

CHANGING DIRECTION:



Integrating Higher Education
Financial Aid and Financing Policy

Integrating Higher Education Financial Aid and Financing Policy: Case Studies from the Changing Direction Technical Assistance States

February 2008

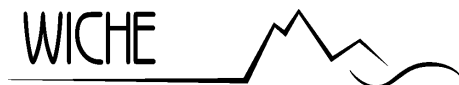
WICHE

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Integrating Higher Education
Financial Aid and Financing Policy:
Case Studies from the
Changing Direction
Technical Assistance States

February 2008

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The Western Interstate Commission for Higher Education (WICHE) is an interstate compact created by formal legislative action of the states and the U.S. Congress. Its mission is to work collaboratively to expand educational access and excellence for all citizens of the West. 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.
- Foster cooperative planning, especially that which targets the sharing of resources.

This publication was prepared by the Public Policy 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://www.wiche.edu/Policy/Changing_Direction/Pubs.asp or through the WICHE Publications Office at publications@wiche.edu.

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▲ Foreword

Throughout the end of the 1990s and the early years of the current decade, states experienced severe downturns in their economies. As has happened during other recessions, higher education – which is often viewed as discretionary spending, compared to other budget demands, such as those of Medicaid, K-12 education, and corrections – was hit particularly hard. During these years of severe fiscal constraints, however, a growing recognition of the interrelated nature of appropriations, financial aid, and tuition policy emerged. Decision makers also recognized that policy related to these issues was rarely aligned. In fact, policy decisions on these matters have historically been made by different decision makers (i.e., state legislatures, institutions, governing/ coordinating boards) at different times and with different agendas and perspectives in mind. And, too often, the resulting decisions have not been in the best interest of students. Although the extreme revenue shortfalls of recent years have subsided, most states still face tough budgetary challenges in the near future – meaning that fiscal policy alignment is more important than ever.

In 2001 Lumina Foundation for Education awarded the Western Interstate Commission for Higher Education (WICHE) a grant to work with state policymakers to integrate higher education appropriations, tuition, and financial aid policy. *Changing Direction: Integrating Higher Education Financial Aid and Financing Policy* works to foster better, more informed decision making on issues related to higher education financial aid and financing in order to increase access and success for all students.

As part of *Changing Direction*, WICHE and its partner organizations – the American Council on Education’s Center for Policy Analysis, National Conference of State Legislatures, and State Higher Education Executive Officers – worked with cohorts of states to provide technical assistance related to these issues. To document the progress in the states, *Changing Direction* staff assigned a case study author to observe each state’s work and to write a case study report and analysis. This publication is a compilation of the case study reports of the second and third cohorts of states – including California, Hawaii, Idaho, Kentucky, Louisiana, New Mexico, Oklahoma, Tennessee, and Washington. It also includes an update on the first cohort, which included Arizona, Connecticut, Florida, Missouri, and Oregon. In an effort to share lessons learned and progress made, each case study includes a description of the policy context, state actions, and observations. We hope that you find this publication to be a useful resource as you explore the new ways of integrating higher education appropriations, tuition, and financial aid policy in an effort to increase access and success for all students.



David A. Longanecker
President
Western Interstate Commission for Higher Education (WICHE)

► The *Changing Direction* Case Studies: An Overview

Demarée K. Michelau

In 2001 Lumina Foundation for Education awarded the Western Interstate Commission for Higher Education (WICHE) a multiyear grant for a project titled *Changing Direction: Integrating Higher Education Financial Aid and Financing Policy*. The overarching goal of this project was to foster better, more informed decision making on issues related to financial aid and financing in higher education in order to increase access and success for all students. The project encompassed many activities, including: commissioned papers; national and regional policy forums; and leadership institutes for members of governing boards, state legislators, governors' education policy advisors, and legislative staff.

One of WICHE's primary activities was to provide direct technical assistance to states that were serious about thinking about higher education financing issues in new ways and that were in a position to move forward with the *Changing Direction* agenda. WICHE chose 14 states for the project and worked closely with each for a two-year period to develop a more comprehensive state policymaking framework and process so that policies related to appropriations, tuition, and financial aid were better aligned, occurred in an environment of collaboration, and supported state goals for higher education. WICHE carefully documented the progress made in each of these states. In an effort to chronicle the developments in the states as well as to share the lessons learned, this publication offers a compilation of case

studies written about the *Changing Direction* technical assistance states.

The Selection Process

WICHE provided technical assistance to three cohorts of states, all of which were selected through a competitive process, initiated by a call for participation. The first call was distributed to the 50 state higher education executive officers (SHEEOs) in the winter of 2002. The second call was issued in December 2003, and the third in November 2004. Through these calls for participation, WICHE outlined an agreement by which selected states would convene key leadership as frequently as needed to conceptualize their projects and develop action plans. Activities during the technical assistance period were to include:

- Identifying desired state outcomes and outputs.
- Describing the status of decision making related to appropriations, tuition, and financial aid at the initiation of the project, including state trends and challenges in those three areas.
- Reviewing other methods of integrated decision making to identify an appropriate strategy.
- Revising existing policies and processes for making decisions concerning appropriations, tuition, and financial aid to move toward an integrated approach.
- Appointing an individual to provide leadership at the state level to coordinate meetings and other activities; most often, this was the state higher education executive officer.
- Appointing a staff person to serve as the local coordinator and provide assistance to WICHE project staff in scheduling

meetings, coordinating logistics, developing and disseminating materials, and assisting with other work as needed.

- ▶ Securing buy-in and commitment from key constituents, including the two-year sector when possible.

Because the *Changing Direction* project was not able to meet all the costs of most action plans, states were required to commit some additional fiscal resources, depending on their objectives, strategies, and outcomes.

In exchange, WICHE worked with state leaders and coordinators to assist in project conceptualization and development. WICHE also provided technical support, advice, and staff, and employed a variety of activities to meet the individual state's needs. These activities included providing: facilitators and experts during state planning meetings; limited research and analysis funding; limited travel and meeting support; and support for other activities as needed by the state (contingent on the fiscal resources of the project). To help defray expenses incurred during the technical assistance period, the *Changing Direction* project reimbursed each state up to \$6,500 during their first year and \$3,000 during their second year to support key activities.

At the outset of the *Changing Direction* project, WICHE partnered with three other organizations – the Center for Policy Analysis at the American Council on Education, the National Conference of State Legislatures, and the State Higher Education Executive Officers – that were integral to the project, providing guidance, important contacts, and expertise. WICHE selected key staff from these organizations to serve on the technical assistance selection committee, which based its decisions on the following criteria:

- ▶ Whether the outcomes proposed were reasonable and consistent with the *Changing Direction* goals and objectives.
- ▶ Whether the decision-making process that related to how appropriations, tuition, and financial aid decisions were made in the state lent itself to the *Changing Direction* policy alignment approach.
- ▶ Whether the challenges that the state faced in integrating financial aid and financing policy were significant yet addressable; and whether the state presented a reasonable response to the question of how participation in the project could help it overcome challenges.
- ▶ The state's perceived commitment to the *Changing Direction* agenda.
- ▶ Cooperation from key stakeholders in the state.
- ▶ Whether the state had a comprehensive and realistic plan for incorporating efforts to enhance student retention.
- ▶ The likelihood that the *Changing Direction* project would help the state accomplish its objectives and that the project would add value.

In total, WICHE and its partner organizations selected 14 states from around the nation to participate in the technical assistance portion of the *Changing Direction* project. Each state participated in the project for a two-year period. WICHE asked them to submit action plans at the outset and progress reports along the way. Table 1 identifies the states and their cohorts.

WICHE assigned an individual from each of the partner organizations to observe and analyze each of the 14 technical assistance states' activities and to publish a case study chronicling their goals and objectives, as well as the progress made toward them. The case studies outlining the progress of the first

Table 1. <i>Changing Direction</i> Technical Assistance States		
First Cohort	Second Cohort	Third Cohort
Arizona	Hawaii	California
Connecticut	Idaho	Kentucky
Florida	Louisiana	New Mexico
Missouri	Oklahoma	Washington
Oregon	Tennessee	

cohort of the technical assistance states were published in August 2003; an update on these states is included in this publication. This compilation, which is also the final publication of the *Changing Direction* project, includes case studies highlighting the efforts of the second and third cohorts.

Significant Accomplishments and Milestones

Changing state policy is never an easy task, especially in the comprehensive way that the *Changing Direction* project attempted to do it. States start in different places and certainly end in different places, and their success is measured differently, depending on their unique context. Political environments can shift without warning, changing a course that previously seemed destined for success. Yet despite the challenges associated with thinking big, the *Changing Direction* project experienced some significant successes, as is evidenced in the case studies presented in the following pages. With these successes also came some very important lessons learned from the technical assistance states.

Policy moves according to its own timeline.

Each state was selected to be, and funded as, a technical assistance state for a two-year period. While this fits nicely with the project timeline, each state’s policy process moved according to its own schedule. An example, explained in more detail later, is

the policy change that took place in Oregon. Although project support to Oregon ended with the first cohort, the state continued efforts that began with *Changing Direction*. In December 2005 Oregon’s Access and Affordability Working Group (AAWG) invited David Longanecker, WICHE’s president, and Brian Prescott, WICHE’s senior research analyst, to advise them on restructuring Oregon’s need-based grant program, the Oregon Opportunity Grant (OOG). This work resulted in an important shift in how the state distributes financial aid. While the modifications occurred after the project technically ended, the *Changing Direction* agenda and spirit survived and helped facilitate this significant policy change.

Policy change requires consistent leadership over time.

Several states learned that without consistent leadership over time, adopting a comprehensive *Changing Direction* agenda was difficult at best. While Oregon eventually experienced success, turmoil at the Oregon University System stalled the state’s progress for months. In a later cohort, Washington’s plans were halted after a largely successful start because of a change in leadership and focus at the executive level. Another example is New Mexico, where in April 2005, Governor Bill Richardson and the New Mexico Legislature elevated the New Mexico Commission on Higher Education to a cabinet-level department and renamed it the New Mexico Department of Higher Education. The significant governance changes that followed stalled the *Changing Direction* efforts, which had been led by the previous executive director of the commission. Yet in the end, as will be described in New Mexico’s case study, the state was able to convene a higher education summit with *Changing Direction* support in an effort to engage some key policymakers in a discussion about financing and financial

aid issues. Situations like these were out of state project leaders' control but directly affected their work. The states that could claim the most success generally experienced few, if any, changes in leadership, which may have just been a result of fortuitous political timing.

What defines success in one state does not necessarily define it in another.

States developed action plans that varied in terms of goals and methods: their results differed as well. For example, Hawaii established a fairly ambitious agenda, in which the state radically changed its mechanism for providing financial aid. Historically, the state did not have a significant, statewide need-based financial aid program and had relied on a system of tuition waivers as a mechanism for providing student financial assistance. State leaders recognized that for a variety of reasons this system was no longer adequate to meet Hawaii's needs, and through *Changing Direction*, they were successful in changing policy. On the other hand, New Mexico's major outcome – while not creating a radical change, as in Hawaii – was still a sign of progress. The state had experienced significant turmoil due to major governance shifts, but despite this, it was able to convene a higher education summit – an important step toward success, even though this was very different from what the state leaders originally intended to accomplish.

A Look to the Future

While *Changing Direction* has come to an end in the formal sense, the effects of the project in the technical assistance states continue. In many of these states, leaders still continue to consider policy in a more integrated way, and this is often directly attributed to the project's success in changing how those leaders viewed higher

education financing and financial aid policy. Tennessee, for example, created a statewide master plan, restructured its funding formula, and introduced a new financial aid package all at the same time with the assistance of the *Changing Direction* project. These three initiatives are now linked together in a way that makes it unlikely that anyone will tinker with one without considering the others. Similarly, Arizona and Idaho both have adopted the phrase "changing direction" to refer to the idea of an integrated approach to higher education financing and financial aid policy and their work in this area. This institutionalization of the term in these states and others will help ensure that the *Changing Direction* spirit is sustained.

▲ Cohort 1 States: An Update

Cheryl D. Blanco

In winter 2002 project staff issued *Changing Direction's* first call for participation, inviting state higher education executive officers from around the country to participate by applying for technical assistance. From the 17 applications submitted by the deadline that year, staff and project partners selected five states: Arizona, Connecticut, Florida, Missouri, and Oregon. This first cohort of technical assistance states submitted work plans with goals, objectives, and anticipated outcomes and initiated their activities a few months later, with the expectation that they would participate in the project for two years.

A case study author from *Changing Direction's* four partner organizations – the Western Interstate Commission for Higher Education (WICHE), American Council for Education's Center for Policy Analysis (ACE), National Conference of State Legislatures (NCSL), and State Higher Education Executive Officers (SHEEO) – was assigned to each state. In August 2003 the first-year case studies were published. This section revisits the initial five technical assistance states and provides an overview of the states' original goals for their projects, a summary of second-year accomplishments, and other developments relevant to the project.

Arizona

In the spring of 2002, the timing for the *Changing Direction* project in Arizona was propitious: the state faced a significant projected increase in the demand for higher education, and much of this demand would come from populations that Arizona had not traditionally served well – the economically disadvantaged, communities of color, and nontraditional populations. Additionally, it was highly unlikely that the state would be able or willing to provide funding equivalent to past levels on a per-student basis.

In fiscal year 2003, funding for higher education was essentially frozen, following a 2.8 percent cut in funding the previous year. The Arizona Board of Regents had just gone through a contentious series of meetings on setting tuition for the 2002-03 academic year, rejecting the tuition increase proposed by its staff. The incoming board chair was intent on "changing direction" and developing a better strategy to coordinate all parts of the finance package. As a result, the Arizona Board of Regents applied to be part of the *Changing Direction* project, intending to create a draft strategic plan for coordinating policies and decision-making processes related to the integration of state appropriations, tuition, and financial aid policies in ways that would help increase the affordability of, participation in, and completion of higher education.

***Integrating Financial Aid and Financial Policies:
Case Studies from Five States*** is available for download at
www.wiche.edu/Policy/Changing_Direction/documents/CaseStudies.pdf.

Under the leadership of the board chair and the state higher education executive officer, Linda Blessing, the regents developed both a vision for future funding of higher education in Arizona and a process for gaining broad acceptance and ownership of this vision among other critical stakeholders in Arizona higher education. By the end of the initial year, the regents had gained a new sense of financing policies as a whole and a better understanding that quality and access could best be maximized when state appropriations, tuition, and financial aid were aligned.

In addition to this achievement, other important voices in the state – the governor, presidents of the universities, and the press – were supportive of the bold changes proposed by the regents. While tuition increased during this year, it was a necessary action to move the state toward its goal of having its universities be at the top end of the lower third of senior public universities in the 50 states in terms of tuition cost. Tuition at Arizona universities had historically been in the lower quartile and was insufficient to provide adequate instructional support.

Accompanying this decision was a commitment by the regents, the institutions, and key policymakers to establish a stronger need-based financial aid program to support increased access for economically disadvantaged students. The state coordinator, Tom Wickenden, the associate executive director of academic and student affairs within the Arizona Board of Regents, summarized the first-year achievements in a progress report to WICHE: “We created a radically different statewide policy environment for the setting of tuition and awarding of need-based financial aid. In this new environment, undergraduate resident tuition for next year was increased by 40 percent and need-based financial

aid funded through a set-aside of tuition revenue was increased 140 percent. Tuition payment plans will be offered by each of the universities, and differential tuition rates (in the form of fees) for professional programs and for graduate and nonresident students have been approved. This increased tuition revenue has been retained by the institutions and is not subject to direct state appropriation.”

With tuition and institutional financial aid addressed in the first year, Arizona looked to the second year as an opportunity to make progress on the state need-based financial aid program. In collaboration with the Arizona Commission for Postsecondary Education and other groups, board of regents’ staff worked on the Need-Based Financial Aid Task Force, seeking solutions to financial barriers to access and success for low-income students. A number of meetings were held, and the task force released a report called “Investing in Arizona’s Future,” which documents the benefits to the state and its citizens from investing in student aid for higher education.¹

Arizona was particularly successful in utilizing the *Changing Direction* project to stimulate major changes in the university system. A significant reason for the state’s success is the leadership of the board chair and the SHEEO in 2002 in recognizing the potential of this national project and capitalizing on its visibility to engage a wide range of stakeholders in very difficult discussions. David Longanecker, president of WICHE and the case study author for Arizona’s first year, noted, “An outside observer might not see Arizona’s *Changing Direction* project as all that radical. After all, it will remain a modestly funded system, with still relatively modest tuition, without a robust state financial aid program. From the Arizona perspective, however, they

are *changing direction* substantially. More importantly, though, they are doing so *appropriately and intentionally.*"

Arizona's commitment to *changing direction* has continued. In 2005 the Arizona Board of Regents adopted an aggressive plan, reflected in a document titled *A Redesigned Public University System*, to revise the delivery system and funding mechanisms for the state's universities to respond to the exceptional increase in demand expected in Arizona. Furthermore, the board of regents is currently working with the state legislature and governor through the newly established P-20 Council to examine ways in which incentives to enhance both student access and success can be imbedded within the state's funding policies and formula.

Connecticut

The Connecticut Board of Governors is the state's coordinating agency for higher education, and the Connecticut Department of Higher Education carries out the board's administrative responsibilities. The department housed the *Changing Direction* project and proposed appointing a task force to hold discussion sessions on the following issues: policies and the major drivers of rising costs at Connecticut public institutions; reviewing, modifying, or affirming the principles underlying the state's tuition, fee, and student aid policies; and developing interim recommendations on modifications to policies for fiscal year 2003-05 budget development purposes. This was an ambitious undertaking, given that public institutions in Connecticut operate with considerable autonomy and the department has little direct authority over them. Institutions establish their own tuition rates and retain tuition revenue; the board of governors reviews the rates and recommends them to the Connecticut Legislature but does not have authority to actually approve the

rates. Additionally, the governor was leaving office and the legislature, while concerned with rising tuition, faced budget shortfalls and few options.

The board of governors and the commissioner for higher education, Valerie Lewis, who was also the state higher education executive officer, wanted to raise awareness among state policymakers about the "cost spiral" at public institutions and the importance of strong financial aid policies. Meetings of the Tuition Policy Review Committee (TPRC) were strained in some instances, as the institutions became concerned that the board was endeavoring to assume greater control of higher education finance policy. Jacqueline King, Connecticut's case study author and the director of the Center for Policy Analysis at the American Council on Education, summarized the first year's efforts: "The Connecticut Department of Higher Education has achieved the first several goals that it set for Phase 1: the committee exists and has been engaged in a review of tuition and fee policies, as well as cost drivers at institutions.... However, it seems reasonable to assert that the Connecticut Department of Higher Education, the board of governors, and the TPRC will face stiff opposition from the constituent units if any of their recommendations impinge on the independence these institutions now enjoy. A key factor may be the extent to which other key policy actors, including the governor, buy into the committee's work and adopt its agenda."

During the second year of the project, the department planned to continue its work on strengthening statewide tuition and fee policies while assessing the adequacy of existing student financial aid programs in light of budget restraints and rising tuition and fees. Two areas were of particular

importance: reviewing and potentially revising the distribution formula for the state's grant program; and developing a more reliable and comprehensive student financial aid database to enable state policymakers to assess and model net price by income band and other socioeconomic factors.

One year later, the board of governors had addressed tuition and fee policy by retaining a 15 percent cap, clarifying policy on tuition differentiation at the undergraduate level, and affirming the need and importance of a 15 percent set-aside for need-based aid. The board also worked with the institutions to review technical changes to policy, revise the cost-per-student calculation, and address definitions and treatments of tuition and fees for policy purposes. While many additional achievements resulted from the dialogues between the board and the institutions, the discussion of a prototype for a student financial aid database was put on hold due to a lack of staff time and resources.

More recently, as part of *Changing Direction*, the state explored further the creation of a state financial aid database. Project leaders worked to focus attention on affordability and informed the board and other decision makers about the importance of data in crafting effective financial aid policies and programs. Specifically, they held a retreat for the Connecticut Board of Governors for Higher Education, where they identified their priorities. Two of the highest priorities for the fiscal year 2008-09 were: increasing Connecticut's commitment to student financial aid and the development of a statewide student financial aid database. The retreat resulted in the formulation of budget requests to the governor and student-unit-record data requests to Connecticut higher education institutions for recipients of state-provided financial aid.

The Connecticut experience underscores the challenges and the payoffs to be had when sensitive issues are tackled. The department reports that although the project began with acrimony between the board of governors and the major institutions, it led to improved cooperation and better working relationships. For example, the *Changing Direction* coordinator, Mary Johnson, associate commissioner of finance and administration at the Connecticut Department of Higher Education, reported that there was greater understanding, at least at one institution, of the important relationships between appropriations, tuition, and financial aid. When the state provided additional funds to cover increased expenses from a collective-bargaining agreement, the institution rolled back part of its expected tuition increase.

It is clear that the *Changing Direction* project served as a catalyst for better alignment of appropriations, tuition, and financial aid policies in Connecticut. According to Johnson, probably the greatest accomplishment of this project was the fact that the issues of tuition and fee policy and the role of public higher education in ensuring access and affordability were raised at a state level. She commented in a progress report to WICHE that "the TPRC meetings have provided an opportunity for state leaders to raise their concerns and to learn more about current financing and student financial aid practices. Legislative leaders, in particular, have been troubled by the lack of knowledge about how state funds are used, given the significant financial flexibility afforded Connecticut public institutions.... The committee has had a unique opportunity to learn more about higher education financing and how Connecticut compares to other states and similar institutions." Up until the launching of this project, it had been extremely difficult for the board of

governors to get anyone to focus on these issues because of the severity of state budget problems and other pressing state policy concerns.

Florida

Florida's decision to participate in the *Changing Direction* project came on the heels of a massive governance reorganization that altered the way education policy is developed and implemented in the state. In 1998 a successful constitutional amendment resulted in the elimination of the previous state board of education and the implementation of a K-20 governing/ coordinating structure. In place of the board of regents and the state board of community colleges, boards of trustees were created for each of the public colleges and universities, and the new Florida Board of Education was established to oversee education from kindergarten through graduate school. The previous state higher education executive office, the Postsecondary Education Planning Commission, was abolished and the Council for Education Policy, Research, and Improvement (CEPRI) was established. The council was the lead agency for the *Changing Direction* initiative; the agency's first-year plan was to develop policy recommendations related to the integration of state appropriations, tuition policies, and financial aid policies for inclusion in the state's long-range master plan.

The *Changing Direction* project focused largely on elements of the Florida's Master Plan for K-20 Education – its first master plan – and on identifying critical factors and issues to consider in the design of an overall framework for finance policy. As part of the finance emphasis, the council engaged a consulting firm to assist in the completion of a financial aid leveraging analysis to assess the progressiveness and efficiency of the

state's three major financial aid programs: Bright Futures (merit), Florida Student Assistance Grant (need), and Florida Resident Access Grant (choice). In a related financial aid effort, the agency completed *Florida Trends in Student Aid and College Pricing, 1997-98 to 2001-02*, the most complete accounting to date in Florida of the amounts and types of financial aid that were made available to students from 1997-98 to 2001-02 from all funding sources and at all levels and sectors of postsecondary education. The report was very effective in clarifying the relative contributions made by various parties that share responsibility for providing affordable and accessible postsecondary education. In November 2003 the council put out another report, *The Benefits of Multi-Year Contracts Between the State and Public Universities: Linking Performance, Funding, and Mission*. This report addresses several of the priorities identified in *Changing Direction* and has been presented to both the board of governors of the state universities and the Florida Legislature, as well as at national meetings.

At the end of the first year, case study author Paul Lingenfelter, president of the State Higher Education Executive Officers, observed that "Florida is well-positioned to move ahead in a process of formulating and implementing strategies for pursuing its goals for postsecondary education. In some respects the process used in the past two years has been ideal for engaging these difficult issues. At the same time, it would be difficult to overestimate the challenges still ahead. The gap between its aspirations and its resources is significant, and the internal conflicts among policy values and opportunities are substantial."

As Florida moved into the second year of its *Changing Direction* initiative, the council continued its focus on using data to shed

light on financing issues and to work on the funding and policy components of the Master Plan for K-20 Education. Building compatible and comprehensive educational data systems to inform public policy has been a long-standing commitment in Florida. One aspect of this has been the council's analysis of progression toward the bachelor's degree, using a cohort of Florida public high school graduates. As part of the *Changing Direction* project, data were analyzed using a continuum of financial need (as measured by receipt and amounts of need-based federal and state financial aid) and academic preparedness (based on state university admission requirements and high school grade point average). During the second year of the project, the analysis was revised and updated to include a new cohort of ninth graders from 1997-98, when the Bright Futures financial aid program was implemented, and also to include a focus on financial aid (type and amount) and its impact on student progression.

In addition, a third cohort, involving 2000-01 high school graduates, was analyzed for bachelor's degree completion. Financial aid characteristics and postsecondary enrollment of the new cohorts was to be compared to the earlier cohort of high school graduates.

Data and analyses can be found on CEPRI's web analysis tool page: www.cepri.state.fl.us/bacompletion.

CEPRI developed a web-based tool that permits consideration of the impact of various academic and related factors on the likelihood of baccalaureate attainment. Financial aid was also to be included in the menu of factors considered.

In early May 2005, the legislature and governor's office decided to eliminate the council, effective June 30, 2005. The future

of the web-analysis tool and the master plan, both part of the *Changing Direction* project, remain somewhat in limbo, but currently the web-analysis tool is still available for use.

