

POLICY 16:

Higher Education

NO DATA UPDATE IS AVAILABLE FOR POLICY 16
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Why Higher Education Policy Matters. A strong economy is driven in significant part by the level of education of the work force. On a national level, research suggests that one extra year of education for a population can improve economic growth by 5 to 15 percent.⁸¹ At an individual level, research also shows that a two-year or four-year college degree is increasingly necessary for meaningful employment.⁸²

Those who earn a community college degree make, on average, \$14,800 per year more than those with only a high school diploma, and 4-year college graduation adds \$28,800 in annual income.⁸³ Higher education also benefits communities because people with more formal education have greater opportunities to work without having to depend on public assistance. They are also more likely to pay taxes, vote, provide for their children, and be law-abiding members of society.⁸⁴ Therefore, states seeking to build a strong economy have a major interest in expanding access to higher education.

Key State Policy Measures. State leaders can improve access to higher education through a coordinated policy focused on controlling or reducing tuition costs while maintaining or enhancing need-based aid.

16.1 Tuition at four-year colleges/universities. In addition to expanding need-based financial aid, states can set tuition levels that minimize barriers for prospective students. One approach is to lower tuition while simultaneously increasing need-based aid. Another approach is to maintain tuition levels, and use the revenue generated by the higher tuition levels to expand need-based aid. This latter approach could be used to target financial aid to those students most in need, while minimizing the impact on state costs.⁸⁵

Need-based financial aid. Research shows that expanding all financial aid expands college/university enrollment, but that the impact of need-based aid is significantly greater, given that this aid is focused on low-wage students for whom tuition levels present a greater barrier.⁸⁶ A recent study estimates that a \$1,000 increase in need-based aid can produce an 11.5 percent increase in college enrollment.⁸⁷ Therefore, need-based aid can be an effective tool for states to promote economic development and financial success for families. The measure of need-based financial aid used in this report computes the amount of state-funded aid as a percentage of federally funded aid. By doing so, it controls for variation in the number of low-wage students in each state, and therefore allows for comparison of funding levels across states. This measure of aid also applies to two-year colleges.

Changes in 2005-06: Between school year 2002-03 and 2005-06, states made the following changes affecting the affordability of public, four-year colleges and universities:

Tuition for four-year colleges/universities

- Hawaii, Nevada and Wyoming reduced tuition costs on average.
- All other states increased tuition costs on average.

Need-based financial aid (applies to four-year and two-year institutions)

Increased	Decreased	No Change
Alaska	Arkansas	Alabama
California	Colorado	Arizona
Connecticut	Illinois	Georgia
Delaware	Indiana	Idaho
Florida	Iowa	Mississippi
Hawaii	Kansas	Nevada
Kentucky	Massachusetts	New Hampshire
Louisiana	Michigan	New Mexico
Maine	Minnesota	North Dakota
Maryland	Missouri	South Dakota
Montana	New York	
Nebraska	Ohio	
New Jersey	Pennsylvania	
North Carolina	Tennessee	
Oklahoma	Texas	
Oregon	Vermont	
Rhode Island	West Virginia	
South Carolina	Wyoming	
Utah		
Virginia		
Washington		
Wisconsin		

16.2 Tuition at two-year colleges. Two-year degree programs can provide critical training as part of a state’s work force development strategy, particularly when degree programs are integrated with high job-growth industries.⁸⁸ Currently, almost one-half of all undergraduate students are attending a community college, 54 percent of community college students are working full-time and 34 percent have children or other dependents.⁸⁹ Therefore, state leaders seeking to enhance the economy and the earnings of families in their state can do so through lower tuition and higher need-based aid.

Changes in 2005-06: All states increased average tuition costs between school years 2002-03 and 2005-06.

Higher Education Policy Measures

Measure 16.1: Tuition and Need-based Financial Aid at Four-year Colleges/Universities

In public *four-year* colleges/universities, does the combination of state-defined tuition levels and need-based aid result in greater or lower affordability of higher education?*

Greater affordability (Tuition is <i>lower</i> than national median and aid is <i>equal</i> to or <i>higher</i> than national median)	Calif., Colo., N.C., Texas
Moderate affordability (Tuition is <i>higher</i> than national median but aid is <i>equal</i> to or <i>higher</i> than national median too)	Conn., Del., Ill., Ind., Iowa, Ky., Maine, Md., Mass., Mich., Minn., N.J., N.Y., Ohio, Pa., R.I., S.C., Vt., Va., Wash., Wis.
Moderate affordability (Tuition is <i>lower</i> than national median but aid is <i>lower</i> than national median too)	Ark., Ala., Alaska, Ariz., Fla., Ga., Hawaii, Idaho, Kan., La., Miss., Mont., Neb., Nev., N.M., Okla., S.D., Tenn., Utah, W.Va., Wyo.
Lower affordability (Tuition is <i>higher</i> than national median and aid is <i>lower</i> than national median)	Mo., N.D., N.H., Ore

* The District of Columbia was not included in the data source.

