational Excellence Scholarship	1999	Lottery	\$2,500 per year	GPA and ACT
Louisiana Tuition Opportunity Program for Students (TOPS)	1998	General revenues	Full tuition and fees	GPA and ACT
Michigan Merit Award Scholarship	1999	Tobacco settlement	One-time award of \$2,500	State Curricular Framework Test
Mississippi Eminent Scholarships Program	1996	General revenues	\$2,500	GPA and SAT/ACT
Missouri Higher Education Academic Scholarship Program - Bright Flight	1997	General revenues	\$2,000	SAT/ACT
Nevada Millennium Scholarship	2000	Tobacco settlement	\$80 per credit hour at four-year institution and \$40-\$60 per credit hour at two-year college	GPA
New Mexico Lottery Success Scholarship	1997	Lottery	Full scholarship at a four-year college	GPA
South Carolina Legislative for Future Excellence Scholarship (LIFE)	1998	General revenues	Full scholarship plus \$300 for books and expenses	GPA, SAT or ACT and class rank
Tennessee Education Lottery Scholarship	2003	Lottery	Up to \$3,600	3.0 GPA and 19 out of 36 on the ACT
West Virginia Providing Real Opportunities for Maximizing In-State Student Excellence	2002	Lottery and taxes on amusement devices	Full scholarship	GPA and SAT or ACT

Source: Harvard Civil Rights Project, 2002.

Why Did Merit Scholarships Become So Popular?

- To reduce "brain drain" and encourage the best and the brightest students to attend college in their home state;
- To improve academic excellence and high school graduation rates for all students and, at the same time, motivate a larger population to attend college;
- To help students across all economic lines, specifically middle-class families that are struggling to pay for college and are ineligible for need-based aid and;
- To encourage students to attend a four-year institution or transfer from a two-year program to a four-year program.

After a decade of experimentation in the states, research results on the effectiveness of these programs are only now beginning to emerge. Many speculate that these scholarships work against long-held values about affordability and are quite expensive to maintain in times of state budget reductions. They argue that these scholarships target valuable state funds to those who already have access to higher education. Many feel that scholarships should help those most in financial need, thus keeping the cost of college affordable.

The Civil Rights Project at Harvard University examined merit-based aid programs in four states—Florida, Georgia, Michigan and New Mexico. This work focuses on whether merit-based aid programs promote college access and attainment and how well the programs serve the needs of students from different income, racial and ethnic groups. Findings suggest that these scholarships are disproportionately awarded to students who typically have the highest college participation rates, including students from middle- and upper-income families and Caucasian students. Furthermore, evidence indicates that the programs do little to provide financial assistance to the students who need it most. Instead of equalizing financial opportunities to attend college, the Civil Rights Project report suggests that merit aid actually is increasing the disparity between rich and poor students' ability to afford college. Programs that are paid for by lottery funds also have been charged with redistributing money from lower income groups to upper income groups. Critics of these programs contend that low-income families spend disproportionately more of their incomes on the lottery.¹³

Opponents also say that, with the rise in merit scholarships, need-based aid is decreasing or remaining stagnant, even as tuition and college attendance increase. "Between 1991 and 2001, spending by the states on need-based scholarships for undergraduates increased 7.7 percent annually, while spending on merit programs increased 18.3 percent."¹⁴ In 2002, only six states contributed a substantial amount of their financial aid budgets to need-based aid—New York (17.9 percent), California (13.4 percent), Illinois (10 percent), Pennsylvania (8.8 percent), Texas (5.5 percent) and New Jersey (4.9 percent). The remaining 44 states contributed a combined 39.8 percent of financial aid budgets to low-income students.¹⁵

The influence of merit scholarship programs indicate progress in the following areas.

- College attendance has increased. For example, Georgia's HOPE Scholarship increased college enrollment of 18- to 19-year-olds by 7 percent to 7.9 percent.¹⁶
- Students are more likely to stay in their home state and attend a four-year university.¹⁷
- SAT scores and high school grades have improved. In addition, college remediation has decreased during a student's freshman year due to improved preparation for college.¹⁸
- A report by the Council for School Performance found that the HOPE Scholarship had increased enrollments of African-American students by 33 percent. It also found an overall increase in enrollment of all minority groups.¹⁹

Other studies, however, indicate obstacles remain to be overcome with merit aid.

