

CHANGING DIRECTION:



Integrating Higher Education
Financial Aid and Financing Policies

Linking Tuition and Financial Aid Policy: The State Legislative Perspective

August 2003

WICHE



Supported by a grant from Lumina Foundation for Education

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Julie Davis Bell



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Western Interstate Commission for Higher Education

The Western Interstate Commission for Higher Education (WICHE) is a public, interstate agency established to promote and facilitate resource sharing, collaboration, and cooperative planning among the Western states and their colleges and universities. Member states are:

Alaska	Idaho	Oregon
Arizona	Montana	South Dakota
California	Nevada	Utah
Colorado	New Mexico	Washington
Hawaii	North Dakota	Wyoming

WICHE's broad objectives are to:

- Strengthen educational opportunities for students through expanded access to programs,
- Assist policymakers in dealing with higher education and human resource issues through research and analysis, and
- Foster cooperative planning, especially that which targets the sharing of resources.

This publication was prepared by the Policy Analysis and Research Unit, which is involved in the research, analysis, and reporting of information on public policy issues of concern in the WICHE states.

This report is available free of charge online at http://wiche.edu/Policy/Changing_Direction/Pubs.htm.

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In addition, a special thank you goes to Deborah Lynch for her diligent efforts in contacting the legislators who were part of this survey. I also would like to acknowledge the insights provided by *Changing Direction* partners: Jacqueline King, director of the Center for Public Policy at the American Council on Education; Paul Lingenfelter, executive director of the State Higher Education Executive Officers, David Longanecker, executive director of WICHE, and other WICHE staff, including Candy Allen, Cheryl Blanco, Anne Finnigan, and Demarée Michelau.

Most importantly, I would like to thank the many legislators willing to take time out of their busy schedules to offer their opinions, insights, and expertise on these important issues facing students in higher education today and in the future.

Julie Davis Bell
Education Program Director
National Conference of State Legislatures
August 2003

▾ Foreword

During the past quarter century, few issues in higher education have captured and held the attention of state policymakers and higher education leaders as financial aid and financing. Year after year, the policymaking and education communities struggle with questions of how to meet growing needs through state allocations, how best to ensure shared and equitable responsibility for paying for higher education, and how best to use subsidies, such as financial aid, to expand access and opportunity.

Too often, these issues are dealt with as discreet questions rather than reflecting the interrelated nature of both higher education financial aid and finance policies, as well as the interconnected nature of state and federal efforts in these two areas. Few states are satisfied with their decisions on these issues, and so they continue to search for better solutions to these ever-present problems. The current environment and near-term future do not hold much promise for a reprieve from these challenges. The rapidly changing demographic makeup of our population, projected growth in higher education enrollments, stagnant state economies, and increasing turnover among policymakers all point to the need to rethink how we finance higher education and how we ensure that the most economically challenged among us do not experience decreased access and choice options for postsecondary education.

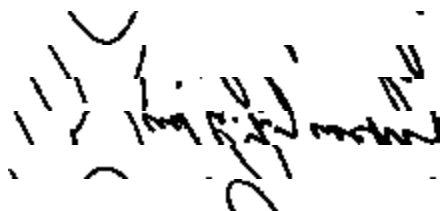
With these concerns in mind, this survey of legislators around the nation was commissioned as part of a larger project, *Changing Direction: Integrating Higher Education Financial Aid and Financing Policies*, at the Western Interstate Commission for Higher Education (WICHE). This initiative examines how to structure financial aid and financing policies and practices to maximize participation, access, and success for all students and to promote more informed decision-making on issues surrounding financial aid and financing in higher education. Over a multi-year period, the project is exploring the socioeconomic-political environment in order to foster the kinds of major changes needed in the near future at multiple levels—campus, system, state, and national—and to initiate and promote those changes through public policy.

The *Changing Direction* project provides a venue for policymakers and educators nationwide to critically examine strengths and weaknesses of public policies and develop new approaches by looking at emerging trends, their potential impact on higher education, and the policy implications related to issues of financial aid, finance, cost of education, and access. While this necessarily involves all sources of assistance and financing—federal, state, local, and institutional—the project focuses on state policies and practices. *Changing Direction* serves policymakers in the legislative and executive branches of state government and their staffs, higher education

researchers, state executive agencies, governing and coordinating boards, educators, college and university leaders, and business and corporate leaders.

The *Changing Direction* project has been successful in large part because of WICHE's collaboration with the American Council on Education (ACE) and the State Higher Education Executive Officers (SHEEO). ACE's Center for Policy Analysis and SHEEO have long-standing reputations for high-quality work on a wide range of issues, with a history of specializing in financial aid and financing issues. WICHE and its partners also collaborate closely with the National Conference of State Legislatures (NCSL), a national, bipartisan organization that brings even more visibility to the project and provides additional expertise concerning the state legislative role in creating integrated higher education policy. The cooperation between the organizations is especially valuable to this project.

