

# Western Policy Exchanges

Western Interstate Commission for Higher Education

September 2004

## IN THIS ISSUE

In this edition of Exchanges, we report on the national forum Changing Direction: Aligning Finance Policies to Increase Access and Success, held in Seattle, WA, June 7-9, 2004. The goal of the forum: to examine how best to align financial policies in order to improve access and success for students, especially for low-income and underrepresented students. The forum drew over 130 participants from across the country, including state legislators and other policymakers, researchers, and educators. The Changing Direction forum was sponsored by the Western Interstate Commission for Higher Education (WICHE), along with the American Council on Education's Center for Policy Analysis, the National Conference of State Legislatures, and the State Higher Education Executive Officers. As part of WICHE's multiyear project Changing Direction: Integrating Higher Education Financial Aid and Financing Policy, the forum was supported by a grant from Lumina Foundation for Education.

When it comes to higher education, most of us still tend to think of finance and financial aid as two separate things: the first affects our colleges and universities; the second determines the fate of many of our college-going students. That view is not just a casually held one: it is so strongly entrenched in our governmental structures and institutional frameworks that in many states, there is little communication between those who determine higher education appropriations or institutional tuition levels and those who oversee student financial aid.

As long as the cost of public higher education remained low, as it did for decades, that view was less problematic. But tuition and fees at most of our public and private institutions have been on the rise, just as higher education's share of the state appropriations pie has been flat or declining in most states. In the West, tuition and fees increased by over 5 percent a year between 1997-98 and 2002-03.<sup>1</sup>

The strain on family finances has been significant. In general, tuition and fees account for a higher percentage of a family's income today than they did a decade ago. In some states, the slice of family income needed to pay for expenses at four-year institutions now runs close to 30 percent.<sup>2</sup> The families of low-income students who enroll in the most affordable institutions their states have to offer may still find that tuition and fees consume as much as 22 percent of their income. No wonder that, for many of the nation's poorest students, a college degree is often seen as an almost impossible dream.

The charge to the policymakers and educators who attended the *Changing Direction* national forum, held in Seattle in early June, was to explore ways to weave together the still-disparate threads of appropriations, tuition, and financial aid, with the goal of creating easier access to higher education, especially for low-income and underrepresented students, as well as greater student success. Speakers from around the country brought a wealth of ideas, analyses, and examples to the forum. Here we synthesize the forum's discussion around four major threads:

- The Big Picture: Why alignment is so important – and so rare.
- Strategies and Results: How different states are solving the alignment problem.
- Making Every Penny Count: Retention and accountability.
- Next Steps: What we need to do to move this policy agenda forward.

Outlined in this way, the problem looks straightforward, something that should be easy to fix. It is anything but. "It's hard enough to talk about tuition setting, finance, and financial aid individually," said Cheryl Blanco, WICHE's Policy Analysis and Research director. "And it only gets more difficult when we talk about them together. These are messy conversations." Messy, perhaps, but vital.

## The Big Picture: Alignment, Access, and Success

"The four horsemen of the higher education apocalypse are increased educational demand, diminished capacity, economic and fiscal problems, like structural deficits, and the increased demand for accountability," said Lumina

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

Foundation's senior vice president for policy and organizational learning, Robert Dickeson. Reining in those four forces would be problem enough for a group united by a common purpose and goal. But higher education's constituencies are not always united.

Instead, they are many and various, including colleges and universities; state government; federal government; students and families; secondary schools; and the private sector. And each constituency has its own particular interest. Worse, instead of working together, the decision makers of each constituency often act in isolation. That is true even within a constituency: at the state level, for instance, those who determine institutional support may not be in touch with, or may have different agendas than, those who decide on financial aid.