Missouri

The Missouri Coordinating Board for Higher Education was the state's *Changing Direction* partner. The goal of the coordinating board's initiative was to more closely align thinking and policymaking regarding funding and student aid, and to involve legislators and the governor in conversations on these issues. The coordinating board wanted to create a public policy that emphasized a relationship of "shared responsibility" among the state, parents, and institutions. For the *Changing Direction* project, the emphasis was on building opportunities for strategic development of state policy to serve two goals: sustaining access and affordability and enhancing student outcomes. A legislative strategy was central to the project because term limits and redistricting had created a situation in the legislature where over one-half of the House and one-third of the Senate turned over in the November 2002 elections. Case study author Julie Davis Bell, education group director at the National Conference of State Legislatures, underscored the reality of the political considerations: "It was clear in spring of 2002 that the Missouri Coordinating Board of Higher Education would have significant work to do to inform and educate legislators on basic higher education issues, as well as on the big picture connections." The board was also interested in several financial aid issues, including the consolidation of aid programs, increased funding for the need-based programs, and revisiting the goals and outcomes of the state's merit-based program, Bright Flight.

Once the board's *Changing Direction* work was underway, four major events occurred

that significantly impacted both the focus and the implementation of the project. First, the board's chief executive officer resigned, requiring a transitional period as new leadership at the board was identified. For several months, the uncertainty regarding who would fill the commissioner's position created additional reservations for the board staff about leadership, direction, and how to move the *Changing Direction* project forward. Second, the November elections resulted in an unanticipated shift in the legislature, as control of the House changed for the first time in 40 years, when a new cadre of legislators and legislative leaders with little history and experience took office. Third, toward the end of that year, Governor Bob Holden established the Missouri Commission on the Future of Higher Education, a statewide advisory commission, to address the challenges facing higher education and to improve the link between higher education and economic growth. Subsequently, the *Changing Direction* project was aligned with the commission. Finally, the state joined a new initiative, the National Collaborative for Postsecondary Education Policy, whose objectives were similar to those of *Changing Direction*. At that point it was not clear how the *Changing Direction* project would evolve, given the presence of the statewide commission and the national initiative.

Although the board and its *Changing Direction* initiative had been through a rough initial year, the state coordinator, John Wittstruck, deputy commissioner of higher education at the Missouri Coordinating Board for Higher Education, believed that the project could recover and focus on a smaller agenda in the second year. State teams composed of board members and staff attended all of the *Changing Direction* projectwide activities and were active participants in the state's technical

assistance work overall. Nonetheless, Wittstruck continued to have difficulty gaining sufficient visibility and attention for the project. In addition, the second-year objectives of examining the impact of revenue constraints on the future viability of higher education and studying the impact of financing and financial aid policies on student access, retention, and graduation were largely sidelined by other priorities.

Wittstruck reflected on this at the end of the second year: "While no one in Missouri disputes the importance of developing integrated funding policies for appropriations for institutional operations, tuition and fee rates, and state student financial aid, other circumstances have dominated the state's discussions regarding higher education over the last several months. These circumstances will undoubtedly lead to a new agenda and the development of a new blueprint for the future of higher education in Missouri. The possibility also exists that these circumstances might result in a different form of governance and coordination of Missouri higher education. Our project has been successful in getting the necessity of revamping the state's need-based student financial aid programs and funding for those programs on the state's agenda. We did learn that there are other circumstances that can affect the success of [*Changing Direction*]-type projects within a state over which boards and agencies may have little control."

Oregon

The Oregon University System (OUS) used the first year of its *Changing Direction* project to develop consensus on a vision for Oregon and provide policy guidance and the resources needed to redesign the decision structures around higher education.

A series of high-level, face-to-face meetings were held, involving the new chancellor, Richard Jarvis, and his staff, as well as representatives from community colleges, public and independent four-year colleges, the Oregon Student Assistance Commission, business-community leaders, and legislators. The group reached agreement on the existence of a problem, but there was less agreement about the solution. Toward the end of the first year, certain political events unfolding in the Oregon State Board of Higher Education began to overwhelm the project; the *Changing Direction* discussions were held in a highly charged atmosphere. In this strained environment, Jarvis and his staff continued to push the state's *Changing Direction* agenda. Cheryl Blanco, case study author for Oregon (as well as the author of this chapter) and the former director of policy analysis and research at WICHE, optimistically observed, "During its first year, the project has gained significant traction in the state and developed momentum that should sustain it through the very difficult months (perhaps years) needed to bring about the kind of change envisioned."

As the state entered the second year of the project, the political atmosphere was dominated by several changes in leadership at the higher education board and the chancellor's office, making it difficult to get traction on the project in the way that the project coordinator, Nancy Goldschmidt, associate vice chancellor of performance and planning at the Oregon University System, and the chancellor had anticipated. When Jarvis resigned at the end of the fiscal year, the project was put on hold while the state sorted out other issues at OUS and the state board.

Nonetheless, working behind the scenes, the project coordinator and other OUS staff made significant progress to enhance

statewide understanding of and support for increased college affordability. An important part of the affordability discussion in Oregon was linked to the overall economic condition of the state and the perceived "disinvestment" in higher education by state policymakers. In the 2001-03 biennium, state support for universities was cut by 11 percent because of the economic downturn and high unemployment rate. Voters consistently rejected income tax increases, which forced a midyear tuition surcharge to provide replacement revenue for the institutions. Tuition and fee increases over the five-year period between 1999-2000 and 2004-05 were nearly 34 percent at the state universities (still well below the 45 percent average increase in undergraduate tuition and fees among public four-year institutions in the WICHE region during that period).²

With the emphasis on raising the affordability discussion, staff incorporated the *Changing Direction* project in the system's initiative to identify a "dynamic affordability model." Working with an external consultant, staff developed a model which was designed to enhance the capacity of the system to project enrollment, tuition, state and federal grant aid, and the cost of state grant programs under different scenarios. In addition to using this model, users can alter baseline assumptions and analyze the effects of those changes. A workgroup that included key policymakers, including the governor and his staff and legislators, developed the model over a period of several months. The workgroup was instrumental in providing the framework for a proposed \$50 million increase to the Oregon Opportunity Grant, a doubling of state funding. It also proposed revisions to award levels and patterns, which were approved.

In sum, Oregon entered the second year of its *Changing Direction* project with new leadership, after recovering from an unsettling first year. The workplan was recentered to explore the ways in which valid and reliable information on affordability for public postsecondary education students could be obtained on a regular, institutionalized basis. The objective was to achieve a clear understanding of the information needed to monitor affordability policies and their impacts on Oregon public postsecondary enrollment, as well as an institutional commitment to a realistic level of data or database development and a plan to implement a program of ongoing accountability for affordability at the state, board, and institution levels.

Although the political environment made the second year another very challenging time, with great uncertainty and major changes in leadership both at OUS and at the state board, the project coordinator was able to achieve the overall goal of increasing the visibility of affordability issues and the second-year objective of developing an affordability projection model. Among the many lessons learned, the state's *Changing Direction* coordinator pinpointed the following as critical: focus on the students and their needs; meet in public to build trust and awareness of a common message; obtain verifiable and meaningful data; and stay in contact with policymakers to avoid any surprises.

Although project support to Oregon has ended, the state has continued efforts that began with *Changing Direction*. In December 2005 the Access and Affordability Working Group (AAWG) invited David Longanecker, WICHE's president, and Brian Prescott, WICHE's senior research analyst, to advise them on restructuring Oregon's need-based grant program, the Oregon Opportunity

Grant (OOG). AAWG's intent was to determine how to best distribute additional funding dollars to students, in order to increase the number of Oregon residents able to go to college and to improve the affordability of college.

In response to these goals, AAWG proposed making substantial changes to the way OOG awards were determined. Under this proposal, OOG awards would be determined according to a "shared responsibility model" (SRM). This approach divides the total cost of attendance among four main partners: the student, his or her parents/family, the federal government, and the state of Oregon.

First, the student is expected to contribute as much as is reasonably possible to his or her own education. This expectation is the same for all students, whether rich or poor. Students would have four main sources of money to use to meet their expectation: earnings from work, savings, borrowed money, or scholarships. The SRM is built on the concept that any student who accepts the responsibility to meet this expectation will be able to afford to attend college and that it is possible for a student to be able to earn his or her way through college.

The second partner is the student's family. Families are expected to provide for the cost of educating their children and other family members, and they will be expected to contribute as much as is reasonably possible. The family's contribution is established by the federal methodology. The third partner is the federal government, which provides substantial aid through Pell Grants and tuition tax credits. The SRM includes funds from both aid programs. Finally, what remains of a student's cost of attendance (if the full cost has not been met) is funded by the state of Oregon through OOG awards.

With the concepts behind shared responsibility in place, Prescott gathered data from Oregon and the federal government to model estimates for the total annual costs to the state, the total number of recipients, and awards and recipients at different income levels. Longanecker and Prescott made numerous trips to Oregon to meet with AAWG, financial aid officers (an important stakeholder group), and key legislators to address their concerns and to make refinements in the cost-estimating model. AAWG recommended the adoption and implementation of the model to the governor and legislature of Oregon, and the program was adopted and fully funded in the 2007 legislative session. To date, the state has enlisted Longanecker and Prescott to pursue adoption of the SRM and to conduct training and improve the functionality of the cost-estimating model, while Oregon continues to move forward with the development of software for implementing the approach within financial aid offices.

■ Endnotes

¹ Institute for Higher Education Policy and Latina/o Policy Research Initiative, “Investing in Arizona’s Future: College Access, Affordability, and the Impact of Investment in Need-Based Financial Aid” (Phoenix, AZ: Arizona Commission for Postsecondary Education, 2005).

² Western Interstate Commission for Higher Education, *Tuition and Fees in Public Higher Education in the West, 2004-2005 Detailed Tuition and Fees Tables* (Boulder, CO: WICHE, 2004), table 5.

California

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State Policy Context

Increasing successful completion of postsecondary education is a critical issue in California, more so than in almost any other state. California's population is younger than most, growing faster than most, and more diverse than most. California will need to expand the scale of postsecondary education and materially improve rates of degree completion in order to maintain the economic competitiveness of its workforce and the quality of life in the state. To do the job, institutions will need more resources, and they will need to increase degree completion rates. And the state will need appropriations, tuition, and financial aid policies lined up to provide the necessary resources and to encourage and enable low-income students to enroll and graduate.

Systems, Governance, and Finance

Public higher education in California includes three sectors: the University of California (UC) system, which comprises the state's research institutions; the California State University (CSU) system, composed of the state's bachelor's and master's institutions; and the California Community Colleges (CCC) system, composed of the state's two-year institutions. Each system is governed by its own independent board: the UC system by its board of regents; the CSU system by its board of trustees; and the CCC system by its board of governors. In addition to the state board of governors, there are 72 locally elected community college governing boards. The statewide planning and coordinating board for higher education, the California Postsecondary Education Commission (CPEC), serves as an advisory

body to the governor and legislature on higher education issues. It has limited authority over policy decisions for individual institutions, which generally are made by the system boards.

In California, decision making for the fundamental components of higher education finance policy (tuition, financial aid, and state appropriations) has been loosely coordinated but not effectively integrated to promote access and student success. Appropriations decisions for all three of California's higher education systems are made jointly by the governor and the legislature through the annual appropriations act. Tuition decisions for the UC and the CSU systems are made by the statewide board for each segment, while similar decisions for the community colleges are made by the governor and the legislature through the appropriations act. The legislature also influences tuition levels annually by adjusting the general fund budget appropriation. The connection has been a very direct one; in recent years the governor and legislature have agreed to "buy out" proposed fee increases by the regents and trustees with an augmentation in state revenues equal to the tuition revenue that would have been raised by the proposed tuition increase.

Most student financial aid in California is supplied through three sources: federal financial aid in the form of the Pell Grant; California state aid through the Cal Grant Program; and fee waivers from the California Community Colleges Board of Governors. The California Student Aid Commission awards Cal Grants to eligible low-income students at the public and independent community colleges and universities, guided

by statutory policy. UC and CSU also direct institutional resources for financial aid for some of their students. Fees for low-income community college students are waived through a statewide California Community Colleges Board of Governors policy, but there is no institutional aid program at community colleges to cover costs beyond fees.

California has historically kept tuition and fees low, reflecting a commitment to universal access. Most student charges are called “fees,” reflecting (if slightly disingenuously) a core philosophy of “zero tuition,” which in various times of fiscal crisis has been incrementally abandoned. As “fees” grew over the years, the state’s commitment to affordability led to a relatively strong financial aid system to assist low-income students. As a result, the state has shouldered the majority of the fiscal burden for educating California’s citizens.

State appropriations to institutions are also designed to promote access. Institutions in all three of California’s postsecondary systems are funded at least partially on student enrollments, providing incentives to increase participation. In times of fiscal difficulty, when state dollars are scarce, UC and CSU system institutions have balanced their budgets through increased fees, easing the student burden to some extent by supplementing aid packages with institutional funds. The CCC system has not increased fees to the same extent, in part because current state policy reduces state appropriations to system institutions dollar for dollar when student fees are increased. Hence, community colleges focus primarily on increasing enrollments as a means of increasing revenues.

When state revenues and student fees together have been inadequate to support quality programs, institutions have reduced

admissions or course offerings in an effort to safeguard quality. Enrollment limitations in times of fiscal stringency (to avoid student fee or tax increases) have been a trade-off and contrary to the state’s core commitment to access.

The California Master Plan

In 1960, as the baby boomer generation approached college age, California responded to the demand to educate an unprecedented number of students with its Master Plan for Higher Education. The plan created, for the first time anywhere, a system that combined exceptional quality with universal access and low cost (“zero tuition”). The California plan became a widely admired model for higher education in other states and around the world, even though, to date, no other state has adopted it in all the most important details.

The California master plan transformed a collection of uncoordinated and competing colleges and universities into a coherent system. In addition to establishing the statewide coordinating council, CPEC, and governance structures for each of the three major sectors of state higher education (UC, CSU, CCC), it established a sharp mission differentiation among the sectors:

- ▶ UC is designated the state's primary academic research institution and provides undergraduate, graduate, and professional education.
- ▶ CSU's primary mission is undergraduate education and graduate education through the master's degree, including professional and teacher education, with recently obtained authority to offer just the educational doctorate.
- ▶ The California Community Colleges system’s primary mission is providing academic and vocational instruction for older and younger students through

the first two years of undergraduate education (lower division).

The master plan also established different admissions pools for the segments: UC selects from among the top eighth (12.5 percent) of the state's high school graduating class; CSU selects from among the top third (33.3 percent); and the CCC system admits any student capable of benefiting from instruction.

The Master Plan in the Context of Current Challenges

The California master plan, designed to graduate approximately 30 percent of the state's population with some form of postsecondary credential, was a good fit for the latter part of the 20th century. Enrollments and graduations increased, and a greater fraction of the population was served by higher education. California's participation rate and the quality of its graduate education initially led that of nearly every other state.

When the master plan was written, a state would have been considered to have an extraordinarily capable workforce if 25 to 30 percent of its adults held a four-year degree. Today, adult four-year degree attainment is above 25 percent, on average, in the U.S., and the top states have 35 percent or more of their adults with four-year degrees. Further, this is just the beginning of a trend. Student aspirations and external economic forces are converging to necessitate four-year degree rates approaching or exceeding 50 percent in the coming decades. The demand for associate's degrees is growing at a similar pace.

What is driving this growth? Low-skill manufacturing jobs have been migrating overseas for decades. Information technology, efficient transportation, and

inexpensive shipping enable employers to place many moderate and high-skill jobs anywhere in the world. Consequently, workers in the U.S. without a postsecondary credential have watched their real incomes decrease steadily over the past 20 years.

The current level of achievement in the United States will not allow the nation and its people to remain competitive in the knowledge economy. In a 2003 study, the Organisation for Economic Co-operation and Development (OECD) compared the educational attainment rates of three age cohorts (25 to 34, 35 to 44, and 45 to 54) across all OECD nations. In Canada, the leader among OECD nations, each age cohort showed increases in attainment rates for bachelor's and associate's degrees by about 6 percentage points over the next oldest age cohort, with younger citizens better educated than older citizens. For example, the youngest cohort (25- to 34-year-olds) in Canada demonstrated a 53 percent degree attainment level, compared to 46 percent for the next age group (35- to 44-year-olds). In contrast, U.S. degree attainment held steady at about 40 percent for all age cohorts in the study. In California the trend was even more disturbing: the state had fallen backward in degree attainment over the generations. While its 45- to 54-year-olds were at the U.S. average of 40 percent in 2003, its 25- to 34-year-olds exhibited only a 33 percent attainment rate.¹

California's changing demographics exacerbate this situation. The U.S. Census Bureau estimates that the Latino share of the 18- to 24-year-old age group will increase from 43 to 49 percent between 2005 and 2020, while the White ("White" means "White, non-Hispanic," here and elsewhere in this study) share of the same age group will decrease from 35 percent to 26 percent. Meanwhile, the college participation rate of

Latinos is currently more than 15 percentage points lower than that of Whites (and the participation rate for California White students in this age group was a dismal 35 percent in 2002).² Based on current trends, the National Center for Higher Education Management Systems (NCHEMS) projects that Latinos will account for 80 percent of the growth in the college-aged population in California between 2000 and 2020 but only 40 percent of the growth in the college-going population.³

These trends are particularly alarming given the projected need for educational attainment in the future California workforce. In its "California 2025" report, the Public Policy Institute of California estimates that by 2020, the new knowledge economy will drive the share of jobs requiring an undergraduate degree to about 40 percent in the state, while concurrently driving the share of jobs requiring at least "some college" to over 35 percent.⁴ The mix of decreasing college-going and completion rates, a growing underserved population, and over 75 percent of jobs requiring college-level educational attainment portends social and economic turmoil.

Meeting California's Policy Challenge

California does an excellent job of providing its citizens with widespread access to postsecondary education. It also has a strong history of attracting talent from other states, adding to its talent pool. The UC and the CSU systems enroll talented California residents and graduate them at above average rates. But the degree and certificate attainment rate for California's community college system, which serves the greatest fraction of its college-going population, is well below the national average for community colleges.

The CCC system carries much more of the public higher education load than the other higher education sectors in the state. Of total public enrollments in California, 74 percent of students enrolled in the CCC system in 2004, compared to just 16 percent in the CSU system and 10 percent in UC. Yet on average only 48 percent of first-time CCC students return for even a second *term*; and only 15 percent earn a certificate or associate's degree or transfer to a four-year institution within six years of entrance.⁵ Achievement rates for Latino and African American students lag even farther behind.

To sustain its strong, competitive economy, California must broadly improve the educational attainment of its citizens. Younger people must become more successful in higher education, the state must increase the production of baccalaureate and associate's degrees, and it must reduce performance gaps between racial groups. California community colleges are a critical and indispensable resource for meeting these needs, due to their historical commitment to educational opportunity, the access they provide across the state, and their enormous enrollment base. Hence, the CCC system was a natural focus for California's *Changing Direction* project.

An Impetus for Change

As part of a national movement for education reform, California convened the Joint Committee to Develop a Master Plan for Education, Kindergarten through University, in 1999. The joint committee appointed working groups with a broad range of experts to examine issues in seven areas: governance; student learning; school readiness; professional personnel development; finance and facilities; emerging modes of delivery, certification, and planning; and workforce preparation. The working groups submitted reports to

the legislature in February and March 2002, and the committee issued its final report with recommendations for a new California Master Plan for Education in September of the same year. While none of the report's recommendations were enacted through legislation and the original 1960 master plan remains in force, the comprehensive review did bring numerous issues to the attention of educators and policymakers.

As a subsequent step, the California Legislature created and passed a comprehensive higher education accountability bill based on this new master plan in 2004. However, this accountability legislation was vetoed by the governor. Later the same year, the National Center for Public Policy and Higher Education (NCPPE) published a major report, "Ensuring Access with Quality to California's Community Colleges," which brought some of the CCC system challenges to light.⁶ Claiming the current finance mechanisms for California's community colleges "serve to provide barriers to progress rather than promoting it," the report recommended a comprehensive audit of the system's finance policies as an essential first step to redesigning funding incentives such that they promote state goals.

The Public Policy Institute of California's report "California 2025" predicted a shortfall of educated workers if the state continued on its path of financially rewarding institutions for enrollments instead of completions.⁷ "California 2025" also stressed both the public and private benefits of educational attainment. Taken together, "Ensuring Access" and "California 2025" make it clear that while California's postsecondary fiscal policy encourages increasing enrollments over improving completion rates, what the state really needs is for a greater proportion of its workforce

to have some postsecondary attainment. Thus, the current fiscal policy environment is resulting in a low return on investment of public funds in California, both for the state and for its citizens.

State Actions

Following the recommendations of NCPPE's "Ensuring Access" report, the California Assembly Higher Education Committee took the initiative to apply to WICHE's *Changing Direction* effort.

The legislative committee's ultimate goal for the state was to foster the integration of higher education fiscal policy to support increased educational attainment. The logical first step, and the major initiative of the state's *Changing Direction* project, was a thorough audit of California's disparate fiscal policies on appropriations, tuition, and financial aid. The project was housed in the California Assembly Higher Education Committee, which contracted with the Institute for Higher Education Leadership & Policy (IHELP) at California State University, Sacramento, to conduct the policy audit. IHELP staff conducted the audit and analysis and generated the final report for the project, while the legislative committee provided project leadership and engaged all integral parties, including CPEC, the CCC system office and institutions, and the governor's office.

California's *Changing Direction* project focused on the community college sector because it serves the largest proportion of public postsecondary students in the state and is the most critical to maintaining an educated workforce. The purpose of the policy audit was to systematically examine appropriations, tuition, and financial aid policies for the CCC system to determine whether the constraints and incentives of these policies advance state goals. IHELP

assessed the impact of these fiscal policies in terms of four overarching goals of higher education, related to the 2004 accountability legislation as it applies to the community college sector. They are:

- ▶ To provide broad access across all population sectors.
- ▶ To increase completion (degrees, certificates) and transfer rates of participants.
- ▶ To meet the workforce needs of a knowledge-based economy.
- ▶ To ensure the efficient use of public funds.

At the start of the audit process, IHELP already had some idea of where California needed to go to increase educational attainment. It needed policies that rewarded completions at least as much as enrollments, if not more so. It needed to do a better job of preparing its growing Latino population for higher education and, once Latino students enrolled in a college or university, it needed to provide better supports to allow them to complete degrees or certificates and to transfer at a stronger rate.

IHELP argued for priorities among the missions of community colleges. In an environment of limited resources and urgent needs, it makes sense to focus public dollars on critical priorities. And the primary issue for the state is increasing the rate at which first-time degree seekers enroll in college and complete their postsecondary credential.

General Findings

California's *Changing Direction* project team – with representation from the state legislative analyst's office, the Assembly Higher Education Committee, a nonprofit group called the Campaign for College Opportunity, and IHELP – participated in

a WICHE technical assistance workshop in Santa Fe, NM, in June 2005. Their participation in the workshop convinced team members that the state was in need of a more coherent higher education financing strategy, focused on public needs. Immediately following the workshop, the project team was contacted by the Hewlett Foundation, which was interested in providing grant funds to integrate and improve financing policies in the state's community colleges. Foundation funding allowed the state team to move ahead quickly with their policy audit. The National Center for Higher Education Management Systems assisted the team with the overall design of the project and reviewed report drafts.

IHELP produced an audit report for the project in August 2006 (finalized in February 2007).⁸ Its thorough analysis of the fiscal policies governing appropriations, tuition, and financial aid for California's community colleges revealed strong incentives to institutions for increasing enrollments without similar incentives for increasing completions. Fiscal policy drives institutional behavior, and the results are clear: the community college system as a whole exhibits a dismal 24 percent six-year completion rate (including degrees, certificates, and transfers to four-year institutions) among the 60 percent of students who were most likely to be seeking a credential. Completion rates for older students, Latinos, and African Americans were even lower.

The California team presented their findings to leaders from the state legislature, the governor's office, and the higher education systems in October 2006 at a one-day conference entitled "Policy Challenges Facing California Higher Education." Team members – with assistance from NCHEMS,

WICHE, NCPPE, and the State Higher Education Executive Officers – presented data on performance trends. The goal of the conference was to foster a conversation in the state about the effectiveness of the current California higher education financing system in promoting student success.

Observations

California’s policy audit revealed both general and policy-specific barriers to fostering completions in the state’s community college system. California’s community college finance system:

- ▶ Places maximal value on increasing student enrollments, without regard to student success or to the composition of enrollments (i.e., there is no priority on degree-seekers).
- ▶ Focuses on the equity of institutional inputs regardless of the cost of a program, the quality of student outcomes, or the value of those outcomes to the student or to the state.
- ▶ Provides a highly regulated systemic structure with little opportunity for local control.

Each of these factors contributes to inefficiencies in the use of public funds and militates against higher levels of student attainment.

California’s policy framework for community colleges favors providing access “to all who could benefit from instruction,” but the system does not appropriately distinguish between such students and those unlikely to benefit, nor does it do all it might to assure that admitted students do benefit from instruction. Because dollars are allocated on undifferentiated FTE (full-time equivalent) enrollments, fiscal policy implicitly encourages institutions to define

the potential “benefit” as broadly as possible without rewarding (or adequately funding) the colleges for actually assuring that students benefit. As a result, efforts towards fostering student success or meeting workforce needs appear to be overshadowed by the need to achieve enrollment growth in order to generate state revenues.