Measure 16.2: Tuition and Need-based Financial Aid at Two-year Colleges

In public two-year colleges, does the combination of state-defined tuition levels and need-based aid result in greater or lower affordability of higher education?*

Greater affordability (Tuition is <i>lower</i> than national median and aid is <i>equal</i> to or <i>higher</i> than national median)	Calif., Colo., Del., Ill., Mich., N.C., Okla., Texas, Va.
Moderate affordability (Tuition is <i>higher</i> than national median but aid is <i>equal</i> to or <i>higher</i> than national median too)	Conn., Ind., Iowa, Ky., Maine, Md., Mass., Minn., N.J., N.Y., Ohio, Pa., R.I., S.C., Vt., Wash., Wis., W.Va.
Moderate affordability (Tuition is <i>lower</i> than national median but aid is <i>lower</i> than national median too)	Ariz., Ark., Fla., Ga., Hawaii, Idaho, Kan., La., Miss., Mo., Neb., Nev., N.M., Tenn., Utah, Wyo.
Lower affordability (Tuition is <i>higher</i> than national median and aid is <i>lower</i> than national median)	Ala., Alaska, Mont., N.H., N.D., Ore., S.D.

*The District of Columbia was not included in the data source.

Selected State Higher Education Policies

STATE	16.1			16.2		
	FOUR-YEAR COLLEGES/UNIVERSITIES			TWO-YEAR COLLEGES		
	State Need-Based Financial Aid as a % of Federal Aid	Tuition	Relative Affordability	State Need-Based Financial Aid as a % of Federal Aid	Tuition	Relative Affordability
Alabama	1%	↑ \$4,586	Moderate (Low Aid)	1%	↑ \$2,763	Lower
Alaska	↑ 6%	↑ \$4,056	Moderate (Low Aid)	↑ 6%	↑ \$2,585	↓ Lower
Arizona	< 1%	↑ \$4,428	Moderate (Low Aid)	< 1%	↑ \$1,340	Moderate (Low Aid)
Arkansas	↓ 22%	↑ \$4,637	↓ Moderate (Low Aid)	↓ 22%	↑ \$1,768	↓ Moderate (Low Aid)
California	↑ 53%	↑ \$4,447	Greater	↑ 53%	↑ \$718	Greater
Colorado	↓ 34%	↑ \$4,468	Greater	↓ 34%	↑ \$1,990	Greater
Connecticut	↑ 48%	↑ \$6,710	Moderate (High Tuition)	↑ 48%	↑ \$2,536	Moderate (High Tuition)
Delaware	↑ 43%	↑ \$7,101	↑ Moderate (High Tuition)	↑ 43%	↑ \$2,240	↑ Greater
District of Columbia*	No Data	No Data	No Data	No Data	No Data	No Data
Florida	↑ 14%	↑ \$2,935	Moderate (Low Aid)	↑ 14%	↑ \$1,845	Moderate (Low Aid)
Georgia	< 1%	↑ \$3,652	Moderate (Low Aid)	< 1%	↑ \$1,645	Moderate (Low Aid)
Hawaii	↑ 3%	↓ \$3,235	Moderate (Low Aid)	↑ 3%	↑ \$1,225	Moderate (Low Aid)
Idaho	3%	↑ \$3,920	Moderate (Low Aid)	3%	↑ \$1,890	Moderate (Low Aid)
Illinois	↓ 73%	↑ \$7,166	Moderate (High Tuition)	↓ 73%	↑ \$2,113	Greater
Indiana	↓ 70%	↑ \$5,911	Moderate (High Tuition)	↓ 70%	↑ \$2,589	Moderate (High Tuition)
Iowa	↓ 33%	↑ \$5,619	Moderate (High Tuition)	↓ 33%	↑ \$3,040	Moderate (High Tuition)
Kansas	↓ 12%	↑ \$4,571	Moderate (Low Aid)	↓ 12%	↑ \$1,937	Moderate (Low Aid)
Kentucky	↑ 42%	↑ \$5,132	↓ Moderate (High Tuition)	↑ 42%	↑ \$2,407	Moderate (High Tuition)
Louisiana	↑ 1%	↑ \$3,684	Moderate (Low Aid)	↑ 1%	↑ \$1,513	Moderate (Low Aid)
Maine	↑ 32%	↑ \$6,030	Moderate (High Tuition)	↑ 32%	↑ \$3,048	Moderate (High Tuition)
Maryland	↑ 53%	↑ \$7,058	Moderate (High Tuition)	↑ 53%	↑ \$2,832	Moderate (High Tuition)
Massachusetts	↓ 51%	↑ \$7,307	Moderate (High Tuition)	↓ 51%	↑ \$2,927	Moderate (High Tuition)
