THE STATE IMPERATIVE:

ALIGNING TUITION POLICIES WITH STRATEGIES FOR AFFORDABILITY

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Disclaimer:

This report was made possible thanks to generous support from Lumina Foundation. The views and findings expressed in this paper are those of the authors and do not necessarily reflect the views of Lumina Foundation.

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The State Higher Education Executive Officers is the national association of the chief executives of statewide governing, policy, and coordinating boards of postsecondary education. Founded in 1954, SHEEO serves its members as an advocate for state policy leadership, as a liaison between states and the federal government, as a vehicle for learning from and collaborating with peers, as a manager of multistate teams to initiate new programs, and as a source of information and analysis on educational and public policy issues. SHEEO seeks to advance public policies and educational practices to achieve more widespread access to and completion of higher education, more discoveries through research, and more applications of knowledge that improve the quality of human lives and enhance the public good.
ACKNOWLEDGEMENTS

The State Higher Education Executive Officers Association (SHEEO) is pleased to release the eighth report on the policies and procedures regarding tuition and fee rate setting and financial aid at the state level. It is not the intent of this report to provide actual tuition costs (the College Board is a better resource for these data), but to focus on the policies that establish and regulate the tuition, fees, and aid amounts. In many states, these policies are complex with involvement from multiple actors including governing boards, institution presidents, governors, and state legislators.

We are grateful for the generous financial support from Lumina Foundation that allowed us to significantly revise the survey that provided the basis for this analysis, and to develop what we hope is a more useful and robust report. To ensure these revisions met the needs of our member organizations, researchers, policymakers, and the broader higher education field, we established an advisory group to lend their expertise. This group suggested many of the revisions and reviewed the final survey, and we appreciate their thoughtful commitment to the project. We gratefully acknowledge the excellent work of these individuals:

- Alisa Hicklin Fryar, Ph.D., Associate Professor, Political Science, University of Oklahoma
- William Doyle, Ph.D., Associate Professor, Public Policy & Higher Education, Vanderbilt University
- Emily House, Ph.D., Chief Research Officer, Tennessee Higher Education Commission
- Christopher Mullin, Ph.D., Executive Vice Chancellor, Division of Florida Colleges
- Brian Prescott, Ph.D., Associate Vice President, National Center for Higher Education Management Systems
- Iris Palmer, Senior Policy Analyst, New America - Education Policy Program

John Armstrong, policy analyst at SHEEO, developed and administered the survey, analyzed the data, and wrote much of this final report under supervision and support from Andrew Carlson. Sophia Laderman, data analyst at SHEEO, also contributed to the data analysis and the final report. SHEEO is grateful for their excellent work on this project. Finally, we acknowledge and thank the staff at our member agencies who responded to the survey and provided the information that forms the basis for this report.

We are very appreciative and acknowledge the dedication and professionalism of Gloria Auer, who provided editorial support during the writing of this report, and Andy Sherman, with Can of Creative (canofcreative.com), who provided the graphics and design.

This year’s report focuses on how the policies and procedures around tuition and fee rate setting and financial aid align with state affordability strategies and attainment goals. It is our hope that this report will serve as a resource for states to understand national trends in this area and highlight best practices for states that are actively addressing college affordability during the annual tuition setting process.

We welcome your comments and suggestions for improvement.

Robert E. Anderson  
*President*  
State Higher Education Executive Officers

Eileen Klein  
*President, Arizona Board of Regents*  
*Chair, SHEEO Executive Committee*
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INTRODUCTION

The State Higher Education Executive Officers Association (SHEEO) has produced periodic reports on state tuition and fee policies since 1979. In fall 2016, SHEEO administered a survey to its membership for an update to this study. In this eighth iteration of the project, the survey was revised significantly to allow for more qualitative analysis of responses and to reflect the increased focus on college affordability. Tuition is a major component of the cost to attend college for students and their families, and increases in tuition rates have contributed to the recent concern and scrutiny around the cost and affordability of postsecondary education. Most analyses of college affordability focus on net price (of which tuition is a component). Often, the reasoning behind what tuition rate to charge is not considered in these analyses. Given the recent interest in the cost and affordability of postsecondary education, it is crucial to understand how tuition and fees, two of the main postsecondary education price drivers, are set in each state. Further, understanding the policy behind tuition rate setting decisions is critical as organizations and states begin to develop forward-looking policies and programs to address affordability and the cost of postsecondary education.

We received responses from 54 agencies in 49 states. Agencies surveyed included SHEEO member agencies as well as non-SHEEO members who oversee large populations of public higher education students in a state, such as the California Community Colleges system (CCC). This report highlights the broad results from the survey, and attempts to understand how tuition and fee policies are related, if at all, to broader efforts to address college affordability. Finally, in this report, we make recommendations that states and governing boards may consider to address college affordability through tuition and fee policies. We recommend a rational, long-term strategy for tuition and fee rate setting that is aligned with state goals, considers costs for students and institutional revenue needs, and is developed in consultation with state higher education executives, governing boards, institution presidents, and state policymakers.

1. SHEEO did not receive a survey response from Pennsylvania or the District of Columbia.
BACKGROUND AND CONTEXT

Every year, governing boards set tuition and fee rates for their institutions. These decisions are typically made in late spring, often following the legislative session, once state funding decisions have been made for the upcoming year and appropriations have been established. The combination of state funding and tuition provides the lion’s share of revenue to cover general operations and educational delivery at public higher education institutions, and the timing of tuition rate setting—after state budget deliberations—indicates a clear association between state support and tuition charges. Determining what tuition rate to charge is critical for institutional financial viability. The policies and players in this process vary across the country. In some states, governing boards have full and independent authority over the setting of tuition rates as well as control over the revenue from this funding source. In other states, tuition rate setting is a part of the state budget process and largely controlled by the state legislature and governor before the governing board officially “sets” the rate. Often, tuition revenues are considered appropriated state funds even though they are paid by students and families.

Regardless of how tuition rates are set in a state, some balance must be struck between the cost to students and families and the revenue needs of institutions of higher education.