WICHE is most grateful to Lumina Foundation for Education, a private, independent foundation that strives to help people reach their potential by expanding access and success in education beyond high school, for its generous support of this project. Without their assistance and encouragement, this project would not be possible.

A handwritten signature in black ink, appearing to read "David Longanecker". The signature is written in a cursive style with some loops and flourishes.

David Longanecker
Executive Director
Western Interstate Commission for Higher Education

Executive Summary

Realizing the importance of state legislatures in discussions relating to issues on financial aid and financing in higher education, the Western Interstate Commission for Higher Education (WICHE) commissioned the National Conference of State Legislatures (NCSL) to create and administer a survey of state legislators to explore linkages between state funding and state student financial aid policy. The survey is part of a major project, *Changing Direction: Integrating Higher Education Financial Aid and Financing Policies*, supported by Lumina Foundation for Education, that is examining how to structure financial aid and financing policies and practices to maximize participation, access, and success for all students. Because state legislators are key players in the education policymaking process, their insights contribute significantly to the overall work of this project.

NCSL's purposes in surveying legislators were to:

- (1) Identify legislators' perspectives about the degree of alignment between tuition and financial aid policymaking;
- (2) Understand how legislators view themselves in the policymaking process;
- (3) Assess their degree of satisfaction or dissatisfaction with the process; and
- (4) Learn more about the status of current and upcoming issues in their states.

The legislators interviewed represent some of the best-informed and experienced legislators in the country on higher education issues. NCSL interviewed 44 legislators from 29 states—Arizona, California, Colorado, Connecticut,

Delaware, Georgia, Hawaii, Illinois, Kansas, Kentucky, Nebraska, New Hampshire, Maine, Maryland, Mississippi, Missouri, Montana, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Utah, Virginia, Washington, West Virginia, and Wisconsin—with multiple responses from legislators in 15 states. The total list of potential interviewees was 132, producing a response rate of 33 percent.

Overall, the legislators indicated a strong grasp of the state higher education policymaking process and their roles in that process. They clearly see a distinction between the tuition policy process and the student financial aid policy process and view their roles differently in the two conversations.

Legislators as a whole do not report a great deal of coordination between the key state policymakers and educators on tuition and financial aid issues. They are not overwhelmingly critical of the process in their states and do not report strong frustrations with it. They tend to feel that the process does not provide for maximum legislative input, but they also believe that it does not allow for maximum input by students and parents. They tend to feel that resulting policy is fair, flexible, and equitable.

A significant finding is that legislators feel hampered by the economy in their policy decisions. This is especially true of tuition and financial aid, which have strong historical links to economic conditions. Legislators suggest

that there may be too little alignment in the policy process, but during tough economic times, they are frustrated about the ability to create better alignment.

About one-half of the legislators do not believe their state has an overall state philosophy regarding tuition and financial aid. However, for those legislators who reported that the state does have a fundamental state philosophy, three-fourths report that it is always a consideration in policymaking. Such a philosophy can provide a framework for both better policy coordination and better policy alignment. Involving legislators in a conversation regarding the existence or establishment of a fundamental state philosophy could be a first step in that direction.

The nature of the economy and other pressures on state higher education have created a series of policy responses by legislatures that more often deal with the current issues rather than address issues in the long term. This may signal a need in states to bring policymakers together to revisit the state commitment to higher education and state goals and objectives.

▸ Survey Overview

In November 2002, the National Conference of State Legislatures (NCSL) contracted with the Western Interstate Commission for Higher Education (WICHE) to create and administer a survey of state legislators on higher education issues. Specifically, NCSL and WICHE were interested in the legislative perspective on linkages between state funding and state student financial aid policy. The survey is part of a major project, *Changing Direction: Integrating Higher Education Financial Aid and Financing Policies*, supported by Lumina Foundation for Education. Three organizations—the American Council on Education (ACE), the State Higher Education Executive Officers (SHEEO), and WICHE—are partnering in this effort to work in-depth with five states—Arizona, Connecticut, Florida, Missouri, and Oregon—interested in improving the policy connections between tuition and financial aid. Because state legislators are key players in the education policymaking process, their insights contribute significantly to the overall work of this project.

NCSL's purposes in surveying legislators were to:

- (1) Identify their perspectives about the degree of alignment between tuition and financial aid policymaking;
- (2) Understand how legislators view themselves in the policymaking process;
- (3) Assess their degree of satisfaction or dissatisfaction with the process; and
- (4) Learn more about the status of current and upcoming issues in their states.

NCSL drafted a survey instrument in November 2002. The project partners provided comments about the survey, and it was pretested in early December. The November 2002 elections brought the most significant turnover in state legislatures in history. Many states assigned new committee chairs, but identifying the new chairs was nearly impossible until after legislative sessions began in January 2003. Although identifying and reaching key legislators before this time was challenging, it was important not to wait until legislatures reorganized in January to begin the interview process. As a result, NCSL began to compile a list of legislators to be a part of the study in December 2002.

