State of the States

Currently, higher education is in a promising position but there are some emerging trends that we will need to follow in the coming year. Today I’ll be touching on five items influencing state higher education policy across the nation. These include state economies, institutional financing, enrollment policies, tuition trends, and this year’s elections.

State Economies
State finances remained strong in FY06, bringing some optimism to higher education. Nationally, revenue collections were 3.4 percent higher than original estimates in FY06. This trend is expected to continue into this fiscal year, where revenues are projected to grow by 5.1 percent in the governors recommended budgets.

Higher education is reaping some of this incoming money. Following state spending cuts in 2003 and 2004, state higher education appropriations grew 4 percent in 2005 and 6 percent during this past fiscal year. During that time just 4 states – Illinois, Mississippi, Missouri and West Virginia, cut their higher education appropriation levels. This compares favorably with just 4 years earlier, when 37 states cut higher education funding in FY02.

While this growth is good news, many state programs will be competing for significant portions of state funds. Higher education’s competitors include k-12 and Medicaid, of which state budgets are expected to grow 6.3 percent in 2007 budgets. Due to these competing demands, spending for higher education will likely level off during this fiscal year.

Institutional Financing
Even as state budgets improve, state colleges are dealing with several financing issues ranging from rising costs to new financing structures. Like never before, colleges are looking at huge jumps in the costs of their utilities and supplies. From 2005 to 2006 the cost of utilities jumped 27.1 percent, almost triple the average annual increase over the last four years. The cost of materials and supplies, other than building materials, rose 8.2 percent, compared with a 4.8-percent increase in 2005. Coupled with increases in pension funds as the workforce ages, many state colleges and universities are looking at significant increases in spending.

Several states are also looking to redesign their spending structures. While voters in Colorado decided to suspend TABOR in November 2005, at least a dozen states introduced TABOR legislation or ballot initiatives this year. If approved, these measures would limit state revenue or spending to the sum of inflation plus population change. Right now at least 8 states are considering a similar measure, including Michigan, Oklahoma, Pennsylvania and here in Maine, where a recent poll shows 54 percent of respondents favoring - or leaning toward favoring - the proposal.

Enrollment
As financing is changing across campuses, so are student populations. Enrollment patterns are creating additional challenges in many states. The number of college students at public, four-year institutions grew 13.5 percent from 1994 to 2004. While this is expected to level off over the next few years, as the children of the baby-boom generation make their way through college, different regions of the country will find themselves with significantly different developments in the coming years.

Looking at projections of expected high school graduates, colleges in places like the Southwest and Southeast will see vast increases in the number of college students. As a result, lawmakers and
institutions are looking at new policies to accommodate all these students and graduate them more quickly.

Some state leaders have begun looking at ways to allow high schools and community colleges to shoulder some of the burden of educating college students. This not only opens space up at four-year campuses, but allows high schools and community college students access, and often lower prices, to baccalaureate level courses or degrees. In Arizona, where the number of high school graduates is expected to grow 33.0 percent from 2004 to 2014, legislators looked at allowing community colleges to offer baccalaureate degrees. A similar program was approved in Florida in 2002. In Nevada, state officials decided to build the brand new Nevada State College in 2002 to deal with the expected 60.5 percent jump in high school graduates over those same years.

But this pattern is turned on its head in the Midwest and Northeast. Here in Maine the number of high school graduates is expected to fall 16.1 percent, with Vermont, New Hampshire and Massachusetts all expecting reductions in the number of high school graduates. In South Dakota, where the number of high school graduates is projected to decrease by 12.4 percent from 2004 to 2014, recruiters have increased their efforts in states like California, where capacity challenges have arisen because of a sizeable influx of new college students. The state has also entered into agreements with other states, including Iowa, Nebraska, Minnesota and California to offer a discounted tuition rate to students who may otherwise have a hard time finding space at their state’s universities.

Along with South Dakota, other states are cutting in-state tuition rates in order to entice students. Last year the University of Wisconsin System reduced its non-resident tuition rates while in North Dakota, Mayville State University is currently looking to cut tuition by 43 percent for out-of-state students.

Tuition
As historical patterns have shown, tuition is closely tied with state appropriations. So in the past years, tuition rates have leveled off somewhat, as state higher education budgets have grown. However, universities continue to face challenges in keeping costs down as they face rising costs, changing enrollments and new policies.

The average in-state tuition and fee increases at public four-year institutions fell from a nearly 14 percent high in 2003-04 to 7 percent in the 2005 academic year-reaching $5,491. Given the expected strength of state higher education funding in FY07, we expect in-state tuition and fees for public colleges and universities in the upcoming academic year to register in the range of 5.5 percent. However, these increases will be may be restrained by two factors. One, the fact that universities will need to play catch up from earlier years of stagnant or decreasing budgets, particularly with respect to capital maintenance and improvements and faculty/staff salaries. Secondly, there have been significant increases in several costs associated with higher education, including employee benefits and materials and utility costs.