Michigan	↓ 29%	↑ \$6,943	Moderate (High Tuition)	↓ 29%	↑ \$2,082	Greater
Minnesota	↓ 78%	↑ \$6,921	Moderate (High Tuition)	↓ 78%	↑ \$4,083	Moderate (High Tuition)
Mississippi	1%	↑ \$4,177	Moderate (Low Aid)	1%	↑ \$1,666	Moderate (Low Aid)
Missouri	↓ 10%	↑ \$5,835	Lower	↓ 10%	↑ \$2,249	Moderate (Low Aid)
Montana	↑ 9%	↑ \$4,951	Moderate (Low Aid)	↑ 9%	↑ \$2,702	Lower
Nebraska	↑ 15%	↑ \$4,875	↑ Moderate (Low Aid)	↑ 15%	↑ \$1,898	Moderate (Low Aid)
Nevada	0%	↓ \$2,718	Moderate (Low Aid)	0%	↑ \$1,635	Moderate (Low Aid)
New Hampshire	12%	↑ \$8,499	Lower	12%	↑ \$5,719	Lower
New Jersey	↑ 95%	↑ \$8,664	Moderate (High Tuition)	↑ 95%	↑ \$2,711	Moderate (High Tuition)
New Mexico	20%	↑ \$3,710	Moderate (Low Aid)	20%	↑ \$1,169	Moderate (Low Aid)
New York	↓ 89%	↑ \$4,995	Moderate (High Tuition)	↓ 89%	↑ \$3,180	Moderate (High Tuition)
North Carolina	↑ 39%	↑ \$3,645	Greater	↑ 39%	↑ \$1,295	Greater
North Dakota	4%	↑ \$5,047	↓ Lower	4%	↑ \$3,081	Lower
Ohio	↓ 29%	↑ \$8,489	Moderate (High Tuition)	↓ 29%	↑ \$3,123	Moderate (High Tuition)
Oklahoma	↑ 25%	↑ \$3,814	Moderate (Low Aid)	↑ 25%	↑ \$2,108	↑ Greater
Oregon	↑ 20%	↑ \$5,345	Lower	↑ 20%	↑ \$2,642	Lower
Pennsylvania	↓ 83%	↑ \$8,729	Moderate (High Tuition)	↓ 83%	↑ \$2,989	Moderate (High Tuition)
Rhode Island	↑ 27%	↑ \$6,343	↑ Moderate (High Tuition)	↑ 27%	↑ \$2,470	↑ Moderate (High Tuition)
South Carolina	↑ 25%	↑ \$7,350	Moderate (High Tuition)	↑ 25%	↑ \$2,931	Moderate (High Tuition)
South Dakota	0%	↑ \$4,900	↑ Moderate (Low Aid)	0%	↑ \$3,116	Lower
Tennessee	↓ 16%	↑ \$4,763	Moderate (Low Aid)	↓ 16%	↑ \$2,395	↑ Moderate (Low Aid)
Texas	↓ 34%	↑ \$4,694	Greater	↓ 34%	↑ \$1,282	Greater
Utah	↑ 6%	↑ \$3,442	Moderate (Low Aid)	↑ 6%	↑ \$2,225	Moderate (Low Aid)
Vermont	↓ 84%	↑ \$9,239	Moderate (High Tuition)	↓ 84%	↑ \$4,012	Moderate (High Tuition)
Virginia	↑ 38%	↑ \$5,930	Moderate (High Tuition)	↑ 38%	↑ \$2,051	Greater
Washington	↑ 86%	↑ \$5,254	Moderate (High Tuition)	↑ 86%	↑ \$2,553	Moderate (High Tuition)
West Virginia	↓ 25%	↑ \$3,807	↓ Moderate (Low Aid)	↓ 25%	↑ \$2,471	↓ Moderate (High Tuition)
Wisconsin	↑ 52%	↑ \$5,665	Moderate (High Tuition)	↑ 52%	↑ \$2,960	Moderate (High Tuition)
Wyoming	↓ 0%	↓ \$2,874	Moderate (Low Aid)	↓ 0%	↑ \$1,777	Moderate (Low Aid)
Year Data Collected	2005-06			2005-06		

* The District of Columbia was not included in the data source for this table.

Data Source:

Measuring Up 2006: The National Report Card on Higher Education. San Jose, Calif.: The National Center for Public Policy and Higher Education, 2006.

Data Table Notes:

2002-03

The national median for state-funded need-based aid was 23.5 percent of federally funded aid.
The national median for tuition at public four-year institutions was \$4,198.
The national median for tuition at public two-year institutions was \$1,969.

2005-06

The national median for state-funded need-based aid was 25 percent of federally funded aid.
The national median for tuition at public four-year institutions was \$4,973.
The national median for tuition at public two-year institutions was \$2,401.