Many policymakers, scholars, and citizens are increasingly concerned with the rising cost of attending a postsecondary institution. According to the College Board, tuition and fees at public four-year institutions have increased at an average annual rate of 3.2 percent above inflation over the last ten years. Tuition and fees at public two-year institutions have risen at an average annual rate of 2.8 percent above inflation over the same period. This growth in tuition prices has slowed since the peak of the Great Recession, but continues to outpace inflation. The need for institutions to raise tuition stems from many factors, including covering inflation costs, salary increases for faculty, rising health insurance expenses, expanded institutional financial aid, and, in some cases, pension obligations.

However, the biggest factor in deciding what tuition rate is charged is often the level of state funding support. SHEEO’s State Higher Education Finance (SHEF) report shows the relationship between educational appropriations from state and local sources (the blue bars in Figure 1) and net tuition revenue (the green bars). In 2016, net tuition revenue accounted for 47.3 percent of total revenue in higher education, up from 36 percent during the 2008 pre-recession high point, but down from a high of 48.5 percent in 2013. Reliance on tuition revenue tends to increase sharply during economic downturns and then stays relatively flat during recovery periods. While public higher education has become increasingly dependent on tuition revenue over the past ten years, recent trends indicate that, on average, states are increasing their investments in public institutions and tuition growth is slowing. Figure 1, taken from the SHEF report, shows that per student educational appropriations have risen by $931 from 2012 to 2016 in constant dollars, and subsequently, reliance on tuition revenue has declined slightly.

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3. Ibid.
5. These figures do not include the state of Illinois. See www.sheeo.org/shef for additional information on these data.
While these SHEF national data present important context, 2016 state level data show that 25 states were already above the 50 percent threshold in terms of reliance on net tuition revenue (see Figure 2). Eight states were above 65 percent in 2016.
While tuition rate increases and institutional reliance on tuition revenue have slowed, policymakers and the public at large remain concerned. For many Americans, college has become unaffordable even as the value of earning a degree remains high. According to Sandy Baum, senior fellow at the Urban Institute and professor emerita at Skidmore College, people with a four-year college degree earn 98 percent more over their lifetimes than those without a college degree.\(^6\) Forty states have also enacted state attainment goals to raise the percentage of their populations with postsecondary credentials, recognizing that more citizens with postsecondary credentials of value are necessary to fill current and projected workforce needs.\(^7\) States also realize benefits from an educated populace, including higher tax revenues, better civic engagement, and a higher quality of life.\(^8\) The combination of decreasing college affordability (driven in part by tuition rate increases), and the focus on increasing college attainment means that some states have enacted new policies designed to expand access to public institutions and remove financial barriers to completing college.

These policies include structuring financial aid policies and tuition to make community college free or debt-free. Some of these proposals limit the benefits of “free” college to low-income students by stacking tuition with state and institutional aid so that tuition can be covered by the Federal Pell Grant,

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**FIGURE 2:** Net Tuition as a Percent of Total Educational Revenue, FY 2016

**SOURCE:** State Higher Education Executive Officers


state grants, and institutional scholarships for lower-income students. Others combine loans into a student’s financial aid package. In many cases, college affordability is addressed “at the margins,” meaning that very specific categories of students who are likely to benefit from increased aid are targeted by these proposals and policies. This means that while policies can be ambitious in terms of reducing costs, often the number of students affected by the new policy can be relatively small. Even states with robust need-based aid programs often are not able to fund all eligible students. Further, how tuition and fees are set in each state may not align with these affordability strategies and, in some cases, may actually undermine these efforts.
STATE PHILOSOPHY OF TUITION, FEES AND AFFORDABILITY

OVERALL PHILOSOPHY AND IMPORTANCE

Many states adhere to a set of principles which serve as a guide for policymakers as they’re setting tuition rates. For example, if a state’s philosophy dictates that tuition should be as low as possible for students and their families, it can influence policymakers to prioritize affordability for students over institutional revenue needs. Respondents to the survey indicated their state’s tuition setting philosophy through an open-ended question. Figure 3 displays a qualitative analysis of these responses. The most common theme in tuition philosophies was maintaining affordability for students, followed by ensuring that institutional budgetary needs were met. Offsetting changes in state funding was another common philosophy, highlighting that institutions are often left to make up the revenue balance with tuition when appropriations are cut or do not keep pace with enrollment growth and inflation. Promoting access to the institution, staying consistent with institutional mission, and delivering high quality education to students were less cited responses. A few respondents indicated that no statewide tuition setting philosophy existed.

FIGURE 3: WHAT ARE THE COMPONENTS OF STATE TUITION SETTING POLICY?

Each of the themes identified in the analysis of tuition setting philosophies underscores the priorities that a state must consider when setting tuition and fee rates. Not surprisingly, given the current abundance of sources calling college affordability a “crisis,” tuition setting and its impact on students is of increasing concern to state policymakers.

NOTES:
1. We were unable to obtain data for Pennsylvania and the District of Columbia.
2. Data are based on an analysis of open-ended responses to “describe the tuition setting philosophy in your state.”

SOURCE: State Higher Education Executive Officers

Survey respondents indicated that tuition rates, student fees, and affordability are important to state policymakers. Eighty-eight percent of respondents strongly agreed or agreed with the prompt, “Tuition rates are extremely important to policymakers in my state.” No respondents disagreed with the statement (see Figure 4). Regarding student fees, nearly 75 percent of respondents either strongly agreed or agreed with the prompt, “Student fees garner the attention of policymakers in my state.”

**FIGURE 4:**
**HOW DO POLICYMAKERS FEEL ABOUT TUITION AND FEES?**

![Survey results](image)

**NOTES:**
1. We were unable to obtain data for Pennsylvania and the District of Columbia.

**SOURCE:** State Higher Education Executive Officers

Finally, 53 percent strongly agreed with the statement, “Policymakers in my state consider college affordability for students when setting tuition rates.” Twenty-two percent agreed with the statement and only eight percent disagreed or strongly disagreed.