Current fiscal policy essentially requires community colleges to enroll as many students as possible every semester. With few exceptions the policy does not distinguish among new or continuing students, students enrolled to acquire basic skills, students seeking to transfer, students preparing for work in high-demand fields, or students enrolling for personal enjoyment and life enrichment.

Under this set of circumstances, community colleges receive no additional revenues to finance the cost of serving disadvantaged students, who require more service and attention to succeed, nor to finance the education of well-prepared students in costly but vitally important courses of study, such as nursing. The system’s fiscal incentives do not support its priorities.

Obviously, many students receive an excellent education in California community colleges, and a good many also transfer and obtain four-year degrees. But the needs of students and the state to increase educational attainment are not well-served by policies that equally finance short-term, unsuccessful enrollment and longer-term, successful enrollment in priority areas.

The evidence of policy failure is in the results. Over half of degree-seeking community college students drop out before their second year; 75 percent fail to complete a degree or certificate or to transfer within six years of their first enrollment.⁹ By investing in enrollments without regard to

completions, the state diminishes the return on its investment.

In addition, the financing of community colleges in California is heavily regulated at the system level, leaving little flexibility at the district or local level to allocate funds in a way that would improve performance, permit experimentation, or enable the achievement of diverse missions across the state. Top-down financial controls build resentment in the colleges and districts, and retard the development of local capacity, initiative, and leadership to meet student and public priorities. Yet at the same time there is support, even at the local level, among various stakeholders for many of the regulations, leading to a certain systemwide ambivalence about the meaning of local governance.

Individual Policy Findings

To elaborate on the general themes outlined above, the following section presents a few of the specific fiscal constraints identified by the audit.

- ▶ **Proposition 98.** This legislation specifies that the state fund K-14 education out of a single pot of money. State resources are scarce; Proposition 98 leaves K-12 and the CCC system fighting for shares of the same limited pie. Moreover, the state tends to allocate funds to community colleges only after K-12 has had its share; this has led to consistent charges that the community colleges are not getting a fair share – especially now that K-12 enrollment growth is projected to decline. This situation tends to amplify the perverse effects of community college financing policy.
- ▶ **Apportionments.** Policies governing state apportionments to community college districts are heavily enrollment-driven. Funding formulas stress
- inputs and “fairness” to districts over attainment and student or state needs. This encourages institutions to generate enrollments in the easiest ways possible, rather than taking on tough educational challenges or expensive but high-priority programs.
- ▶ **Enrollment growth.** Community colleges are given fiscal incentives to grow their enrollments up to a preset “cap.” However, they are provided no incentive to discover or respond to the “true” demand in the state or local market or to foster completions. An institution that experiences a drop in enrollments because it chooses to allocate funds to foster completions will be fiscally “punished” by the current funding formulas.
- ▶ **Fees.** California has a long history of “zero” tuition and low fees. While low fees encourage enrollment and increase access to some degree, students and the system might benefit more if fees were raised and revenues were invested in the improvement of instructional programs, while also providing more need-based financial aid. Such a change in policy might lead to some decrease in enrollment for upper-income adult students, but only if their motivation for enrolling is marginal. The lowest-income students would not experience a change in price, since their fees are waived or covered by financial aid.
- ▶ **Categoricals.** Categorical allocations in the funding formula may address legitimate concerns, but their potential benefit often is more than offset by additional bureaucracy and rigidity in the system. It is appropriate to offer funding aligned with broad state priorities, but local districts are far more likely to be effective if they have freedom of movement in balancing state and local needs – especially freedom to determine

how to organize and implement instruction.

- ▶ **Restrictions on use.** Districts face a multitude of system-level constraints and regulations on the use of appropriations, further reducing local control. These restrictions primarily insure that the lion's share of funds are used to provide instructor salaries and benefits, whether or not this is the best course of action for a particular district. Student needs might, for example, justify a college investing more in counseling services or in developing innovative curricular materials.
- ▶ **Financial aid.** California's affordability policy for community colleges is one-dimensional: keep fees as low as possible. Consequently, the community college system demonstrates an absence of the kind of institutional aid programs that UC and CSU have established to cover other costs of college-going. Current policy also reduces pressure to increase the "access" (nonfee costs) component of the Cal Grant state aid available to CCC students. Furthermore, California's community college students are underutilizing federal aid. The state's low-income community college students underutilize Pell Grants, and its moderate-income students underutilize federal tuition tax credits. These sources of assistance could help students reduce working hours, devote more time to their academic programs, and obtain a degree or certificate more quickly. In addition, the revenues from higher student fees (financed in part or wholly from federal sources) could help finance instructional improvements.

Recommendations

The findings of the policy audit outlined above describe an accumulation of policies that were well intended in their origin and

functional in their time but which now work at cross-purposes with the most urgent needs of California's students and the state's economic well-being. The web of policies and their interrelationships (as well as their connections to K-12 and university issues) are complex. The stakeholders in the system – students, faculty, institutional leaders, elected leaders, and the general public – are familiar with the status quo and unlikely to embrace change, especially dramatic change.

But the results now being produced by California's community college finance policies cannot be acceptable to any of its stakeholders. There is no question that the system contains the human talent required to produce better results; it just needs to be better supported and focused on the highest-priority objectives of the system.

The path to a better place will be found only by continuing the dialogues already begun within the state. What direction should those dialogues take? Based on our review of the *Changing Direction* work, we believe California should explore policy initiatives which will:

1. Reduce the extent to which FTE enrollment, especially undifferentiated FTE enrollment, controls the resources available to a campus. For example: campuses could be "held harmless" if FTE enrollment decreases occurred without concomitant decreases in course completion or degree attainment; campuses could be provided additional resources when they achieve increases in course completion or degree attainment; or a fixed amount of funding per campus (perhaps equivalent to the local property tax contribution at community colleges in other states) could be "guaranteed" to cover fixed costs, regardless of enrollment shifts.

2. Increase the resources available for courses and programs meeting high-priority needs, including more expensive vocational programs and remedial instruction. Increased support for remedial instruction should be allocated to programs committed to student success and willing to be held accountable for enabling students to achieve progress.
3. Increase the flexibility of local colleges to set priorities, manage their resources, and improve their performance.
4. Increase the focus on student success in the system by monitoring and publicizing results and by supporting and expanding successful programs.
5. Create flexibility for local districts to design different funding models, including higher or varied student fees and more extensive utilization of state and federal financial aid programs, as the means of generating adequate resources and fairly sharing the burden of cost between upper-income students and the state. If districts have the ability to increase revenue (within the context of state and federal programs which assure access to low- and moderate-income students), they will be able to make more appropriate decisions about educational priorities and pricing.

■ Endnotes

¹ Organisation for Economic Co-operation and Development, "Education at a Glance 2003: OECD Indicators" (Paris: Organisation for Economic Co-operation and Development, 2003).

² Dennis Jones and Paul Lingenfelter, "The Relative Effectiveness of California's System of Higher Education," presentation to the Conference on Policy Challenges Facing California Higher Education on October 17, 2006.

³ See the National Center for Higher Education Management Systems' Information Center for State Higher Education Policymaking and Analysis at www.higheredinfo.org.

⁴ Mark Baldassare and Ellen Hanak, "CA 2025: It's Your Choice" (San Francisco, CA: Public Policy Institute of California, 2005).

⁵ Nancy Shulock and Colleen Moore, "Rules of the Game: How State Policy Creates Barriers to Degree Completion and Impedes Student Success in the California Community Colleges" (Sacramento: Institute for Higher Education Leadership & Policy, 2007).

⁶ Gerald C. Hayward, Dennis P. Jones, Aims C. McGuinness, Jr., and Allene Timar, "Ensuring Access with Quality to California's Community Colleges" (San Jose, CA: The National Center for Public Policy and Higher Education, 2004).

⁷ Baldassare and Hanak, "CA 2025."

⁸ Shulock and Moore, "Rules of the Game."

⁹ *Ibid.*, 8.

▶ Hawaii

Demarée K. Michelau

Hawaii was chosen as a technical assistance state in the *Changing Direction* project in 2004 during the Western Interstate Commission for Higher Education's second call for participation. Led by the University of Hawaii (UH) System, the state established four goals as part of the project. Specifically, Hawaii intended to:

- ▶ Conduct a series of meetings and associated activities to develop a shared understanding and working knowledge of the issues surrounding state appropriations, tuition setting, and financial aid as they related to access and retention.
- ▶ Create a set of shared principles as guidelines for long-term planning and budgeting for the university system.
- ▶ Construct a draft of the next five-year tuition schedule, including a plan for increases in need-based financial aid.
- ▶ Generate support in the legislature for a state-supported financial aid program that benefits residents attending public postsecondary institutions.

Hawaii's state policy context lent itself particularly well to *Changing Direction's* approach to the alignment of higher education finance policy. Despite a fairly ambitious agenda, the state was able to accomplish much of what it set out to do.

State Policy Context

Hawaii's state policy context is unique – defined by its stakeholders, its tuition policy, and its mechanisms for providing financial aid. These three components together created an environment that was ripe for significant and important change at the

time of Hawaii's application to the *Changing Direction* project.

Stakeholders

Several key entities drive Hawaii's higher education policy: the state legislature, the governor, and the UH System.

State Legislature. The Hawaii State Legislature comprises 51 members of the House of Representatives and 25 members of the Senate, with the Democrats consistently in the majority. Representatives serve two-year terms, and senators serve four-year terms. Hawaii has not adopted term limits.

Governor. The governor is the chief executive of Hawaii and is in charge of most state agencies, establishes the goals of the state, and outlines ways to reach those goals. Hawaii's governor is limited to two four-year terms. Governor Linda Lingle, the first female to be elected governor and the first Republican in over 40 years, took office in 2002 and was reelected in 2006.

UH System. The University of Hawaii was founded in 1907 as a land-grant, sea-grant, and space-grant institution, under the auspices of the Morrill Act. Hawaii's sole state public university system, it is governed by a single board of regents and composed of graduate/research, baccalaureate, and community college campuses. University of Hawaii Manoa is a research university with selective admissions; University of Hawaii Hilo is a comprehensive, primarily baccalaureate institution with professional programs and selected graduate degrees; and University of Hawaii West Oahu was formerly an upper-division institution but began admitting freshmen in fall 2007. In addition, there are seven community colleges

that are open-door, low-tuition institutions offering associate's degrees and certificate programs in academic, technical, and occupational subjects.

The system's special distinction is its Hawaiian, Asian, and Pacific orientation, and UH highly regards its position as a leading multicultural center for global and indigenous studies. Functioning as a system, the University of Hawaii works to:

- ▶ Provide all qualified people in Hawaii with equal opportunity for high-quality college and university education and training.
- ▶ Provide a variety of entry points into a comprehensive set of postsecondary educational offerings, allowing flexibility for students to move within the system to meet individual educational and professional goals.
- ▶ Advance missions that promote distinctive pathways to excellence, differentially emphasizing instruction, research, and service while fostering a cohesive response to state needs and participation in the global community.¹

In the years leading up to Hawaii's participation in the *Changing Direction* project, the UH System experienced major leadership changes. Evan Dobbelle became president of the UH System in July 2001. In June 2004, however, the board of regents voted unanimously to fire Dobbelle "for cause." Questions arose about cronyism and spending on travel and entertainment, which resulted in two state audits and a university-commissioned financial review. Although the UH System eventually agreed to a mediated settlement, this upheaval caused some distress within the system.

The UH System stabilized with the selection of David McClain as its interim president in

June 2004. Despite having been appointed amidst scandal, he was viewed as a popular, effective president and maintained a solid working relationship with the state legislature. In June 2005 the board of regents rated McClain highly in a formal review and assessment. In March 2006 his appointment was made permanent.

Tuition Policy

Tuition policy in Hawaii changed considerably in the mid-1990s, and the effects linger today. At that time Hawaii was in the middle of a deep recession, resulting in major appropriations cuts to the university. To ease the effects of these funding reductions, the state legislature adopted Act 161, which fundamentally changed the financing structure of the UH System. Specifically, the legislature granted UH more autonomy and the authority to retain and manage its own tuition. In response, the board of regents increased tuition approximately 50 percent for most students in 1996-97 and 20 to 23 percent in 1997-98. Subsequently, the board of regents established a five-year tuition schedule for 2001-02 through 2005-06, with modest increases of approximately 3 percent annually.

Currently, the board of regents sets tuition for all the UH campuses. Five factors must be taken into account when setting tuition:

- ▶ Student access and the mix of students.
- ▶ Financial aid availability and use.
- ▶ The cost of education and cost sharing between students and the public.
- ▶ Differential rates by unit mission, by student level (undergraduate, graduate, law, and medicine), and by resident and nonresident status.
- ▶ The relative standing of tuition charges when compared with tuition at similar mainland institutions.

Resident and nonresident tuition rates are established at open, public board of regents meetings, according to the following rules:

1. The open public meeting is held during or prior to the semester preceding the semester to which the tuition applies; and:
 - a. A copy of the schedule of resident tuition and the nonresident differential is filed in the Office of the Lieutenant Governor prior to taking effect.
 - b. The board's approval of any increase or decrease in tuition for regular credit courses must be preceded by an open public meeting held during or prior to the semester preceding the semester to which the tuition applies.
 - c. The board sets student activity fees as well as fees and charges that are required to be adopted by the board.
2. The board delegates authority to set other fees and charges to the president, subject to the establishment of the fees along with appropriate guidelines by the board.
3. The president establishes the schedule of refunds of tuition and fees.²

Financial Aid

The passage of Act 161 resulted in the board of regents gaining power over tuition waivers, which historically had been the primary source of financial aid for Hawaii's students. Hawaii's Revised Statute 304-16.5 stated, "The board of regents, or its designated representative, is authorized to grant, modify, or suspend tuition waivers." To implement this law, the board of regents adopted Chapter 6-7 of their policy, which described the Tuition Assistance Plan and, specifically, the intent of the tuition waivers, eligibility requirements, length of awards, amount of awards, number of units available, and program administration guidelines.

Designed to expand access to postsecondary education by providing financial assistance to students, the tuition waiver program was intended to:

- ▶ Support equal access by Hawaii residents to university programs by making tuition assistance available to students with demonstrated financial need.
- ▶ Promote high-quality educational programs by attracting and retaining academically superior students to UH campuses.
- ▶ Foster the development and maintenance of a highly diversified and stimulating campus environment.³

In March 1997 the board of regents approved the Tuition Assistance Plan, which provided the following tuition waivers:

- ▶ **General waivers.** The purpose of general waivers was to provide access to higher education to Hawaii residents; to attract and retain academically superior Hawaii students; and to develop student diversity. A maximum of 13 percent of the previous fall semester's full-time equivalent enrollment at each campus was allowed to have been awarded in general tuition waivers.
 - ▶ *Need-based.* A minimum of 70 percent of the general tuition waivers had to be awarded on the basis of financial need: 250 need-based tuition waivers were reserved for needy Hawaiian students. Hawaiians were eligible for and received assistance through all tuition waiver categories.
 - ▶ *Merit- or service-based.* Up to 30 percent of the general tuition waivers could have been awarded based on merit or service criteria.

- ▶ **Pacific/Asian Scholarships (PAS).** The purpose of the PAS was to attract and retain well-qualified students from the Pacific/Asian region or students pursuing studies important to the Pacific/Asian region. Up to 2 percent of the previous fall semester’s FTE enrollment could have been awarded as Pacific/Asian Scholarships.
- ▶ **Categorical waivers.** These waivers were granted to UH employees and graduate assistants.
- ▶ **Other.** A limited number of tuition waivers were available for Regents and Presidential Scholars, intercollegiate athletes, and band members. Others were set aside to fulfill agreements made with other institutions.
- ▶ **9-11 waivers.** In October 2001 the board of regents approved a temporary special tuition waiver program in response to the layoffs resulting from the September 11, 2001, terrorist attacks in New York, Washington, D.C., and Pennsylvania. Tuition waivers were offered to students who had been completely laid off or to the spouse or child of workers who were laid off as a result of the aftermath of the September 11th tragedy. The 9-11 tuition waivers were in effect for the spring and fall 2003 semesters and are now terminated.

According to board policy, the authority for tuition waiver program administration was delegated to the president of the UH System, who could further delegate responsibilities as appropriate. The president generally provided a great deal of autonomy to the campuses in distributing the waivers, with the main requirement being an annual report regarding usage.

Without a significant statewide need-based financial aid program, Hawaii had historically depended on the use of these tuition waivers as its primary mechanism for increasing

access to postsecondary education. It became apparent to the state, however, that this approach was no longer adequate to meet its needs.

An Environment Ready for Change

One of the drivers behind the state’s *Changing Direction* action plan was the National Center for Public Policy and Higher Education’s report card on higher education. *Measuring Up: The State Report Card on Higher Education*, published every two years, is designed to provide the public and policymakers with information to assess and improve postsecondary education in each state. It evaluates higher education from a state perspective, not an institutional one, and focuses on six main areas: preparation, participation, affordability, completion, benefits, and learning.

Many states use the report card to gauge the effectiveness of their higher education policies. In *Measuring Up 2004*, Hawaii received a “D” in affordability, primarily because it had made no investment in need-based financial aid.⁴ This grade affected the way many viewed the state’s approach to affordability. Even though the UH System offered low tuition and tuition waivers, this report helped spur policymakers to begin thinking about how to increase college affordability and access within the state.

Although UH provided significant financial aid to students (about 40 percent of all students received a full or partial tuition waiver each year), the system’s data called into question whether the financial aid dollars were being distributed in a way that made higher education in Hawaii as accessible as possible for students and efficient for the state. Table 1 shows the distribution of tuition assistance and the number of recipients between 2001 and 2006.

As shown, although the UH System spent more money each year, it did not always assist more students. For instance, between the 2001-02 and 2002-03 academic years,

Table 1. Tuition Assistance and Recipients, 2001-2006		
Academic Year	Tuition Assistance Distributed	Number of Students who Received Full or Partial Tuition Waivers
2001-02	\$17,030,652	7,630
2002-03	\$17,474,588	7,257
2003-04	\$18,456,568	8,426
2004-05	\$20,356,119	8,840
2005-06	\$20,063,642	8,679

Source: University of Hawaii System annual reports to the legislature, 2003, 2004, 2005, 2006, 2007.

the number of students who received full or partial tuition waivers actually decreased, despite an increase in dollars spent. This was in part due to increased tuition during that time, but the numbers suggest that despite significant additional investment each year, the state may not have been receiving the most benefit for its dollars.

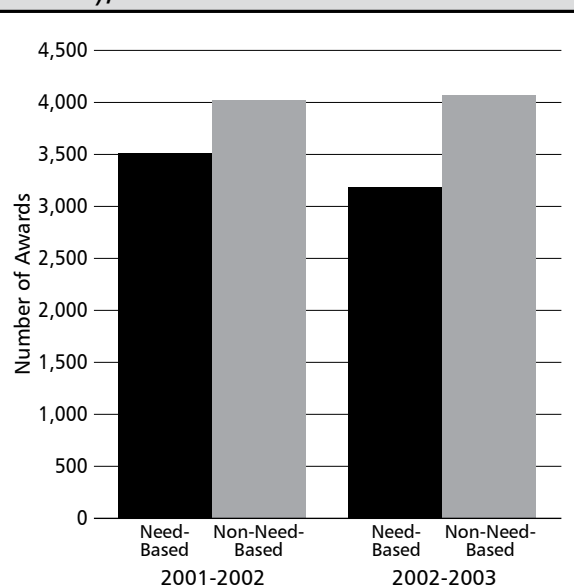
A breakdown of the types of waivers (need-based versus non-need-based) reveals that perhaps the goal of access was not being achieved through tuition waivers alone. Figure 1 shows the number of tuition waiver recipients (both need- and non-need-based) in academic years 2001-02 and 2002-03. UH data show that in 2001-02, there were more non-need-based tuition waiver recipients (4,125) than need-based (3,505). Likewise, in 2002-03, there were 4,072 students who received non-need-based awards, compared to 3,185 need-based. Although almost as many students received need-based awards as non-need-based awards, the dollar amounts going to these students were disproportionate. Of the \$17,474,588

in tuition waivers awarded in 2002-03, only \$4,986,850 (approximately 28 percent) of the waivers were need-based.

On the surface, the requirement that 70 percent of the general tuition waivers be awarded to students who demonstrated financial need seemed to have ensured that there was sufficient aid for financially needy students. However, this requirement only applied to the general tuition waivers, and there were enough other categories of waivers that were not based on need to tip the scale overwhelmingly to non-need-based aid.

In addition, the campuses varied widely in how much money they devoted to tuition waivers. For instance, Table 2 shows the dollar amount for both need- and non-need-based tuition waivers awarded to students by campus in 2002-03. In Hawaii poorer students tend to attend the low-cost community colleges, and the middle- and high-income students attend the other campuses, particularly UH Manoa. The

Figure 1. Number of Tuition Waiver Recipients (Need-based and Non-need-based), 2001-2002 and 2002-2003



Source: University of Hawaii System annual report to the legislature, 2004.

Campus	Need-based Aid	Non-need-based Aid	Total	Percentage to Need-based Aid
UH Manoa	\$3,421,624	\$11,372,254	\$14,793,878	23%
UH Hilo	\$405,848	\$649,091	\$1,054,939	38%
UH West Oahu	\$107,346	\$23,562	\$130,908	82%
Hawaii Community College	\$69,833	\$26,307	\$96,140	73%
Honolulu Community College	\$197,511	\$96,116	\$293,627	67%
Kapiolani Community College	\$213,972	\$152,753	\$366,725	58%
Kauai Community College	\$70,335	\$33,854	\$104,189	68%
Leeward Community College	\$190,326	\$92,236	\$282,562	67%
Maui Community College	\$174,537	\$14,499	\$189,036	92%
Windward Community College	\$135,519	\$27,064	\$162,583	83%
Total	\$4,986,851	\$12,487,736	\$17,474,587	29%

Source: University of Hawaii System annual report to the legislature, 2004.

president typically provided a great deal of autonomy to the campuses in distributing the waivers, and since the number of tuition waivers granted was based on FTE, a significant portion of them were awarded to Manoa students. In 2002-03, \$14,793,878 in tuition waivers was distributed to Manoa students, with only \$3,421,624 (23 percent) of that being designated as need-based aid. As shown, the majority of the need-based aid was being distributed at the community colleges rather than the four-year campuses.

The policy context at the time of the state’s application to the *Changing Direction* project was unique and rather complex. This was further exacerbated by Hawaii’s economic situation: the state had not emerged from the recession that began in the 1990s, and as a result, it was unable to provide higher education appropriations at historic levels.

This situation forced the UH System to consider raising tuition in 2005. Compared to other states, Hawaii had been considered a relatively low-tuition state and could therefore increase its tuition rates fairly significantly without seriously eroding

affordability for middle- and high-income families. However, the effects on low-income families would likely have been more serious without a statewide, need-based financial aid system. The UH System’s dilemma was how to generate the necessary revenue to sustain services while maintaining and increasing access to higher education, particularly for low-income students.

UH administrators believed that to a certain extent the tuition waivers accomplished the goal of increasing access to higher education, but the system was going to be impossible to sustain due to decreased appropriations. In addition, UH was concerned that the state was leaving federal money on the table by relying on tuition waivers. Under the federal Hope Tuition Tax Credit, students who receive tuition remission and also come from families in which they or their parents pay federal taxes may actually be losing out on a \$1,500 tax benefit. Thus, tuition waivers were in essence using state dollars to replace federal dollars and were an inefficient way of doing business.

The state policy context in Hawaii provided a solid basis from which the *Changing Direction* project could begin moving in new directions aimed at increasing efficiency at the state level while also promoting access and success for all of Hawaii's students.

State Actions

Despite a fairly ambitious agenda, Hawaii demonstrated tremendous progress in reaching its project goals. To achieve its first and second goals, Hawaii held a roundtable on September 29, 2004. The purpose was to focus the attention of members of the Hawaii Legislature, UH Board of Regents, and governor's office, as well as UH senior administrators on the need to integrate multiple financing and financial aid decisions to ensure that the outcomes serve the state and its citizens (see Appendix A for a list of participants). Dennis Jones, president of the National Center for Higher Education Management Systems (NCHEMS), facilitated the roundtable and provided a perspective on Hawaii's current funding mechanisms, compared to those of other states.

In addition, while in Honolulu, Jones met with members of the board of regents to familiarize them with the issues surrounding integrated financing. He also met with the Biennium Budget Committee (a systemwide committee of administrators, faculty, and students), which advised the board on the biennium budget proposal, as well as on the new tuition schedule and the commitment of financial aid.

Further, Jones met with a cross-section of UH personnel involved in financial aid, including system administrators, UH Manoa financial aid representatives, and the staff from the UH Foundation. The focus of that discussion was on the need to convert the tuition waiver process into a scholarship program,

and it began what became a three-pronged effort to increase need-based financial aid. The effort consisted of:

- ▶ Securing \$20 million to convert waivers to scholarships.
- ▶ Establishing a state scholarship program.
- ▶ Increasing the institutional commitment for need-based financial aid.

Hawaii also moved forward on its third goal of constructing a draft of the next five-year tuition schedule, which included a plan for increases in need-based financial aid. In January 2004 UH administrators presented to the board of regents a tuition proposal for a five-year schedule that increased tuition at UH Manoa to projected national averages and at other campuses in the system to projected WICHE state averages. They coupled this schedule with the commitment to increase need-based financial aid to maintain access for low-income students. After extensive campus and public consultation, the administration presented to the board a revised tuition schedule (expanded to six years). The board approved the schedule a full year prior to its implementation to give students and their families time to prepare.