There are two major ways in which finance policies need to be aligned – and too often are not – as Dennis Jones, president of the National Center for Higher Education Management Systems (NCHEMS), pointed out. First, the policies and practices at every level, both governmental and institutional, need to work together to reinforce state priorities. "We need to have a clear understanding of the priorities at the state level," Jones said, "and they're different from state to state." State policy objectives can vary widely, and may target one or more different goals, including:

- High rates of completion of an academically rigorous high school curriculum.
- High rates of college participation of both recent high school graduates and adult learners.
- High rates of college degree completion.
- High levels of degree production in certain fields.
- High levels of in-state hiring of college graduates.

A state's objectives should shape the way its money is spent. But too often, those goals are unclear or unstated. "Policy must be purposeful and intentional," says Jones, "but we never come to a consensus on the intent."

A second way in which finance policies and practices need to be aligned relates to the smooth and successful operation of funding mechanisms, or lack thereof. It is not enough to know what a state's objectives are – it is also critical that all constituencies work together to achieve them.

States are approaching this task in a variety of ways. Charles FitzSimons of the South Carolina Commission on Higher Education points to the state's use of performance funding (the idea of privatizing public institutions has also come up). In Florida, performance contracts – which would provide tuition flexibility, increased financial aid, and other benefits – were proposed as a way to boost the numbers of students institutions were graduating; currently, says Pat Dallet, deputy executive director of the Council for Education Policy Research and Improvement, institutions are not supporting this approach and performance contracts are not in the works. Colorado, whose goal was to increase the number of students attending college (the state is in the bottom quartile nationally), took a different approach, according to Rick O'Donnell, executive director of the Colorado Commission on Higher

Education. To improve access and better align aid, tuition, and appropriations, the state is offering students vouchers that they can use at any public institution (and some private schools, as well).

"The same amount of money going to the same recipients can be allocated in very different ways, and each gets you to a very different place," says Jones. "How resources are allocated is as important as how much." For instance, pouring state and federal money into programs that boost access

### The Changing Direction Project

The conference from which this paper was drawn is part of a larger project, *Changing Direction: Integrating Higher Education Financial Aid and Financing Policy*, supported by Lumina Foundation for Education. *Changing Direction*, now in its third year, examines how to structure and integrate financial aid and financing policies and practices to maximize participation, access, and success for all students. The project focuses on the socioeconomic-political environment in order to promote the kinds of major changes needed in the near future at multiple levels – campus, system, state, and national – through public policy. *Changing Direction* provides a venue for policymakers and educators from all regions of the country to examine the strengths and weaknesses of public policies and develop new models by looking at emerging trends, their potential impact on higher education, and the policy implications related to issues of financial aid, finance, the cost of education, and access. For more information on *Changing Direction*, go to [www.wiche.edu/Policy/Changing\\_Direction/index.htm](http://www.wiche.edu/Policy/Changing_Direction/index.htm).

for low-income students will get more of them in the door; but unless states and institutions follow through with initiatives that support these at-risk students once they are enrolled, they may not walk out with a degree.

Aligning state and federal policies is another area that requires long-overdue attention. “States have been better at connecting with the federal government on K-12 than on higher education,” said WICHE’s executive director, David Longanecker. One issue crying out for a state/federal meeting of the minds is accountability. “If states are smart and intentional, we can shape that discussion in a positive way,” he says. “It doesn’t have to be No Child Left Behind for higher education.” Another area where state/federal consensus is essential: the simplification of student financial aid processes: “Lots of people don’t go to college because they don’t think they can get financial aid, even when they probably could.” says Longanecker. “It doesn’t have to be that way though. Minnesota intentionally integrates what is available from the federal student aid programs into the state grant program, which makes the state and federal programs partners, whether the federal government recognizes it or not, and which makes understanding the mix of programs much easier for Minnesota families than is the case in most states.”

Federal loan programs can help low-income students with higher education’s affordability issue; but for higher education to be a truly affordable proposition, “states are going to have to step in with grant aid for needy students,” says Travis Reindl of the American Association of State Colleges and Universities. According to Donald Heller, associate professor and senior research associate at The Pennsylvania State University, financial aid is a key element in these students’ persisting until they complete their degrees: every \$1,000 they receive in aid increases their chances of success by 3 to 6 percent. Meanwhile, going to school less than full time – as many low-income, working students do – ratchets up their chance of dropping out.