- Many students are losing their scholarships due to poor grades after they begin college. Although the programs are initially increasing college attendance, they are not securing success and increasing graduation rates.
- Some students are taking easier classes in high school and college in order to maintain a qualifying B average.
- Resident freshman students are taking fewer courses and are more likely to withdraw from a course resulting in a slowdown of academic progress.²⁰
- Caucasian and Asian-American students are more likely to receive merit scholarships than are African-American and Hispanic students.
- Merit scholarship programs do not necessarily increase access to college, especially for poor students.
- Merit programs financed by lottery funds may be financed more by low-income and minority families. A study at the University of Georgia found that counties in Georgia with high populations of African-American and low-income families spend more on lottery tickets in what they call a "distributional inequity."²¹
- Students may remain in the state during college, but receiving merit aid does not guarantee that they will remain in the state when they are ready to enter the work force.
- Merit scholarships are being awarded as fee waivers. In turn, recipients and their families are not eligible for federal tax credits. The amount the state is spending for their tuition is a substitute for the Federal HOPE tuition tax credit.²²

Tuition Tax Credits and Deductions

Tuition tax credits and deductions use the tax code to help students and families pay for college. Only a few states—including Michigan, New York and South Carolina—provide for tax credits, while many states give tax deductions for some portion of tuition payments. Tax

credits allow taxpayers to subtract a percentage of their higher education expenses—including tuition, fees, books, and room and board—from the amount they owe in state income taxes. Tax deductions allow taxpayers to subtract a percentage of their higher education expenses from their taxable income. Tax credits tend to provide a more significant benefit for individuals than do deductions because many low-income families already receive the maximum amount of deductions on their taxes; therefore, this additional incentive does not benefit them.

Critics argue that relying on the tax code to provide tuition relief to students is beneficial only to those students and families who know enough about tax filing or who can afford a tax professional to help them take advantage of this opportunity. Likewise, tax credits do not help students or families who have zero or negative tax liability.

Prepaid Tuition Plans

Twenty states have prepaid tuition plans or Prepaid Educational Arrangements (PEAs). In 1988, Michigan was the first state to offer a prepaid tuition plan. These plans allow families to purchase one or more years of a college education at the current level of tuition for state public universities and community colleges. Plans also may cover a percentage of the tuition at private and out-of-state institutions. Families can invest through a variety of options, including monthly or lump sum deposits. The plans differ significantly from state to state, but each allows the investor to save for the cost of tuition and mandatory fees.

Prepaid tuition plans have been criticized for their limited capacity and numerous restrictions. Families can invest only in their own state's plan. The plans are geared toward in-state public institutions, and investment may not cover the cost of an out-of-state or private college. In addition, these plans can greatly reduce a student's financial aid eligibility because such plans are considered income when students apply for aid. Therefore, a student may not receive the maximum amount needed to pay for college. Many states also limit the use of these funds to certain expenses—primarily tuition, fees, and books—and may impose severe penalties for misuse of funds or cancellations.

With a combination of high tuition and the struggling stock market, many states are concerned that their prepaid tuition programs suffer financial setbacks. Kentucky, Texas and West Virginia are waiting for conditions to improve before they resume enrollments. Colorado has closed its plan indefinitely; investors were offered the opportunity to remove their money.

529 Plans

Currently, all 50 states now offer 529 plans, named for the section of the tax code that created them in 1996. Florida has one of the nation's largest programs, with 750,000 beneficiaries and \$5 billion in assets. Money contributed to this prepaid tuition plan is put into stocks and bonds, with the assumption that the money invested now will grow to be equitable to the cost of future tuition. Each state operates its program with different investment options, contribution levels and tax advantages (see appendix B).

These plans offer many benefits, among which are more flexibility for families and availability regardless of annual income. A donor can make a much larger contribution to a 529 plan than to an education IRA. Contributions up to \$50,000 a year are allowed and in some plans and states, \$250,000 can be contributed over the life of the plan.

