ACCESS, PERSISTENCE, AND COMPLETION IN THE STATE CONTEXT

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Success in entering, continuing, and completing postsecondary education in the United States varies dramatically across income, age, gender, and race/ethnicity groups (Advisory Committee on Student Financial Assistance [ACSFA], 2010; College Board, 2010; and both the Heller and Perna & Kurban chapters in this volume). Unquestionably, a critical factor in these patterns is affordability, constrained in recent years by rising tuition levels (spurred by tight state budgets) and slowed growth in need-based student aid. Clearly, lower-income families have been jolted by these developments, but many middle-income families are also feeling “squeezed out” of higher education (Clawson & Leblum, 2008; Quintero, 2012; Rowan-Kenyon, Bell, & Perna, 2008). As a result, policymakers and the public understandably seek improvements in the efficiency and effectiveness of policies promoting postsecondary attendance, but this drive for increased accountability comes in a context of aspirations for improving the quality of education and producing a well-trained, globally competitive workforce for the 21st century. Therein lies the emerging dilemma: as state funding for higher education has come under increasing pressure, educational systems are asked not only to do more with less, but to ensure that their improved performance is adequately reported and defended for external stakeholders, who are increasingly setting performance metrics.

At center stage in this drama stand the states. State legislatures have long been the principal governmental decision arenas for higher education, because of the decentralized nature of educational policymaking in the United States (McLendon, Mohr, & Flores, 2011). Yet for a period in the 1960s and 1970s, the federal government assumed a more assertive role (e.g., the Higher Education Act of 1965 brought increased federal funding of institutions; its reauthorization in 1972 brought robust funding levels for students, notably through need-based grant programs; and in reauthorization in 1978 greatly expanded loan coverage and subsidization). It began to appear that expanding enrollment opportunities would become an ongoing national focus. Subsequently, however, national attention waned as federal funding priorities shifted from grants to loans, and loans themselves became less generously subsidized. Once again, states assumed a primary role in funding postsecondary attendance and completion. Arguably, over the past 20–30 years, we have seen a retreat by the federal government from a central role in conceptualizing and funding a postsecondary equity agenda. Significant amounts of public funding are devoted to higher education, but national leaders less frequently address postsecondary affordability in any systematic way. Instead, many now take, primarily, a “bully pulpit” role focused on quality and efficiency. From the Nation at Risk report commissioned by the Reagan administration in the early 1980s to the Spelling Commission and similar federal efforts of recent years, national policy initiatives have become more hortatory, less robustly funded, and less actively incentivizing (Hearn, 2001). At the same time, many states have ramped up attention to access and completion, as indicated by numerous task forces and policy statements from state organizations, including the National Governors Association (NGA, 2012), the National Center for Higher Education Management Systems (NCHEMS, n.d.), and the State Higher Education Executive Officers (SHEEO, 2008).

As states once again become the central players in postsecondary enrollment policy, there is wide variety in their policy activities. Three initiatives merit special attention, however: affordability, readiness and alignment, and accountability. Affordability is clearly one of the primary issues affecting access and completion for low-, moderate-, and middle-income families as they face college cost increases that are outpacing increases in income and savings as well as student financial assistance programs (see the chapters in this volume by Perna & Kurban and Heller for additional insight on affordability issues). Readiness and alignment initiatives influence access and completion because they aim to ensure there is adequate academic preparation at the primary and secondary education levels for what is expected at the postsecondary level to ensure success in college and careers (see the chapters by Perna & Kurban, Conley, and Long & Boatman for further perspective on readiness aspects). And, accountability issues address the extent to which states are able to encourage institutions to achieve statewide goals and priorities around educational attainment. Accountability measures also shape goals for institutional quality of academic programs as well as the nature and extent of information provided to stakeholders to promote informed choices about academic programs and institutions. These three policy domains will be discussed, in turn, with particular attention to their connection to broad national goals.