To ensure that the appropriate legislators were identified, NCSL requested assistance from state legislative staff. Legislators who are leaders on higher education policy issues in their states serve in a variety of roles—as chairs of their education or higher education committees; as leaders of their appropriations or budget committees; or as overall Senate and House leaders. NCSL contacted legislative education staff in the 50 states and asked them to help identify legislators in their states who are leaders in higher education policy and were returning to the legislature in 2003. That list became the initial list of interviewees. NCSL contracted with an independent consultant to conduct the interviews.

NCSL sent letters of introduction (see appendix A) to 70 legislators who were identified from

the process initiated in early December. The letter provided background information about *Changing Direction* and NCSL's role in the project; asked legislators to expect a telephone call from the interviewer; assured anonymity of responses; and offered legislators a summary of the research upon its completion. Interviews with those legislators began in mid-December.

The initial strategy was to use the survey instrument to interview legislators between elections and the beginning of legislative sessions (see appendix B). However, many legislators were away from their offices for extended holiday and vacation leave during this time. As state legislatures reconvened in January and new chairs of education committees were named, NCSL contacted each state to identify and confirm chairs of education and higher education committees. At the same time, NCSL sent introductory letters to 90 legislators, and in February and March 2003, conducted interviews with these individuals. In May 2003, in an effort to include some additional states, NCSL contacted 10 legislators in five states identified as important to feature in this report. Two more legislators from two additional states were included, to bring the total number of interviewed legislators to 44 from 29 states. The total list of potential interviewees was 132, producing a response rate of 33 percent.¹

Because legislators were promised anonymity, this report does not include data by state, attribute any responses to any state, or list the individuals who responded to the survey. However, it does provide an overall picture of the perspective of the respondents.

■ The Respondents

The 44 legislators interviewed represent some of the best-informed and experienced legislators in the country on higher education issues. NCSL interviewed 44 legislators from 29 states—Arizona, California, Colorado, Connecticut, Delaware, Georgia, Hawaii, Illinois, Kansas, Kentucky, Nebraska, New Hampshire, Maine, Maryland, Mississippi, Missouri, Montana, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Utah, Virginia, Washington, West Virginia, and Wisconsin—with multiple responses from legislators in 15 states.

Twenty-five legislators currently chair state legislative education committees, and three are vice chairs or ranking members of that committee. Six legislators chair higher education committees, and one is the former chair. Two are former chairs of education committees. Four legislators chair an appropriations or ways and means committee, and two are members of one of these. One legislator is the Senate president, and one is the House majority leader.

Twenty-nine legislators serve in the House and 15 in the Senate. There are 20 Democrats, 23 Republicans, and one independent.

The 44 respondents have served a total of 478 years in the state legislature—an average of 10.9 years. Two legislators were in their second terms, and six had served over 20 years.

¹ In a few cases, legislators responded by completing their own surveys instead of granting interviews.

▲ The Responses

Tables 1-7 report the survey responses. As previously mentioned, responses are not broken down by state or by other characteristics of the legislators. In some instances, not all legislators may have answered a question, finding a question to be not applicable to their state or difficult to answer. The percentages reported in the tables may add up to less than 100 percent when this is the case.

Legislative Role in the Higher Education Policy Process

The first series of questions asked legislators to describe the role of five primary policymakers or policymaking bodies involved

in state higher education—the governor, the legislature, the state higher education agency, the individual system governing board(s), and the individual institutions. This question was asked separately in regard to tuition policy and student financial aid policy.

Another area of interest is how legislators view their own role relative to the other policymakers. One of the difficulties in interpreting this question is that the states have very different formal governance structures that may determine the role of the legislature, independent of other informal relationships. Still, the question offered a good starting point for assessing legislative relationships. Tables 1 and 2 report these results.

Table 1. The Role of Primary Policymakers in Establishing Tuition Policy

*Describe the role of each of the following individuals or entities in establishing **tuition policy** in your state.*

	Significant Role	Some Role	No Role
Governor	19%	51%	30%
Legislature	35%	44%	21%
State higher education agency	35%	32%	23%
Individual system governing board or boards	65%	23%	12%
Individual institutions	49%	31%	19%

Table 2. The Role of Primary Policymakers in Establishing State Student Financial Aid Policy

*Describe the role of each of the following individuals or entities in establishing policies dealing with **state student financial aid**.*

	Significant Role	Some Role	No Role
Governor	33%	60%	5%
Legislature	56%	39%	5%
State higher education agency	38%	33%	17%
Individual system governing board	37%	36%	24%
Individual institutions	31%	43%	21%

Overall, legislators say that they have the most significant role of all policymakers regarding student financial aid policy. However, they tend to assess their role in tuition policy as only “some role.” In their opinion, the individual system governing boards have the most significant role in tuition policy. Relative to the governor, legislators indicate their role is more significant on both tuition and financial aid. Relative to the state higher education agencies, legislators see their role as comparable on tuition policy but more significant on student financial aid policy. About 20 percent of the legislators said the legislature has “no role” in tuition policy. Only one legislator indicated the

legislature has “no role” in student financial assistance policy.