While these responses point to the importance of college affordability to students and families, in reality, the level of state funding support may be the more important consideration when policymakers consider tuition and fee rate setting.

When asked which factors exerted influence on the tuition setting process, from a degree of “minimal to no influence” to “controlling influence,” survey respondents rated the level of state general fund appropriations, affordability for the student, cost of instruction, and institutional mission as the factors that had the most influence. SHEEO coded the responses to determine a significance score for each factor where any response of “controlling influence” was given a score of 4 and “minimal to no influence” was given a score of 1. All survey responses were averaged to determine a nationwide significance score for each factor.

While affordability for the student had the second highest significance score of 2.74 (see Figure 6), the level of state general fund appropriations had the highest significance score of 3.1. More respondents rated appropriations as having “controlling influence” on the tuition setting process than any other category.
This suggests that while affordability concerns are a significant driver of tuition and fee policies in the state, ultimately, the amount of money in the state budget for higher education is even more important when determining tuition rates.
THE RELATIONSHIP BETWEEN TUITION POLICY AND AFFORDABILITY

While 75 percent of respondents indicated (strongly or somewhat) that they agreed with the statement, “Policymakers in my state consider college affordability for students when setting tuition rates,” only 32 percent of respondents indicated that their state had a unified strategy for affordability that considers state higher education appropriations.

While affordability is increasingly on the minds of many state policymakers, codified strategies are absent in the majority of states.

Nonetheless, several strategies to address college affordability have entered the public discourse and influenced legislators and other state policymakers. SHEEO asked respondents to indicate whether the following affordability strategies or tuition policies had been formally discussed or implemented in the past five years: free community college, tuition guarantee programs, prepaid tuition plans, tuition rollbacks, pay it forward plans, and debt-free college.

Free community college refers to a broad-based strategy to provide enough aid to students to attend a public two-year institution in their state without owing the institution any money for tuition. These are typically considered “last dollar” programs, meaning the state provides any additional aid for tuition costs after Pell and other state aid dollars are applied. In the 2016 presidential election, the notion of “free college” became a voting issue and, as of September 2017, some states have implemented this type of program either statewide or on a smaller scale. “Free community college” was the most considered reform by states who responded to the survey, with fewer states having fully implemented the policy or adopting a limited implementation or pilot. In practice, a student who attends community college for “free” may still be responsible for certain fees, and is likely responsible for other expenses such as textbooks. The difference between tuition and the actual cost of attendance at some institutions can amount to thousands of dollars, a huge burden for low-income students who qualify for “free community college.”

EXAMPLE: THE TENNESSEE PROMISE PROGRAM

Tennessee was the first state to implement a statewide “Free Community and Technical College” program, the Tennessee Promise, with the first cohort of students enrolling in fall 2015. The program grew out of a local promise program in Knox County. Now in its fourth year, Tennessee Promise functions as a last dollar scholarship for students enrolling in one of the 13 community colleges or 27 colleges of applied technology in the state. Eligible students must apply and complete specific tasks (e.g., fill out the Free Application for Federal Student Aid (FAFSA), meet with a volunteer mentor, complete community service hours during their senior year of high school.

As a last dollar program, the scholarship covers any remaining tuition and fees after federal Pell and any state grant aid have been applied to those costs. For low-income students, this means they may not receive additional financial assistance if Pell already covers tuition and fees. It is a frequent critique of programs such as this one that they are providing additional state dollars to middle-income families and a better use of these

resources would be to provide more aid to students in the lowest-income ranges to cover additional college costs (e.g., books and supplies, housing, and living expenses). The argument follows that these programs do not help low-income students.

However, the Tennessee Promise program is a scholarship and mentoring program with mentorship being a key component to help low-income and traditionally underserved populations navigate postsecondary education. Further, the first years of this statewide program have clarified the importance of messaging. Making it clear that Tennesseans can attend community and technical colleges without paying tuition and fees has boosted access significantly across the state. According to the Tennessee Higher Education Commission, enrollment at community colleges has increased by 25 percent in the first two years of the program, while retention rates have not changed from prior years. Approximately 30 percent of the additional students came from the lowest-income quintiles. Although many of these students may not receive additional funds, the Tennessee Promise program is proving effective in increasing access and success for low-income students.

**Tuition guarantee programs** allow students and their families to pay the same tuition rate for the duration of their selected degree program (usually with a restriction that requires on-time graduation). An incoming freshman pays a slightly higher tuition rate than published, but the rate is guaranteed for the expected length of time necessary for on-time graduation. The primary objective of these programs is to create a more transparent pricing system for students and families.

**EXAMPLE: TUITION GUARANTEE PROGRAMS IN ARIZONA**

According to the Arizona Board of Regents, Northern Arizona University has had a tuition guarantee program in place since 2008. While the program has been in place for ten years and provides some transparency and predictability for students and their families when planning for college expenses, the guarantee does not apply to fees or other differential tuition charges (e.g., for specific programs). This means while tuition may not increase over the course of the guarantee, increases in fees may lead to higher than expected costs for these students and their families. More recently, the University of Arizona enacted their own tuition guarantee program in 2014. In 2015, this guarantee program was expanded to include both tuition and mandatory fees for participants. According to the University of Arizona’s website, “This addition [allows] our students and their parents to plan for their college expenses more predictably.” Such a guarantee program that covers tuition and mandatory fees creates a more predictable and transparent pricing structure for students and families. However, students are still subject to increases in program or course fees.

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16. Ibid.
Prepaid tuition plans allow students and their families to contribute toward a student’s postsecondary education while they are still enrolled in primary and secondary school. These programs are typically referred to as 529 plans named after Section 529 of the Internal Revenue Code 26 U.S.C. §529.

Tuition rollbacks refer to when a state increases appropriations to its public institutions in exchange for institutions lowering their tuition rates.

Pay it forward was first explored in Oregon as a formal proposal that referred to students paying no tuition while enrolled in college in exchange for having a portion of their wages garnished after graduation to pay back their financed education. While this proposal was discussed in a few other states and received a great deal of media attention, no state has adopted this practice as of 2017, according to our survey.