Affordability Initiatives

Affordability is at the heart of opportunity for postsecondary access, persistence, and completion. While postsecondary pricing and student aid are complex and
evolving, some truths are constant and worth repeating. In choosing whether or where to enroll, each student faces a total outlay\(^2\) consisting of tuition, fees, books, and supplies, and associated costs of living. These costs vary by institutional sector, course load, residency considerations, and other factors. State appropriations to public colleges and universities are a general subsidy benefiting all students who attend. Such appropriations, as well as private sources of funding to institutions, affect how the level of tuition and other costs are established. For students and families, however, the primary offset to these costs is the various forms of grant aid awarded by state and federal governments, the institution, and private parties, based on student level of financial need, academic merit, or other considerations.

The difference between the total cost and total grants constitutes the student's "net price" (Higher Education Opportunity Act, 2008; The Institute for College Access and Success [TICAS], 2011) for that choice. Students and their families must meet that net price through out-of-pocket (current or future) means such as parental and student contributions (e.g., funds from checking, savings, investments, gifts of cash, etc.), employment, or loans (ACSFA, 2011a).

In this context, states create or constrain opportunity and affordability through a series of policy choices affecting support for student attendance. Such policies include regulation of the tuition and fees charged or direct appropriations as subsidy to the institutions. Direct appropriations generally result in a low tuition model that is often accompanied by a "low aid" approach as well. Policies or strategies that effectively establish higher prices require a different policymaking decision: whether to offset prices with a substantial commitment to need-based student aid, including targeting need-based aid using merit factors (Nes & Noland, 2007). Making a commitment to "high tuition/high aid" represents a targeted, albeit more complicated, approach to providing postsecondary opportunity. Both the low tuition/low aid approach and the high tuition/high aid approach provide lower net prices for students in need of funding for postsecondary attendance (Hearn & Longanecker, 1985).

Strikingly, however, during the last two decades a third path has emerged in the United States: high tuition paired with low aid. Facing taxpayer resistance and financial constraints, many states have restrained need-based aid or avoided such commitments altogether, while allowing tuition levels to rise at public institutions. The result has been greater percentage growth in tuition and fees at public institutions in recent years, and slowed or stalled growth in state need-based aid (College Board, 2012).\(^2\) In this context, states have recognized the political appeal of efforts to make college attendance affordable and provide attractive vehicles for savings. Growing numbers of states have adopted three alternative policy instruments: merit-aid programs, prepaid tuition plans, and college savings plans. Each addresses some measure of affordability, and each may increase opportunity, although not equally, by providing state support for attendance. Nevertheless, none of the three serves as a sufficiently effective or efficient effort to expand educational opportunity, even when combined with federal efforts.

### State Merit-Aid Programs

Since the early 1990s, the development and proliferation of merit-based programs for college students represents a remarkable policy shift for the states (Doyle, 2006; Ness, 2008). Merit programs began when Georgia initiated the Helping Outstanding Pupils Educationally (HOPE) scholarship as a broad-based aid program providing funds to high-achieving high school graduates attending college.\(^4\) Awards were based solely on student academic accomplishment and would be discontinued if a student's grade point average fell below a certain standard. In the years that followed, numerous other states followed Georgia's lead in initiating merit programs, and most followed Georgia's financing model, relying on lottery revenues to fund scholarships. Those that did not use lottery funding relied instead on video gambling tax revenues, tobacco lawsuit settlement funds, state income and sales taxes, and revenue from land leases and sales (Cornwell, Mustard, & Mustard, 2009). Most adopting states also followed Georgia's lead in focusing primarily or entirely on academic achievement, although some, such as Tennessee, adopted a mixed program with need-based elements (Heller, 2002a; Ness & Noland, 2007).