The focus of the next question was on the legislative perspective of the level of coordination between the five major state policymakers regarding higher education policymaking. Again, the question was asked separately regarding tuition and student financial assistance. Tables 3 and 4 report these results. This relationship undoubtedly will vary according to formal state governance customs and structures, but the questions help illuminate an important characteristic of policy alignment—coordination among state policymakers.

Table 3. Level of Coordination between the Legislature and Other Primary Policymakers when Setting Tuition Policy

What would you say is the level of coordination between the legislature and these other state entities when setting tuition policy?

	Great Deal Of Coordination	Some Coordination	No Coordination
Between the legislature and the governor	7%	50%	41%
Between the legislature and the state higher education agency	20%	41%	32%
Between the legislature and the individual system governing board	14%	34%	48%
Between the legislature and the individual institutions	2%	33%	52%

Table 4. Level of Coordination between the Legislature and the Other Primary Policymakers when Making Policy Decisions about State Student Financial Assistance

What would you say is the level of coordination between the legislature and these other state entities when making policy decisions about state student financial assistance?

	Great Deal Of Coordination	Some Coordination	No Coordination
Between the legislature and the governor	16%	50%	32%
Between the legislature and the state higher education agency	25%	45%	18%
Between the legislature and the individual system governing board	11%	36%	48%
Between the legislature and the individual institutions	2%	43%	50%

As Tables 3 and 4 indicate, the responses are all across the board. Likely, this question reflects political realities as much as structural relationships, but the findings still are interesting. Given that many actors are involved in the typical policy process in most states, evidence of on-going coordination was expected. In fact, legislators do not report that they have a great deal of coordination with any of the other policymakers on either tuition or financial aid policy. This is particularly true of legislatures and institutions, with only one legislator indicating a high level of coordination. Overall, legislators report little or only some coordination between themselves and the governor on tuition and student financial assistance policy.

Alignment of Policy

The next set of questions specifically focused on the degree to which legislators felt tuition policy and student financial aid policy were aligned.

To encourage legislators to think about the term “alignment,” the interviewer first asked whether the state had a “fundamental

philosophy about the relationship between tuition and financial aid.” Six legislators reported that the state had a “high tuition, high aid” philosophy, and six said their states had a “low tuition, low aid” philosophy. Twenty-two legislators reported that their states had no fundamental state philosophy, while 10 reported another tuition/aid philosophy in their states. These included:

- ▶ Medium tuition/high aid.
- ▶ Low tuition/high aid.
- ▶ Low tuition/adequate aid.
- ▶ Moderate tuition/moderate aid.
- ▶ No qualified student should be excluded for financial reasons.
- ▶ Low tuition, high aid for students who need it.

For legislators who reported that there was a fundamental state philosophy, the interviewer asked how regularly the philosophy shapes the decision-making process. In general, legislators believe there is an adherence of policymaking to the state philosophy. Seventeen legislators indicated that this was “always” a consideration, and three said it was

“occasionally” a consideration; no legislator said that it was “never” a consideration.

One of the most predictable sets of responses was to the open-ended question regarding the factors that influence decision-making about tuition and financial aid. Legislators were asked to identify the top three factors that influence their decision-making. Overwhelmingly, legislators mentioned economic factors, specifically, in their own words:

- ▲ “The state economy.”
- ▲ “State ability to fund.”
- ▲ “Resources available.”
- ▲ “Economic capacity of students.”
- ▲ “Budget considerations.”

As one legislator summed up, “Economic forces dictate fluctuations in tuition and student financial aid.”

Other items mentioned included:

- ▲ “State tax limitation structures.”
- ▲ “State political culture.”
- ▲ “Number of applicants.”

- ▲ “Job opportunities for students and population.”
- ▲ “Need versus merit aid discussions and implications.”
- ▲ “Targeted student populations.”
- ▲ “Availability of federal funds.”

The focus of the next question was on how legislators evaluated their system of policymaking on tuition and student financial aid. The interviewer asked them a series of questions regarding the outcomes of these policies. These responses are reported in Table 5. In general, legislators were quite positive about the results of the policymaking process, particularly regarding flexibility, efficiency, equity, and fairness. Even in states where legislators had reported little coordination among state policymakers, they did not necessarily indicate that this resulted in an inefficient or inflexible policymaking process. The situation was not so positive for other outcomes: Sixty percent of the legislators felt the process did not allow for maximum input from students and parents, and nearly half (48 percent) felt it did not provide for maximum legislative input. When asked