Debt-free college is similar to free community college programs, but applies to four-year institutions and uses a combination of financial aid and work-study to ensure that the student does not incur any debt upon graduation. From our survey, only Ohio has implemented this reform to date (see Table 1).

Figure 7 shows the status of these reforms. The dark blue bars indicate the reform was implemented, the green bars indicate limited or pilot implementation, and the light blue bars indicate instances when the proposal was formally discussed by state policymakers but not implemented. It shows that three states have implemented free community college, while four additional states have had a pilot or limited implementation, and nine have considered the proposal formally but it had not been adopted when this survey was administered. Tuition guarantee programs were the most popular implemented reforms. Table 1 shows state level detail for states that have formally discussed these efforts and for those that implemented them (either fully or partially).

FIGURE 7:
AFFORDABILITY REFORMS IMPLEMENTED, PILOTED, AND FORMALLY DISCUSSED IN STATES

<table>
<thead>
<tr>
<th>Reform</th>
<th>Implemented</th>
<th>Limited or Pilot Implementation</th>
<th>Not Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Community College</td>
<td>3</td>
<td>4</td>
<td>9</td>
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<tr>
<td>Tuition Guarantee Program</td>
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<td></td>
<td>2</td>
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<tr>
<td>Prepaid Tuition Plan</td>
<td>2</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Tuition Rollback</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Pay it Forward Model</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt-Free College</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. We were unable to obtain data for Pennsylvania and the District of Columbia.
2. Respondents were given the opportunity to select all responses applicable to the situation in their state.

SOURCE: State Higher Education Executive Officers

### TABLE 1:

**STATE LEVEL DETAIL OF AFFORDABILITY REFORMS**

<table>
<thead>
<tr>
<th>FREE COMMUNITY COLLEGE</th>
<th>TUITION GUARANTEE PROGRAM</th>
<th>PREPAID TUITION PLAN</th>
<th>TUITION ROLLBACK</th>
<th>PAY IT FORWARD MODEL</th>
<th>DEBT-FREE COLLEGE</th>
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<td>California**</td>
<td>California</td>
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<td>Kentucky**</td>
<td>Kansas*</td>
<td>Puerto Rico</td>
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<td>Texas*</td>
<td>Texas*</td>
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<td>Delaware</td>
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<tr>
<td>Nevada**</td>
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</tbody>
</table>

| 16                     | 14                        | 8                    | 7                | 7                    | 5                |

**NOTES:**
We were unable to obtain data for Pennsylvania and the District of Columbia.
* Indicates a state has implemented the program.
** Indicates a state has implemented the program on a limited or pilot scale.

**SOURCE:** State Higher Education Executive Officers
The relationship between state funding, tuition, and other institutional expenditures is not often a part of the conversation as state legislators debate state budget priorities. When facing a decrease in state funding, institutions across the country are often left filling in the gaps of lost revenue through tuition increases to students. The full impact of state disinvestment on tuition is not always made explicit during higher education state funding debates.

Colorado’s Department of Higher Education (CDHE) assists the legislature by estimating tuition changes based on an increase or decrease in the state general fund appropriation. As part of the executive budget process, CDHE develops an estimate of the additional revenue that each postsecondary institution will need to cover inflation and increases to other core cost drivers (e.g., inflation, employee benefits). Once the core cost figure is developed, CDHE models the tuition rate necessary to cover the cost and the corresponding rate needed for each potential percentage increase or decrease in state appropriations. This allows legislators to explore the potential impact their funding decisions will have on tuition rates at each of the public institutions in Colorado. CDHE develops these estimates in concert with the HB 14-1319 (Part 3: Higher Education Funding) call for simplicity and transparency in creating a higher education funding formula. While these estimates are adjusted after the executive budget request submission to reflect updated institution revenue estimates, they establish the expected revenue needs while plainly articulating the relationship between state appropriations and tuition, as well as between revenue needs and expenditures. This transparent process assists policymakers as they set state funding levels by allowing them to anticipate future tuition increases based on the state budget.

For Colorado, the relationship between state support and tuition became explicit during the Great Recession. SB 10-003 provided governing boards in the state with five years of flexibility to set tuition rates at levels necessary to offset presumed decreases in state funding levels. When the economy began to recover and higher education in the state saw increases in appropriations, this tuition flexibility was partially rescinded as state funding levels grew again. It is likely that this legislation (and the ensuing tuition flexibility that governing boards adopted) was a precursor to CDHE’s attempt to continue to transparently demonstrate the relationship between state funding levels and tuition rates at the institutional level as part of the annual budget process.


EXAMPLE: CHANGES TO TUITION POLICY IN WASHINGTON

In the depths of the Great Recession, Washington State policymakers granted their public colleges and universities additional flexibility in setting their tuition rates. This meant that institutions could enact increases, sometimes double-digit percentage increases, to meet revenue needs and offset state funding reductions.

However, in 2014, as the economy began to recover, Washington State legislators reasserted their role in the tuition setting process. Tuition rates were actually decreased in exchange for a large increase in state appropriations to institutions. Reductions in tuition rates are rare across the country and Washington’s was made possible through a significant state reinvestment. State legislators in Washington clearly understood the relationship between state funding and tuition, and considered institution revenue needs.

Throughout the time of these changes in tuition-setting authority in Washington, the impact on state financial aid was on the minds of state policymakers. Washington has one of the best funded need-based financial aid programs in the country. Washington’s State Need Grant program is a flexible award that is explicitly tied to tuition. A student’s maximum award is determined by both her family’s income (as a percentage of the state’s median income) and the tuition rate charged at the public institution she attends. Students that attend higher-tuition universities in Washington receive higher awards than those who attend less expensive institutions. Their impact on the state’s need-based grant program was a big factor in deciding how to make adjustments to tuition setting. When tuition goes up, the appropriation for need-based aid also goes up in Washington. Washington has a long history of protecting need-based aid recipients from changes in tuition levels brought about by changes in policy.