While there is no irrefutable evidence that states have supported merit aid at the expense of need-based aid (Cornwell et al., 2009; Doyle, 2010; Longenecker, 2002), the suspicion remains. It is at least clear that states with large merit programs are not generous in providing other forms of student aid. For example, states with merit-aid programs have been found to spend three times as much on merit aid as compared to need-based aid (Heller, 2002b). As Ness and Tucker (2008) suggest, growth in non-need-based aid far outpaced need-based aid during the 1990s and early 2000s, and that trend continues (NASSGAP, 2011, 2012), albeit at a slower rate.

From an equity perspective, merit-aid policies and programs raise numerous concerns. When merit-aid program designs focus solely on academic qualifications, the correlations among income levels, racial and ethnic characteristics, and certain academic indicators can lead such programs toward favoring middle- and sometimes upper-income students, as well as White students (Binder & Ganderston, 2002, 2004; Heller & Rasmussen, 2002; Ness & Tucker, 2008). Several studies (ACSFA, 2010; Cornwell & Mustard, 2002; Dynarski, 2002; Heller, 2006) find that gaps in college access "by income and ethnic/racial strata persist and, indeed, may be increasing" (Ness & Tucker, 2008, p. 571).

The literature regarding merit-aid programs suggests that these programs have some redeeming features, including the potential to expand awareness and knowledge of postsecondary opportunities, widen student institutional choice sets, and stanch state "brain drain." (Dynarski, 2004; Zhang & Ness, 2010). In addition, most merit-aid states fund their efforts through state lotteries; thus, these programs have an added political advantage of not requiring tax dollars, even though they have been found to be regressive. Some have seen an operational advantage
as well, in that merit programs tend to be beneficiaries of state lottery sales, a more stable revenue source than “vulnerable and vacillating” state general funds (Ness & Tucker, 2008, p. 582). However, that advantage is increasingly suspect: the economic difficulties of the past few years have shaken the lottery-funded base of several state programs and prompted retrenchment and eligibility restrictions, thus raising academic achievement requirements, in Georgia’s HOPE program, the most visible of the merit-aid programs (University System of Georgia, 2011).

Notably, some states combine need-based criteria with merit-based criteria, and the results may lead to less deleterious outcomes than those in other states with merit-aid programs. For example, Ness and Tucker (2008) state that considering the broad eligibility criteria of the Tennessee Education Lottery Scholarship program, under-represented students are eligible for these merit-aid awards in much greater proportions than in other states with similar programs. One could argue this has the effect of targeting merit aid to under-represented students by making the awards nearly universal for college bound students. (p. 581)

In this way, states can create targeting strategies that parallel those of pure need-based aid, with the added advantage of being less regressive than Georgia-style programs. That is, in pure merit-based programs, the largely lower- and middle-income lottery-purchasing population subsidizes the awards of the largely middle- and upper-income scholarship-winning population (Cloftelker & Cook, 1991; Cornwell & Mustard, 2002; Dynarski, 2002; Heller, 2002b). In blended programs like that in Tennessee, however, this regressive feature can be muted. Although states generally develop merit-based programs to serve purposes other than the expansion of opportunity to lower-income students, encouraging such targeting may hold promise for maintaining states’ higher education policy focus toward need-based factors (see chapters in this volume by Perna & Kurban; Bragg; Heller; Melguizo, Kiendl, & Kosiewicz; and Hosler, Dundar, & Shapiro for further discussion on the clear benefits of need-based aid to college enrollment).

Prepaid Tuition Programs and College Savings Plans

Unlike state scholarship programs, two additional state program types aim to build student and family resources for meeting college expenses prior to enrollment, by providing families methods of saving for college attendance (Baird, 2006a, 2006b; McLendon, Heller, & Lee, 2009; Olivas, 2003). When the dependent becomes old enough to enroll in a postsecondary institution, the accumulated savings may be drawn down to pay eligible college-related expenses. These programs work through provisions in federal and state tax systems to provide incentives to use these methods. Specifically, prepaid tuition plans and savings plans are covered under Section 529 of the U.S. Internal Revenue Code, which allows parents and guardians to make investments not subject to federal taxes on capital gains, interest, and dividends. By providing substantial tax benefits for those putting aside money early for college expenses, states and the federal government hope to raise savings rates and thus reduce financial burdens on families seeking to improve college access and choice, even though there is evidence that these plans are used disproportionately by middle- and upper-income families (Olivas, 2003; Roth, 2001).