States are looking at a variety of options to limit tuition increases and grant students and families some predictability and stability in rate setting. Some states like Maryland and California used budget surpluses to partially or completely “buy out” proposed tuition increases.

Tuition guarantee programs are also becoming popular. Georgia became the second state to approve a four-year tuition freeze rates for each incoming class, with proposals offered in both Arizona and New York.

Other states are looking at different pricing structures to encourage timely graduation rates. In Texas and Georgia, institutions are moving forward on plans to hike rates based on part-time status or whether a student has significantly exceeded their time-to-degree.

Resident tuition for illegal immigrants is another issue on the minds of many policymakers and educators. This year Nebraska became the 10th state to approve in-state tuition for undocumented aliens while other states, including Arizona, Florida, Maryland, Mississippi and New Jersey considered, but did not adopt
proposed legislation. Additionally, legal disputes in states like Kansas, continue over laws that have already been enacted.

2006 Elections
While much of the attention regarding the November elections has focused on Congress, the states present a very active picture for the fall ballot. Most of the nation’s governor’s seats are up for grabs, as well as the vast majority of legislative seats, and there are at least 100 initiatives and referenda in 25 states. While higher education has thus far not topped the list of campaign issues, it is attracting attention and debate in a number of races, and stands to be significantly affected by the outcome of several ballot questions. Perhaps most significantly, the upcoming election will serve as a bellwether regarding the electorate’s contentment with current conditions and policy directions, which is important information for state colleges and universities moving forward.

Governors:
Of the 36 gubernatorial races this year, 27 are incumbents seeking re-election, leaving 9 races for open seats. Several campaigns have featured higher education issues. In Minnesota Gov. Tim Pawlenty is proposing a scholarship program similar to Georgia HOPE for state residents.

In Wisconsin, U.S. Rep. Mark Green, who is challenging incumbent Gov. Jim Doyle, has issued stinging critiques of the University of Wisconsin System on issues such as tuition-setting and executive compensation, and has voiced opposition to the university’s participation in stem-cell research initiatives.

Based on current polling trends, there will likely be only a marginal shift in the current partisan balance of 28 Republicans and 22 Democrats in the nation’s governor’s mansions.

Legislatures:
More than 80 percent of the nation’s 7,382 state legislative seats are being contested this fall, and the partisan balance in seats and chambers remains close. Democrats and Republicans are virtually dead even in the total number of seats, while Republicans have a one-state edge in the number of legislatures controlled (20 to the Democrats’ 19). Experts predict little change in this picture, though a significant Democratic pick-up in congressional races could have a residual impact in swing states. Additionally, nearly one-third of the states are still experiencing the effects of term limits, with states such as California, Michigan, Nebraska, and Ohio still slated for significant turnover in this election cycle.

Ballot Measures:
Consistent with recent election cycles, education is shaping up to be a less prominent subject of initiatives and referenda than taxes/spending, eminent domain, and “hot button” social issues such as abortion and same-sex marriage. Measures with the potential to significantly impact public higher education include: a ban on affirmative action (Mich.), tax/expenditure limitations (Maine, R.I.), permission for universities to spend endowment funds beyond interest earnings (N.D), and creation of a permanent trust fund for higher education scholarships (Wyo.).

Conclusion
In summary, this is a complex time in higher education. State colleges are dealing with a variety of issues, including improving state budgets that don’t necessarily translate into significant increases in higher education budgets. States are looking for new ways to educate a changing student population, among rising costs. And the statehouse leadership undergoing changes within the year. Government relations professionals need to know what’s around the corner, even if that means something that’s happening across the country.

For more information:
❖ The American Association of State Colleges and Universities (AASCU) follows both state and federal higher education policy issues. The latest federal information on issues ranging from the federal budget, reauthorization of the Higher Education Act and Pell grants can be viewed at aascu.org/policy. AASCU also publishes the monthly Policy Matters on revolving state higher
education policy issues, including tuition policies, enrollment trends and higher education funding. The reports can be viewed at aascu.org/policy_matters

- The National Association of State Budget Officers released its *Fiscal Survey of the States* in June 2006, containing information on state economies and predictions for fiscal year 2007. The full copy of the report can be viewed at nasbo.org
- Projections of expected high school graduates by state, family income and major racial and ethnic groups through the year 2018 are published by the Western Interstate Commission for Higher Education. The report, *Knocking at the College Door: Projections of High School Graduates by State, Income and Race/Ethnicity, 1988 to 2018* can be ordered at wiche.edu
- The Center on Budget and Policy Priorities analyzes both federal and state fiscal policies and public programs that affect low- and moderate-income families and individuals, including TABOR. Up-to-date information about state TABOR proposals can be found at cbpp.org/ssl-series.htm
- The Center for the Study of Education Policy at Illinois State University tracks state higher education appropriations in its *Grapevine* reports. The reports can be viewed at coe.ilstu.edu/grapevine

Melissa Markowitz  
Senior Research and Policy Analyst  
AASCU  
202.478.7831/markowitzm@aascu.org