Need-based aid was an issue taken into account with all the tuition-setting authority shifts in Washington. When tuition increases took effect, appropriations to the state grant also increased, coupled with some policy changes to eligibility requirements. These included pro-rating awards to students who were between 50 percent and 70 percent of median family income for the state (students must be at 70 percent of the state’s median income or lower to qualify for the need-based grant). These changes to eligibility requirements permitted the lowest income students to have their tuition covered.

According to staff at the Washington Student Achievement Council, their priority was to keep the percentage of tuition covered by the need-based grant stable during the time that changes in tuition-setting authority occurred. This stability in the grant program meant that even when large tuition increases were necessary, students and their families could predict the aid they would receive before selecting an institution.

WHO SETS TUITION AT THE STATE LEVEL?

Tuition setting is often a complicated process involving multiple actors in a state including governing boards, state executives of higher education, institutions, legislators and governors. SHEEO, with assistance from the Education Commission of the States, reviewed state statutes and policies to determine where tuition setting authority is codified. In nearly three-quarters of states, tuition setting authority is codified in legislative statute (see Figure 8). In fewer instances, tuition setting authority is codified by board rule or policy and a few states do not have a formal process for setting tuition at the state level. Although tuition setting authority is frequently codified in legislative statute, the actual statutory language typically establishes that tuition setting authority lies with a governing board. For example, Arizona state statute delegates authority to the Arizona Board of Regents to establish tuition and fee rates at its institutions. 23

FIGURE 8
TUITION POLICY FORMALIZATION

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not formalized at the state level</td>
<td>11%</td>
</tr>
<tr>
<td>By legislative statute</td>
<td>74%</td>
</tr>
<tr>
<td>By board rule / policy</td>
<td>15%</td>
</tr>
</tbody>
</table>

SOURCE: State Higher Education Executive Officers, Education Commission of the States

SHEEO asked respondents to indicate who has primary responsibility for proposing and setting tuition rates at the state level. Figure 9 and Table 2 indicate who has primary responsibility for tuition proposing and setting, respectively, according to our respondents.

Before tuition rates are adopted, they are proposed formally for debate from an actor who is sometimes distinct from the tuition setter. Four respondents (6 percent) indicated that the governor’s office was primarily responsible for proposing tuition rates and an additional 21 (30 percent) of respondents indicated that the governor had an informal or consultative role. Six respondents (9 percent) indicated that the legislature was primarily responsible for proposing rates and 17 (24 percent) indicated that the legislature had an informal role. Taken together, the governor and legislature were less likely to be responsible for proposing tuition than higher education agencies. Statewide coordinating boards, system governing boards, and individual institutional boards collectively were more commonly indicated as having primary authority for proposing tuition rates (4, 25 and 16 respondents, respectively); and less commonly indicated as having an informal role (8, 8 and 3 respondents, respectively).

Table 2 shows responses to which actors had primary tuition setting and fee setting authority, broken out by two-year and four-year institutions. Governors and legislatures have tuition setting authority in a few cases, but, similar to authority for proposing tuition rates, boards (either coordinating, governing or institutional) are the most common entity with tuition setting authority. Forty-one percent of respondents indicated a governing board had primary tuition setting authority at two-year institutions and 54 percent at four-year institutions. Boards of individual institutions set tuition among 51 percent of respondents at two-year institutions and 30 percent at four-year institutions. There was not a substantial difference between tuition setting authority compared with fee setting authority.
### TABLE 2: TUITON SETTING AUTHORITY DETAIL

<table>
<thead>
<tr>
<th>2-YEAR INSTITUTIONS</th>
<th>TUITION</th>
<th>FEES</th>
<th>4-YEAR INSTITUTIONS</th>
<th>TUITION</th>
<th>FEES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Responses</td>
<td>Percent</td>
<td>Number of Responses</td>
<td>Percent</td>
<td></td>
</tr>
<tr>
<td>Governor</td>
<td>1</td>
<td>3%</td>
<td>1</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Legislature</td>
<td>1</td>
<td>3%</td>
<td>3</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Statewide Coordinating Board</td>
<td>1</td>
<td>3%</td>
<td>0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Governing Board for a System of Institutions</td>
<td>15</td>
<td>41%</td>
<td>14</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Boards of Individual Institutions</td>
<td>19</td>
<td>51%</td>
<td>20</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>100%</strong></td>
<td><strong>41</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of Responses</td>
<td>Percent</td>
<td>Number of Responses</td>
<td>Percent</td>
<td></td>
</tr>
<tr>
<td>Governor</td>
<td>1</td>
<td>2%</td>
<td>1</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Legislature</td>
<td>5</td>
<td>9%</td>
<td>4</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Statewide Coordinating Board</td>
<td>2</td>
<td>4%</td>
<td>1</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Governing Board for a System of Institutions</td>
<td>31</td>
<td>54%</td>
<td>27</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Boards of Individual Institutions</td>
<td>17</td>
<td>30%</td>
<td>22</td>
<td>39%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2%</td>
<td>2</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
<td><strong>100%</strong></td>
<td><strong>57</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
1. We were unable to obtain data for Pennsylvania and the District of Columbia.
2. Respondents were given the opportunity to select all responses applicable to the situation in their state.

**SOURCE:** State Higher Education Executive Officers

In this survey, twelve respondents indicated that multiple actors could argue that they have tuition setting authority in their state. When rate setting is determined by one body, but appropriations are determined by another, the process to choose a rate increase can be complex and involves the needs and considerations of multiple organizations. The most common response was that while a board had tuition setting authority, the legislature could reduce state funding levels if tuition was not set according to their desires.