State prepaid tuition plans, the first of the two precollege affordability approaches of interest, guarantee coverage of tuition expenses at state-affiliated public institutions, regardless of growth in tuition rates between initial investments and actual college attendance. Prepaid tuition plans are financially secure options for families who expect their children to attend an in-state public institution. The plans tend to be financially conservative investments, however, and usually cover only tuition and fees, not the full cost of attendance. What is more, should family plans and expectations change, there are clear downsides: the costs of nonpublic institutions are rarely covered, and there are usually strong penalties for early withdrawal of funds.

College savings programs, the second of the precollege affordability approaches, provide tax advantages to families who set aside funds to pay for their dependents’ eventual college educations. While state prepaid tuition plans are tied contractually to tuition rates at in-state public institutions, college savings plans have no assured connection to changes in tuition rates. As college costs change, families may find their savings unequal to the amount needed for college attendance. On the other hand, participants can invest as they wish and can use their savings for attendance at any eligible postsecondary institution.

College savings plans have several politically attractive features, in that they represent a helpful government program that provides advantageous tax treatment for a plan’s contributors and beneficiaries. Because these programs are funded with foregone taxes and are, in most cases, administratively self-supporting, they offer the potential benefit to the state of being “off-budget.” Further, when considering the range of college costs that can be paid, such savings plans provide greater participant control and flexibility than prepaid tuition plans. Because some states have encountered fiscal problems with prepaid tuition plans, the college savings plans have grown more in dollar terms than the prepaid tuition plans and have been offered somewhat more frequently by the states (Roth, 2001). Currently, all states offer either the prepaid tuition or college savings plan, and 16 states offer both (Kantrowitz, 2012b).

Similar to merit-aid programs, both prepaid tuition plans and state savings plans have been affected by the economic challenges of recent years. In each case, families’ participation has been constrained by reduced discretionary income. This difficulty is compounded by the weak performance of investment vehicles over the past few years: with interest rates at historic lows and stock market performance modest relative to previous years, returns on investment have not been at
the levels anticipated by the initial policy implementation. Finally, in the case of prepaid tuition plans, several states have scaled back or suspended programs in the face of unanticipated rises in tuition level and other costs (Blankinship, 2012; Carey, 2009).

Both prepaid tuition programs and college savings plans represent a shift in state policy since the early to mid-1990s toward individualism rather than governmental responsibility for college affordability. That is, by retrofitting from assurances of ongoing low tuition levels through direct appropriations to institutions, states are in essence withdrawing blanket support of attendance and moving instead toward asking families to take greater responsibility through advance planning (Doyle, McLendon, & Hearn, 2010). To the extent that knowledge about college options is limited by parental educational background (Cabrera & LaNasa, 2000; Flint, 1992; Perna & Tzus, 2005), and funds for college attendance are limited by family income levels (ACSFA, 2010; Bettinger, Long, Oreopoulos, & Sanbonmatsu, 2012; Dynarski, 2000), such plans are not equitable in their support of prospective students across socioeconomic groups (Dynarski, 2004; Long & Bettinger, 2011).