Terry Hartle, the American Council on Education’s senior vice president and director of the division of government and public affairs, pinpointed three reasons for the misalignment on finance issues among higher education’s major players, especially between state and federal governments. “First, federal policy is focused on students, not on institutions or states,” he said. “Second, the states don’t speak with one voice – their policies vary considerably. And third, institutions don’t speak about state and federal policy unless it’s a truly devastating policy; rather, they speak about institutions.”

That makes for a messy conversation, indeed. But in some states, the various players are talking – and listening – to one another, with interesting results.

## Strategies and Results: Four State Stories

There is consensus on one issue. As Robert Dickeson put it, for this problem, “no simple solution will suffice.” Nor will any single solution. Instead, each state must work with its own particular set of priorities and circumstances.

Jones suggested that there are two different ways a state can approach the funding of higher education: it can build its core capacity and support the utilization of that capacity in a way that promotes state priorities via an institution-focused approach or a student-focused approach (see Figure 1). Alignment is not just a question of distributing funds in a way that gets more students in the door;

Figure 1

		Institution Focused	Student Focused
Core Capacity		<ul style="list-style-type: none"> <li>■ Base-Plus</li> <li>■ Formulas</li> </ul>	Tuition and Aid Policy Focused on Revenue Generation
	Capacity Utilization/ Public Agenda	Performance Funding	Tuition and Aid Policy Focused on Attainment of Specified Outcomes <ul style="list-style-type: none"> <li>■ Need-Based</li> <li>■ Merit-Based</li> </ul>

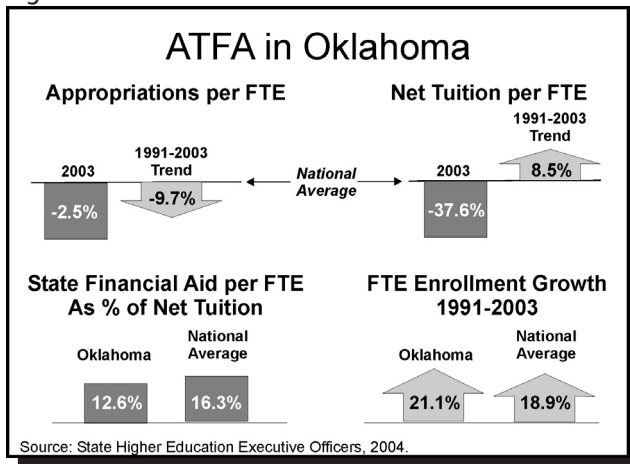
Source: National Center for Higher Education Management Systems, 2004.

as important is making sure that those students are successful learners who finish in a timely manner. Here, we look at how four states handled these challenges.

**Oklahoma** is dealing with below-average appropriations and financial aid (offset somewhat by lower-than-average tuition), as well as low enrollment growth (see Figure 2). Its objective is to increase the number of students attending and graduating from college, particularly low-income and minority students, according to Paul Risser, chancellor of the Oklahoma State Regents for Higher Education. One way it does that: through OHLAP (the Oklahoma Higher Learning Access Program), which provides aid in the form of free tuition to high-performing students – those who agree in the 8<sup>th</sup> grade to take a core curriculum and earn a 2.5 GPA or better – whose families earn less than \$50,000.