Table 5. Overall Policy Process Regarding Tuition and Student Financial Aid			
<i>I'm going to read you a few statements about the overall policy process in your state regarding tuition and student financial aid.</i>			
	Agree	Disagree	Neither
The process is efficient.	52%	20%	25%
The process allows for flexibility.	68%	16%	14%
The process results in fair policy.	50%	20%	30%
The process results in equitable policy.	50%	18%	18%
The process provides for maximum legislative input.	27%	48%	23%
The process provides for maximum input by students and parents.	23%	59%	18%
The process results in the alignment of tuition and financial aid policy.	36%	34%	25%

whether their state policy process results in the alignment of tuition and financial aid policy—a fundamental question guiding this survey—the results were mixed, with about the same number of legislators saying “yes” as “no.” One-fourth of the legislators were unsure.

nearly all the legislators answered “yes,” none said “no,” and several said “not sure.” It is interesting to imagine the hesitancy those legislators may have regarding better alignment.

Table 6. Process in Determining Tuition and Financial Aid Policy

What best describes the process in your state when determining tuition and financial aid policy?

There is a great deal of integration between tuition and financial aid policy decisions.	39%
These decisions are made by different groups at different times.	16%
These are typically completely separate conversations.	36%
Other: There is some integration.	9%

To move further on the question of policy alignment, the interviewer asked legislators how much alignment there is between tuition and financial aid policymaking. Table 6 reports these results.

Almost as many legislators indicated a great deal of alignment as no alignment. Seventeen legislators, or 39 percent, report that there is a great deal of integration between tuition and financial aid policy decisions. (An additional four legislators crossed out the “great deal” part of this question and wrote in “some” integration, or otherwise indicated there is “some” integration). Another 16 legislators, or 36 percent, reported that these are typically completely separate conversations. Seven legislators, or 16 percent, reported that the decisions are made by different groups at different times.

When asked if they would like to see better alignment in this decision-making process,

The interviewer asked legislators whether they could think of ways the state could better integrate tuition and financial aid policies. Several states reported that they are doing a good job now. Other responses included:

- ▶ “More flexibility for institutions.”
- ▶ “Financial aid is the buffer to tuition increases. There simply needs to be more thoughtful decisions.”
- ▶ “The higher education board needs to ensure all appropriated funds are used for financial aid.”
- ▶ “First, we need alignment among the stakeholders!”
- ▶ “Private firms who can help students maximize assistance.”
- ▶ “Clearly laying out the current situation and showing the university system the targets.”
- ▶ “The legislature must be forced to join and then lead the discussion.”

- ▶ “The commission on higher education provides good coordination and a good mechanism to discuss problems.”
- ▶ “Decrease the per-student awards while maintaining or increasing the total commitment. This allows the state to help many more students, especially the neediest students in our community colleges.”

In responding to this question several legislators referred to the frustrations of strategically working toward alignment during tough economic times:

- ▶ “The tradition of low fees is hard to overcome when the economy is bad.”

- ▶ “State goals are compromised by state economies and what it can afford.”
- ▶ “We need more revenue.”

Issues Ahead for States

To assess higher education issues on the horizon, legislators were asked what issues the legislature would be considering in the next one to two years in their states. Table 7 illustrates their responses.

As expected, legislators in nearly all the states report that they will be facing decreasing state budgets to higher education and tuition increases. Many states will be looking hard at student financial aid issues, especially at increasing need-based student aid

Table 7. Potential Issues in Future Legislative Sessions

For each of the following, please tell me whether you think this will be an issue before the legislature in the next one to two years in your state.

	Yes	No	Not sure
Decreasing the overall share of the state higher education budget	80%	11%	9%
Tuition increases	95%	3%	2%
Limits on in-state tuition (for example, to only four or five years per student)	34%	37%	29%
Differential tuition rates for residents versus nonresidents	68%	23%	9%
Differential tuition rates for students in different programs (for example, college of education, college of business)	32%	43%	25%
Linking tuition increases to median family income, the Consumer Price Index, or some other measure of inflation	18%	45%	36%
Increasing taxes to offset tuition increases	25%	52%	23%
Increasing need-based student financial aid	54%	16%	30%
Increasing merit-based student aid	45%	25%	30%
Finding the right mix of need- versus merit-based aid	59%	20%	21%
Shifting funds from institutional support to student financial aid programs	27%	36%	36%
Performance funding for higher education	45%	27%	27%

(54 percent), increasing merit-based student aid (45 percent), and funding the right mix between the two (59 percent). Some legislators (27 percent) think they will be looking at shifting funds from institutional support to student financial aid programs.

Almost one-half of the legislators (45 percent) report they will be looking at performance funding for higher education. About one-third of the legislators indicated they will be looking at differential tuition rates for students in different programs. Limits on in-state tuition was mentioned as an upcoming issue by one-third of the legislators (34 percent); increasing taxes to offset tuition increases was mentioned by only one-fourth of the legislators (25 percent); and linking tuition to median family income or another measure of inflation was mentioned as an issue by only a few (18 percent) of the legislators.