Families have the flexibility to designate one or more student beneficiaries of the funds. The amounts can easily be transferred to another person if one beneficiary does not use all the college funds or receives a scholarship, for example. The contributions are not tax deductible, but families do not have to pay federal taxes for withdrawals for college expenses. Some states also offer tax deductions if contributions are made to the state plan.

As noted above, these savings plans are considered to be student income, so contributions to 529 plans reduce the amount a family can receive in need-based financial aid. Other concerns also exist about the plans. According to a report by the Institute for Higher Education Law and Governance, with poor stock market conditions, severe deficits and steep tuition increases, many states have increased the cost of the programs, added additional fees and reduced benefits. Some states are closing or delaying enrollment periods of their programs due to these concerns.

In 2003, a consortium of more than 220 private colleges and universities opened the Independent 529 Plan allowing families to bypass the state plans and prepay tuition for such institutions as Princeton University and the University of Notre Dame. The main difference between the private plan and state programs is that colleges are responsible for covering the difference if tuition rises faster than investment returns.

In-State Tuition for Undocumented Immigrants

A 1996 federal law addressing illegal immigration included a provision that affects state residency requirements for in-state tuition rates, which traditionally has been a matter of state law. Now, states are prohibited from offering in-state tuition rates to unauthorized immigrant students unless other U.S. citizens are eligible for the same rate.

In 2001, California and Texas were the first states to enact legislation allowing in-state tuition for undocumented immigrants. New York and Utah followed suit in 2002, and Illinois, Oklahoma and Washington enacted similar legislation in 2003. During the past three years, legislators in at least 20 states debated similar bills. The enacted state legislation generally requires that students be residents in the state for three years, graduate from a state high school, receive notification of acceptance to a public college or university, and sign an affidavit stating they will file for legal immigration status.

Supporters hope legislation that authorizes in-state tuition for undocumented immigrants will give students the incentive to stay in high school and attend a college or university, eventually using their education to contribute to society and the economy of the state. Many of these students came to the United States with their parents and have lived in the country for more than five years. A large percentage have either graduated from a public high school or obtained their GEDs. According to the Urban Institute, the affected population nationally is about 60,000 people per year. By individual state, this number is approximately 75 percent of the undocumented immigrant population (with five or more years residence and graduation from a state high school).

State budget cuts for higher education and national security concerns resulting from the terrorist attacks of September 11, 2001, however, have persuaded legislators to introduce bills to prohibit in-state tuition for foreign students or to exclude all undocumented students from attending a public college or university. Some legislators are concerned that allowing in-state tuition during tight economic times will take away opportunities from U.S. citizens and legal immigrants.

Federal Action on Undocumented Immigrants and In-state Tuition. Congress has sponsored bipartisan legislation to repeal the provision in the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 that prohibits states "... from providing a post-secondary education benefit to an alien not lawfully present unless any citizen or national is eligible for such benefit." The Student Adjustment Act would allow certain minor immigrant children to gain legal status and would permit states to offer in-state tuition and financial aid to undocumented immigrants. To be eligible, students must be under age 21, have lived in the United States for five years continuously, and be in at least the seventh grade or actively pursuing admission to a college or university.

Tuition Guarantees

During the 2003 session, Illinois legislators approached the problem of tuition increases from a different perspective. Legislation was passed that guarantees the cost of state tuition for four consecutive years beginning with first-year freshman and ending their senior year of college. Policymakers hope this plan will help families and students prepare financially for their college education and provide a high degree of certainty about tuition costs.

The plan applies to all undergraduate students enrolled in a baccalaureate degree program, and it treats every student as part of a cohort defined by the date of enrollment in the university. Each cohort is guaranteed an unchanged tuition schedule for four years. If students leave college for any reason and decide to re-enroll, they resume paying tuition at their original cohort level. Their time at the cohort level, however, is not extended past the original four years. At the end of the four years, the tuition schedule will change to mirror the tuition schedule for the "without guarantee" cohort, or the same as for those students—such as non-degree students—who are not eligible for a tuition guarantee.