Hawaii's fourth goal in the *Changing Direction* project was to generate support in the legislature for a state-funded financial aid program that would benefit residents attending public postsecondary institutions. In 2004 UH System administrators and others worked to incrementally move from tuition waivers to the more common form of scholarships. At that time the UH auditors informed staff that it was necessary to have the cash on hand in order to make the conversion. In other words UH could not simply change the nomenclature from "waivers" to "scholarships." Instead, UH needed a pool of scholarship dollars to

award to students. Consequently, the governor included in her budget for the university for the upcoming biennium a one-time infusion of \$20 million to underwrite the conversion. The infusion was to serve as “seed” money that would then be replenished each year by the university through its tuition revenues. During the 2004 legislative session, the Student Scholarship and Assistance Fund was created through Act 138, with the intent of creating a mechanism for providing financial assistance to qualified students enrolled at any campus of the University of Hawaii. However, the legislature did not appropriate the \$20 million.

While the actions outlined above were being undertaken, the project coordinator, Linda Johnsrud, currently the vice president for academic planning and policy at the UH System, worked with Terrence Aratani, staff attorney for Senator Brian Taniguchi, chair of the Senate Ways and Means Committee, on a bill to establish a state scholarship fund. In February 2005 Johnsrud testified before the Senate Committee on Higher Education in support of SB 1753. Unfortunately, the bill was not heard by the Senate Committee on Higher Education, but Senator Clayton Hee, chair of that committee, indicated interest in including funding for a state scholarship as a proviso in the UH budget bill.

As a result Act 178, Section 57, of the 2005 Session Laws of Hawaii relating to the state budget provided that \$500,000 of the general fund appropriation to the UH System for fiscal year 2006 and \$1 million for fiscal year 2007 were to fund the B Plus Scholarship Program. Any Hawaii resident who graduates from a Hawaii public high school with a GPA of 3.0 or better, qualifies for the free/reduced-price lunch program, and enrolls at a UH campus is eligible for the scholarship. The first B Plus Scholarships were awarded to students in the fall 2006 semester.

A new chief financial officer, Howard Todo, was appointed in October 2005 and determined that the \$20 million infusion of funds was not needed to convert waivers to scholarships. The administration immediately finalized a new financial aid policy that had been long in the making and began the consultative process. In June 2006 the UH Board of Regents approved a financial assistance initiative that converted most of the tuition waiver program into a comprehensive, systemwide financial aid program.

This program uses tuition revenues to provide financial assistance in four forms: Opportunity Grants (need-based assistance); Achievement Scholarships (merit, service, and other non-need-based assistance); International Student Scholarships; and Pacific Islander Scholarships. The amounts of revenue earmarked for financial aid vary by campus mission, as do the proportions delineated for need- and non-need-based aid. For the 2006-07 academic year, UH awarded more than \$16 million in need- and non-need-based financial aid, and the new program is projected to quadruple need-based financial assistance to Hawaii residents by fiscal year 2013.

Finally, Act 257 of the 2006 Session Laws of Hawaii established two additional state scholarships: the Workforce Development Scholarship and the Hawaii State Scholarship Program. These scholarships have yet to be funded.

Observations

At the outset of Hawaii’s participation in the *Changing Direction* project, the state established an ambitious agenda. The policy context was ideal for this project, and WICHE had high expectations for the anticipated outcomes in Hawaii. The state exceeded those expectations and continues to be an

example of how the alignment of higher education finance policy can be achieved.

Of course, all of the states that were selected to participate in the project were expected to meet the objectives they outlined – but not all of them did. What made Hawaii so successful? The purpose of this section is to discuss the unique factors that led to the state’s ultimate success. These include a consistent commitment from the board of regents, the UH System, and the campuses to address the issue; the wise use of external consultants; and the dedication of a strong project coordinator, who was diligent about moving the state forward.

Commitment

The key to the state’s success was the consistent commitment of the board of regents, the UH System, and the campuses to come to agreement on the tuition schedule and the revised financial aid policy. This consistency and dedication to what needed to be accomplished provided a solid basis from which to work over an extended period of time.

In addition, while the governor and the Hawaii Legislature were not primary players in these policy changes, they were supportive and did not impede progress. In fact, overall the governor and the legislature supported the proposed changes and worked toward the same goals as the UH System. For instance, when the UH staff learned that they could not simply change the nomenclature from “waivers” to “scholarships” in their effort to avoid leaving federal money on the table, the governor included in her budget for the university for the upcoming biennium a one-time infusion of \$20 million to underwrite the conversion. While this eventually was determined to be unnecessary, the governor was supportive when she was needed.

Further, the legislature created Hawaii’s first state scholarship program. While this may not be on par with other states’ commitment to need-based financial aid, it is an example of the legislature supporting the general goals of the *Changing Direction* work. Also promising is the fact that the UH System continues to work on these issues with the legislature. They have now reoriented their biennium budget proposal around a well-defined set of state needs and are supporting House and Senate resolutions that call for a reexamination of the state funding model for higher education and the policies in place that may need to be changed.

Consultants

The consistent commitment of those involved was critical to Hawaii’s success – but by itself was not necessarily enough to achieve success. Hawaii also wisely utilized external consultants available through the *Changing Direction* project. In addition, Hawaii invested additional dollars, beyond what the project could provide, to help bring this expertise into the state. As someone who is nationally known and respected, Dennis Jones was able to serve as an outside voice and explain to a variety of stakeholders why the proposed changes would benefit the state and students. His message perhaps would not have been accepted so readily had the voice delivering it been someone within the state. As an external expert, he provided the unbiased, apolitical message that the state needed to hear in order to make some tough choices that in the long term were the right ones.

Coordinator

Finally, the *Changing Direction* states that were most successful in achieving their goals all had one thing in common: a strong project coordinator. Hawaii was no exception. Linda Johnsrud led the charge

with energy, integrity, and dedication. Hawaii's success was in large part due to her efforts. With the full support of UH President David McClain, Johnsrud consistently kept the message in front of other UH administrators, the governor, and key state legislators, who were critical to the success of the project. She organized meetings, made the necessary phone calls to ensure that the important voices participated in the ongoing discussions, testified to the legislature, and drafted memos and documents to describe the project's progress.

She also ensured that the external consultants were used wisely, scheduling them to speak at meetings on other projects and causes. She always participated in the *Changing Direction* forums, in which the technical assistance states were brought together to share experiences and lessons learned, and she took those lessons home, sharing them with others in the state. In addition, her voice benefitted other states tremendously. Without Johnsrud, the outcome of Hawaii's *Changing Direction* experience might have looked very different.

Despite a very ambitious agenda, Hawaii was successful in reaching its *Changing Direction* goals. The state policy context provided a solid base from which to work. But most importantly, through a consistent commitment, the wise use of external consultants, and the dedication of a strong project coordinator, the state was able to move the access and success agenda forward.

■ Endnotes

¹ Hawaii Board of Regents and Office of the President, *University of Hawaii System Strategic Plan: Entering the University's Second Century, 2002-2010* (Honolulu: University of Hawaii Board of Regents, 2002), 4.

² Hawaii Board of Regents Policy, chapter 6, section 6-1.

³ Hawaii Board of Regents Policy, formerly chapter 6, section 6-7.

⁴ National Center for Public Policy and Higher Education, *Measuring Up 2004: The State Report Card on Higher Education* (San Jose, CA: National Center for Public Policy and Higher Education, 2004).

▀ Idaho

Cheryl D. Blanco

The *Changing Direction* project in Idaho was housed in the Idaho State Board of Education under Gary Stivers, former executive director for the board and state higher education executive officer (SHEEO). During the first year of the project, the Idaho State Board of Education planned to build consensus among key policy and educational leaders, businesses, philanthropies, and students and their families on the factors involved in financial support for a college education; complete a review and inventory of finance policies; and improve collaboration in aligning tuition and financial aid policies in state appropriations decisions. This case study report describes Idaho's activities between March 2004 and February 2005, and provides more recent information about progress made since the state's participation in the project ended.

State Policy Context

Idaho is unique in ways that bear directly on the state's *Changing Direction* project. One important variation from other states is in the governance structure. Idaho has a single-board system: higher education is under the same governance structure as elementary/secondary education and other entities. The Idaho State Board of Education is responsible for the general supervision of the State Department of Education, the Idaho Educational Public Broadcasting System, the School for the Deaf and the Blind, the Division of Professional-Technical Education, and the Division of Vocational Rehabilitation. The higher education institutions under the board include Boise State University, Idaho State University, Lewis-Clark State College, the University of Idaho, and Eastern Idaho

Technical College. The respective boards of trustees of the two-year institutions – North Idaho College and the College of Southern Idaho – establish policies for those institutions, except for state appropriations requests, course/program approval, and other matters governed by the Idaho State Board of Education.

The Office of the State Board of Education is an executive agency of the Idaho State Board of Education, as established in Idaho code. The board appoints an executive director, who also serves as the state higher education executive officer. The executive director's office oversees elementary, secondary, and postsecondary education in the following ways:

- ▀ Provides information, analysis, and recommendations associated with the board's decision-making processes.
- ▀ Coordinates the functions and activities of the agencies, institutions, and schools governed by or funded through the board.
- ▀ Initiates, in cooperation with these agencies, institutions, and schools, long-term planning that is responsive to emerging legal, social, and fiscal events in the state, region, and nation.
- ▀ Interacts, as directed by the board, with other branches and representatives of state government.
- ▀ Provides public information with respect to the board, its policies, and its institutions, agencies, and schools.
- ▀ Establishes and coordinates the board's plan for postsecondary education.
- ▀ Administers all programs and services assigned to the board by statute, regulation, or appropriation.

In addition to the board's executive director, Idaho has an elected state superintendent of public instruction, who serves as an ex officio voting member of the board.

Idaho was also unusual in aspects of its financing structure for higher education. Individual institutions make recommendations for the state board of education's approval on matriculation fee rates, and the legislature approves the expenditure of funds collected through fees. Prior to 2005, state law, however, permitted universities and colleges to charge only matriculation fees, not tuition (historically, tuition has been covered by state appropriations), and Idaho was unique among the states in prohibiting the use of this revenue for costs related to instruction. Idaho law clearly distinguished (and still does) between *tuition* and *student fees*; tuition is defined as the payment for the cost of instruction.¹

During the 2005 legislative session, this restriction came under scrutiny by many, including the Idaho State Board of Education, which endorsed a bill to make two major shifts in policy. The legislation would allow Boise State University, Idaho State University, and Lewis-Clark State College to charge tuition fees instead of matriculation fees and to use this revenue for instructional costs. The legislation passed the bill, allowing these institutions to charge tuition fees.²

The restriction on how instructional costs are paid is important in light of the recent pattern of state appropriations to higher education, since appropriations are the primary source for covering instructional costs. Higher education in Idaho lost ground in the past decade. In 1994 Idaho higher education received 13.5 percent of state general fund appropriations; the percentage

declined steadily after that year, bottoming out at 10.7 percent in 2005. During the same time frame, matriculation fees at the state's universities were consistently below the WICHE regional average.³ Thus, state support declined at a time when matriculation levels were also low, compared to neighboring states. In Idaho higher education competes for funds with K-12 and the Health and Welfare and Corrections departments. Between fiscal years 2003 and 2004, the percent change in general fund appropriations to the other three agencies all exceeded the percent change for higher education.⁴ Recent appropriations trends, however, suggest that the state may be recovering from the losses during this time.

State Actions

Because Idaho's processes related to financing and financial aid were autonomous and not integrated, the state saw the *Changing Direction* project as a judicious opportunity to better align public policy as a strategy supporting access and efficiency. On the basis of other participating states' experiences, Idaho's former state higher education executive officer, Gary Stivers, and his staff were convinced that the knowledge and experience gained by participation in this project could be used to implement improvements to the existing policymaking framework. They anticipated that by bringing policymakers, educators, and business leaders together to educate one another, exchange information, and discuss major issues, they would be able to develop tuition, financial aid, and appropriation policies that were aligned. Additionally, the *Changing Direction* project supported two of the five goals of the board's 2000-05 strategic plan, which emphasize:

- ▶ Access to education, training, rehabilitation, and information and research services for individuals of all ages and abilities.

- ▲ Efficient operations and management of the education system to ensure maximum benefit from educational resources.

Gary Stivers and his staff identified five goals for the first year:

- ▲ Broaden participation in policymaking efforts.
- ▲ Build consensus among key policy and educational leaders, businesses, philanthropies, students, and students' families regarding the factors involved in and financial support necessary for paying the cost of a college education.
- ▲ Complete a thorough review and inventory of finance policies.
- ▲ Improve collaboration in aligning tuition and financial aid policies and state appropriation decisions.
- ▲ Communicate results, processes, and efforts through multiple venues, such as the American Council on Education, National Conference of State Legislatures, and National Governors Association, as well as regional and multistate forums.

Another key component of Idaho's plan was an assessment of state financial aid programs and the potential for increasing funding for selected programs. Economic conditions had limited the availability of funds for scholarship programs (need-based and merit-based). Notwithstanding these obstacles, the project staff expressed the conviction that the majority of policymakers at all levels valued Idaho's children as the state's greatest natural resource and were committed to all programs and plans that would keep Idaho's students in Idaho.

The state board and staff envisioned several groups as key to a successful project. Legislators and the governor were preeminent among those groups. Presidents of the public institutions were also important players,

since recommendations on matriculation fee levels and most financial aid decisions are made at the institutional level. Project staff in Idaho drew on several strategies to address their goals, and involving legislators and other key policymakers was paramount.

Staff organized two meetings to bring them all together (described in detail below). To support those meetings and follow-up discussions with key legislators and staff from the governor's office, project staff pulled together information to frame the conversations and to inform legislators and policymakers about the issues. For example, board staff held focus groups and surveyed budget officers and financial aid directors in the fall of 2004, early in the project year. Similar survey questions were used with both groups to collect information on financial aid goals at the institution level; sources and kinds of institutional aid; the awarding of need- and non-need-based aid; and institutional aid policies.

The focus group of financial aid officers revealed deep and widespread concerns on the subject of access to higher education and the gap between college costs and financial aid for low-income students. One participant mentioned that among the 50 states, only Mississippi has more Pell-qualified students than does Idaho. The group was also concerned with how the *Changing Direction* project might impact institutional policies and practices. Budget officers reported that an informal relationship exists between tuition and fee rates and funding for institutional aid programs; only one participant indicated that future institutional aid funding would be increased in direct proportion to increases in tuition and fee rates. Another information-gathering activity was an inventory to identify board policies related to appropriations, fees, and financial aid.

The Idaho roundtable that convened on January 6, 2005 – just four days before the opening of the legislative session – was a pivotal event in Idaho’s overall strategy for its *Changing Direction* goals. Approximately 70 people attended the roundtable, with nearly half of them coming from the legislature. Of the 105 Idaho legislators in the 2005 session, 81 percent were Republicans and 19 percent were Democrats. Among the 30 legislators who attended the roundtable, the same proportional distribution was seen: 20 percent were Democrats and 80 percent were Republicans. Eighteen of the legislators at the roundtable were experienced, while 12 were sitting for their first term. This was a healthy distribution, indicating high interest across both parties and among new as well as returning policymakers in higher education issues. Also participating in the forum were presidents of colleges and universities; members of the state board of education; the superintendent of public instruction and members of her staff; and representatives from the governor’s office.

The SHEEO office structured the roundtable as an opportunity to draw attention to overall demographic, fiscal, political, and economic trends in the state. External presenters on these areas provided a balanced and neutral tone to the discussion, while focusing on a number of issues that directly impacted higher education in the state. Once this contextual groundwork was laid, participants were assigned to role-alike groups, each led by a facilitator, for discussion and identification of major issues. In the legislative group, discussion centered on a number of concerns: funding and financial aid, accountability, retention to graduation, information management, efficiencies in the delivery system, the limitation on the use of fee revenues, and K-12 expectations. In the group of

institutional presidents and members of the Idaho State Board of Education and the group of other campus representatives, many of the same topics were discussed. In all three group discussions and in the subsequent general discussion, it was clear that consensus building, including collaboration to develop and implement a shared vision for the state, was one of the top priorities. The outcome of the roundtable was critical in that it not only verified the importance of the project’s goals but also provided that important strong first step in consensus building and commitment to collaboration.

Building on the momentum of the roundtable, the SHEEO staff followed up with a luncheon for legislators less than a month later, with the goal of developing a unified legislative action plan. Once again, the turnout was very impressive, with 35 legislators attending the lunch. This event targeted members of the two education committees and the Joint Finance and Appropriations Committee. Significantly, 22 legislators who had not been at the roundtable attended the luncheon. Between the two activities, the project staff had involved nearly one-half of the 2005 session’s legislators.

An important supplemental strategy with the roundtable and luncheon was the focus on the preparation and sharing of solid information. Presentations during both events by outside speakers and SHEEO staff juxtaposed Idaho data against data from Western states and the nation. Showing Idaho’s performance over time and in comparison with other states gave staff and legislators baseline information and a common ground for discussion. Because the board staff provided a report that included institution-specific data prior to the two meetings, this was discussed, as well.

Additionally, project staff worked to keep the visibility of the project high. Early in the project time frame, staff made a presentation on the project to the Idaho State Board of Education and mentioned the project in a newspaper interview. Web pages were created, material was posted from key events, and links were made to the national *Changing Direction* project and all of its publications. Prior to the roundtable, a press release about the meeting was issued. Presentations were also made by staff to financial aid and budget officers; the Presidents Council; and the Council on Academic Affairs and Programs. The president of the Idaho State Board of Education drew on roundtable discussions in his presentation to the Joint Finance and Appropriations Committee.

Observations

Idaho's accomplishments during the project's initial year were significant. The *Changing Direction* project enabled the executive director and his staff to raise awareness of higher education issues around tuition, financing, and financial aid. It also helped staff focus on the financial aid issues that needed attention. For example, the state coordinator reported that staff members involved with scholarships and student services were involved at a much earlier stage in legislation development than had previously been the case, and they credited the project, in part, for this. The timing of the very important January 6 roundtable and presentations by national experts from outside the state seemed to play a critical role in escalating a discussion related to allowing most of the state's public four-year institutions to charge tuition fees and use the revenues generated to help cover instructional costs. As noted above, an

important bill passed that paved the way for this policy shift. Holding the roundtable four days before the beginning of the 2005 legislative session was instrumental in gaining wide participation from legislators, the governor's office, college and university presidents, members of the state board of education, and the superintendent of public instruction.

The Idaho roundtable not only increased awareness of the tuition issue but also helped focus conversation around the state's financial aid programs and how well they did, or did not, support access and success for all students. After presentations by Dennis Jones, president of the National Center for Higher Education Management Systems (NCHEMS), and David Longanecker, president of WICHE, participants broke out into three discussion groups, as mentioned above. One of the key concerns identified by the group of legislators was financial aid and the efficacy and viability of the state's financial aid programs.

An important element in the state's ability to raise awareness was the value it placed on providing information and making it accessible. Using a new design that incorporated the *Changing Direction* logo, Idaho personalized and raised the visibility of the project and the state's key issues. A website provided timely information concerning the project and its activities, as well as links to all of the *Changing Direction* publications. The state has also posted meeting materials from the highly successful January 6, 2005, roundtable, including the meeting agenda, speaker biographies, the *State Board of Education Fact Book*, an issue brief on "Financial Planning and Aid," and the Idaho report card from *Measuring Up 2004*.

IDAHO *Changing Direction*



By the end of the first year of the Idaho *Changing Direction* project, the state had demonstrated remarkable success in achieving some objectives and was making considerable progress on others. Project staff clearly broadened

participation in policymaking efforts and made significant progress in building consensus among key stakeholders. The inventory of finance policies was completed, and this document should help inform future discussions on aligning financing and financial aid policies, particularly discussions of the gap between these two areas. Independently and in conjunction with the national project staff, board staff members are exploring opportunities to share their experiences with other major policymaking groups, such as the National Conference of State Legislatures, National Governors Association, and the American Council on Education.

As in most Western states, Idaho's resident undergraduate matriculation fees (or tuition fees at the three designated institutions) have increased in recent years. At the state's universities, fees for 2006-07 averaged \$4,181, somewhat lower than the WICHE regional average of \$4,319. The 2006-07 rates represented a 5.9 percent increase from the previous year. The 10-year change in matriculation fees in Idaho, however, was just over 137 percent, the highest among the WICHE states, which saw a 69 percent increase over the past decade.⁵

The picture is further complicated by demographics and projected trends over the next several years. Idaho is one of the fastest-growing states in the West, with a projected increase in the number of high school graduates of 17 percent, or nearly 3,000 students, in the class of 2018, compared to the class of 2002. In addition to access and capacity, affordability is becoming an acute issue, as close to 60 percent of the state's high school graduates in the near future are projected to come from families with annual earnings under \$50,000.⁶

A decisive issue that was examined more fully during this past year was financial aid, which historically in Idaho has been characterized by a near absence of state programs to support needy students. Financial aid decisions are largely campus-based, and preliminary findings from the surveys of financial aid officers and budget officers suggest that institutional aid is not filling the gap in protecting access for low-income students. State financial aid programs are very limited. In 2004-05 the state awarded less than \$1 million in need-based aid, while non-need-based awards amounted to just over \$4.5 million.⁷

The Idaho Governor's Challenge Scholarship provides a small number of \$3,000 awards – 12 or so, depending on the availability of funds – to Idaho high school seniors planning to attend a state college or university. The Robert R. Lee Promise Category A Scholarship provides approximately 25 new \$3,000 scholarships each year. Both scholarships are available for academic and professional-technical education and are renewable for up to four years for academic scholars and for the term

of the chosen program – up to three years – for professional-technical students.

In late 2006 the state board of education unanimously endorsed a plan to help the neediest Idaho students receive more financial aid. The new program is modeled after successful programs in Oklahoma and Oregon and will focus on student responsibility and an early commitment. Developed by financial aid directors from Idaho’s colleges and universities, as well as by students, parents, state board members, legislators, business representatives, and public school administrators, the plan will require students to:

- ▲ Receive a 2.0 high school grade point average.
- ▲ Commit to being drug free.
- ▲ Apply for federal financial aid.
- ▲ Maintain satisfactory academic standards in college.

An intentional component of the board’s plan has been to work directly with Governor Butch Otter and the state legislature to develop the details. In Governor Otter’s “State of the State Address” in January 2008, he announced a proposal to provide \$50 million to establish a trust fund to provide need-based financial aid, making it possible for all Idaho residents to achieve the highest level of education possible.

As fees and other college costs continue to account for an increasing share of family income, the state has serious challenges ahead, related to the role of financial aid programs in supporting access and success for its citizens. The board’s work and accomplishments during the first year of the project positioned Idaho to move more effectively and more rapidly on its *Changing Direction* agenda in the second year. Most legislators are now familiar with components of the project, easing the way for future work on issues raised during the state’s initial year of the project.

To view Idaho’s *Changing Direction* website, please visit www.boardofed.idaho.gov/ChangingDirection/index.asp

Endnotes

¹ Idaho Code §33-3717.

² The University of Idaho has not sought a change, which would require a constitutional amendment.

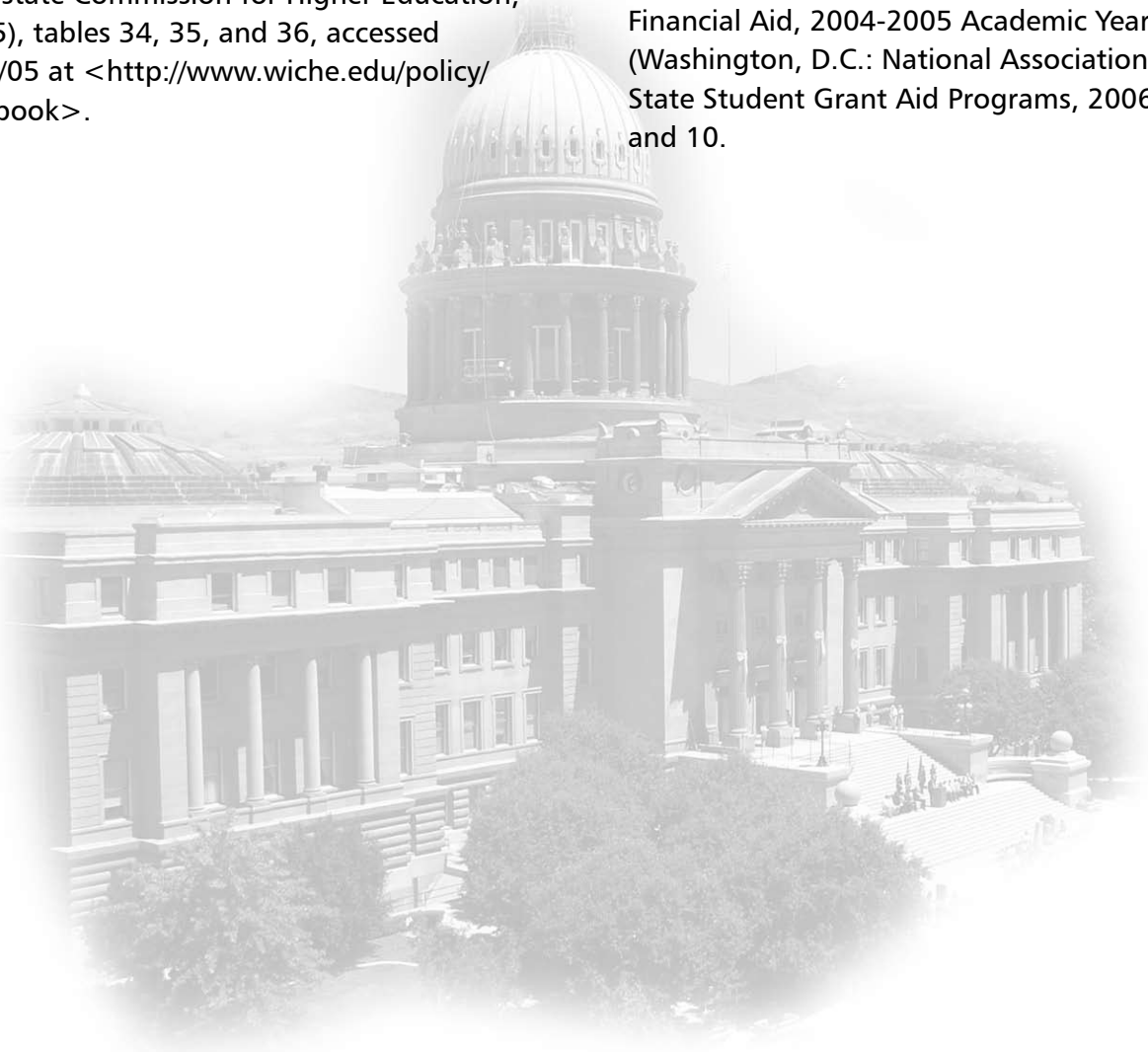
³ Western Interstate Commission for Higher Education, *Tuition and Fees in Public Higher Education in the West, 2004-2005 Detailed Tuition and Fees Tables* (Boulder, CO: Western Interstate Commission for Higher Education, 2004), table 5.