Despite recent attempts to regulate tuition costs or protect against fluctuations in state appropriations in a few states (e.g., Maryland, see Perna, Finney, & Callan, 2012), the dominant state affordability initiatives of the last 20 years, from merit aid to prepaid tuition to college savings plans, have uniformly tended to be popular with, and to most clearly serve the needs of, the middle class. As McLendon et al. (2009), have noted, "Although the financial burden posed by soaring tuition increases has fallen disproportionately on families from lower-income backgrounds, it is the concern of middle-class Americans that provided much of the impetus for a variety of new postsecondary financing programs in the states" (p. 389). With increases in college costs outpacing increases in need-based grant aid (College Board, 2012), those with the fewest resources continue to face the greatest obstacles in meeting rising net prices (ACSFA, 2010, 2011; Cornwell & Mustard, 2004; Heller, 2006). In historical perspective, this is not surprising: even passage of the groundbreaking Higher Education Act of 1965, often hailed as a paragon of public attention to the educational needs of disadvantaged students, relied critically for its passage on attention to middle-class values and interests (Gladieux & Wolanin, 1976; Hearn, 1993).

Readiness and Alignment Initiatives

National initiatives for college readiness and curricular alignment, such as P-16 councils and the Common Core State Standards, strive to integrate and substantially link the K-12 and higher education systems, which historically have operated largely independently of one another in the states (Phipps, 2001). As the value of postsecondary education in the United States continues to increase, both for individual student achievement and international competitiveness, it is imperative to ensure smooth, successful transitions for students from preschool through college. As David Conley discusses in his chapter in this volume, existing college readiness indicators, such as admission test scores, high school grade point averages, and exit exams, may not accurately predict performance in college or reflect appropriate preparation for future achievement. This misalignment in readiness can cause a gap in education between K-12 and higher education, which, in the transition from high school to college, can contribute to "diminished student access, impaired student performance and achievement, and increased cost as a result of duplication, waste, and inefficiency" (McLendon et al., 2009, p. 398).

The notion of linking education from preschool through the senior year of college takes into account the importance of early childhood learning and academic cohesion, and the necessity of closing gaps throughout the teaching and learning process. Such a system, integrated and aligned through multiple levels, would be student-focused and comprehensive, far superior to current, atomized approaches (Krueger, 2002). Many states have sought to implement a truly integrated P-16 system in order to shape and guide children's educational careers from age five through grade school and college, and into the workplace, providing at each level high-quality, timely, and appropriately targeted learning activities. The goal for each level is to feature forward-looking emphases on rich, challenging academic curricula, individualized learning plans, and integrated development of critical thinking skills necessary for each subsequent level. From this perspective, the high school years should be geared toward forging pathways to college or the workplace, utilizing these years to prepare students with a strong, comprehensive curriculum that lays a strong foundation for any career aspiration. Similarly, along with individualized learning plans to suit the needs and pace of each student, assessment instruments should guide the plans and accountability to meet standards and goals more efficiently (Krueger, 2002).

Alignment Issues and Degree Completion

Initiatives such as P-16 councils were developed not only to enhance the quality and outcomes of the current education system, but also to align primary and secondary preparation with expectations of postsecondary education and improve opportunities for access and success. Although ability to pay costs is a critical factor to enrolling and persisting to completion, without sufficient knowledge about college as well as adequate readiness and academic preparation, high school students are unlikely to complete, persist, or even enroll in college (Kirst & Bracco, 2004; also see related discussions by Bragg; Conley; Melguizo, Kienzl, & Kosierwicz; and Perna & Kurban in their chapters in this volume).

State policies play a critical role in this process. As other chapter authors in this volume argue (e.g., Perna & Kurban and Conley), states pursuing improved postsecondary outcomes must craft policies that strengthen alignment to facilitate academic readiness, must smooth high school-to-college transitions, and must
provide adequate financial support for both college entry and college completion. Such efforts also help reduce the need for remediation during postsecondary education (see further discussion on this topic in the chapters in this volume by Long & Boatman and Melguizo, Kienzl, & Kosiewicz). In order to address the gap between K–12 education and what is expected at the college level, initiatives such as P–16 alignment connect K–12 and postsecondary curriculum and standards in an incremental approach, more closely connecting high school graduation requirements and college admission requirements.