Federal Programs

The federal government provides the majority of direct aid to students—approximately three-fourths of the \$74 billion in available student aid during 2000-2001 was generated by federal appropriations or loan guarantees, according to the College Board.

Congress passed the Taxpayer Relief Act of 1997, which included two programs to help students pay for college—the HOPE Scholarship and the Lifetime Learning Tax Credit. The HOPE Scholarship targets students in their first two years of college (or other eligible post-secondary training) and provides for taxpayers to be eligible for a tax credit equal to 100 percent of the first \$1,000 of tuition and fees and 50 percent of the second \$1,000 (the amounts are indexed for inflation after 2001). The credit is available on a per-student basis for net tuition and fees (less grant aid) paid for college enrollment after December 31, 1997. The credit is phased out for joint filers with incomes between \$80,000 and \$100,000 and for single filers at between \$40,000 and \$50,000 (indexed after 2001). The credit can be claimed in two taxable years (but not beyond the year when the student completes the first two years of college) with respect to any individual enrolled at least a half-time for any portion of the year.

The Lifetime Learning Tax Credit is aimed at college juniors and seniors, graduate and professional students, and adults who are returning to school. For those who are beyond the first two years of college or who are taking classes part-time to improve or upgrade their job skills, a family receives a 20 percent tax credit for the first \$5,000 of tuition and fees through

2002, and for the first \$10,000 thereafter. The credit is available for net tuition and fees (less grant aid) paid for post-secondary enrollment after June 30, 1998, and on a per-taxpayer (family) basis. This credit is phased out at the same income levels as the HOPE Scholarship. Unlike HOPE, however, a Lifetime Learning Credit can be claimed for as many years as a student qualifies for these specific education expenses.

According to the federal Office of Management and Budget, in tax year 1998, 13 million families were eligible for \$7 billion in tax credits; a total of 4.7 million families—36 percent—took advantage of \$3.4 billion. According to the report, the main reason students and families did not take advantage of these tax credits was their lack of eligibility. Many low-income families that have limited tax liability, and do not qualify. The report states that those in the income bracket of \$60,000 to \$79,000 income bracket took greatest advantage of these tax credits.

Both programs are aimed at middle-class families that do not necessarily qualify for need-based aid, but that still require additional financial assistance for college expenses. Financial aid administrators and some researchers argue that both credits fail to aid low-income families that are without tax liability, thus shifting aid away from those who need it most.

Critics of these two programs argue that they are not financial aid but tax relief, and the help does not come when the tuition bills are due. The money is not given to a student or college directly; instead the money is deducted from tax liability. It is assumed that either this tax relief is saved for college expenses or the return will be used for the education bill. These returns can be delayed, forcing students to find alternative means to pay for the semester's tuition and to wait for reimbursement. Furthermore, they are expensive. When both programs are fully phased in 2003, it is estimated that they will cost the federal government \$12 billion to \$15 billion in lost revenue annually.

STATE LEGISLATURES' ROLES AND RESPONSIBILITIES IN HIGHER EDUCATION

The higher education system in the United States is respected for its quality, but room for improvement exists in many areas. In an environment of higher expectations, rising college costs, escalating tuition, increased enrollments—especially among nontraditional students—and increasing calls for public accountability, colleges and universities are being asked to prepare citizens to succeed under new circumstances. Amid growing concerns about America's capacity to compete in a global marketplace, many colleges and universities have experienced deep budget reductions or reallocations as a result of state fiscal constraints, which are likely to become worse before they improve. Despite increasing sensitivity to issues of education quality, state post-secondary education policy too often is created in an environment of economic and political pressures in reaction to immediate demands. The issue of public policy on college affordability and access deserves careful reflection and long-term vision and planning.

State legislators play a critical role in shaping how affordable higher education is for students and families. By determining funding levels for higher education, legislators directly influence the price of tuition. Because appropriations to higher education institutions represent discretionary items in state budgets and because colleges can offset at least some of the losses of state funding through tuition increases, lawmakers can cut appropriations more easily here than they can in other areas. Historically, appropriations to higher education have been influenced by fluctuating state economies. When economies are stable, appropriations for higher education generally increase; however, when the fiscal outlook is bleak or uncertain, they decrease. State legislators often find post-secondary education budgets a tempting source of funds for other high-demand state expenditures because these institutions have alternative ways to secure funds, including the common choice of raising tuition. In response, legislators can turn to financial aid and tax credits and deductions to offset tuition increases and help make college accessible.