⁴ Western Interstate Commission for Higher Education, *Regional Fact Book for Higher Education in the West* (Boulder, CO: Western Interstate Commission for Higher Education, 2005), tables 34, 35, and 36, accessed 1/21/05 at <<http://www.wiche.edu/policy/Factbook>>.

⁵ Western Interstate Commission for Higher Education, *Tuition and Fees in Public Higher Education in the West, 2006-2007 Detailed Tuition and Fees Tables* (Boulder, CO: Western Interstate Commission for Higher Education, 2006), table 5.

⁶ Western Interstate Commission for Higher Education, *Knocking at the College Door: Projections of High School Graduates by State, Income, and Race/Ethnicity, 1988-2018* (Boulder, CO: Western Interstate Commission for Higher Education, 2003).

⁷ National Association of State Student Grant and Aid Programs, "36th Annual Survey Report on State-Sponsored Student Financial Aid, 2004-2005 Academic Year" (Washington, D.C.: National Association of State Student Grant Aid Programs, 2006), 4 and 10.



▀ Kentucky

Julie Davis Bell

State Policy Context

The Commonwealth of Kentucky has a long tradition of major education initiatives at both the K-12 and higher education levels, including landmark K-12 legislation to rewrite the education code (1990); passage of HB 1, the Postsecondary Education Improvement Act (1997); and sweeping statutory changes in the adult education system (2000). Kentucky's public agenda for postsecondary and adult education, clearly states that the commonwealth's economic well-being is inextricably linked to the education and skills of its citizens. As part of the public agenda, research from the Council on Postsecondary Education (CPE) found that in order to get to the national average in educational attainment by 2020, Kentucky would have to double the number of adults with bachelor's degrees – from approximately 400,000 to 800,000. The state's history and tradition of major educational initiatives provided a strong base from which the *Changing Direction* project could build.

Kentucky applied to participate in the *Changing Direction* project in December 2005. The proposed work and goals fit perfectly within the parameters of the *Changing Direction* effort. Kentucky's overall goal was to make policy decisions related to financial aid, state appropriations, and tuition policy more intentional and more connected. In its *Changing Direction* work, Kentucky was interested in linking three ongoing state initiatives, which together could support the ambitious postsecondary education reform goals that began with the passage of the Kentucky Postsecondary Education Improvement Act of 1997. The three initiatives were:

- ▀ The comprehensive review of the public agenda.
- ▀ The comprehensive review of the then-current funding model and finance policies.
- ▀ Three policy group initiatives, including work on affordability, workforce, and seamlessness.

The cornerstone of the project was a student record study of college affordability to:

- ▀ Establish affordability measures for each institution.
- ▀ Use results to request funds in financial aid to address gaps in aid.
- ▀ Use results to raise awareness about sticker price versus net price.
- ▀ Use data to develop maximum parameters for tuition increases at each institution.

Information from the study was to be used to develop a new tuition policy that for the first time would link state levels of support to tuition increases. The policy would also be more systematic about tuition increases and would ensure affordability and access. The principles of the new policy related to:

- ▀ Access.
- ▀ Adequacy.
- ▀ Aid.
- ▀ Alignment.

Finally, budget recommendations would be calculated based on the new funding model. They would specifically incorporate tuition and fee revenue, connect appropriations with affordability, and support budget recommendations to address retention, affordability, and access.

Tuition

Prior to 2001 the CPE set resident undergraduate tuition rates for students attending public institutions as a percentage of Kentucky's per-capita personal income (PCPI). These rates were differentiated by sector. For example, the University of Kentucky and University of Louisville tuition was 13.4 percent of PCPI; the comprehensive institutions' tuition was 9.2 percent of PCPI; and tuition for the Kentucky Community and Technical College System (KCTCS) was 5.0 percent of PCPI.

Tuition setting was decentralized in 2001, and the institutions began to set their own tuition rates, based on these council guidelines:

- ▶ Rates may be differentiated by factors such as residency status, program level, etc.
- ▶ Tuition rates must be submitted; the council receives a projected tuition plan in advance for each biennium.
- ▶ Institutional financial aid decisions are made at the institutional level.

Tuition increased an average of \$2,200 from 2000 to 2005 at the four-year universities and by \$1,100 at the community colleges. College Board data show that tuition in Kentucky for the 2006-07 academic year was:

- ▶ \$3,270 at public two-year institutions (an 11 percent increase from the previous year) – significantly higher than the national average of \$2,272.
- ▶ \$5,758 at public four-year institutions (a 12 percent increase from the previous year) – almost at the national average of \$5,836.
- ▶ \$16,966 at private institutions (an 8 percent increase from the previous year) – much lower than the national average of \$22,218.¹

The rapid increase was one of the major reasons the council decided a more direct approach was needed to determine the rates for 2006-07.

Financial Aid

State financial aid decisions are coordinated through a separate agency, the Kentucky Higher Education Assistance Authority (KHEAA), and include grants, scholarships, conversion scholarships, loans, and work study. These merit- and need-based programs are funded by lottery proceeds. The council works closely with KHEAA regarding these programs, and some of the provisions are set in statute.

Appropriations

Appropriations decisions are made by the legislature. The council presents a recommendation to the legislature, based on a benchmark model for institutional funding as well as recommendations regarding strategic trust funds targeted at state and institutional goals and other needs related to postsecondary education.

Accountability

In order to help account for the \$2 billion in total public funds allocated to Kentucky's postsecondary system and track progress on the public agenda, CPE developed a core set of state and institutional key performance indicators to gauge improvements in areas of college preparation, affordability, productivity, learning, and economic and community benefits.

Other visible measures of state performance are the data and grades provided by the *Measuring Up* reports produced by the National Center for Public Policy and Higher Education. In 2006 Kentucky received a C- in preparation; a B- in participation; an F in affordability (along with 42 other states); a C+ in completion; and a C+ in benefits.

Kentucky stood out with eight other states in receiving a “plus” in learning, indicating the state is developing some measurements of student learning.²

Governance

CPE was established in May 1997 by a legislative act that replaced the Council on Higher Education. The council is the statutory coordinating agency for Kentucky’s state-supported universities. The 1997 reform legislation gave the Council on Postsecondary Education new membership and stronger coordinating powers. The council consists of 16 members appointed by the governor, including 13 citizen members, one faculty member, and one student member; the state’s commissioner of education is a nonvoting ex officio member. Citizen members serve six-year terms; faculty members serve four years; the student serves a one-year term.

Once restructured, CPE had statutory authority to: develop and implement a strategic agenda for postsecondary education; revise and approve missions and plans for the state-supported universities and the Kentucky Community and Technical College System; ensure a system of accountability; protect against unnecessary duplication; establish standards for admission to state-supported institutions; determine tuition rates; approve, modify, or eliminate academic programs; make biennial budget recommendations; approve capital construction projects of over \$400,000; ensure the transfer of credits; and develop a financial-reporting system.

In 2000 CPE was given policy leadership for adult education programs in Kentucky; all adult education programs were moved to CPE, based on a reorganization plan submitted by the governor and approved by the legislature. The programs were previously operated by the Department for

Adult Education and Literacy in the Cabinet for Workforce Development.

Also in 2000 CPE was given policy leadership for four trust funds designed to put the state’s colleges and universities at the center of Kentucky’s efforts to build businesses in the new economy.

The council has an independent board but works jointly with the Kentucky Education Cabinet on key issues. In 2006 the governor’s cabinet was reorganized during the regular legislative session. CPE and the K-12 Department of Education are now under the governance of the Education Cabinet, although the governance is mainly advisory. CPE continues to maintain an independent board but is responsive to the legislature and the governor, while working jointly with the new cabinet secretary on issues of mutual interest in education. One positive result from this reorganization was a joint budget recommendation from K-12 and higher education regarding streamlining knowledge management technologies to track students from elementary education through the higher education system. A portion of this request was funded by the legislature.

There are eight institutional governing boards for the state-supported universities and a governing board for the Kentucky Community and Technical College System. The Kentucky Community and Technical College System is composed of 13 community colleges and 15 postsecondary vocational technical schools. Twenty members serve on the University of Kentucky Board of Trustees. Each of the other seven boards governs a single institution.

The KHEAA is the state agency responsible for providing student financial assistance and related services and is governed by a nine-member board of directors.³

Politics

Former Kentucky Governor Ernie Fletcher, who served from 2003 to 2007, is the first Republican to lead the state since the early 1970s. He followed a governor who was extremely active in education issues – a Democrat, former Governor Paul Patton. Fletcher’s education agenda for the 2007 Kentucky legislative session included expanded support for math and science education and increased student aid for lower-income students and working adults.

During Kentucky’s participation in the project, the Kentucky Legislature consisted of 138 members (100 in the House, 38 in the Senate). Democrats controlled the House 61 to 39; and Republicans controlled the Senate, with 21 Republicans, 16 Democrats, and one Independent.

Demographics

Kentucky has an estimated population of 4,173,405; 91.5 percent of its citizens are White, and 7.8 percent are African American. In per capita income, the state is 41st in the nation.

State Actions

At the center of Kentucky’s work on aligning tuition, financial aid, and general fund appropriations was a study on college affordability.

Affordability Study

The affordability study was conducted by JBL Associates and the Educational Policy Institute in 2005. The purpose of the study was to examine on a student-by-student basis the affordability gaps for people at different income levels. The report, completed in September 2005, evaluated student record data related to affordability. Findings were presented to CPE in November 2005 and discussed with legislators and institutions.

The study found that higher education in Kentucky is within a reasonable range of affordability for most full-time students (based on a review of students who completed the Free Application for Federal Student Aid (FAFSA)). The biggest exception is lower-income, independent students (as opposed to dependent students). Independent students are generally over 24 years old, and student aid need is calculated on their income, not the income of their parents. Students in the lowest-income quartiles who attend four-year public or private institutions are at the margins of affordability. But community colleges are well within the affordability range for these students.

In essence, the study found that basic conditions of equity have been met by the current formula – lower-income students pay lower net prices than those with higher incomes. However, African American students face greater financial risk. The study suggested that a standard, measurable definition of affordability be used, and it established a ceiling, defined as the amount a student can earn by working part time at minimum wage – generally \$4,000 annually.

***A summary of the study can be found at:
[http://cpe.ky.gov/about/cpe/
meetings/20050918.htm](http://cpe.ky.gov/about/cpe/meetings/20050918.htm)***

Other recommendations of the affordability study included:

- ▶ Development of a systematic policy to connect tuition with financial aid decisions.
- ▶ The inclusion of older students in the Kentucky Educational Excellence Scholarship Program.

- ▶ Stabilization of the pricing structure, so that students do not face sudden and sharp increases in tuition during their college experience.
- ▶ Consideration of family savings incentives.
- ▶ Increased student work opportunities.
- ▶ Provision of financial aid for part-time students.

Tuition Policy

The findings from the affordability study became the fundamental principles for the new tuition policy. These principles were:

- ▶ **Access.** College education in Kentucky should be accessible and affordable for all qualified Kentuckians.
- ▶ **Adequacy.** Tuition policy decisions should provide total public-funding levels that allow institutions to meet the objectives of the public agenda.
- ▶ **Aid.** Tuition and student financial aid policies should be coordinated effectively to ensure sufficient financial aid for students with financial need.
- ▶ **Alignment.** Policies determining appropriations, financial aid, and tuition and fees should be aligned with each other.

The new policy was developed with four tiers of maximum increases for undergraduate tuition. The level of state appropriations determined the tier the institution falls into. For the first time, it was decided that if the state appropriation levels were relatively high, then tuition rates would be relatively low. The policy was used for the first time to set rates for 2006-07. The tuition parameters were anchored to median family income.

The manner in which tuition revenue is considered when calculating funding need was also revised to establish a more direct linkage between appropriations and tuition and to more accurately reflect tuition

revenue. The revision was to ensure that there was no financial incentive to increase tuition rates.

The state has made progress toward its degree production goals, experiencing a 12 percent increase in bachelor's degrees awarded (May 2005). The college-going rate for recent high school students now exceeds the national average. In addition, Kentucky's rate for students who progress from earning a general educational development (GED) degree to postsecondary education has increased from 12 to 19 percent since 1998. The state is enrolling more students at all levels of postsecondary adult education.

Observations

The Kentucky *Changing Direction* project had two major outcomes – a new data system and a new state tuition policy. In this sense the state was successful in meeting its primary *Changing Direction* objective – to better link and communicate the connection between state appropriations, tuition increases, and affordability. The fact that the new tuition formula was influenced by a statewide affordability study also meant that it was informed by research and data.

In 2006 CPE developed a data warehouse and reporting system for information collected from and related to higher education access, accountability, and performance. The system is open to specific users from each of the public and independent institutions within the state so that they may run standard and custom reports that link information that crosses institutional and even agency lines to produce a more complete picture. Kentucky used *Changing Direction* funding to supplement this technology project, which was intended to assist and support policy development and implementation via data analyses.

In the past financial aid and affordability data have not been available on a unit-record level because data were collected by different agencies. This project has allowed the state to reevaluate the effectiveness of the council's comprehensive database to ensure that it encompasses all of the foreseeable elements that will be needed for the future assessment of higher education and that it brings all of this data under a single umbrella so that it can be accessed through a single interface. Further, the system is designed to allow users to manipulate data for summary reports. In the past they had to go through council staff to generate such reports, so this makes data much more accessible to many more people.

The state's new tuition formula presented several challenges. At first, there seemed to be broad buy-in of the new state tuition formula, but the consensus was short lived. In the early *Changing Direction* work, the state had involvement and support of the governor and the legislature, which was crucial for allowing CPE to obtain greater authority for tuition setting. All of the state's institutions had indicated support of the new formula.

The tuition formula was based on tiers. Each tier was allowed a maximum tuition, and the tier was defined by the level of funding received from the Kentucky General Assembly. The new tuition model included a flat 9.5 percent increase for the four-year institutions, except for the University of Kentucky and the University of Louisville. Tuition at the University of Louisville could increase by as much as 12 percent, since the university received a lower level of funding compared to the recommendation. Tuition at the University of Kentucky could increase by 9 percent. KCTCS tuition could increase by 9.2 percent.

However, because the formula was based on tiers, a number of institutions had major incentives for lobbying for as much new funding from the legislature as possible. This development caused concern among other institutions, which felt that they had played by the rules. Both institutions and the legislature criticized the model. As a result, a new funding model was developed, and the tuition policy was changed slightly to put less emphasis on the funding model calculations while still keeping the principles intact.

Kentucky modified the tuition policy for 2007-08 so that the appropriation levels are aggregated by sector but still tied to state appropriation levels. It was the intent of the council to develop a new funding approach in consultation with the institutions, the governor, and the legislature and then resume the more specific parameters in tuition policy used to set rates for 2006-07. The council also requested that institutions establish increased commitments to need-based financial aid, and most responded with new programs for 2007-08. In addition, the governor announced a \$25 million proposal for increased need-based aid for 2007-08. The lesson is an important one for states attempting to change business as usual and better link appropriations and tuition policy.

▲ Endnotes

¹ College Board, *Trends in College Pricing* (New York: College Board, 2006), 22.

² National Center for Public Policy and Higher Education, *Measuring Up 2006: The State Report Card on Higher Education* (San Jose, CA: National Center for Public Policy and Higher Education, 2006).

³ Education Commission of the States, State Profiles, "Postsecondary Governance Structures Database, 2006," accessed on 29 January 2007 at <<http://mb2.ecs.org/reports/Report.aspx?id=221>>.



► Louisiana

Julie Davis Bell

The request for participation in the *Changing Direction* project was submitted by the Louisiana Board of Regents in January 2004. The proposal was particularly appealing because of the state's desire to use *Changing Direction* to help integrate multiple policies and reforms. A relatively new system of community colleges, a new governor with an interest in adult learning and poverty, and a mandate from the legislature to formulate a comprehensive state tuition and fee policy helped to create an environment in which Louisiana could focus on integrating state higher education funding policies.

The proposal cites the following specific challenges:

- Lack of a comprehensive financial aid policy.
- The need to educate top policymakers about linking financial policies together and developing long-term goals.
- The need to help policymakers think more systematically about how higher education funding policies interact, the range of strategies that could be employed, and how financial strategies impact participation, retention, graduation, and success.
- Decisions about higher education policy that are dispersed among a variety of actors, including the legislature, governor, board of regents, institutions, and management boards.

There were several factors that made *Changing Direction* particularly timely for the state:

- Passage by the legislature of Act 1105, which directed the board of regents and

the management boards to study and formulate a comprehensive state tuition and fee policy.

- A new governor whose public agenda included a focus on poverty, adult literacy, and learning.
- A relatively new system of community and technical colleges that has been steadily growing in enrollment.
- Difficult economic conditions, which helped sharpen the focus on the need to strengthen the education system to better serve state residents.
- A period of cuts and funding pressures on the state and on higher education, which called attention to the lack of linkages in higher education fiscal policy.

State Policy Context

Louisiana has a large and somewhat cumbersome postsecondary education system. The state-level coordinating and policymaking agency for public higher education is the Louisiana Board of Regents. The board consists of 15 lay members, appointed by the governor with the consent of the Senate, and one student member, elected by the student body presidents. The executive officer of the board is appointed by and serves at the board's pleasure. The 15 lay members represent the general public and serve overlapping six-year terms of office. The student member serves a one-year term. The board has both constitutional and statutory authority for planning and coordination for all public institutions and responsibility for institutional budget review and for recommending a consolidated budget.

There are four management boards that oversee the day-to-day operations of the various campuses:

- ▶ The Louisiana State University (LSU) Board of Supervisors.
- ▶ The Southern University Board of Supervisors.
- ▶ The University of Louisiana System Board.
- ▶ The Louisiana Community and Technical College Board.

The LSU System has 10 institutions (including the law and agriculture centers and two health sciences centers), and the University of Louisiana System has eight institutions. The Southern University System has five institutions (Baton Rouge, New Orleans, Shreveport, law, and agriculture), while the relatively new Community and Technical College System has 10 institutions, including the Louisiana Technical College, with 40 campuses.

The responsibility of the board of regents is to plan, coordinate, and take budgetary responsibility for Louisiana’s public education community. It is a policymaking and coordinating board only. Its responsibilities were carefully designed so that the board of regents could deal with broad academic and fiscal directions of higher education without having to become enmeshed in the daily mechanics of operating the college campuses.

Of significance is the fairly recent creation of the Community and Technical College System, which has been experiencing strong growth over the last few years – about 10 percent per year. This system has provided new opportunities for access to higher education for a large portion of Louisiana’s residents. Prior to the launch of this system, the only option available to residents was the state’s four-year system, which meant that many students were placed in institutions that may not have been the best fit for their circumstances or higher education aspirations.

In Louisiana, as in many states, there are numerous policymakers involved in making decisions about tuition, financial aid, and appropriations. Key players are the board of regents, the Louisiana Student Financial Assistance Commission, the governor’s office, the legislature, the institutions, and the system management boards. These organizations typically make decisions independently of one another. As Louisiana Commissioner of Higher Education E. Joseph Savoie wrote in the *Changing Direction* proposal, not only do they make decisions independently of one another, but those decisions “are usually driven by factors and circumstances unique to each respective area.”

In addition, there are significant legal constraints on those decisions. A 1995 constitutional amendment requires that increases in tuition and fees must be approved in the same way as general tax increases: by a two-thirds vote of both houses of the Louisiana Legislature. The legislature is the major player in determining state appropriations for Louisiana higher education. Although Louisiana has been making fairly significant progress in improving state funding of its higher education system in recent years, it continues to suffer from a long history of chronic underfunding, compared to its national and regional peers.

Until very recently, Louisiana’s financial aid commitment had focused largely on its significant and generous merit-based financial aid program, the Tuition Opportunity Program for Students (TOPS). The program is administered by the Student Financial Assistance Commission, but policy decisions are made by the legislature. The state has invested generously in the program – spending is about \$114 million per year. TOPS is politically popular but expensive for

the state to administer. For this reason policy decisions about the future of TOPS were at the center of the state's *Changing Direction* strategy and stood as the primary factor in designing a more comprehensive finance strategy.

TOPS is by far the major financial aid program in the state. Traditionally, the state's contribution to need-based programs has been minimal. According to the State Higher Education Executive Officers (SHEEO), the state's overall average grant aid per FTE is 163 percent of the national average – but that includes the generous TOPS merit grant. When looking at need-based aid only, the state's contribution is only 22 percent of the U.S. average. For merit-based aid, the state's support is a whopping 595 percent of the U.S. average.

In fiscal year 2003-04, median tuition and fees for four-year institutions were \$2,928. Median tuition and fees for two-year institutions were \$1,708, and the median tuition and fees at the technical colleges came to \$681.

Louisiana policymakers generally describe the state's higher education climate as characterized by low participation, poor retention, low graduation rates, and a low-performing education system overall. Louisiana generally ranks at the bottom of the states on these indicators. *Measuring Up 2004: The National Report Card on Higher Education*, by the National Center for Public Policy and Higher Education, paints a pessimistic picture for Louisiana higher education, giving the state the following grades:

Preparation: F
Participation: D+
Affordability: F
Completion: C
Benefits: C¹

State Actions

Through a series of meetings and discussions – both in the state and with other states – the board has developed an overall plan to review and reform policies in appropriations, tuition, and financial aid, and to seek a strategy that better aligns policymaking in these areas. This plan was presented to a variety of key policymakers to assess their initial reactions and to help refine a more specific strategy. On February 23, 2005, the commissioner presented the plan to the board of regents and the governor. A few days earlier, he had had a similar discussion with key legislative leaders. Responses to the plan – commonly described as “ambitious” – were generally favorable.

The key elements of the plan were a set of goals and strategies for funding, tuition, and financial aid policy, as well as goals for enhancing linkages in these areas. They include the following.

▲ **Formula funding revisions:**

- More precise targeting of each institution's mix of students and programs.
- Financial incentives to encourage improved student access and success and appropriate institutional enrollment profiles (consistent with mission).

Potential strategies:

- Use cost study analysis to establish core formula-funding values.
- Adjust values to encourage desired enrollment profiles.
- Provide “bonus” values for targeted populations.
- Provide funding of enrollment not in compliance with admissions criteria framework.
- Fund students upon course completion.

► **Tuition policy goals:**

- Maintain affordable resident undergraduate tuition.
- Provide consumers (students/families) with predictable levels of tuition costs.
- Provide institutions with adequate tuition revenue.
- Achieve similar tuition rates for similar types of schools.

Potential strategies:

- Be limited overall by peer (Southern Regional Education Board and flagship) institutions.
- Utilize a multiyear implementation schedule.
- Allow limited annual increases.
- Authorize tuition increases, dependent upon progress toward/attainment of desired enrollment profile.
- Require portion of new tuition revenue to be dedicated to need-based financial aid.
- Reassess current policies for nonresident tuition.
- Allow flexibility in setting graduate and professional school tuition rates, based upon factors and conditions associated with the programs.
- Clarify distinctions between tuition and fees.

► **Financial aid policy goals:**

- Remove financial barriers to access.
- Maximize federal student financial aid.
- Align state and institutional financial aid policies.
- Loosen strict tie between TOPS and tuition levels.

Potential strategies:

- Leverage the federal LEAP (Leveraging Educational Assistance Partnership)

program and maximize Pell grant awards.

- Condition tuition authority on institutional allocations to need-based aid.
- Provide incentives for enhanced institutional allocations to need-based aid.
- Establish endowed scholarship program for needy students.
- Establish financial aid program for adult learners.