The interviewer also asked legislators whether there were other major issues regarding tuition or financial assistance for the state in the next one to two years. Their responses included:

- ▶ "Evaluating costs—allowing local campuses to set fee structure has helped prevent tuition increases."
- ▶ "Funding from the state for enrollment increases, as is done in K-12."
- ▶ "Schools are increasing tuition individually after the legislature adjourns. They have no accountability with elected officials. Some schools raise tuition easier than others. The students will organize and put pressure on the legislature to control increases."
- ▶ "Increasing enrollment."
- ▶ "Finding the right mix between merit- and need-based aid."

Once again, several legislators referred to the constraints of a tight economy.

- ▶ "Due to budget constraints, I see significant tuition increases coupled with flat or somewhat reduced financial assistance. A major emphasis will hopefully be placed on the continued exceptional value of public higher education."
- ▶ "We cut the higher education budget significantly in fiscal year 2002-2003; as a result, tuition is increasing by 10 percent."
- ▶ "Reductions in the budget lead to tuition increases. Financial aid funding in this economy is tough."
- ▶ "In view of the on-going budget dilemma, tuition may increase while financial assistance is frozen."

Legislators were asked if there are any conversations going on right now in their states about creating a different process for making tuition policy. Here are their responses:

- ▶ "Expanding aid to cover a fifth year of study."
- ▶ "No, unfortunately."
- ▶ "Merit aid."
- ▶ "Funding students rather than institutions."
- ▶ "Conversations about making increases more predictable."
- ▶ "Higher education vouchers."
- ▶ "Caps on tuition."
- ▶ "Whether to return the process to the legislature."
- ▶ "Placing a long-term student fee policy in statute."
- ▶ "Allowing undocumented students to receive in-state tuition."
- ▶ "Indexing tuition."
- ▶ "Maintenance of effort provisions for state aid."

- ▶ “Campus-based budgeting on a regional level.”
- ▶ “Annual automatic tuition increase based on some consumer index.”
- ▶ “There is some consideration for the general assembly to control tuition funds and set tuition levels. Hopefully, this will not occur.”

As one legislator said, “This would be an endless debate.”

When asked the same question about student financial aid policy, legislators responded:

- ▶ “Many conversations are going on right now.”
- ▶ “Revising need-based scholarship programs.”
- ▶ “Concern about leaving an unstable funding source as the basic financing mechanism for student financial aid.”
- ▶ “Education ‘IRAs’.”
- ▶ “Reducing some funding.”
- ▶ “Emphasize aid to families and students at a fair level regardless of public or private.”
- ▶ “Lottery funds to be used for higher education.”
- ▶ “Changing the caps on tuition and fees.”
- ▶ “The legislature requiring coordination by higher education policy commissions.”
- ▶ “Evaluating our student fee policy.”
- ▶ “Efforts are being made to limit financial aid by making one-third of the award contingent upon graduation.”
- ▶ “A House/Senate study committee on our merit scholarship program will be underway this summer.”

One legislator reported that this is “not a hot topic right now.”

▶ Conclusions and Observations

Overall, the legislator respondents indicated a strong grasp of the state higher education policymaking process and their roles in that process. They clearly see a distinction between the tuition policy process and the student financial aid policy process and view their roles differently in the two conversations.

Legislators as a whole do not report a great deal of coordination between the key state policymakers on tuition and financial aid issues. If better integration begins with better coordination, there clearly is work that can be done here.

Legislators are not overwhelmingly critical of the process in their states and do not report strong frustrations with the process. They tend to feel that the process does not provide for maximum legislative input, but they also believe that it does not allow for maximum input by students and parents. They tend to feel that resulting policy is fair, flexible, and equitable.

By far the most significant finding is that legislators feel hampered by the economy in their policy decisions. This is especially true of tuition and financial aid, which have strong historical links to economic conditions. Legislators suggest that there may be too little alignment in the policy process, but during tough economic times, they are frustrated about the ability to create better alignment.

About one-half of the legislators do not believe the state has an overall state philosophy regarding tuition and financial aid. Remember,

for those legislators who reported that the state does have a fundamental state philosophy, three-fourths report that it is always a consideration in policymaking. Such a philosophy can provide a framework for both better policy coordination and better policy alignment. Involving legislators in a conversation regarding the existence or establishment of a fundamental state philosophy could be a first step in that direction.

If the economy drives higher education policy decisions, the conversation about better policy alignment likely will not be a conversation for states in the next couple of years. Legislators report that they expect continued difficult economic times and expect to continue to struggle with cutbacks to higher education and tuition increases. They also report that student aid questions will be at the forefront of legislative agendas, including finding funding for both need-based and merit-based aid and finding the right balance between the two.

On one hand, this does not bode well for the promotion of conversations to better align tuition and student aid policy. On the other hand, this also could provide an opportunity to help legislators and other state policymakers consider more integrated approaches and policy options that are not so dependent upon economic conditions. It appears from the survey that legislators would welcome that opportunity.