Current state economic conditions are likely to force state legislators to once again weigh higher education against other priorities. Revenues currently are below forecasted levels, and many states have implemented budget cuts or have used other methods to address fiscal problems. Governors and state legislators are doing their best to preserve recent K-12 reforms, but the condition of higher education funding remains uncertain.

Legislative structure and practices make it difficult for legislators to strategically consider higher education policy. In many states, funding flows from a variety of sources, and separate committees act on various aspects of post-secondary education. Because responsibility for various education issues may be divided among several communities, creating comprehensive policy often is challenging. In addition, communication between legislators and the higher

education community sometimes is less than optimal, and may be characterized by skepticism and mistrust rather than by the strong working relationships to obtain common objectives and goals.

A growing need for information and experience also exists in many legislatures. The 2002 election brought record state legislative turnover. On average, turnover is approximately 18 percent every two years. In the past election, however, more than 25 percent of legislators were replaced by new faces. The two primary reasons for this turnover were redistricting and term limits. Redistricting often forces legislators—many with the experience and institutional knowledge that are critical to creating sound, long-term policy—to decide whether to retire or run against a legislative colleague, move to an unfamiliar district or campaign in a new area.

Term limits are a relatively new and significant force in legislative decision making. Seventeen states now have adopted term limits for state legislators. In 2000, six states experienced turnover of more than 30 percent—one of every three legislators was new to the legislature. Term limits took effect for the Missouri Legislature and the Michigan Senate in 2002. Forty-five percent of Missouri's legislators were forced out by term limits, as were 71 percent of the Michigan Senate. In all, 322 legislators in 11 states were unable to run for re-election in 2002.

With term limits, legislative staff assume new and powerful roles and become the link between incoming and outgoing legislators. In many states, legislative staff have the institutional knowledge about higher education policy and contacts within the higher education community. They are integral to the policy process and have become even more so as redistricting and term limits create significant member turnover.

CONCLUSION

College affordability is proving to be an issue of increasing concern for legislators as states realize the need to help students achieve access to a post-secondary degree not only the well-being of the individual, but also for that of the state. The following discussion questions are intended to help start legislatures as they continue to address the issue of college affordability.

Discussion Questions for Consideration

- How can legislators in my state move beyond the short-term responses of using higher education to balance the budget and focus on the long-term policy consequences that enable more citizens to gain access to college, succeed once there, and graduate prepared to enter the work force?
- What policies are most appropriate for my state, considering population and demographics?
- How can legislation close the achievement gap for low-income and minority students who have difficulty attending college due to the cost of tuition?
- Do the current state financial programs effectively help students in all income brackets receive a college education?
- Do the current financial aid policies of the state encourage not only access to college, but success to reach graduation?
- Will efforts to make a college education more affordable place even more pressure on limited post-secondary resources?
- How can institutions increase revenues without discouraging low-income and middle-income students from attending college? High tuition/low aid? Other policies?
- What are the unintended consequences of these policies?

APPENDIX A. GLOSSARY OF TERMS

This glossary is a collection of definitions created by *Education Week*, The National Center for Public Policy and Higher Education, The U.S. Department of Education and other sources to increase understanding of financial aid programs and issues.

Affordability – Student's ability to pay for college, taking into consideration the proportion of income needed, the financial aid available, and the cost of attendance.

College Savings Program – A program in which individuals may contribute to an account established to pay a student's higher education expenses at an eligible college or university. These programs pool the money and make long-range investments so that the earnings meet or exceed college tuition increases in a particular state. They serve as dedicated, qualified state college savings accounts, which provide families a variable rate of return in a tax advantaged account.

Fees – Amount required by each student for use of the university or college facility. Fees are generally set aside for specific uses, and may include athletic fees, library facilities fees, and bus fees.

Financial Aid – Any combination of monetary assistance available to students attending institutions of higher education. That aid can consist of low-interest loans, need-based grants, scholarships, work-study funds, and fellowships.