► **Overall goals for ATFA (appropriations, tuition, and financial aid):**

- Provide adequate funding to institutions: the combination of state appropriations and tuition revenues must yield sufficient revenues to fulfill their differing missions.
- Ensure tuition levels do not result in Louisiana colleges and universities being unaffordable for the citizens of the state.
- Provide need-based aid opportunities to students, and maximize the use of federal aid programs.
- Recognize the fiscal realities/limitations of the state and ensure that available state resources are utilized in the most effective way.

Observations

The state did an excellent job involving an important and diverse group of policymakers in the *Changing Direction* project. Representatives of the Louisiana Board of Regents joined with leaders in the Office of Student Financial Assistance, the legislature, and the student bodies of various institutions to serve as the project "core." These individuals attended the June 2004 technical assistance workshop, held as part of the *Changing Direction* project in Denver, and it was impressive to see all of them still involved in the effort the following February.

Representative Avon Honey, former vice chair of the House Education Committee, attended the Denver meeting and also presented on the Louisiana strategy at the 2004 annual meeting of the National Conference of State Legislatures. Honey, along with the chairs of the education committees of the House and Senate, participated in the February 2005 meeting in Louisiana with the governor. Further, the legislature unanimously passed House Concurrent Resolution 253 in 2004, which was an instrument adopted by the legislature to recognize the *Changing Direction* project, endorse the purposes of the work, and urge the board of regents to use the opportunity and resources available through the project to accomplish various goals and objectives.

The issue of a comprehensive tuition and fee policy was considered a priority objective of their work, and a policy was developed and adopted by the board of regents. The policy was submitted to the legislature for endorsement and implementation authority through HB 619 of the 2005 regular session (it was sponsored by former Speaker of the House Joe Salter). Although the policy was carefully reviewed and favorably considered by the House Education Committee, the legislation did not survive the entire legislative process. Its potential impact on the cost of TOPS became an issue and contributed to the legislature's reluctance to authorize implementation of the policy.

Efforts to pursue the tuition and fee legislation were planned for the next legislative session, but all such plans were disrupted by Hurricanes Katrina and Rita, which struck Louisiana in the summer and fall of 2005. Subsequent to the hurricanes, state budgets were initially cut, in expectation that Louisiana's economy would suffer considerable damage from the impact of the storms. Postsecondary education

efforts became focused on stabilization and recovery.

Due to a variety of factors, the state's economy and fiscal condition have been surprisingly strong and are expected to remain so for at least the next several years. State funding for postsecondary education is now much improved, and the overall objectives are being resurrected and reassessed.

The legislature, by concurrent resolution, requested that the board of regents formulate proposals with respect to need-based student financial assistance. Proposals were developed and pursued in the subsequent legislative session. The governor and the board of regents also took steps to update the state's master plan for postsecondary education and, as part of that effort, were reviewing the funding formula to strengthen its use in support of the goals and objectives of the revised master plan. It is expected that the objective of integrating the financial elements of state funding, tuition, and financial aid in support of state goals and objectives will be pursued through these various efforts.

In 2007 the governor sought and received the most ambitious increase in funding for higher education in recent history. Included in this increase were funds sufficient to bring institutions' funding up to the regional peer average for the first time in history and included \$15 million for the new "GO Grant," a need-based financial aid program that will grow to \$50 million when fully implemented. A comprehensive tuition and fee policy remains an objective and will likely be considered in the 2008 legislative session.

▲ Endnotes

¹ National Center for Public Policy and Higher Education, *Measuring Up 2004: The State Report Card on Higher Education* (San Jose, CA: National Center for Public Policy and Higher Education, 2004).



► New Mexico

Demarée K. Michelau

New Mexico applied to participate in the third cohort of technical assistance states of the *Changing Direction* project in December 2004. Initially led by Letitia Chambers, the executive director of the New Mexico Commission on Higher Education (now called the New Mexico Higher Education Department), the project was coordinated by Anne Uhring, director of outreach and the state's P-12 liaison. New Mexico's primary goal in participating in *Changing Direction* was to conduct meetings and activities that would support Governor Bill Richardson's initiative to improve student success by shaping regulations and guidelines. State leaders also intended to develop legislation for the 2006 session to further enhance the initiative.

State Policy Context

In October 2004 (just prior to New Mexico's participation in the project), the commission released a study conducted by Chambers, Arthur M. Hauptman, David Longanecker (WICHE's president), and Paul Landrum titled *Improving Student Success in Postsecondary Education in New Mexico*. This report proposed higher education reforms designed to improve student success in the state, including: the creation and expansion of efforts to help ensure a smooth and effective transition from high school to college; reform of the state's student financial aid programs to include an increase in lottery scholarship and need-based aid; and the introduction of a performance-funding component, aimed at encouraging institutions to enroll, retain, and graduate students from traditionally underserved populations. Chambers had hoped to use the *Changing Direction* project as a platform for scussion to move this agenda forward.

At the time of New Mexico's application to the *Changing Direction* project, the governing boards of the state's higher education institutions set tuition policy, while the legislature, a bicameral body composed of 42 members of the Senate and 70 members of the House of Representatives, established financial aid policy. The New Mexico Commission on Higher Education allocated financial aid to institutions, developed regulations, and in general oversaw higher education in the state.

Historically, New Mexico had kept tuition artificially low in order to keep college affordable. This created challenges for institutions because they were unable to increase tuition when necessary. Further, the state did not have a sufficient need-based financial aid program, partly because of the low-tuition model. This affected the state's performance on the National Center for Public Policy and Higher Education's *Measuring Up 2004: The National Report Card on Higher Education*.¹ Designed to provide policymakers and the public with information to assess and improve postsecondary education in each state, the report card evaluates states in six categories: preparation, participation, affordability, completion, learning, and benefits. Despite charging low tuition, New Mexico received steadily declining scores in affordability since the first report in 2000, earning an F in 2004 due to the lack of need-based financial aid (see Figure 1). (It should be noted that all states received an F on this measure in 2004.)

Shortly after New Mexico joined the *Changing Direction* project, its policy context shifted dramatically. In part as a result of a higher education taskforce led by Chambers, the governor recommended the creation

Figure 1. New Mexico's Performance in <i>Measuring Up</i>			
	2000	2002	2004
Preparation	D -	D -	F
Participation	B -	A	A -
Affordability	B	C -	F
Completion	D -	D	D
Benefits	C	C	C+

of the New Mexico Department of Higher Education, a cabinet-level department that replaced the Commission on Higher Education and created the position of secretary of higher education, to be appointed by the governor and confirmed by the Senate. In March 2005 Chambers stepped down from the position of executive director, and in April of that year, Governor Bill Richardson signed the bill that formally made these changes and named Katherine Cantrell, who had previously served as the commission's deputy director for finance and administration, as acting secretary. These significant governance changes not only affected higher education leadership but also fundamentally changed how higher education operated in the state.

In August 2005 Governor Richardson named Beverlee McClure as the state's first secretary of higher education. The governor had high expectations for this new appointment. In a press release dated August 11, 2005, he stated, "I expect Dr. McClure to drive a statewide agenda for higher education – one that ties together a common commitment among all of our colleges and universities to ensure that all students graduate. Most importantly, I want New Mexicans prepared for the workforce, and I want our institutions of higher education to work with me to create a high-wage economy that moves New Mexico forward."² McClure also had a very ambitious agenda: her goals focused on addressing statewide issues of

access, student success, and institutional accountability.

All of these changes brought about significant shifts in the oversight body's purpose, direction, organizational structure, and staff (few staff from the Commission on Higher Education remained to serve in the new department), and this had an impact on the state's work with *Changing Direction*. Anne Uhring, the *Changing Direction* state coordinator, left her position and was replaced by Josephine DeLeon, who had been appointed the Higher Education Department's deputy secretary of academic affairs, planning, and research in October 2005. In addition, the primary goal of New Mexico's *Changing Direction* project was not the new department's top priority. However, the new department did work to continue the efforts related to financial aid and improving student access.

The financial aid division within the New Mexico Higher Education Department provides approximately \$60 million dollars in financial aid to students annually. Their programs include a number of scholarships, grants, work study, loans-for-service, and loan-repayment programs. Most notable is the state's merit-based Legislative Lottery Scholarship (formerly known as the Lottery Success Scholarship), which awards eligible students the amount of tuition for up to eight consecutive semesters. To be eligible, students must have graduated (or received a GED) from a New Mexico high school; be residents of the state; be enrolled full time and complete 12 credit hours; and earn a 2.5 grade point average at an eligible New Mexico public college or university in the first regular semester following their high school graduation.

State Actions

Year one of New Mexico's project was marked by significant governance shifts that created a situation in which the *Changing Direction* project was low on the state's list of priorities. Further, the state's goals tended to shift throughout the project. While the state had planned to focus on the Student Success Initiative in year one, the new secretary, Beverlee McClure, took the Higher Education Department – and the state's *Changing Direction* work – in many new directions. New Mexico's goals in year two included:

- ▶ Holding a public hearing to change the administrative code to coincide with legislative changes.
- ▶ Implementing a loan-for-service committee to establish policy and procedures for loan-for-service grants.
- ▶ Planning and holding the Governor's Higher Education Summit, with a strand on financing and financial aid.

Despite the shifting goals, the New Mexico Higher Education Department continued to work on issues that were consistent with the *Changing Direction* agenda. For instance, in year one, they participated in the project's technical assistance workshop, held in June 2005 in Santa Fe. The workshop, which the state hosted, focused generally on integrating higher education appropriations, tuition, and financial aid policy. The state also informed students regarding scholarship and grant eligibility requirements. In year two, the state engaged in several more activities. As a result of its work in the *Changing Direction* project, New Mexico:

- ▶ Developed three task forces – the Alignment Task Force, the Articulation Task Force, and the Formula Task Force – to deal with issues central to the goal of enabling individuals from low-income

and minority backgrounds to attend college.

- ▶ Wrote and published college affordability grant guidelines.
- ▶ Developed policy and guidelines for the loan-for-service grants.
- ▶ Convened meetings with college registrars to discuss the "residency for tuition purposes" administrative code (NMAC 5.7.18). Ultimately, the code was repealed and replaced with an updated version.
- ▶ Created new rules for the Public Service Law Loan Repayment Program's administrative code (NMAC 5.7.31).
- ▶ Drafted new rules for the Nurse Educator Loan-for-Service Program's administrative code (NMAC 5.7.32).

Further, in the 2006 legislative session, New Mexico funded the College Affordability Grant. Unlike the Lottery Success Scholarship, the College Affordability Grant is a need-based award and is available to students who do not attend college immediately after high school. In order to be eligible for the award (up to \$1,000 annually for up to eight consecutive semesters), students must be undergraduates and New Mexico residents; attend a public state college or university; demonstrate financial need, as determined by the Free Application for Student Financial Aid (FAFSA); not receive any other state grants or scholarships; and enroll at least half time (six credit hours).

The *Changing Direction* project was a cosponsor, along with the Higher Education Department, of Governor Richardson's Summit on Higher Education in Albuquerque on October 16, 2006. The summit addressed issues related to educational programs, facilities, student services, financial aid, institutional finance, workforce development, and government relations. Over 500 individuals from all over the state

attended (regents, institutional presidents, faculty, staff, legislators, students, and individuals from the private sector). The summit, which featured several national speakers who addressed local and national higher education issues, began an important discussion about higher education that has continued. It was so successful that the governor hosted another summit in December 2007, with about 750 people in attendance.

Observations

New Mexico experienced significant policy turmoil when Governor Bill Richardson and the New Mexico Legislature changed the purpose and function of the New Mexico Commission on Higher Education by transforming it into a cabinet-level department and renaming it the New Mexico Higher Education Department. Despite this significant governance change, the state experienced some success, for several reasons.

First, the shift in governance elevated the importance of higher education in the state, and by creating a cabinet-level position for the new secretary, the governor had more direct influence on higher education policy in New Mexico. With support from the project, state leaders consistently reached out to students about financial aid initiatives; created an essential need-based financial aid program; and held the governor's higher education summit, which began important state-level discussions about higher education financial aid and financing.

Second, although New Mexico's specific *Changing Direction* goals shifted over time, the state stayed true to the project's long-term agenda. When Beverlee McClure was appointed as the state's first secretary of higher education, she embarked on an

ambitious agenda, of which *Changing Direction* was only a part. In fact, McClure was not even informed about the project until she attended a meeting of the WICHE Commission (as a New Mexico commissioner). After that, and late in the project, McClure and her colleague's revised their workplan and developed activities around *Changing Direction* that were consistent with her department's and the state's goals. Since many of the accomplishments that the state made might have happened without the influence of *Changing Direction*, staff at the new department could have abandoned the project, but to their credit, they chose to move forward with it instead. As a result, they made some important progress toward their objectives, even at a time when the state's specific goals were changing. Fortunately, *Changing Direction* was able to be a part of their success.

Third, New Mexico benefitted from the widespread involvement of higher education department staff, regents, institutional presidents, faculty, staff, legislators, students, and individuals from the private sector at the summit. This was critical to its success. Hosting 500 people at a meeting, as the governor did at the 2006 summit, might be unmanageable for some states, but in New Mexico it was important to include as many different stakeholders as possible to move the policy agenda forward. As McClure noted in her final evaluation report to *Changing Direction* staff, "The more involvement you have, the easier it is to move policy efforts forward." State leaders were very effective in securing broad buy-in, as demonstrated by the large numbers of participants at the 2006 and 2007 higher education summits.

New Mexico faced daunting challenges while participating in the *Changing Direction*

project, yet the state still accomplished many things. Due to the unexpected and monumental governance changes, the goals that the state identified in the beginning of the project shifted, but to a certain extent, this allowed New Mexico to succeed. With some flexibility and understanding from the WICHE staff and some patience on the part of the project leaders, New Mexico was able to take some action and begin some important conversations about how to integrate higher education appropriations, tuition, and financial aid policy.

■ Endnotes

¹ National Center for Public Policy and Higher Education, *Measuring Up 2004: The State Report Card on Higher Education* (San Jose, CA: National Center for Public Policy and Higher Education, 2004).

² New Mexico Higher Education Department Press Release, "Governor Bill Richardson appoints Dr. Beverlee McClure As New Mexico's First Secretary of Higher Education," accessed on 29 January 2007 at <<http://hed.state.nm.us/cms/kunde/rts/hedstatenmus/docs/36972938-06-19-2006-14-25-38.pdf>>.



▲ Oklahoma

Paul E. Lingenfelter

David L. Wright

The *Changing Direction* project in Oklahoma was housed in the Oklahoma State Regents for Higher Education (OSRHE) office under the leadership of Chancellor Paul Risser and the immediate direction of Associate Vice Chancellor and Special Assistant to the Chancellor Dolores Mize. During the first year of the project, OSRHE planned to conduct a series of meetings and associated activities to pursue adequate funding for institutions and students of the state system of higher education, while identifying systemwide efficiencies and strategic priorities to maximize higher education's resources.

State Policy Context

The Oklahoma State System of Higher Education encompasses 25 institutions, including two comprehensive graduate universities, eight regional universities, three special-purpose institutions, and 12 community colleges.

The Oklahoma State Regents for Higher Education (the board of regents) was established in the Oklahoma constitution of 1941 as "a coordinating board of control for all state institutions." The board is responsible for prescribing institutional standards; determining functions and courses of study in institutions; granting degrees; recommending to the state legislature budget allocations to each institution; and recommending fees for all institutions, although the legislature prescribes limits for institutional fees.

Three constitutional governing boards and 12 statutory governing boards oversee the operations of individual institutions or

multicampus systems. These boards employ personnel (including campus presidents); contract for services; acquire and hold title to property; and govern all the ordinary functions of institutional operations, within the programmatic parameters established by the board of regents. In an unusual but commendable requirement, state law requires governing board members to participate in periodic seminars and educational programs related to their responsibilities.

Historically in Oklahoma, decisions about tuition and financial aid have been made by the legislature, influenced by the recommendations of the board of regents. As in most such situations, policy initiatives can come from the board, the governor, or the legislature itself, and successful initiatives quickly acquire shared ownership.

From the perspective of the *Changing Direction* project, the most significant recent initiative in Oklahoma has been a 1999 initiative called Brain Gain 2010. In recognition of the fact that Oklahoma's population lagged behind the national average in higher education attainment and in income per capita, this initiative called for 28 percent of Oklahoma's adult population to hold a bachelor's degree and 7 percent to hold an associate's degree by 2010, double the 1996 rate in both cases. The board of regents recognized that achieving the goals of Brain Gain 2010 would require:

- ▲ Higher levels of participation in higher education by traditional and adult students.
- ▲ Higher levels of student preparation.
- ▲ Higher levels of student retention and success in higher education.

- ▶ Improvement in the retention of educated residents by increasing quality employment opportunities in the state.

The regents also recognized that early outreach to underrepresented groups of students, especially low-income and minority students, would be required to build confidence in the feasibility of higher education and motivate students to improve academic preparation. A statewide marketing campaign was created to increase awareness of higher education and raise student aspirations. In addition, Educational Planning and Assessment System (EPAS) exams, a series of college readiness assessments developed by ACT, were made available to K-12 schools throughout the state. Lastly, the Oklahoma Higher Learning Access Program (OHLAP), now called Oklahoma's Promise, was implemented to provide early assurance of college affordability and encourage low-income students to take a rigorous college-preparatory curriculum.

The OHLAP tuition grant program enables students who meet the income criterion in the eighth, ninth, or 10th grade to qualify for a grant equaling tuition at any public institution to which they are admitted, provided they take a rigorous college-preparatory curriculum in high school, maintain a 2.5 GPA, and have no criminal record. (An equivalent grant can be applied to tuition costs at a private institution in Oklahoma.) Initially, the OHLAP program was available only to students with a family income below \$30,000; the program's growing popularity led to its expansion to students with a family income under \$50,000.

Although enrollment increases in Oklahoma higher education have been modest to date, the state, like most others, has experienced

budget shortfalls, which have constrained appropriations and increased economic pressure on public higher education. According to the annual State Higher Education Finance (SHEF) study, conducted by the State Higher Education Executive Officers, from fiscal year 2002 to fiscal year 2004:¹

- ▶ Annual full-time equivalent (FTE) enrollment in Oklahoma public institutions grew 3.8 percent.
- ▶ State and local government support per FTE fell 9.9 percent, from \$5,410 to \$4,872 (or 15.6 percent, adjusted for inflation).²
- ▶ Net tuition revenue per FTE nearly doubled, growing 99.2 percent, from \$1,090 to \$2,171 (or 86.8 percent, adjusted for inflation).
- ▶ Total educational revenues per FTE saw a net increase of 8.4 percent, from \$6,500 to \$7,043 (or 1.6 percent, adjusted for inflation).

Historically, the state's investment in student financial aid has been relatively low, but the effects of this have been offset somewhat by low public college tuition. Even with recent tuition increases, public college tuition in Oklahoma trails the national average in every sector. In 2004-2005 Oklahoma's resident undergraduate tuition was at 72 percent of the national average for public flagship universities, 67 percent of the average for state colleges and universities, and 88 percent of the average for community colleges.³

Concomitantly, Oklahoma expends about half the U.S. average (49 percent) in need-based state grant aid per undergraduate student.⁴ Increases in the number of students eligible for OHLAP grants will add further resource requirements for the state financial aid program. OHLAP funding grew

from \$2.9 million in FY 2002 to \$10.3 million in FY 2004; additional growth to \$47 million is projected through FY 2008.

Scarce funding, coupled with the governor's endorsement of a statewide economic development initiative, enabled the state regents to use *Changing Direction* as a catalyst to focus attention on higher education as the key to the future economic competitiveness of the state and its citizens. The three components of *Changing Direction* – state appropriations, tuition policy, and financial assistance – all play important roles in realizing the objectives of Brain Gain 2010.

Throughout the project year, the regents sought to increase state funding for higher education's general operating expenses; provide 21st century learning spaces through a capital bond issue; secure a dedicated funding stream for the need-based OHLAP grant program; enhance the amount and delivery of institutional student financial aid; reinforce the notion that all institutions should contribute to and be accountable for the goals of Brain Gain 2010; and rally state support for higher education as a concept and as a system.

State Actions

Oklahoma's K-12 outreach program and its OHLAP student aid are strong initiatives, helping the state make progress toward its Brain Gain goals. But it is increasingly clear that both additional state support and improvements in institutional performance will be required for success. As part of the *Changing Direction* project, Oklahoma retained the enrollment management firm Noel-Levitz to examine state and institutional scholarship and financial aid programs and make statewide recommendations to increase the number of degrees produced by state system institutions, the number of college graduates from lower- to middle-

income cohorts, and the number of recruited and retained students.

The Noel-Levitz project had four principal components: an organizational meeting, including focus group discussions with regents' staff and campus leaders; the compilation and analysis of statewide financial aid data; the analysis of current institutional enrollment management practices; and a two-day statewide workshop on best practices in marketing, recruitment, retention, and the strategic use of financial aid.

The Noel-Levitz analysis quickly concluded that significant improvements in student recruitment and retention would be required to reach the goals of Brain Gain 2010. It also suggested that substantial gains in the enrollment of adult students (those not enrolling immediately after high school) would be needed.

The consulting team observed numerous ways that recruitment and retention could be improved: its report contained 26 recommendations for institutions and for the state. The full recommendations are included in Appendix B. Most significantly, the consultants urged institutions to:

- ▶ Make certain that every institution has at least one person designated as having primary responsibility for enrollment management.
- ▶ Develop an annual enrollment management plan that encompasses marketing, recruitment, and retention.
- ▶ Appoint a retention leader to coordinate efforts across departments and divisions.
- ▶ Provide faculty and staff with professional development opportunities so they can assist students to maximize success in the classroom.
- ▶ Eliminate the use of institutional financial aid forms.

The consultants also urged the state to:

- ▶ Form a statewide enrollment management council to devise strategies to connect enrollment management practices on the campuses with Brain Gain 2010 goals.
- ▶ Create a statewide student data-tracking system.
- ▶ Implement a statewide estimating process for early financial aid.

In addition to these efforts to strengthen institutional and state system performance, the regents and institutions have worked to achieve more substantial appropriations for higher education. Major initiatives have included a \$500 million capital-bonding initiative, securing a designated source of funding for OHLAP scholarships, and increased support for enrollment growth and operations.

These efforts have been tied together within a strong accountability framework to coordinate institutional efforts and to communicate system effectiveness to the legislature and the public. Oklahoma's accountability program focuses on improving student learning and performance at both the precollegiate and collegiate level and leveraging the statewide Economic Development Generating Excellence (EDGE) initiative to emphasize future workforce needs. Concurrently, a multifaceted media strategy brings higher education's agenda and accomplishments to the general public, not just to policymakers.

Observations

The *Changing Direction* initiative came at a fortuitous time for Oklahoma. Scarce resources, tuition increases, and the emerging centrality of financial aid as a state policy issue contributed to the likelihood that the idea of integrating policies and practices

for appropriations, tuition, and financial aid would gain traction with legislative and institutional leaders.

The accomplishments in Oklahoma include a focus on more strategic enrollment management and financial aid packaging; the building of an understanding of the interrelationships between appropriations, tuition, and financial aid among all stakeholders; and having college presidents justify tuition increases and institutional budgets to the state regents in order to be fiscally accountable for their funding requests. Specifically, the accomplishments included:

- ▶ **Brain Gain 2010.** This initiative seems to be producing results: average graduation rates have improved for all institutional tiers; more associate's and bachelor's degrees are being awarded annually; and most importantly, from 2000 to 2002, Oklahoma increased the share of adults (age 25 and older) holding a bachelor's degree from 20.2 percent to 20.7 percent (the state moved from 47th to 43rd in the nation on this ranking). For the past two years, the state regents have allocated \$2.25 million to reward campuses, based on three standard and two institution-specific Brain Gain 2010 performance measures. Finally, the regents have awarded \$800,000 in competitive grants to support institutional intervention strategies to improve Brain Gain performance.
- ▶ **Appropriations.** According to the annual Grapevine survey, state tax appropriations for general operating expenses of higher education in Oklahoma were up nearly 10 percent in FY 2006 over the previous year, after remaining relatively flat the previous five years.⁵ Further, the legislature funded a \$500 million capital bond issue for

higher education, only the third higher education bonding issue in Oklahoma's history and the first since 1992.

- ▶ **Tuition.** Recent increases have enabled the historically low-tuition state to offset the impact of inflation and modest enrollment growth on overall operating revenues. Public four-year tuition charges have increased modestly, compared to the national average (with gains of 4 to 5 percent over the last decade). Yet Oklahoma's public four-year institutions still charge only about three-fourths of the national average for public flagship universities and two-thirds of the national average for comprehensive institutions.⁶ A slightly increased reliance on tuition as a revenue stream – tuition revenues were 31 percent of total educational revenues in fiscal 2004, up from 24 percent from a decade prior – insulates public institutions somewhat from fluctuations in state appropriations.

- ▶ **Financial aid and enrollment management.** Oklahoma balances this more aggressive tuition strategy with OHLAP, which aids Oklahoma's neediest students by assuring them of full tuition coverage if they take the college preparatory curriculum and achieve average grades. Greater participation by low-income students, who have been underrepresented in higher education in the past, will be necessary if Oklahoma is to achieve its Brain Gain 2010 goals. The future of OHLAP is more secure with the 2005 passage of the Indian Gaming Compact, which allows for a portion of gaming revenue to be allocated for educational purposes, with a percentage set aside for OHLAP. Finally, a statewide enrollment managers' council and a related annual conference represent ongoing outgrowths of the Noel-Levitz study.