While the statutory authority for tuition setting may rest with one actor, the tuition and fee setting process in many states reflects a much more complicated set of interactions between multiple entities, sometimes with competing interests.
THE POLITICAL INFLUENCE ON TUITION SETTING IN WISCONSIN

The University of Wisconsin System Administration (UWSA) has the authority to set tuition and fees for all public four-year institutions in the state.\(^4\) Since 2012, the UW System has frozen undergraduate resident tuition across its institutions. These freezes were a requirement of the legislatively passed state budget.\(^5\) Despite these required freezes, in 2015, Governor Scott Walker signed into law a budget that cut $250 million from Wisconsin’s universities.\(^6\) According to UWSA, statute provides the University of Wisconsin (UW) System Board of Regents with the authority to establish tuition rates for different classes of students, including residents and nonresidents, and special rates of tuition for the extension and summer sessions as the Board deems appropriate. Wisconsin demonstrates that even when a governing board for a university system has tuition setting authority, lawmakers can exert significant influence on the universities’ overall budgets and the tuition setting process through appropriations.

TUITION PRICING STRATEGIES

When setting tuition rates, governing boards and institutions can adopt various pricing strategies to encourage desired student behavior, address revenue needs, or align with other state policy priorities.

**Differential tuition** refers to when groups or individuals pay different tuition rates based on certain criteria such as program of study, degree type or residential status. The most common form of differential tuition according to survey respondents was charging differing rates of tuition for in-state vs. out-of-state students. Forty-nine respondents indicated that this practice existed in their state (see *Figure 10*). Other common forms of differential tuition included programmatic differences (certain majors are charged higher rates), and on-site vs. off-site and credit vs. non-credit bearing courses.

![FIGURE 10: DIFFERENTIAL TUITION](image)

**NOTES:**
1. For resident undergraduate students at public institutions
2. We were unable to obtain data for Pennsylvania and the District of Columbia.
3. Respondents were given the opportunity to select all responses applicable to the situation in their state.

**SOURCE:** State Higher Education Executive Officers

Adopting different rates of tuition for in-state resident students and out-of-state non-resident students is done to encourage potential students to attend a public institution in their home state. State funding for public institutions is meant to subsidize the cost for general operations, and non-residents are usually charged higher rates of tuition. These higher rates often generate additional revenue for the institution. Sometimes, resident and non-resident tuition rates reflect population migration with reduced non-resident tuition for neighboring states, such as the reciprocity agreement between Indiana and Kentucky. Twenty-one survey respondents indicated that non-resident tuition is set at institutional discretion in their state. However, it can

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also be set as a percentage of resident tuition, determined by cost of instruction or aligned with peer institutions (see Figure 11). It is rare for governors and legislators to exert authority over non-resident tuition rates. SHEEO asked respondents to indicate if their institutions could generate significant revenue from non-resident students and a majority of respondents indicated that they were able to do so, but many specified that there were large differences between institutions. At some institutions, non-resident students were a substantial percentage of the total student body and were charged two to three times as much as resident students.

**FIGURE 11: HOW NON-RESIDENT TUITION POLICY IS SET**

<table>
<thead>
<tr>
<th>Method of Setting Non-Resident Tuition</th>
<th>Number of States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Discretion</td>
<td>21</td>
</tr>
<tr>
<td>Percentage of Resident Tuition</td>
<td>6</td>
</tr>
<tr>
<td>Cost of Instruction</td>
<td>6</td>
</tr>
<tr>
<td>Board Approves Institution Proposals</td>
<td>5</td>
</tr>
<tr>
<td>Aligned with Peer Institutions</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
</tr>
</tbody>
</table>

**NOTES:**
1. We were unable to obtain data for Pennsylvania and the District of Columbia.
2. Respondents were asked to select the response that best aligns with the situation in their state.

**SOURCE:** State Higher Education Executive Officers

A **tuition freeze** refers to when an institution or system of institutions is required to keep tuition rates at the prior year’s level, while a **tuition limit** refers to a cap on the percentage increase an institution can raise its rates to for the next year. Freezes and limits are relatively common across the country. Twenty survey respondents indicated that a freeze had been placed on resident tuition at some point during the past three fiscal years, while six indicated that a limit had been placed. Another three respondents indicated that both had been applied during the time period. Taken together, over half of respondents indicated that freezes or limits took place in their states over the past three years (see Figure 12). Table 3 displays the state details of these responses.
FIGURE 12:
FREEZES AND LIMITS

HAS THERE BEEN A FREEZE OR OTHER LIMIT PLACED ON TUITION IN THE PAST THREE FISCAL YEARS?

Neither 24
Tuition Freeze 20
Tuition Limit 6
Both 3

NOTES:
1. For resident undergraduate students at public institutions
2. We were unable to obtain data for Pennsylvania and the District of Columbia.

SOURCE: State Higher Education Executive Officers

TABLE 3:
FREEZES AND LIMITS STATE DETAIL

<table>
<thead>
<tr>
<th>YES TO A FREEZE</th>
<th>YES TO A LIMIT</th>
<th>YES TO BOTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>California (CC)</td>
<td>Kansas</td>
<td>New Hampshire</td>
</tr>
<tr>
<td>California (CSU)</td>
<td>Kentucky</td>
<td>North Carolina</td>
</tr>
<tr>
<td>Colorado</td>
<td>Louisiana</td>
<td>Ohio</td>
</tr>
<tr>
<td>Florida</td>
<td>Maryland</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>North Dakota</td>
<td></td>
</tr>
<tr>
<td>Indiana</td>
<td>Oregon</td>
<td></td>
</tr>
<tr>
<td>Iowa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minnesota</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missouri</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nebraska</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York (CUNY)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York (SUNY)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oklahoma</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rhode Island</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Dakota</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vermont</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisconsin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>

NOTES:
1. For resident undergraduate students at public institutions
2. We were unable to obtain data for Pennsylvania and the District of Columbia.

SOURCE: State Higher Education Executive Officers
Sometimes, these freezes are enacted in exchange for the legislature appropriating additional state funding for higher education. For example, California’s governor and legislature passed a four-year plan to keep tuition flat in exchange for small annual increases in state funding and continued consultation with state lawmakers focused on accessibility, affordability and quality. Other times, a freeze is enacted without consideration of institutional revenue needs and not in exchange for additional state funding. For example, in March 2017, an Iowa lawmaker proposed a tuition freeze while simultaneously cutting appropriations for higher education.  