Grant – A financial aid award that does not need to be repaid.

Hope Scholarship (federal) – The Hope Scholarship targets students in their first two years of college (or other eligible post-secondary training) and provides for taxpayers to be eligible for a tax credit equal to 100 percent of the first \$1,000 of tuition and fees and 50 percent of the second \$1,000 (the amounts are indexed for inflation after 2001).

Lifetime Learning Tax Credit – The Lifetime Learning Tax Credit is aimed at college juniors and seniors, graduate and professional students, and adults who are returning to school. For those beyond the first two years of college or those taking classes part-time to improve or upgrade their job skills, a family receives a 20 percent tax credit for the first \$5,000 of tuition and fees through 2002, and for the first \$10,000 thereafter.

Loan – Financial aid award that may be from public or private sources that must be repaid. Loans may be subsidized or unsubsidized.

Merit-Based Aid – Financial aid awarded on the basis of academic performance without regard to financial need.

Need-Based Aid – Aid designed to ensure that students are not denied access to post-secondary education because of their financial circumstances.

Out-of-State Tuition – Tuition paid by students from a different state. This price is much higher because it is not subsidized by state appropriations.

Prepaid Tuition Plan – Section 529 plan that allows an individual to prepay a student's future tuition and fees at current rates. Amounts of tuition (years or units) typically may be purchased through either a one-time lump sum purchase or monthly installment payments. These programs pool the money and make long-range investments so that the earnings meet or exceed college tuition increases in a particular state.

Section 529 Plan – Established in the federal tax law (Section 529 of the Internal Revenue Code), an investment plan, either a prepaid tuition plan or a college savings plan, operated by a state and designed to provide special tax benefits to plan participants so families may save for future college costs.

Socioeconomic Status – A family's educational attainment considering occupation and family income.

Tuition – A fee for instruction at a college or university.

Tuition Tax Credit – Tax credits allow taxpayers to subtract a percentage of their higher education expenses—including tuition, fees, books, and room and board—from the amount they owe in state income taxes.

Tuition Tax Deduction – Tax deductions allow taxpayers to subtract a percentage of their higher education expenses from their taxable income.

Undocumented Immigrant – An undocumented immigrant is a non-U.S. citizen who has entered the United States illegally.

Unmet Need – The adjusted student budget less all aid (including loans) and the student's expected family contribution.

Work-Study – Financial aid that is a form of self-help, rather than true aid. Work-study may include on-campus jobs or off-campus internships for undergraduate or graduate students. The jobs may or may not be related to a student's course of study.

APPENDIX B. COLLEGE SAVINGS PROGRAMS

State/ Jurisdictions	Name of Program	Web Site
Alabama	Higher Education 529 Fund	http://www.treasury.state.al.us/
Alaska	University of Alaska College Savings Plan	http://www.uacollegesavings.com/
Arizona	Family College Savings Program	http://www.smrinvest.com/College/default.asp
Arkansas	GIFT College Investing Plan	http://www.thegiftplan.com/index1.html
California	Golden State ScholarShare Trust	http://www.scholarshare.com/program_info.html
Colorado	Scholars Choice College Savings Program	http://www.collegeinvest.org/programs/ptf.htm
Connecticut	Connecticut Higher Education Trust	http://www.aboutchet.com/index.html
Delaware	Delaware College Investment Plan	http://personal100.fidelity.com/planning/college/content/delaware.html.tvsr
Florida	Florida College Savings Program	http://www.fsba.state.fl.us/prepaid/
Georgia	Georgia Higher Education Savings Plan	http://www2.state.ga.us/OTFS/
Hawaii	Hawaii College Savings Program	http://www.state.hi.us/budget/college/college.htm
Idaho	Ideal Idaho College Savings Plan	http://www.idsave.org/
Illinois	Bright Start College Savings Plan	http://www.brightstartsavings.com/index_home.html
Indiana	Indiana CollegeChoice 529	http://www.collegechoiceplan.com/
Iowa	College Savings Iowa	http://www.collegesavingsiowa.com/
Kansas	Learning Quest Education Savings Program	http://www.learningquestsavings.com/
Kentucky	Education Savings Plan Trust	http://www.kentuckytrust.org/
Louisiana	Louisiana START	https://osfantweb.osfa.state.la.us/start5.nsf/
Maine	NextGen College Investing Plan	http://www.nextgenplan.com/nextgenplan/main.htm
Maryland	Maryland College Investment Plan	http://www.collegesavingsmd.org/
Massachusetts	U. Fund	https://www.mefa.org/index1.html