▲ Areas for Further Work

This survey was conducted during one of the most difficult budget times in recent history for states and state legislatures. The responses clearly are shaped by the fiscal climate, especially regarding the need in every state to cut back or level off higher education appropriations and the resulting impacts on tuition and financial aid. While this report specifically focused on the alignment of tuition and financial aid policy, the survey also could have more specifically interviewed legislators about appropriations policy as well. Follow-up conversations could more systematically look at the state appropriations process. Specifically, do some states have structures or budget procedures that protect or shield tuition and financial aid from the ebb and flow of changing state economies? If so, what are the characteristics of these structures? Could a state consider different appropriations or budget policies that could more favorably align with tuition and student financial assistance policies? Do legislators believe such an approach is feasible or possible? What would that look like?

The legislators who were surveyed indicated that their hands are tied in considering policy options for tuition and student financial aid in the current fiscal climate. However, some states are investigating new relationships with students and institutions that may offer new policy solutions. For example, policymakers in Colorado have been looking at how to fund students rather than institutions and how to provide more flexibility in tuition setting to the public universities. Texas has been examining additional flexibility for institutions. South Carolina and other states are experimenting

with greater use of performance funding. In these difficult times, legislators likely would welcome hearing about other state approaches and innovations, learning about the policy implications of new strategies, and hearing about what works.

The nature of the economy and other pressures on state higher education have created a series of policy responses by legislatures that more often deal with the current issues rather than address issues in the long term. Over one-half of the legislators in the survey indicated that the state does not have a fundamental state philosophy on tuition and financial aid. This may signal a need in states to bring policymakers together to revisit the state commitment to higher education and state goals and objectives. What are the historical state traditions and philosophies about state public higher education? Are those still agreed-upon priorities? Such conversations can help new legislators become aware of the higher education history and context and become invested in future state policy. These discussions also can renew and revive relationships between legislators and other state higher education policymakers.

Julie Davis Bell is the Education Program Director for the National Conference of State Legislatures (NCSL). She has been with NCSL for 13 years and has directed the Education Program for 11 years. In that capacity she oversees the 10 person Education Program staff and is responsible for setting program priorities, responding to constituent needs and requests, developing new education projects, and interfacing with other national education policy organizations. She also serves as the program policy specialist for higher education issues. She recently published articles in *State Legislatures* magazine on college affordability, school safety, class size reduction, and educational adequacy.

Julie received her Ph.D. in Political Science from the University of California at Davis in 1986. Prior to joining NCSL, she was a policy associate with the Center for Policy Research in Denver and taught political science courses at the University of Colorado.

Appendix A: Survey Letter of Introduction

November 12, 2002

«Title» «FirstName» «LastName»
«Address1»
«Address2»
«City», «State» «PostalCode»

Dear «Sal»:

The National Conference of State Legislatures and the Western Interstate Commission on Higher Education, with support from the Lumina Foundation, are investigating state processes for making tuition and financial aid policy decisions. This research is part of a major effort by our two organizations to better understand the state policy process as it relates to decisions about college affordability; to learn about legislative issues, complexities, and concerns with the process; and to identify innovative state models that are being examined.

As part of our research, we are talking with state legislators to learn more about the higher ed policy process in their states. Specifically, we are interested in knowing the degree to which decisions about tuition and financial aid are integrated and how satisfied you are with the current process in your state.


To that end, Deborah Lynch will be contacting you in the next week to schedule a time to talk with you. I promise this conversation will take no longer than 20 minutes of your time.

I realize this is a hectic time for you, but your insight about legislative practices and issues will be extremely valuable to our research. I will be happy to share our information with you at the conclusion of the project.

Please feel free to contact me if you have any questions or would like additional information.

Thanks in advance for your help.

Sincerely,



Julie Davis Bell
Education Program Director

Appendix B: Survey Instrument

National Conference of State Legislatures (NCSL)/
Western Interstate Commission for Higher Education (WICHE)

LEGISLATIVE SURVEY ON TUITION AND STUDENT AID

*Supported by a grant from
Lumina Foundation for Education*

BACKGROUND (Coded in Advance)

Name _____

Position _____

Telephone Number _____

Interview Date/Time _____

State _____ Party Affiliation _____ Years in the Legislature _____

INTRODUCTION

Thank you for taking about 20 minutes to talk with me. The National Conference of State Legislatures and the Western Interstate Commission for Higher Education are studying the tuition and financial aid policy-setting process in the states. We are interested in knowing the degree to which decisions about tuition and financial aid are aligned, and what your thoughts are about the process. This research is supported by Lumina Foundation for Education. Responses will be reported only on an aggregate basis, so your individual responses will be kept completely confidential.

SECTION I

First, I'm going to ask you a series of questions about the way your state approaches tuition and financial aid policy.