**Common Core Standards Initiative**

Approximately 30 states have adopted some form of a P–16 alignment system (Krueger, 2006). Some have implemented P–16 efforts over a period of time, easing the transition by gauging success along the way. Others have pursued more comprehensive, and more immediate P–16 reform, “addressing governance, finance, standards, assessments, admissions and program changes at all levels” (Krueger, 2002, p. 3). A state’s likelihood of adopting such policies is dependent on current state programs and on the stance and relative power of the governor and legislators of a state. Clearly, investment in a P–16 system requires an adequate budget, support from legislative leaders of both parties, and support from state citizens, and obtaining all three is no easy matter (Kirst & Venezia, 2004; Venezia, Callan, Finney, Kirst, & Usdan, 2005). Furthermore, attributes of successfully implemented P–16 systems include commitment to long-term reform, representation from key stakeholder groups, coordinated initiatives, and integrated reform efforts (Krueger, 2006).

Implementation of P–16 initiatives facilitates college readiness by aligning K–12 preparation with the academic expectations of colleges and universities. With that logic in mind, the National Governors Association (NGA) and the Council of Chief State School Officers (CCSSO) launched the Common Core State Standards Initiative\(^4\) in 2010 to establish a set of consistent secondary educational standards across states to improve the quality and success of the U.S. education system and help teachers and students better understand the skills and knowledge needed to succeed in college and the workforce (NGA & CCSSO, n.d.). The standards were developed in collaboration with teachers and administrators, policy experts, and other leaders, and included feedback from the general public. The standards encourage a “common core of knowledge” required of all citizens and define the “knowledge and skills students should have within their K–12 education careers so that they will graduate high school able to succeed in entry-level, credit-bearing academic college courses and in workforce training programs” (NGA & CCSSO, n.d.). This, in turn, should help diminish the need for remediation and increase persistence (Kirst & Bracco, 2004). National standards give states the advantage of knowledge developed elsewhere as they design and implement strategies to meet their own goals.

**Alignment and Data Collection Challenges**

Bridging state-level readiness/alignment issues and accountability measures are state longitudinal data systems, also known as student unit-record (SUR) systems. Over the last decade, policymakers and researchers have sought to utilize and strengthen a state’s ability to match several years of student-level data from key databases (e.g., those containing data on demographic information, enrollment, test results, etc.) in order to measure academic growth and preparation for college and the workforce, as well as identify areas of need (Data Quality Campaign, 2009). SUR systems “permit the tracking of an individual student’s progress over time—from entry into elementary school to exit from college and eventually into the labor market,” which are critical data for informing issues of educational effectiveness (Venezia, Krop, Vuolo, & Hansen, 2008, p. xi) and can inform not only academic preparation issues and needs, but also patterns of enrollment and completion. As noted by Hossler, Dundar, and Shapiro in their chapter in this volume, students are enrolling increasingly in multiple institutions, often among different sectors, and data systems that record student enrollment only at institution of origin no longer capture a true picture of persistence and completion. Clearly, there is value in having a single source of data that allows policymakers and researchers to understand not only the number and characteristics of students in a state or region, but also the students’ progress and deficiencies in relation to a state’s broader educational, social, and civic goals, and workforce needs.

At their best, adequately designed and appropriately used SURs can effectively address a state’s formative and summative policy evaluation needs related to student success. By providing evidence regarding the transitions and outcomes of students throughout educational levels and systems, SURs not only contribute to policy review but can also play a significant role in identifying problems with existing policies and targeting solutions. At the same time, however, SURs raise a familiar specter: the potential corruption of a developmental tool when it is used as an evaluative tool. That is, to the extent systems (and people) are evaluated on the outcomes highlighted by such new data-analytic capabilities, those systems’ openness to neutral, thorough data gathering, data use, and review can be compromised. To the extent efforts to address readiness and alignment can conflict with efforts to improve accountability, progress will be slowed. Further, high stakes decisions, such as basing distribution of state support to institutions or financial aid to students on market-based assessments of educational programs, could be problematic at best.