Appendix B. College Savings Programs (continued)

State/ Jurisdictions	Name of Program	Web Site
<i>Michigan</i>	Michigan Education Savings Program	http://www.misaves.com/
<i>Minnesota</i>	Minnesota College Savings Plan	http://www.mnsaves.org/
<i>Mississippi</i>	Mississippi Affordable College Savings	http://www.collegesavingsms.com/
<i>Missouri</i>	MO\$T-Missouri Savings for Tuition Program	http://www.missourimost.org/overview.html
<i>Montana</i>	Family Education Savings Program	http://montana.collegesavings.com/mfesp.shtml
<i>Nebraska</i>	College Savings Plan of Nebraska	http://www.planforcollegenow.com/
<i>Nevada</i>	The Strong 529 Plan (formerly America's College Savings Plan)	http://www.strong529plan.com
<i>New Hampshire</i>	Unique College Investing Plan	http://personal400.fidelity.com/planning/college/content/unique.html.tvsr
<i>New Jersey</i>	Better Educational Savings Trust	http://www.hesaa.org/students/njbest/index.asp
<i>New Mexico</i>	The Education Plan of New Mexico	http://www.nmche.org/
<i>New York</i>	New York's College Savings Program	http://www.nysaves.org/
<i>North Carolina</i>	National College Savings Program	http://www.collegevisionfund.org/
<i>North Dakota</i>	College SAVE	http://www.collegesave4u.com/
<i>Ohio</i>	CollegeAdvantage	http://www.collegeadvantage.com/
<i>Oklahoma</i>	Oklahoma College Savings Plan	http://www.ok4saving.org/
<i>Oregon</i>	Oregon College Savings Plan	http://www.strong.com/strongweb/strong/jsp/oregon/index.jsp
<i>Pennsylvania</i>	Guaranteed Savings Program	http://www.patap.org/
<i>Rhode Island</i>	RI CollegeBoundfund	http://www.collegeboundfund.com/
<i>South Carolina</i>	Future Scholar 529 Program	http://www.futurescholar.com/
<i>South Dakota</i>	CollegeAccess 529	Http://www.southdakota529.com
<i>Tennessee</i>	Tennessee BEST (Savings)	Http://www.tnbest.org/

Appendix B. College Savings Programs (continued)

State/ Jurisdictions	Name of Program	Web Site
Utah	Educational Savings Plan Trust	Http://www.uesp.org/
Vermont	Vermont Higher Education Investment Plan	Http://www.vsac.org/investment_plan/main.htm
Virginia	Virginia Education Savings Trust	Http://www.vpep.state.va.us/vest_home.html
Washington	GET: Guaranteed Education Tuition	http://www.get.wa.gov/
West Virginia	SMART529	Http://www.smart529.com/529options/colsav.html
Wisconsin	EdVest	Http://www.strong.com/strongweb/strong/jsp/edvest/index.jsp
Wyoming	529 College Achievement Plan	Http://www.collegeachievementplan.com/home.html
District of Columbia	The DC College Savings Plan	Http://www.dc529.com/

Source: The College Savings Plans Network, December 2003.

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College Affordability

In the new economy, fewer higher-paying jobs are available to those who do not hold a bachelor's degree. At the same time, the cost of a college education is rising, making access to college an important public policy issue. Although most state legislatures do not directly set tuition rates, state fiscal policy significantly affects college prices.

State legislators play a critical role in shaping how affordable higher education is for students and families. During the last decade, several policies have been implemented to address the issue of college affordability. These include merit-based scholarships, tuition tax credits and deductions, prepaid tuition plans, 529 plans, in-state tuition for undocumented immigrants, and tuition guarantees.



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