Historically, Oklahoma's public colleges and universities have enjoyed an autonomy that has given the pursuit of institutional goals precedence over system and state goals. Recently, with leadership from Chancellor Paul Risser and his predecessor, Hans Brisch, the state regents have made progress in fashioning and communicating a common agenda for public higher education and in negotiating roles, responsibilities, and accountability for the accomplishment of shared goals relative to higher education. Clearly, higher education policy leaders in Oklahoma are doing several things right: Brain Gain 2010, OHLAP, EPAS, the statewide marketing campaign, accountability efforts, and the EDGE initiative. Within this active environment, the state regents used *Changing Direction* not to generate activity but to integrate it, as well as to serve as a catalyst for conversation and a framework for developing a common language.

While Oklahoma seems clearly headed in the right direction, several challenges remain if the state is to retain the momentum of current activities: sustaining institutional enthusiasm for and commitment to the goals of Brain Gain 2010; seeing that state goals pervade all levels of institutional culture, particularly those goals around adult participation in higher education; ensuring that OHLAP funding continues to supplement, not supplant, operating revenues; and educating and maintaining the focus of new legislative and institutional leaders over the long haul.

Endnotes

¹ State Higher Education Executive Officers, "State Higher Education Finance, FY 2004" (Boulder, CO: State Higher Education Executive Officers, 2005). Data available under the finance tab of "How Is Your State Doing?" at the National Center for Higher Education Management Systems' Center for State Higher Education Policymaking and Analysis, www.higheredinfo.org.

² Constant 2004 dollars, adjusted by the SHEEO Higher Education Cost Adjustment (HECA).

³ Washington Higher Education Coordinating Board, "2004-05 Tuition and Fee Rates: A National Comparison" (Olympia, WA: Washington Higher Education Coordinating Board, 2005), accessed on 1 February 2007 at www.hecb.wa.gov/research/issues/tuition.asp.

⁴ National Association of State Student Grant and Aid Programs, "35th Annual Survey Report on State-Sponsored Student Financial Aid: 2003-04 Academic Year" (Washington, D.C.: National Association of State Student Grant and Aid Programs, 2005).

⁵ Center for the Study of Education Policy, "Grapevine: An Annual Compilation of Data On State Tax Appropriations for the General Operation of Higher Education" (Normal, IL: Illinois State University, 2005), accessed on 1 February 2007 at www.coe.ilstu.edu/grapevine.

⁶ Washington Higher Education Coordinating Board, "2004-05 Tuition and Fee Rates."

▀ Tennessee

Demarée K. Michelau

In Tennessee the *Changing Direction* project was housed in the Tennessee Higher Education Commission (THEC). As a technical assistance state, Tennessee set out to couple master planning and finance policy into an integrated and coherent framework that would promote the goals of a public agenda for higher education. Specifically, the state's goals were to:

- ▀ Conduct a series of meetings and associated activities to raise the awareness of policymakers regarding the importance of linking appropriations and fee determinations with student aid levels.
- ▀ Develop a new statewide master plan.
- ▀ Restructure its long-standing funding formula so that it would be more responsive to statewide policies and goals.

This case study is an exploration of Tennessee's progress in accomplishing its ambitious and meaningful agenda.

State Policy Context

Tennessee's *Changing Direction* effort was one of the most ambitious of those undertaken by the 14 technical assistance states. While most states tended to align one or two aspects of their appropriations, tuition, and financial aid policy, Tennessee was in a unique position to tackle the integration in a truly comprehensive way. To better understand how many of the decisions were made with respect to the project, it is important to have a basic understanding of the state's policy context.

Legislative Environment

The General Assembly of the State of Tennessee meets for 90 session days over a two-year period. Generally, legislative sessions last from mid-January through late April or May of each year. The General Assembly has 33 senators and 99 representatives, and members are not subject to term limits. The 104th General Assembly Senate was composed of 17 Republicans and 16 Democrats, elected to four-year terms. The Senate has an Education Committee. The House also has an Education Committee, with subcommittees on K-12 and higher education.

Higher Education Governance

Created in 1967 by the Tennessee General Assembly (TCA 49-7-202), the Tennessee Higher Education Commission is the coordinating body for the state's 51 public colleges, universities, and technology centers. Governed by the Tennessee Board of Regents and the University of Tennessee Board of Trustees, these institutions serve approximately 225,000 degree-seeking students. In addition, 36 independent non-profit institutions educate approximately 67,000 students. The Tennessee Student Assistance Corporation (TSAC), the state's designated federal guaranty agency, administers federal and state aid programs and assists in the development of financial aid policy. During the project, Richard Rhoda served as executive director of THEC and as interim executive director of TSAC.

The overall mission of Tennessee's system of higher education is to:

- ▀ Elevate the overall educational attainment of citizens in the state through increased accessibility to

mission-focused institutions that deliver educational services on campus, as well as through a planned network of off-campus instruction.

- ▶ Prepare citizens responsibly for success in the new century by providing high-quality teaching and research in an environment that serves the needs of its consumers.

In many ways, Tennessee was an ideal context for the *Changing Direction* project. Financial aid and financing decisions are made by different entities, yet there was a need for them to work together in formulating the state’s master plan. THEC develops appropriations recommendation requests for higher education, while TSAC operates several financial aid programs, but the systems have final authority to set tuition and fee levels.

Every year in the fall, THEC provides a funding recommendation to the governor, who then develops a budget recommendation, which the governor passes on to the legislature, which in turn determines funding levels for higher education. The legislature has been unable to fully meet the funding requests, and as a result higher education in Tennessee has moved from relying primarily on state appropriations to relying equally on appropriations and student fees.

State Actions

At the beginning of the project, much of what drove Tennessee’s decision to revisit these policies was *Measuring Up 2004: The National Report Card on Higher Education*, a report by the National Center for Public Policy and Higher Education.¹ Designed to provide policymakers and the public with information to assess and improve postsecondary education in each state, the

report card evaluates states in six categories: preparation, participation, affordability, completion, learning, and benefits. See Figure 1 for Tennessee’s performance on the higher education report card.

Figure 1. Tennessee’s Performance on <i>Measuring Up</i>			
	2000	2002	2004
Preparation	C -	D -	C -
Participation	D -	D+	C -
Affordability	C	D -	F
Completion	C	C+	C+
Benefits	D+	D+	C

To improve its performance on the report card and to streamline financing policy and master planning in the state, THEC focused its efforts in three primary areas:

- ▶ The development of a master plan for 2005-2010.
- ▶ The development of new standards for the 2005-2010 cycle of performance funding.
- ▶ The development of a revised funding model for Tennessee higher education.

The state not only attempted to complete these three major tasks but to accomplish them simultaneously – a challenging and ambitious process. To meet the state’s goals, THEC formed three taskforces – the Master Plan Taskforce, the Performance Funding Taskforce, and the Funding Formula Taskforce (better known as the Formula Review Committee) – and convened them beginning in March 2004.

Development of a Master Plan (2005-2010)
THEC is bound by various statutory requirements, one of which is to create a master plan for the development of public higher education in Tennessee. Public Chapter 882, passed by the General

Assembly in 2004, directed THEC to develop a statewide master plan that requires cooperation between higher education, K-12, and business and community leaders. Within the legislation were master plan goals such as increasing educational attainment; creating linkages with economic and community development; improving linkages to K-12 education; and broadening research and development to areas central to the public agenda.

THEC formed the Master Plan Taskforce (see Appendix C for the group's composition) to answer the following questions:

1. What are the central public purposes of Tennessee higher education? Are these purposes clearly articulated?
2. How well do the state's fiscal appropriations practices align with the goals of the public agenda?
3. How well does the state perform on P-16 policy issues? How can the broad-based goals of P-16 educational reform be supported through the public agenda?
4. How can the state maximize institutional resources to ensure affordable access to postsecondary education?
5. To what extent do the state's tuition and financial aid policies contribute to the goals of the public agenda?
6. Does higher education have adequate physical and instructional capacity to accommodate projected enrollment increases associated with the Tennessee HOPE Scholarship Program?
7. To what extent should institutional missions be augmented to support the goals of the public agenda?
8. How can the state enhance institutional collaboration with K-12 schools, business, and industry?

THEC staff was asked to do a number of things during the process of creating a new

master plan, one of which was to listen to P-16 councils in the state. They discovered there was a great need for partnerships – with K-12, business, and public and private education. In May 2004 the Master Plan Task Force – composed of representatives from THEC, the University of Tennessee, the Tennessee Board of Regents, the Tennessee Independent Colleges and Universities, the governor's office/cabinet, the State Board of Education, the State Department of Education, Tennessee Tomorrow, and the legislative branch – directed THEC staff to prepare a draft document that outlined areas of emphasis for the master plan and the public agenda for higher education in Tennessee. The primary goal of this meeting was to have some agreement on the master plan's broad areas of emphasis. That way, the state could link fiscal policy to the larger priorities, such as P-16 alignment.

Through a series of comprehensive discussions that were linked to the development of performance-funding standards, a review of the funding formula, and attention to financial aid policy, Tennessee created a new master plan.

Tennessee employed several effective strategies for informing interested stakeholders and the public about the progress of the master plan. THEC continuously posted updated versions of the document on the web. Further, the state garnered support from a wide variety of key state stakeholders and utilized several national experts, which helped lead to the plan's adoption. As stated in the 2005-2010 Master Plan for Tennessee Higher Education, "Funds provided via the Lumina sponsored *Changing Direction* project have aligned Tennessee with a widely acclaimed national policy initiative to consider a holistic funding policy that integrates state appropriations, need- and merit-based financial aid,

and student fees. The creation of such partnerships with nationally recognized policy organizations has broadened the vision of policymakers in Tennessee and enhanced the development of the Master Plan.”

Development of Performance Funding Standards (2005-2010)

The Performance Funding Taskforce was charged with the development of new standards for the 2005-10 cycle of performance funding (see Appendix D for the group’s composition). The taskforce worked to ensure that the standards were aligned with the areas of emphasis identified by the Master Plan Taskforce. An important aspect of this group’s work was the realization that they needed to include external measures and indicators of student success, such as the National Survey of Student Engagement (NSSE) and the Delaware cost study, as well as to strengthen the programmatic emphasis on student retention and persistence.

Development of a Revised Funding Model

Appropriations recommendations and budgets for both THEC and TSAC were historically based on the educational needs of the state and were generated from an enrollment-driven funding formula that emphasized promoting access to postsecondary education. Due to fiscal constraints and political realities, the funding formula had not been fully funded since the mid-1980s.

Guiding legislation passed in 2004 (TCA 49-7-202) required THEC to “review and revise the current formulae and provide the Senate and House education committees with a report on progress made during each session of the 104th General Assembly. The formulae [was to] be utilized to determine the higher education appropriations recommendation no later than the

2006-2007 fiscal year.” As a result the Formula Review Committee was formed to develop recommendations for a revised and updated funding model for Tennessee higher education (see Appendix E for the group’s composition).

The Formula Review Committee discussed and recommended a short list of guiding principles that were used in the construction of new formula models. Further, in an effort to create aligned state higher education policy, the committee attempted to incorporate the major themes from the 2005-2010 master plan into the calculations and incentives within the funding formula.

The state held a joint meeting of the THEC Master Plan Committee and Formula Review Committee on October 15, 2004, to discuss the development of the 2005-2010 THEC master plan and a new funding formula for Tennessee higher education. The overarching goal was to align master planning with formula and performance funding.

Members of both committees met in the morning to discuss the development of the statewide master plan with consultants Dennis Jones, president of the National Center for Higher Education Management Systems (NCHEMS), and David L. Wright, senior research analyst at the State Higher Education Executive Officers (SHEEO). Wright provided a national perspective on key issues facing higher education, while Jones focused on issues specific to Tennessee and on the development of a funding formula that would support the goals of the master plan.

On September 7, 2005, THEC approved and adopted a new funding formula. The new model was simpler, and it directly linked to elements in the 2005-10 master plan. It was used by THEC staff for the development of the FY 2006-07 fiscal recommendations for higher education.

Financial Aid

During the joint meetings of the THEC Master Plan Committee and Formula Review Committee, Brian Noland, THEC's former associate executive director for policy, planning, and research (now the SHEEO of West Virginia), raised the issue of financial aid by pointing out that *Measuring Up 2004: The National Report Card on Higher Education* gave Tennessee an F in affordability. The common sentiment was that although all states received that grade, there was indeed a gap in Tennessee's need-based aid.

While the project leaders and others were focused on THEC's ambitious agenda, financial aid was undergoing significant changes. The state introduced the Tennessee Education Lottery Scholarship (TELS) program. Administered by TSAC, TELS provides financial assistance to college students from funds raised through the Tennessee lottery. In an effort to improve academic achievement in high school, promote access to higher education, reduce the effects of "brain drain," and enhance economic development, Tennessee opted to create a merit aid program, similar to programs common in other Southern states. Tennessee's program includes five types of awards:

- ▶ **Tennessee Hope Scholarship.** The primary award is the Tennessee HOPE Scholarship, which is offered to qualifying high school seniors, GED applicants, and home-schooled students entering an approved Tennessee college or university. The HOPE Scholarship provides \$4,000 per year for approved four-year institutions or \$2,000 per year for approved two-year institutions.
- ▶ **General Assembly Merit Scholarship.** The General Assembly Merit Scholarship provides an additional \$1,000 per year to HOPE Scholars who meet higher academic requirements.

- ▶ **Need-Based Supplemental Award.** The Need-Based Supplemental Award provides an additional \$1,500 per year to HOPE Scholars who meet an income requirement.
- ▶ **Tennessee Hope Access Grant.** Students who do not meet the academic requirements of the HOPE Scholarship and whose family has an adjusted gross income less than or equal to \$36,000 may be eligible for the Tennessee HOPE Access Grant, which has its own academic and income requirements. The grant is \$2,750 for approved four-year institutions or \$1,750 per year for approved two-year institutions. It is non-renewable, but students can apply for a HOPE Scholarship after they attempt 24 college credit hours and earn a 2.75 college GPA.
- ▶ **Wilder-Naifeh Technical Skills Grant.** The Wilder-Naifeh Technical Skills Grant provides up to \$2,000 per year to students pursuing a certificate or a diploma at a Tennessee Technology Center. There is no GPA or ACT requirement.

There are four innovative characteristics of Tennessee's merit aid program that distinguish it from other programs:

- ▶ **Flexible eligibility criteria.** Students can become eligible by earning a minimum high school grade point average *or* a minimum score on a standardized test.
- ▶ **Liberal eligibility criteria.** Students can become eligible by earning a 3.0 grade point average on a 4.0 scale in high school *or* by scoring a 21 on the ACT examination (980 on the SAT).
- ▶ **Need-based supplemental award.** The student's family must have an annual adjusted gross income of \$36,000 or less to receive a \$1,500 supplemental award.

- ▶ **Merit-based supplemental award.** The student must earn a 3.75 high school grade point average *and* a 29 on the ACT (1280 on the SAT) to receive a \$1,000 supplemental award.

An issue that emerged during the development of the Tennessee Hope Scholarship was whether to require all students to complete the Free Application for Federal Student Aid (FAFSA) in order to be eligible. While there was some political pressure against this requirement, it eventually became a key component of the program, making more Tennessee students eligible to receive federal aid.

Observations

Tennessee began its *Changing Direction* work with a very ambitious agenda, which included simultaneous action in three major areas: the development of a master plan for 2005-2010; the development of new standards for the 2005-2010 cycle of performance funding; and the development of a revised funding model for Tennessee higher education. The state did a great deal in a very short amount of time, accomplishing its goals because of some key strategies and circumstances. Specifically, Tennessee:

- ▶ **Maintained consistent project and state leadership.** One of the keys to Tennessee’s success was consistent project and state leadership (the states that experienced the most success in the project all had this). The leadership of Brian Noland and Richard Rhoda facilitated important communication among stakeholders and ensured that a constant and accurate message was conveyed from start to finish.
- ▶ **Involved a diverse group of key state policymakers.** Along with its own

staffers, THEC included representatives from the governing boards and the governor’s policy office, legislative staff, and representatives from institutions on all THEC committees engaged in work related to the *Changing Direction* project. The SHEEO and state coordinator realized that shifts in policy goals and revisions to the funding formula were major changes that required continual communication, cooperation, and articulation of state goals and strategies, if those goals were to be achieved. THEC was successful at engaging state policy leaders by seeking their input and participation on the committees. By seeking them out for participation in the process, THEC offered them a stake in the outcome. Further, state leaders kept the process transparent and open. For instance, by strategically using the web and other methods, THEC kept key decision makers and others informed about what they were trying to accomplish, and this contributed to their success.

- ▶ **Capitalized on the momentum created in the beginning of the project and maintained constant progress,** At the beginning of the project, Tennessee was on the brink of having to rethink some major state policies. The state leadership capitalized on the momentum created by this need and by the energy that the project helped create and carried it through to the end. This was key to the accomplishing such a comprehensive agenda.
- ▶ **Thought comprehensively and ambitiously about state goals.** From the inception of the project to its completion, state leaders thought comprehensively and ambitiously, yet realistically, about state goals and acted accordingly. By creating three task forces to work on various issues simultaneously and by holding frequent meetings and

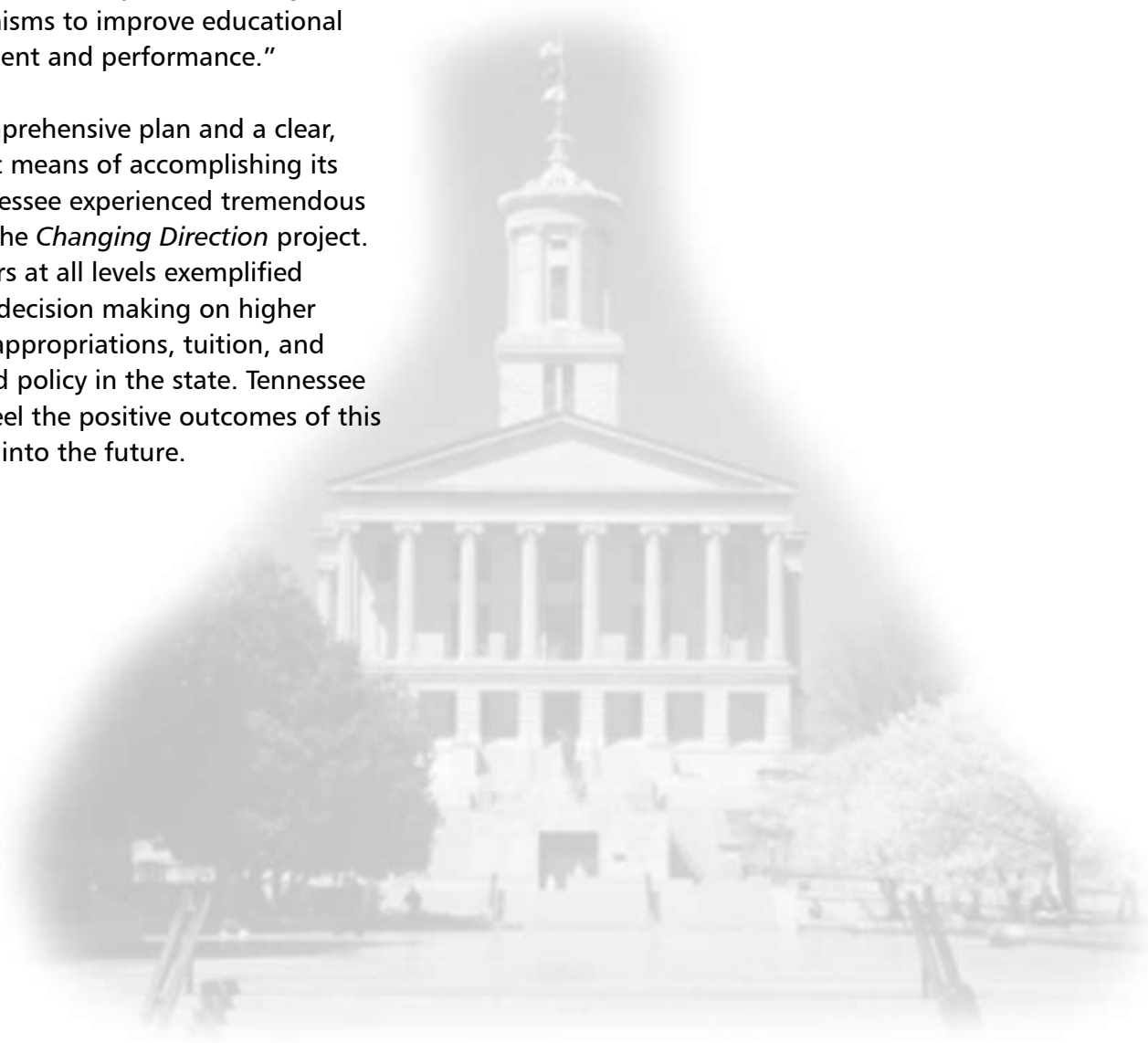
building consensus in the state, they demonstrated their commitment to the work and ultimately accomplished what they set out to do in an aligned and strategic manner.

- ▶ **Strategically used national experts.** Project leaders strategically used national experts to inform key decision makers about relevant policy issues, and this was critical to the state's success. The newly adopted master plan document acknowledges the importance of the contributions of these experts: "Organizations such as SREB [Southern Regional Education Board], NCHEMS, SHEEO, WICHE, and others have provided guidance on policy and planning mechanisms to improve educational attainment and performance."

With a comprehensive plan and a clear, transparent means of accomplishing its goals, Tennessee experienced tremendous success in the *Changing Direction* project. Policymakers at all levels exemplified integrated decision making on higher education appropriations, tuition, and financial aid policy in the state. Tennessee will likely feel the positive outcomes of this process far into the future.

▶ Endnotes

¹ National Center for Public Policy and Higher Education, *Measuring Up 2004: The State Report Card on Higher Education* (San Jose, CA: National Center for Public Policy and Higher Education, 2004).



Washington

Demarée K. Michelau

WICHE and its project partners selected Washington to be a *Changing Direction* technical assistance state during the third call for participation. Their work was housed in the Washington Higher Education Coordinating Board (HECB), led by its former executive director, James E. Sulton. This case study report describes Washington's activities and early success, as well as the challenges the state faced during the second year of the *Changing Direction* technical assistance period.

State Policy Context

HECB is a 10-member citizen board that administers the state's student financial aid programs and provides planning, coordination, monitoring, and policy analysis for higher education in Washington. Created by the state legislature in 1985, the board was formally established in January 1986 as the successor to the Council of Postsecondary Education (Wash. Rev. Code §28B.76). By state law, HECB is charged with representing the "broad public interest above the interests of the individual colleges and universities." Appointed by the governor and confirmed by the Senate, board members serve four-year terms, and the board selects from its membership a chair and a vice chair, who each serve a one-year term. HECB's major functions include:

- ▶ Developing a strategic master plan for higher education and monitoring progress in meeting the plan's goals and strategies.
- ▶ Developing and recommending policies to enhance the availability, quality, efficiency, and accountability of public higher education in Washington.

- ▶ Serving as an advocate for students and the overall higher education system.
- ▶ Creating a seamless system of public education.
- ▶ Administering student financial aid programs.
- ▶ Helping families save for college.

Within the state of Washington, there are six public four-year colleges and universities, 34 public community and technical colleges, and more than 300 independent colleges, universities, and career schools. The state's two research universities – University of Washington and Washington State University – offer baccalaureate through professional degree programs. The comprehensive universities and college – Central Washington University, Eastern Washington University, Evergreen State College, and Western Washington University – offer baccalaureate and master's level programs.

The leadership of HECB was stable throughout Washington's participation in the *Changing Direction* project, with James E. Sulton as executive director. In January 2007, after Washington was no longer involved in the project, Ann Daley, former director of *Washington Learns*, an 18-month-long study focused on education needs in the state, was named as Sulton's replacement.

The Washington State Legislature is a bicameral body, with 49 members in the Senate and 98 members in the House of Representatives. Each district is served by one senator and two House members. The legislature convenes in regular session the second Monday in January. In odd-numbered years (the budget year), it meets for 105 days (January through mid-April), and in

even-numbered years, it meets for 60 days (January through mid-March). Members of the Senate are elected to four-year terms, and House members are elected to two-year terms.

The state’s higher education institutions are responsible for setting graduate-level tuition rates, but the state legislature is responsible for setting undergraduate tuition and funding financial aid (nearly 100 percent of which goes to undergraduates). Statute dictates that HECB make recommendations on base-per-funding levels and tuition to the governor and the legislature. The average tuition rates from 2002-06 are shown in Table 1.¹

Table 1. Resident Undergraduate Tuition and Fees at Washington’s Public Institutions, State Averages: 2006-07, 2005-06, 2001-02, 1996-97				
	2006-07	2005-06	2001-02	1996-97
Washington State University and University of Washington	\$5,884	\$5,506	\$3,941	\$3,136
Regional Universities and Evergreen State College	\$4,430	\$4,166	\$3,059	\$2,437
Two-Year Institutions	\$2,814	\$2,583	\$1,846	\$1,412
<i>Source:</i> Western Interstate Commission for Higher Education, 2006.				

When Washington began its *Changing Direction* work, the state did not have a long-term state tuition policy for resident undergraduate tuition. As a result, tuition increases have generally followed a cyclical pattern: increasing moderately when state revenue is high, and increasing sharply when state revenue is low.