Another valuable program, according to Dolores Mize, associate vice chancellor and special assistant

Figure 2



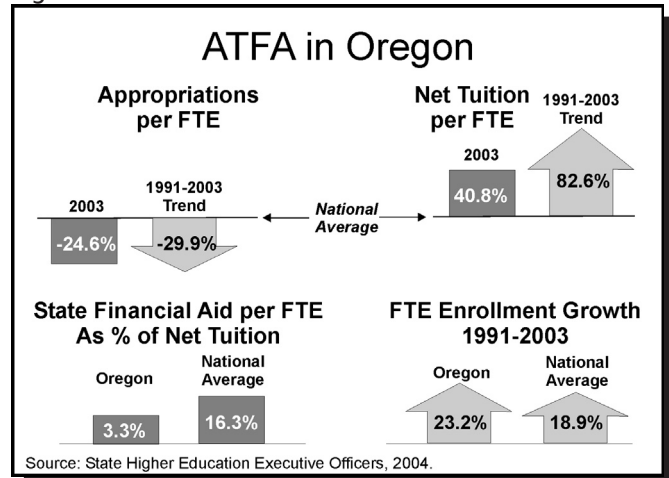
to the chancellor for the Oklahoma State Regents for Higher Education: the EPAS (Educational Planning and Assessment System), which was created in partnership with ACT, provides pre-ACT assessments in some 500 school districts. A third recent step that helps keep college affordable: last year, when tuition at Oklahoma institutions went up by an average of 18 percent, financial aid increased by the same amount. As a result of such programs, the state is seeing an increase in minority students enrolling in college – and the number of students enrolled in remedial courses has dropped. In addition, the percentage of students taking the ACT has grown from 50 percent in 1992 to 74 percent today.

**Arizona** is also working to increase access and graduation rates, but with a strong emphasis on workforce and economic development. The state had low college participation and completion rates, likely due in part to the almost total absence of financial aid. What’s more, decisions about tuition, appropriations, and aid were made independently of one another. According to Thomas Wickenden, former associate executive director for academic and student services of the Arizona Board of Regents, “educational leadership really needed to change the overall paradigm – we needed to move to an enterprise paradigm.”

In 2003, under the auspices of the *Changing Direction* project, the state convened key leaders from education, government, and business to design a strategic plan that would integrate these functions, in order to improve affordability, access, and success. The results of its efforts: a 39 percent increase in tuition accompanied by a 140 percent increase in need-based aid, as well as a major reorganization of each of its universities. In addition, the board of regents is working with the state universities on finance and financial aid strategies that should boost the number of students going to college and graduating.

**Oregon** is working to increase affordability and prevent a brain drain that could severely hamper its economic recovery. “We have an increase in demand but a decrease in capacity,” said Camille Preus-Braly, commissioner of the Oregon Department of Community Colleges and Workforce Development. “We’ll lose an estimated 9,000 students by the end of the decade if we don’t stop this plummet to the bottom.” The state’s appropriations and aid are lower than normal and its tuition is higher – it increased by more than 80 percent in the last decade – as is its enrollment growth (see Figure 3). According to David McDonald, director of enrollment and student services for the Oregon University System, students paid 65 percent of the higher education bill last year – compared to 40 percent just four years earlier. Greatly complicating

Figure 3



matters is the state’s fiscal crisis: over the last three years, Oregon saw steep declines in state revenues.

In an effort to turn the situation around, legislators have joined with businesspeople to form a council that is working on transfer and workforce issues, as well as on access to capital. And in a mark of the situation’s seriousness, the governor appointed himself head of the state board of education – and the board has begun to discuss increasing financial aid.

**Indiana** is focusing on cutting costs by boosting student preparedness and, as a result, decreasing the need for remediation, cutting time-to-degree and increasing graduation rates. Its “Core 40” curriculum, supported by a coalition of business, labor, K-12, and higher education representatives, is a rigorous academic program designed to better prepare students for college and the workforce. In 2002, 61 percent of the state’s high school graduates received “Core 40” diplomas – and those students who graduated with a GPA of 2.0 or better were eligible for additional financial aid opportunities. “Forty-five percent of all freshmen nationwide are taking remedial coursework

– and the number of remedial classes they take affects the possibilities for graduation,” said Stan Jones, Indiana commissioner of higher education. “Challenging students in high school pays off.”