**Linear tuition** refers to tuition that is charged for each credit hour enrolled, whereas **tuition windows** are bands of tuition rates based on a range of credit hours enrolled (e.g., a flat tuition rate is charged for 12-17 credits enrolled in a term). In some cases, there can be a maximum tuition charged up to a credit-hour threshold, and any additional credits that the student enrolls in are not charged above this maximum. Thirty respondents indicated that both their two-year and four-year institutions had a linear tuition model, while 16 indicated a tuition window model (see Figure 13). Respondents could mark that both linear and window models existed in their states as well as indicate which sectors these models applied to. Tuition windows are more common at four-year institutions; 16 respondents indicated that their four-year institutions had a window model vs. having linear tuition.

**FIGURE 13**
LINEAR VS. TUITION WINDOW MODELS

**DO INSTITUTIONS IN YOUR STATE HAVE LINEAR OR TUITION WINDOW MODELS?**

<table>
<thead>
<tr>
<th></th>
<th>Institutions Charge a Linear Tuition Model</th>
<th>Institutions Charge a Tuition Window Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-Year</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>4-Year</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Both Sectors</td>
<td>30</td>
<td>16</td>
</tr>
</tbody>
</table>

**NOTES:**
1. For resident undergraduate students at public institutions
2. We were unable to obtain data for Pennsylvania and the District of Columbia.
3. Respondents were given the opportunity to select all responses applicable to the situation in their state.

**SOURCE:** State Higher Education Executive Officers

FINANCIAL AID

When tuition rates increase, states can mitigate the impact on student affordability through increasing financial aid. State based financial aid programs are the primary mechanism for states to assist students in paying for their college education through grants and loans. Grants can be divided into two primary categories, need-based and merit-based, although there are hybrid grant programs that also target aid to low-income students and provide additional dollars for meeting specified criteria in some states such as Indiana’s Frank O’Bannon Grant. Need-based grants prioritize lower-income students who could not attend college without financial assistance, while merit-based grants award additional dollars on the basis of academic performance (such as high school GPA or standardized test scores), without consideration of economic need. When SHEEO asked respondents if there was a formal policy for regulating a mix between need-based and merit-based grant aid, only six out of 54 respondents indicated that such a policy existed. For example, in Kentucky, the proportion is set in state statute with 45 percent of net lottery revenues appropriated to their state merit scholarship and 55 percent to their need-based grant program.

In many cases, financial aid to students is explicitly tied to tuition costs paid by the student. For example, in Minnesota, state grant awards are determined by evaluating the difference between the expected family contribution (as determined from the Free Application for Federal Student Aid) and the cost of attendance at a Minnesota institution. Awards are proportional to the cost of attendance, and are thus higher for students who attend more expensive institutions. When policymakers propose and set tuition rates, Minnesota’s financial aid program adjusts automatically to ensure purchasing power is maintained and to moderate cost increases. This policy seeks to eliminate the need for increases in student borrowing among grant recipients.

However, only 21 respondents indicated that they agreed or strongly agreed with the statement, “Policymakers in my state consider the impact to financial aid programs when setting tuition rates” (see Figure 14). More than half of respondents indicated that they neither agreed nor disagreed or disagreed with this statement. Combined with the large number of states that lack a unified strategy to address student affordability through tuition, fees and financial aid, this suggests that states may need to be more intentional when setting tuition rates in order to keep college affordable for students.

FIGURE 14
CONSIDERATION OF TUITION’S IMPACT ON FINANCIAL AID

DO POLICYMAKERS CONSIDER THE IMPACT ON FINANCIAL AID PROGRAMS WHEN CONSIDERING TUITION RATES?

NOTES:
1. We were unable to obtain data for Pennsylvania and the District of Columbia.
 SOURCE: State Higher Education Executive Officers
TUITION POLICY, AFFORDABILITY AND ATTAINMENT GOALS

According to Lumina Foundation, 40 states now have attainment goals requiring increased production of postsecondary credentials. Meeting these goals is daunting, but critically important. States must improve attainment to meet current and projected workforce needs and remain economically competitive in a global environment. Doing so requires closing the equity gaps between underserved populations and well-served populations, and improving outcomes for non-traditional and adult students.

One avenue to improve attainment is to address the rising costs of postsecondary education and college affordability. Tuition policy and how tuition and fee rates are set each year have the potential to support and complement statewide (or institutional) efforts to address college affordability. At a minimum, care should be taken to make sure the policies and procedures governing tuition and fee rates do not undermine state efforts to improve college affordability. For example, in states where the need-based grant is set to cover the cost of tuition and fees, continued tuition rate increases may reduce the number of recipients who end up receiving the grant each year if the overall funding for the aid program does not increase sufficiently.

As we discussed earlier, about 68 percent of survey respondents stated there is not a unified state strategy to address affordability that takes into account tuition, fees, and financial aid. Although such a comprehensive strategy does not exist in most states, states and institutions are beginning to tackle affordability through various programs, such as guaranteed tuition plans or free college promise programs for certain eligible students (see Figure 7).

The increasing focus on college affordability and the development of these new programs provide opportunities to align the efforts with tuition and fee policies and to create a unified strategy of tuition, fees, and financial assistance complementary to these efforts.

STRATEGICALLY ADDRESSING STUDENT AFFORDABILITY

Most states do not have codified strategies to address affordability for postsecondary students and their families. However, a few states have made affordability part of their state higher education strategic plan, and others have set specific aspirational, yet measurable, goals for decreasing tuition expenses and student debt. A third group of states is in the process of developing such strategies. While much work is left to be done in order to define student affordability and make meaningful progress toward an affordable college degree, the state examples below provide encouraging progress toward this end.

The State Council of Higher Education for Virginia (SCHEV) indicated in the survey that it has a strategy to “Align state appropriations, financial aid and tuition and fees

37. Ibid.
such that students have broader access to postsecondary education opportunities regardless of their ability to pay". This plan has been endorsed by the Virginia General Assembly. One of the benchmarks set in their annual report tied to this plan is to meet half of the cost of attendance for low- and middle-income students through the expected family contribution and state and federal aid. Currently, Virginia’s lowest-income students have approximately 38 percent of cost of attendance covered by these sources. In order to meet their attainment goal of 50 percent, they will need to increase access to state aid and keep tuition costs low. SCHEV’s framework allows the state to track and make progress toward these goals.