**Accountability Initiatives**

While higher education institutions have always carried a measure of accountability for performance, recent years have brought heightened scrutiny and expectations. Many state governments have adopted performance-based funding
and budgeting systems and, increasingly, states require that institutions provide more comprehensive, more detailed, and more frequent performance reporting and consumer disclosures than in the past. In terms of access and completion, accountability measures may shape the quality and types of educational programs offered within the state, as well as enhance consumer information, awareness, and choice. Ultimately, students’ educational success can and should benefit from well-designed accountability efforts.

Performance funding links state funding for public colleges and universities to measures of performance (Burke & Minassians, 2003; Harnisch, 2011). Thus, it represents an incentive-based system that allocates a portion of state institutions’ budgets based on the institution exceeding an established threshold of performance, rather than allocating funds through a traditional funding formula tied closely to enrollment levels. Examples of performance measures include graduation rates, retention rates, time to degree completion, and job placements (Dougherty & Natow, 2009; Hearn & Holdsworth, 2002). First adopted by Tennessee in 1979, performance-based funding policies were developed with the purpose of improving overall performance within constrained budgets, while strengthening the link between accountability and higher education funding (McLendon, Hearn, & Deaton, 2006).

A somewhat less direct approach, performance budgeting allows governors, legislators, and state board officials consideration of “campus achievement on performance indicators as one factor in determining allocations for public campuses” (Burke & Minassians, 2003, p. 3). Under performance budgeting, specific funding levels are based on performance, but appropriators have some discretion over the proportion of the entire appropriation that is based on performance (Burke, Rosen, Minassians, & Lessard, 2000).

Efficacy of Incentive Structures

Performance funding and budgeting approaches are designed to create incentives for improving institutional performance through fiscal reward, and often have goals of improving the connection and communication among administrators, policymakers, and overall institutional efficacy. As incentives, these approaches hold higher education institutions accountable for supporting students throughout college, improving undergraduate education and student learning, and encouraging college access and completion at the state and institutional levels (Hearn & Holdsworth, 2002). Expectations for improvements in performance may be geared toward targeted increases in access and success (e.g., by demonstrating improvements in enrollment and completion for select groups of students), improvements in responding to needs of the state and local economies (e.g., by producing graduates in degree or certificate programs identified as critical to the state or its localities), and lower overall operating costs (Dougherty & Natow, 2009). Nonetheless, the evidence is slim regarding the validity of these expectations.

A study by Sanford and Hunter (2011) raised doubts regarding the benefits of performance-based funding policies, suggesting that performance funding has no relationship to retention and graduation rates. In fact, although Tennessee was the original state to implement performance-based funding practices, Sanford and Hunter’s results suggest a lack of responsiveness from public institutions in Tennessee to monetary incentives: even though institutions were directly incentivized to improve retention or graduation rates, the rates did not demonstrably change.

Other analyses are more sanguine. Research by Zhang (2009) suggests a positive relationship between state funding and college graduation rates. Specifically, Zhang found a 10% increase in per-student state appropriations was associated with just over a half-percentage point increase in graduation rates. But the causal mechanisms for such patterns remain unclear, as do the particular policy approaches most likely to bolster such relationships. While some analysts have explored the motivations and social, economic, and political conditions favoring the adoption of performance regimes (e.g., see Dougherty & Natow, 2009; McLendon et al., 2006), the connections among these policies’ contexts, characteristics, and outcomes are, at best, poorly understood.