Indiana has also worked to better align high school and college standards. One way it did this: the Passport Program, which refers students who do not yet meet four-year college standards to community colleges and makes sure credits from two-year schools are easily transferable to four-year institutions. Indiana’s Twenty-first Century Scholars Program targets low-income students for higher education early: 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> graders who take a pledge to stay off alcohol and drugs get free tuition at state colleges (they can also use the funds at private institutions); the program also has a mentoring initiative and tries to get parents involved.

## Making Every Penny Count: Retention and Accountability

Indiana’s concern with getting students into – and out of – college in a timely fashion reflects another “leg” of the alignment stool: the need to ensure student success – and to make sure that the limited funds available to higher education are well spent. Accountability and retention are not just state issues any longer. With No Child Left Behind and the upcoming reauthorization of the Higher Education Act, the federal government has also involved itself in these matters.

This increased focus on what students learn, and how successfully they learn it, is taking place in a time of constrained resources, however. “We’re looking at a situation where we’re facing 45,000 additional new enrollments beyond normal growth, at the same time that we’ve been cutting funding,” said Washington Senator Jeanne Kohl-Welles. “Our institutions are enrolling more students than they have received funds for from the legislature. They respond by having larger classes and suspending some student services.”

How can financially strapped institutions work to ensure student success? Or as Vincent Tinto, distinguished university professor and chair of Syracuse University’s Higher Education Program, asked, “What are the conditions on campus that promote success over which institutions have the most control?” In describing those conditions, he identified five rules of action that promote student success:

- Set high expectations – they matter.
- Create an environment with financial, instructional, social, and other supports that are connected to the learning experience.

- Build in feedback loops – establish effective early-alert systems and classroom-alert techniques.
- Build “communities of engagement” that involve students, faculty, and staff in a way that values all students.
- Encourage active and collaborative learning with other students.

Tinto spoke of learning communities and the collaborative pedagogy that underlies them as one particularly effective strategy that exemplifies these rules. As contrasted with traditional learning environments, learning communities require students to actively share the experience of learning with other students. Students in learning communities persisted at a higher rate than similar students in a traditional environment.

Four elements are key to creating such communities, said Tinto:

- Focus on improving the quality of student learning, not just on their “retention” or on lack of skills.
- Emphasis on the classroom as the centerpiece for the coordination of instructional action.
- Powerful faculty development programs that emphasize pedagogy and learning styles.
- Provision of incentives and rewards to promote faculty and staff involvement and collaboration.

Another way states are trying to stretch every higher education dollar – while at the same time increasing student access – is by having students get a jumpstart on college when they are still in high school. While students have been earning college credits through Advanced Placement and International Baccalaureate programs for some time, there has been an acceleration of that trend via the creation of “early college high schools.” A four-year institution that lets students earn two years of college credit (or even an A.A. degree), the early college high school is designed to bring more underrepresented students into higher education; they are also expected to save students and families – and possibly states – money. One hundred and fifty early college high schools are set to be launched in the next four years.

## Next Steps

“We are *rusting* on our laurels,” said Jane Wellman, senior associate with The Institute for Higher Education Policy, as she opened the *Changing Direction* forum. “The U.S. is not the ‘best in the world’ anymore, especially in terms of literacy and math skills. We have some of the best institutions in the world, and the worst.” Since 1975, the disparity between rich and poor institutions has grown

enormously. A Cornell study of private institutions shows wealth per student grew by over \$50,000 for the very richest institutions – while the average for all institutions was around \$4,500. Spending per pupil in many of the public community colleges is down overall. “Too many of our public policies focus on the high end, with not enough attention to where most of the students are,” says Wellman. “With the erosion of public finance, we’re seeing huge inequalities.” What’s more, says Wellman, at a time when the need for innovative public policy in higher education is great, finding an “audience” for such policy is getting increasingly difficult. Not only are the agencies that develop and communicate policy being dismantled in many states, but there is huge turnover among those who would listen to them, too – especially legislators, many of whom are subject to term limits.

Clearly, all stakeholders will need to work harder to make sure that higher education does not become more of a two-tier system than it already is. Today, as Terry Hartle said, “Smart poor kids go to college at the same rate as stupid rich kids.” And even an economic recovery will not change that.