HECB is responsible for administering the various state financial aid programs, as well as coordinating those programs with the federal financial aid effort. Along with some other, smaller aid programs, the state administers six primary forms of financial aid.

- ▲ **State Need Grant.** The State Need Grant (SNG) program is designed to help the state’s lowest-income undergraduate students pursue degrees, refine skills, and retrain for new careers. For a student to be eligible, his or her family income cannot exceed 65 percent of the state’s median family income. Students can use the grants at public two- and four-year colleges and universities and many accredited independent colleges, universities, and career schools in Washington. Students with family incomes equal to or less than 50 percent of the state median are eligible for up to 100 percent of the maximum grant. Students with family incomes between 51 and 65 percent of the state median are eligible for up to 75 percent of the maximum grant. In fiscal year 2006, the program used about \$153 million in state money and \$2 million in federal money to help approximately 65,000 students go to college. The average family income for dependent students was about \$24,200 in 2004-05. For self-supporting students, it was about \$12,500.
- ▲ **State Work Study.** Through part-time work, undergraduate and graduate students from low- and middle-income families are able to earn money for college while gaining experience in jobs related to their career goals. Students can attend public two- and four-year colleges and universities and many accredited independent four-year colleges and universities. In fiscal year 2007, the program was projected to use

about \$19.4 million in state money to help about 9,900 students go to college. Typical awards ranged from \$2,000 to \$5,000 per year. The average family income for dependent students receiving work study was about \$41,600 in 2005-06. For self-supporting students, it was about \$12,200.

▶ **Educational Opportunity Grant.** The Educational Opportunity Grant program provides \$2,500 grants to encourage financially needy students to complete a bachelor's degree. Students must be Washington residents, have already earned an associate of arts or sciences degree or junior class standing, and be "placebound." To be considered placebound, students must be unable to continue their education without the assistance of this grant because of family or work commitments, health concerns, financial need, or other, similar factors. Students can use the grants at certain colleges and universities in Washington. In fiscal year 2006, the program used about \$2.9 million in state money to help an estimated 1,300 students. The average family income for students who received the grant for the first time in 2004-05 was about \$25,000.

▶ **Washington Scholars.** The Washington Scholars program recognizes the accomplishments of three high school seniors from each of the state's 49 legislative districts. Students receive state scholarships for up to four years of public resident undergraduate tuition and fees. The scholarships can be used at any Washington public or independent college or university. High school principals nominate the top 1 percent of their school's graduating senior class on the basis of academic achievement, leadership, and community service. A committee, composed of high school principals and college admissions

staff, selects the top four students in each legislative district, naming three as scholars and one as a scholar alternate. In fiscal year 2007, the program was projected to use \$2.3 million to help about 420 students.

▶ **Washington Award for Vocational Excellence (WAVE).** The Washington Award for Vocational Excellence honors three vocational students from each of the state's 49 legislative districts for outstanding achievement in vocational-technical education. Recipients receive grants for up to two years of undergraduate resident tuition. Students can use the grants at public two-year and four-year colleges and universities and at accredited independent colleges, universities, and career schools in Washington. High schools, skills centers, and community and technical colleges nominate students based on occupational proficiency, leadership, community activities, and work experience. A committee, representing business, labor, education, the legislature, and citizens, makes the final selection. In fiscal year 2007, the program used \$847,000 to help about 295 students.²

Another financial aid program, the Washington Promise Scholarship, was established in 1999 by the governor and legislature as a provision in the 1999-2001 state operating budget. The legislature enacted it into permanent statute in 2002 (HB 2807), and scholarships were first awarded to eligible students who graduated from high school in spring 1999. Designed to reward academic merit and help make college more affordable for students from low- and middle-income families, it was the state's first large financial aid program targeted to academically meritorious high school graduates. And although the

program had an income limit, it did not require documentation of financial need under federal rules. The Washington Promise Scholarship ended in June 2006 when the legislature did not appropriate funding for the program.³

Just prior to Washington’s selection as a *Changing Direction* technical assistance state, HECB adopted the Washington Master Plan for Higher Education, which identified numerous strategies and implementation steps around tuition and financial aid. By building on the master plan, Washington was in a prime position for participation in the *Changing Direction* project. Sulton and his staff laid out four project goals that were consistent with the master plan (see Table 2).

State Actions

In the early stages of the project, HECB made significant progress toward achieving its goals. State leaders initiated their project by participating in the *Changing Direction* technical assistance workshop that was held in June 2005 in Santa Fe, New Mexico. Washington’s team of eight individuals was diverse and included two key state legislators (the chairwomen of the higher education state legislative committees), the governor’s policy advisor on higher education, a legislative staffer, and HECB staff members.

About halfway through Washington’s efforts, however, Governor Chris Gregoire unveiled *Washington Learns*, an 18-month review of Washington’s entire education system, its structure, and funding. The governor intended for the recommendations developed by *Washington Learns* to fundamentally change educational expectations, delivery, and results. This broad-based effort caused HECB to put some activities on hold at the risk of conducting extensive work that might ultimately go in a different direction as a result of the study.

Table 2. <i>Changing Direction</i> Project Goals and Their Relation to the Strategic Master Plan Initiative	
Strategic Master Plan Initiative	<i>Changing Direction</i> Goal
Allocating Student Enrollments	Coordinate data to inform discussion of proposed higher education policy initiatives and obtain general acceptance of this tool for use in analyzing the impacts and costs of proposed higher education policy alternatives.
Keeping College Tuition Affordable and Predictable	Adopt a long-term tuition policy during the 2006 legislative session.
Promoting Opportunity Through Student Financial Assistance	Generate ongoing support of the linkage between financial aid funding and undergraduate tuition rates set by the legislature; develop a statutory record of the linkage of these policies that will institutionalize the current practices; and determine whether a financial aid program for low-income, full-time workers contributes to the state’s goals of increasing opportunities for students to earn degrees and responding to the state’s economic needs.
Funding for Student Success	Foster legislative consideration of whether the state should enter into performance contracts with some or all of the colleges and universities; adopt budget provisos that would define legislative expectations for a college or university in terms of degrees and performance targets rather than enrollment levels; fund enrollments that reflect students who successfully complete courses; and change the criteria for selecting high-demand programs for funding from delivering enrollments to producing results.

Yet the state was able to accomplish some of its *Changing Direction* goals, albeit on a limited basis.

The first area targeted was *allocating student enrollments*. HECB hoped to negotiate a data-sharing agreement with colleges and universities that would reduce differences in interpretation and allow for more statewide consistency in information. An agreement on this was signed in 2005; the agreement provided access to a database containing information that HECB staff can use to conduct regular analysis and respond to ad hoc requests related to enrollment, persistence, and completions in a more efficient, accurate, and complete way than had been previously possible. Second, HECB wanted to maintain its enrollment simulation model by annually updating the data. It accomplished this and made the model available to legislative staff who had been trained in accessing and interpreting it.

Another targeted area was to *promote opportunity through student financial assistance*. The state laid out three goals in this category:

- ▶ To use performance measure data and funding models to communicate the outcomes of the state's financial aid programs to state budget writers.
- ▶ To seek permanent legislation describing the state's intention to link funding policy for the SNG, Washington Scholars, and WAVE programs to tuition rates.
- ▶ To develop and test a pilot program for financial aid for low-income, full-time workers.

The funding model for SNG was expanded to include State Work Study, Washington Scholars, WAVE, and the Promise Scholarship programs, and all were utilized during the 2005 legislative session. The state did not

pass legislation to link funding for financial aid programs to tuition, but the legislature authorized HECB to pilot a financial aid program for low-income, full-time workers, using a portion of the SNG funds.

Finally, in the area of *funding for student success*, HECB identified four independent strategies that eventually were addressed by the *Washington Learns* study. For example, HECB intended to examine the use of performance contracts between the state and institutions. *Washington Learns* addressed the link between accountability and funding; therefore, HECB did not go forward in that area.

Since the state leaders were somewhat limited in their ability to reach their *Changing Direction* goals, they felt that the best course of action was to end their participation in the project. WICHE staff agreed that Washington did the best it could under the circumstances and continues to be hopeful that the integration of higher education appropriations, tuition, and financial aid policy can be considered in the context of *Washington Learns*.

Observations

At the outset of the project, Washington seemed primed for substantial progress in *Changing Direction*. HECB was led by an enthusiastic, reflective executive director with realistic yet ambitious goals for aligning higher education appropriations, tuition, and financial aid policy. He had the support of a talented staff and the involvement of key stakeholders, including legislative representatives crucial to success. Yet due to a changing political environment and emerging state priorities that were not perfectly aligned with *Changing Direction*, the state was unable to accomplish many of the goals it set forth in the manner that

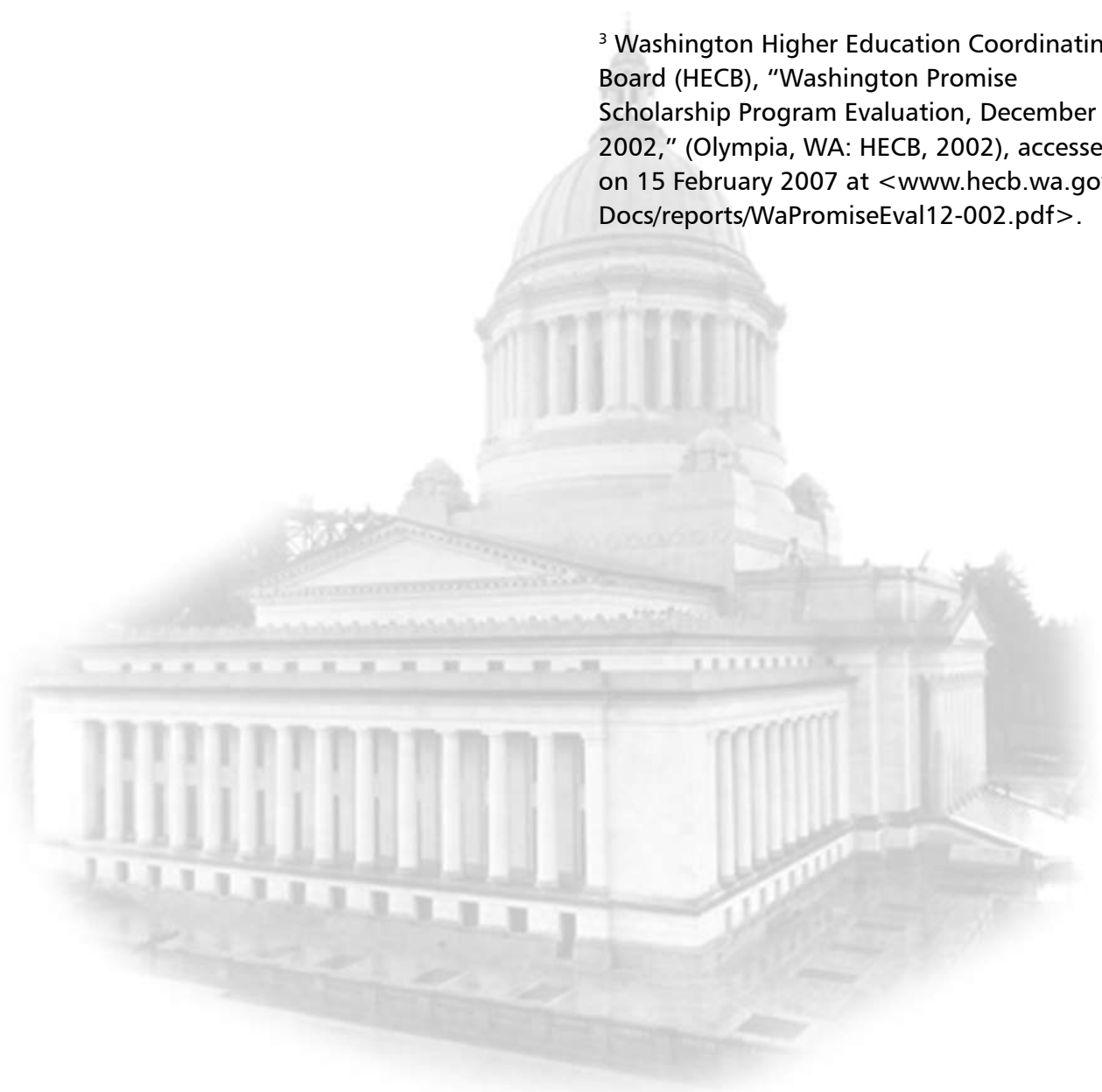
the project coordinators envisioned. An important lesson that can be learned from Washington is that even when the stars seem aligned, there are unanticipated events and developments that can emerge and that are beyond anyone's control. The best response in these situations is to recognize the challenges and respond in a way that will be best for the state over the long term. The project leaders in Washington made the right decision to end their participation in the project so as to not conflict with the new state priorities.

▲ Endnotes

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³ Washington Higher Education Coordinating Board (HECB), "Washington Promise Scholarship Program Evaluation, December 2002," (Olympia, WA: HECB, 2002), accessed on 15 February 2007 at <www.hecb.wa.gov/Docs/reports/WaPromiseEval12-002.pdf>.



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▲ About the Authors

Julie Davis Bell is the education group 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. She also serves as the program policy specialist for higher education issues. Bell 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.

Cheryl D. Blanco is the executive director of the Pathways to College Network and vice president of National College Access Programs at The Education Resources Institute (TERI). Prior to assuming this position, Blanco was vice president for lifelong learning policy and research at the Council for Adult and Experiential Learning (CAEL). She also served as the senior program director for policy analysis and research at the Western Interstate Commission for Higher Education (WICHE), where she monitored historical and emerging social, economic, and political trends that impact higher education; directed the work of several policy projects; and produced a variety of publications to improve policymaking in higher education. She was appointed by former Secretary of Education Richard Riley to the Advisory Council on Education Statistics for the National Center for Education Statistics. Before joining the WICHE staff, Blanco was the educational policy director at the Florida Postsecondary Education Planning Commission. She has held positions at Arecibo Technological University College, University of Puerto Rico, including assistant to the vice president for academic affairs,

director of the division of continuing education, coordinator for professional development, and tenured associate professor in the English Department. She received her Ph.D. in higher education from Florida State University.

Sharmila Basu Conger joined the staff of the State Higher Education Executive Officers (SHEEO) in 2005 as a policy analyst. She is responsible for supporting the P-16 Professional Development Collaborative, which provides in-service professional training to K-12 educators, and for participating in SHEEO policy studies and initiatives involving student access and success, accountability, knowledge resources, and teacher quality. Immediately prior to joining SHEEO, she completed a three-year internship in technology and communications policy with WCET at WICHE, where she examined venues for accreditation of web-based courses and investigated barriers to adoption of online education. Conger has a Ph.D. in human genetics from the University of Michigan in Ann Arbor and a B.A. in biology from Cornell University in Ithaca, NY.

Paul E. Lingenfelter's work as president of the State Higher Education Executive Officers (SHEEO) has focused on successful participation in higher education, accountability, and finance. Under his leadership, SHEEO organized and staffed the National Commission on Accountability in Higher Education, which in 2005 issued its report *Accountability for Better Results: A National Imperative for Higher Education*. He previously served as vice president of the John D. and Catherine T. MacArthur Foundation, where he established and led the MacArthur Foundation Program

on Human and Community Development. Earlier, Lingenfelter served as deputy director for fiscal affairs for the Illinois Board of Higher Education. Lingenfelter's educational background includes an A.B. from Wheaton College in literature, an M.A. from Michigan State University, and a Ph.D. from the University of Michigan in higher education.

Demarée K. Michelau is a senior policy analyst and director of special projects at WICHE. The author of numerous education reports and magazine articles, she has experience in higher education policy on issues such as college affordability and access, K-16 reform, postsecondary remedial education, dual/concurrent enrollment, and affirmative action. Previously, she worked for the National Conference of State Legislatures as a policy specialist. Michelau received her bachelor's degree in public law from Northern Illinois University and her master's degree in political science from the University of Colorado at Boulder. She currently is a Ph.D. candidate in political science at the University of Colorado at Boulder.

David L. Wright's professional life has centered on turning data into useful information for policy decision making at the institutional, state, and national levels. In 2006 he took on a state leadership role with the Tennessee Higher Education Commission, where he serves as associate executive director for policy, planning, and research. Wright's return to his native South was preceded by work as a senior researcher for the national association of State Higher Education Executive Officers, where he led the State Higher Education Finance Project, an annual examination of state tax-effort and higher education funding trends. A doctoral candidate at Florida State University, he is a past president of the Florida Association for Institutional Research and an alumnus of the Associates Program of the National Center for Public Policy in Higher Education.

► Appendix A

Changing Direction: Hawaii Roundtable Participants (September 29, 2004)

- Byron Bender, Regent, University of Hawaii
- Sam Callejo, Vice President for Administration, University of Hawaii System
- Melanie Chinen, Deputy Policy Advisor, Governor's Office
- Doris Ching, Vice President for Student Affairs, University of Hawaii System
- Shirley Daniel, Professor, College of Business Administration
- Peter Englert, Chancellor, University of Hawaii at Manoa
- Jim Gaines, Interim Vice President for Research, University of Hawaii System
- Lynn Hodgson, Member, All Campus Council of Faculty Senate Chairs
- David Iha, Executive Administrator and Secretary of the Hawaii Board of Regents
- Kathy Jaycox, Interim Executive Director, Hawaii P-20 Initiative
- Linda Johnsrud, Interim Associate Vice President for Planning and Policy, University of Hawaii System
- Georgina Kawamura, Director of Finance, State Department of Budget and Finance
- Walter Kirititsu, Vice President for Legal Affairs and University General Counsel, University of Hawaii System
- Kitty Lagareta, Regent, University of Hawaii
- David McClain, Interim President, University of Hawaii
- Angela Meixell, Chancellor, Windward Community College
- Neal Miyahira, Administrator, Budget, Program Planning and Management Division, State Department of Budget and Finance
- J. N. Musto, Executive Director, University of Hawaii Professional Assembly
- Glenn Nakamura, Acting Director, University Budget Office
- Kevin Nakata, Hawaii Government Employees Association
- Mike Rota, Associate Vice President for Academic Affairs, University of Hawaii System
- Rodney Sakaguchi, Vice Chancellor for Administration, Finance and Operations, University of Hawaii Manoa
- Norman Sakamoto, Senator, State of Hawaii
- Al Spencer, Member, All Campus Council of Faculty Senate Chairs
- Mark Takai, Representative, State of Hawaii
- Carolyn Tanaka, Associate Vice President for External Affairs and University Relations, University of Hawaii System
- Jane Tatibouet, Regent, University of Hawaii
- Mary Tiles, President, University of Hawaii Professional Assembly
- Rose Tseng, Chancellor, University of Hawaii at Hilo
- Mike Unebasami, Associate Vice President for Administration and Community College Operations
- Donna Vuchinich, President, University of Hawaii Foundation
- Jan Yokota, Director of Capital Improvements, University of Hawaii System
- Mike Yoshimura, Director of Budget and Planning, Office of the Vice President for Administration
- Ed Yuen, Director, Human Resources, University of Hawaii System

▀ Appendix B

Summary of Recommendations from the Noel-Levitz Analysis of Scholarship and Financial Aid Programs for the Oklahoma State Regents for Higher Education

Institutional Recommendations

1. Make certain that every institution has at least one person designated as having primary responsibility for enrollment management.
2. Require institutions to develop an annual enrollment management plan that encompasses marketing, recruitment, and retention.
3. Make certain that (where appropriate) institutions are focused on transfer and nontraditional students in their enrollment plans.
4. Strengthen management practices related to prospective students and those making inquiries as a means of reaching out to additional students.
5. Improve the use of data and information to support marketing and recruitment planning and decision making.
6. Add selected pieces to the standard arsenal of admissions publications.
7. Increase the use of systematic telecounseling as a means of increased contact with prospective students.
8. Increase the use of e-mail to communicate with prospective students.
9. Ensure that each campus appoints a retention leader to coordinate efforts across departments and divisions.
10. Develop a plan for data collection and distribution in order to target resources needed to implement the retention portion of the enrollment management plans.
11. Provide faculty and staff with professional development opportunities that will help them assist students to succeed in the classroom.
12. Ensure that each college and university has a written quality service plan, with corresponding training that supports the goals of the service mission.
13. Implement retention strategies that are likely to have a greater return on investment.
14. Eliminate the use of institutional financial aid forms.
15. Accelerate the delivery of upper-class financial aid awards.
16. Coordinate OHLAP awards with other programs to preclude unintended stacking.
17. Build on the momentum created by the statewide workshop to encourage campuses to increase the use of differential packaging in awarding institutional tuition waivers and other discretionary aid.

Statewide Recommendations

1. Form a statewide enrollment management council to devise strategies to connect enrollment management practices on the campuses with Brain Gain 2010 goals.
2. Implement a process to establish three- to five-year enrollment goals for each campus that are consistent with institutional missions. Once these are in place, aggregate them to create an enrollment forecast or vision for the state of Oklahoma. Then negotiate institutional goals as necessary to achieve the desired enrollment and degree production on a statewide basis.
3. Establish a stable formula for allocating Brain Gain performance funding in a

way that relates to enrollment outcomes and rewards institutional improvement and the achievement of agreed-upon multiyear enrollment goals.

4. Convert the Oklahoma Tuition Aid Grant Program from a centrally awarded state grant program to a campus-based state program.
5. Install a system to provide a preliminary certification to students who have met or are on track to meet OHLAP qualifying criteria following the seventh semester of high school.
6. Require OHLAP-eligible students to file a Free Application for Federal Student Aid (FAFSA) and enforce a \$75,000 family income cap for full eligibility at the time of attendance.
7. Require institutions to submit record-level financial aid data to OSRHE instead of the current practice of submitting aggregated aid expenditures by category.
8. Create a statewide student data-tracking system.
9. Implement an early, statewide estimating process for financial aid.

▲ Appendix C

Tennessee Higher Education Commission Master Plan Taskforce

2005-2010 Planning Cycle

Legislative Branch

- ▲ Representative Leslie Winningham
- ▲ Senator Randy McNally

Tennessee Higher Education Commission

- ▲ Richard Rhoda, Executive Director
- ▲ Jim Powell, Chair
- ▲ Debby Koch, Secretary
- ▲ John Morgan, State Comptroller

University of Tennessee

- ▲ John Peterson, President
- ▲ Don Stansberry, Vice Chair
- ▲ Bob Levy, Senior Vice President for Academic Affairs

Tennessee Board of Regents

- ▲ Charles Manning, Chancellor
- ▲ Stanley Rogers, Vice Chair
- ▲ Paula Short, Vice Chancellor for Academic Affairs
- ▲ Linda Doran, Associate Vice Chancellor for Academic Affairs

Tennessee Independent Colleges and Universities

- ▲ Claude Pressnell, President

Governor's Office/Cabinet

- ▲ Matt Kisber, Commissioner of Economic and Community Development
- ▲ Drew Kim, Policy Advisor

State Board of Education

- ▲ Gary Nixon, Executive Director

State Department of Education

- ▲ Lana Seivers, Commissioner of Education

Tennessee Tomorrow

- ▲ George Yowell, President

▲ Appendix D

Tennessee Higher Education Commission Performance Funding Taskforce

2005-2010 Performance-Funding Cycle

- ▲ Augustus Bankhead, Vice President for Academic Affairs, Tennessee State University
- ▲ Linda Bradley, Associate Executive Director for Academic Affairs, Tennessee Higher Education Commission
- ▲ D. Peter Brown, Vice President, Dyersburg Community College
- ▲ Linda Doran, Associate Vice Chancellor for Academic Affairs, Tennessee Board of Regents
- ▲ Richard Gruetzemacher, Director of Planning, Evaluation, and Institutional Research, University of Tennessee, Chattanooga
- ▲ Sherry Hoppe, President, Austin Peay State University
- ▲ Betty Dandridge Johnson, Director of Policy, Planning, and Research, Tennessee Higher Education Commission
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- ▲ Paula Short, Vice Chancellor for Academic Affairs, Tennessee Board of Regents
- ▲ Arthur L. Walker, Jr., President, Motlow State Community College
- ▲ Ellen Weed, Vice President for Academic Affairs, Nashville State Technical Community College

▲ Appendix E

Tennessee Higher Education Commission Funding Formula Taskforce (Formula Review Committee)

2005-2010 Planning Cycle

- ▲ Peter Abernathy, Department of Finance and Administration
- ▲ Bob Adams, Tennessee Board of Regents
- ▲ Sylvia Davis, University of Tennessee System
- ▲ Russ Deaton, Tennessee Higher Education Commission
- ▲ Ethel Detch, Tennessee Comptroller of the Treasury
- ▲ Ray Hamilton, University of Tennessee System
- ▲ Connie Hardin, Legislative Budget Office
- ▲ O.W. Higley, Tennessee Higher Education Commission
- ▲ Al Hooten, University of Tennessee System
- ▲ Joe Johnson, Formula Review Advisors
- ▲ Bob Levy, University of Tennessee System
- ▲ Roy Nicks, Formula Review Advisors
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- ▲ Dennis Raffield, Tennessee Higher Education Commission
- ▲ Richard Rhoda, Tennessee Higher Education Commission
- ▲ Ron Simmons, Tennessee Board of Regents
- ▲ Dale Sims, Treasury Department
- ▲ Gene Smith, Formula Review Advisors
- ▲ Claire Stinson, Northeast State Technical Community College
- ▲ Dave Thurman, Legislative Budget Office
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