Analyzing student debt-to-income ratios is another way of addressing affordability by ensuring that graduates are not overburdened by their debt load. Texas does this by making wages after graduation a component of their statewide higher education plan, 60x30 TX. The plan states that undergraduate student loan debt will not exceed 60 percent of first year wages for graduates of Texas public institutions. Strategies to meet this goal include policies to prevent students from taking excess credit hours that are not required for their degree, and developing a campaign to increase student financial literacy across the state.

In Ohio, the legislature tracks progress with an annual report on how efficiency gains made at the state’s public universities are benefiting students. The Ohio Board of Regents estimates that the savings from efficiency gains across its public institutions in 2016 totaled $250 million. Additionally, the first recommendation from the report was that students must benefit from efficiency measures, and that all institutions must report on how their cost savings were redistributed to students either in the form of decreased tuition or increased financial aid.

Virginia, Texas, and Ohio have adopted different means of addressing affordability, but their tracked progress toward ambitious and measurable goals unites their efforts to make college affordable.

39. Ibid.
RECOMMENDATIONS

We recommend that state policymakers, state higher education executive officers (SHEEOs), governing boards, and institution presidents work together to develop strategies aligned with state goals to guide how tuition and fee rates are set.

An intentional, rational tuition policy would include the following components:

INCORPORATE TUITION POLICY INTO BROADER AFFORDABILITY AND ATTAINMENT STRATEGIES

State policymakers and SHEEOs should consider tuition policy within the broader context of affordability and attainment strategies so they can work to ensure that the way tuition is set at the governing board level and institution level does not undermine these comprehensive strategies. Prior research indicates that Hawai’i’s “Fifteen to Finish” campaign was more effective at four-year institutions that offered a tuition window where the amount paid did not change between 12 and 15 credits in a term. That policy supported efforts by the University of Hawai’i’s System to encourage full-time enrollment and reduce the time to completion.

SEEK COORDINATION OF KEY INSTITUTIONAL REVENUE SOURCES

State policymakers, SHEEOs, and boards of higher education institutions should coordinate institutional revenues—including state appropriations, financial aid and tuition—toward meeting broader state college attainment goals. While the unique demographic, economic, and political circumstances of each state will influence the level of coordination, considering the primary institutional revenue streams based on progress toward state attainment goals can help stakeholders make tough decisions. There are many ways appropriations, tuition, and financial aid policies can be coordinated to ensure that changes in one or more revenue streams are linked with meeting the state educational attainment goal. For example, allowing tuition to rise but reserving a portion of the increase for need-based aid during a period of declining appropriations could mitigate tuition increases for the most price-sensitive students.

CONSIDER THE IMPACT OF TUITION POLICY ON STATE FINANCIAL AID PROGRAMS

State policymakers and SHEEOs should consider how tuition policy impacts state financial aid programs. In some states, state need-based grants pay the full cost of tuition and fees. When tuition rates increase in these states, unless there is a subsequent increase in the total amount of aid the state provides, the number of
students who receive the grant is reduced. In other words, the tuition increase has lessened the broad impact of the state’s aid program. Care should be taken to understand how tuition policy and aid programs interact and make sure state needs are addressed along with institutional revenue needs.

**CONSIDER INSTITUTIONAL REVENUE NEEDS WHEN IMPLEMENTING TUITION FREEZES**

State policymakers should not implement tuition rate freezes without consideration of institutional revenue needs. A tuition freeze without additional state resources to backfill the lost tuition revenue may undermine the state’s efforts to maintain affordability if the institutions affected by the freeze lack sufficient revenue to provide the necessary support services to low-income and underserved students.

**ESTABLISH MORE TRANSPARENCY AROUND INSTITUTIONAL EXPENDITURES**

Governing boards should be more transparent with state policymakers regarding the expenditures covered by tuition revenue and how the enrollment mix between resident and non-resident students impacts the amount of revenue generated from tuition. In many cases, these expenditures may have changed over the years since the Great Recession. It is generally accepted that one of the major reasons for tuition rate increases is per-student reductions in state funding for general operations. However, tuition may now also be supporting capital and deferred maintenance needs that were once paid for by the state. Further, institutions may heavily discount tuition to attract desirable students, reducing the amount of tuition revenue a specific tuition charge actually generates.

**TAKE A MULTI-YEAR, TRANSPARENT APPROACH TO TUITION POLICY**

States should allow for longer-term, multi-year strategies around tuition rate setting. In many states, limitations on how much tuition can increase vary year to year. One year, the legislature may limit tuition increases to an inflationary adjustment, followed the next year by a freeze on the allowable rate increase. In this environment, there is little incentive for governing boards to raise tuition to an amount below the allowed limit in a single year as there is no way to anticipate what the future will allow. Tuition policy should balance cost to students and families with institutional revenue needs. A more rational approach would provide allowable increases for three to five years and be based on state revenue projections and policy direction from the state with respect to expected higher education funding for institutions and state financial aid. This would allow for better planning by institutions, and create a more transparent environment for the students and families who ultimately must pay the tuition costs.
CONCLUSION

Throughout this report, we have provided examples where states have considered how the policies and processes governing tuition rate setting impact their state financial aid programs and broader efforts to address college affordability. We have also highlighted a number of new policies designed to make college more affordable and college costs more transparent, most notably “promise-type” aid programs. As more states begin to consider these and other new strategies to address college affordability, it is imperative that they evaluate their interplay with tuition policy to ensure they are aligned. Further, state policymakers must understand the balance between costs to students and families and the revenue needs of its institutions of higher education. The recommendations presented here provide guidance for state legislators, SHEEOs, and other policymakers to establish more rational and intentional policies to guide the annual tuition rate setting process.