In 2004, 21 states cut spending for higher education, and as Corina Eckl, fiscal affairs program director for the National Conference of State Legislatures pointed out, the outlook for the future is not bright. Most one-time money used to bolster state budgets, like tobacco settlement money and rainy day funds, has been exhausted. What’s more, the fiscal climate is increasingly conservative in most states, especially in the face of rising costs for health care and Medicaid, not to mention pent-up spending demand in many other areas. With the competition for state funds growing increasingly fierce, higher education faces an uncertain funding future (see Figure 4).

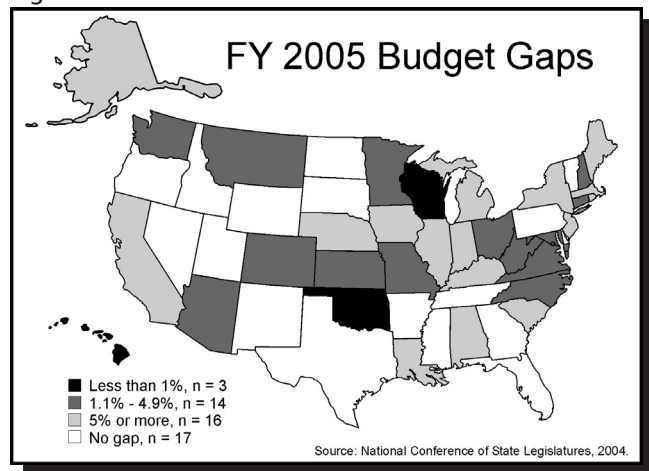
Bruce Hamlett, chief consultant to the California Assembly Committee on Higher Education, pointed out that those who make decisions about higher education finance need to deal with three realities:

- Tuition substitution for state funding cuts has become a reality in many states, like California and Oregon.
- There is a strong push for accountability – and the demand for accountability goes up as the price of higher education increases.

The Western Policy Exchange is a long-term commitment by WICHE to support better informed decision making through collaboration with a wide range of partners. Updates on all WPE initiatives are available at [www.wiche.edu](http://www.wiche.edu) or contact Cheryl Blanco, director of policy and research at WICHE, 303.541.0224. Western Policy Exchanges is published by WICHE.

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PO Box 9752  
Boulder CO 80301-9752  
303/541-0200

Figure 4



- Higher education and K-12 need to be real partners: declining funds and increasing enrollments mean that students must be well-prepared for college (and colleges need to be prepared to give them the courses they need to graduate in a timely fashion).

To Richard Jarvis, former chancellor of the Oregon University System, today’s economy “calls for a bit more beyond-the-pipeline thinking. We need to focus on part time and adult students too, not just on those coming up in the pipeline. What elements can the state put in place to urge to completion adults who are nearly done?”

For Dennis Jones, the central issue facing higher education today is simply stated: “The economy drives both state and student revenue. When times get tough for the state, the students and parents take it in the pocketbook. We as a society need to find ways to mitigate this boom-bust cycle.” For starters, he said, talk about tuition, finance and financial aid has to be cohesive – one “messy conversation” instead of three. In addition, institutions need to take a hard look at productivity issues – “getting more bang for the buck” – and at effective teaching and learning.

And, he adds, each state has to solve the alignment equation for itself. “Don’t borrow somebody else’s solution for a problem you haven’t defined yet,” he said in his closing remarks. “There is no silver bullet.”

### Endnotes

<sup>1</sup> Western Interstate Commission for Higher Education, *Tuition & Fees in Public Higher Education in the West, 2002-2003: Detailed Tuition & Fees Tables* (Boulder, CO: WICHE, 2003).

<sup>2</sup> National Center for Public Policy and Higher Education, *Measuring Up 2002* (San Jose, CA: NCPPHE, 2002).

This edition of *Exchanges* was prepared by Annie Finnigan, WICHE’s communications associate.