1. Describe the role of each of the following individuals or entities in establishing **tuition** policy in your state. Please indicate whether the entity has a **Significant Role, Some Role, or No role at all**.

	Significant Role	Some Role	No Role
A. Governor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. Legislature	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. State higher education agency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. The individual system governing board or boards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Individual institutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Are there other entities in your state that have a **formal** role in establishing state tuition policy?

Please Specify _____

3. What would you say is the level of coordination **between the legislature and these other state entities** when setting **tuition** policy? For each entity, please tell me whether there is a great deal of coordination on tuition policy, some coordination, or no coordination at all.

	Great Deal of Coordination	Some Coordination	No Coordination
Between the legislature and the:			
A. Governor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. State higher education agency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. Individual system governing board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. Individual institutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Describe the role of each of the following individuals or entities in establishing policies dealing with state **student financial aid**. Please indicate whether the entity has a **Significant Role, Some Role, or No role at all**.

	Significant Role	Some Role	No Role
A. Governor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. Legislature	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. State higher education agency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- D. The individual system governing board
- E. Individual institutions

5. Are there other entities in your state that have a formal role in establishing state **student financial aid policy**?

Please Specify _____

6. What would you say is the level of coordination **between the legislature and these other state entities** when making policy decisions about **state student financial assistance**? For each entity, please tell me whether there is a great deal of coordination on **financial aid** policy, some coordination, or no coordination at all.

	Great Deal of Coordination	Some Coordination	No Coordination
Between the Legislature and the:			
A. Governor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. State Higher Education Agency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. Individual system Governing Board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. Individual Institutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION II.

I am now going to ask you about the degree to which **tuition policy AND student financial aid policy** are aligned.

7. Would you say that your state has a fundamental philosophy about the relationship between tuition and financial aid? I am talking about a philosophy such as "high tuition, high aid" or "low tuition, low aid."

- Yes, high tuition, high aid
- Yes, low tuition, low aid
- Yes, other _____

No fundamental state philosophy (Skip to Q10)

8. When making decisions about **tuition and financial aid**, how much does that philosophy shape the decision-making process in your state?

- Always a consideration
- Occasionally a consideration
- Never a consideration

9. What would you say are the three top factors that influence your decision-making about **tuition and financial aid**. I'm talking about state, federal, political, economic, or other kinds of forces.

10. I'm going to read you a few statements about the overall policy process in your state regarding **tuition and student financial aid**. For each one, please tell me whether you agree or disagree.

	Agree	Disagree	Neither
The process:			
A. Is efficient	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. Allows for flexibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. Results in fair policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. Results in equitable policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Provides for maximum legislative input	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F. Provides for maximum input by students and parents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
G. Results in the alignment of tuition and financial aid policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. What best describes the process in your state when determining **tuition and financial aid policy**? Would you say there is a great deal of alignment between tuition and financial aid decisions? Would you say these decisions are typically made by different groups at different times? Or would you say these conversations are usually completely separate?

- There is a great deal of integration between tuition and financial aid policy decisions
- These decisions are made by different groups at different times
- These are typically completely separate conversations

12. Would you like to see **better alignment** between **tuition and financial aid** policy making?

- Yes
- No
- Not Sure

Any Comments: _____

13. Are there ways you can think of that your state could accomplish better integration between **tuition and financial aid policies**?

Any Comments: _____

SECTION III.

Finally, I just have a few questions about issues you see coming before the legislature in the next two to three years.

14. For each of the following, please tell me whether you think this will be an issue before the legislature in the **next one to two years** in your state.

	Yes	No	Not sure
A. Decreasing the overall share of the state higher education budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- | | | | | |
|----|---|--------------------------|--------------------------|--------------------------|
| B. | Tuition increases | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| D. | Limits on in-state tuition
(for example, to only four or five
years per student) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| E. | Differential tuition rates for
residents versus non-residents | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| E. | Differential tuition rates for
students in different programs
(for example, college of education,
college of business) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| F. | Linking tuition increases to median
family income, Consumer Price
Index or some other measure of
inflation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| G. | Increasing taxes to offset tuition
increases | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I. | Increasing need-based student
financial aid | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| J. | Increasing merit-based student aid | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| K. | Finding the right mix of need
versus merit based aid | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| L. | Shifting funds from institutional
support to student financial aid
programs | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| M. | Performance funding for higher
education | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

15. 16. Are there any other major issues regarding **tuition** or **financial assistance** you see coming up in your state in the next one to two years?

Please specify _____

17. Are there any conversations going on right now in your state about creating a different process for making **tuition policy**?

If yes, please describe _____

18. Are there any conversations going on right now in your state about creating a different process for making **student financial aid policy**?

If yes, please describe _____

19. Are there any other comments you would like to make?

THANK YOU VERY MUCH FOR YOUR TIME. We expect our final report to be available in early Spring 2003. We will send you a copy.



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Western Interstate Commission for Higher Education

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