What is clear is the contrast between the lofty motivating ideals of these systems and the difficulty states have encountered in successfully implementing them. Cuts to higher education funding, a lack of support from key stakeholders (such as legislators, state governing boards, and the business community), inflexibility toward institutional differences, and the instability of establishing performance funding in the context of inevitable state revenue cycles, contribute to the breakdown of these systems, as evidenced in states such as Florida, Illinois, and Washington (Dougherty & Natow, 2009; Miao, 2012). Policies in those three states were hampered by a lack of support from higher education institutions as well as defections by key supporters (Dougherty & Natow, 2009). In Florida and Illinois, declines in higher education funding and weak support from the business community created further stress on the states’ commitments to performance initiatives.

Performance Funding 2.0

States slowed in their rates of adopting performance funding and budgeting systems in the late 1990s, but there has been a resurgence in recent years. Often termed “performance funding 2.0,” the new state interest reflects the heightened importance of accountability in higher education today (Albright, n.d.). With the recent negative economic climate and a renewed focus on improving institutional performance in areas of perceived shortcomings, states are designing and adopting new forms of performance-based funding. Pennsylvania’s new performance-funding system allocates $36 million to incentivize colleges and universities to meet performance standards (Miao, 2012). Ohio and Tennessee have addressed failures in past performance funding policies and implemented new systems.
Ohio's new performance funding model accounts for diverse institutional types and student body composition, and expands upon nuances of "completion" (Miao, 2012). Tennessee, having implemented "the most aggressive performance-based funding model," recently allocated 80 percent of the total state budget based on performance, incorporating refined indicators of "student retention, degree attainment, and completion of remedial courses" (Miao, 2012, p. 5).

While state policymakers are aware of past problems with performance-based funding and adopting newer strategies in state funding systems, intrinsic problems with this approach may continue to limit its effectiveness. Notably, while states are moving away from the simplistic uniform approaches of some earlier systems, it is increasingly evident that tailoring systems to individual institutions' distinctive missions and contexts can impose daunting costs for designing individualized metrics, monitoring performance along these disparate metrics, and refining institutional metrics as necessary. Just as important is the ongoing tension between risk and reward in such systems. Consider college completion as perhaps the most prominent-and popular indicator in performance systems: increasing graduation rates can compel tighter admissions standards, at the expense of students who are barely qualified academically, while increasing graduating numbers can compel lesser quality control, all else equal. No conceivable amount of individualizing can totally remove these trade-offs. Completion is a proxy for neither access nor quality, and focusing on completion single-mindedly can actually work against both goals.

**Accountability Measures**

All performance-based funding initiatives seek to increase accountability among higher education institutions with a hope of increasing quality, choice, and awareness; the focal indicators and measures vary from state to state, however. Although performance-based funding usually is not entirely based on enrollment data, the most commonly used measures are graduation rates and degrees awarded (Carey & Aldeman, 2008; Community College League of California, 1999; Harnisch, 2011). Clearly, policymakers are assuming that completion rates are an adequate proxy for "quality." Unfortunately, focusing performance standards on the production of graduates has the potential to, unintentionally, sacrifice rigor and quality (Community College League of California, 1999). An additional concern is that by encouraging states to focus on completion goals and agendas, institutions could compromise on equity and opportunity goals and missions. That is, there is danger that a focus on completion favors traditional over nontraditional students and campuses, and can serve to diminish campus diversity (Community College League of California, 1999). Completion-driven systems can make admission of large numbers of at-risk students less attractive to institutions, thus potentially creating another barrier to college access for the students most at risk, including low- and moderate-income students, who may be less likely to complete in comparison to their more privileged peers (Kantrowitz, 2012a).

Many states are becoming aware of the potential risks of performance-based funding models. Ideally, state policies will focus on the need "to reward progress over completion, to recognize the differences that exist between community colleges and universities, and to partition off larger percentages of base funding in order to incentivize transformative change" (Miao, 2012, p. 2). Accountability measures also require significant review and assessment by the state, which can create tensions and pressures among institutions. Because of the complexities associated with assessment instruments and measures, it is difficult to design a performance-based funding system that can account for all limitations.

**Reporting and Disclosure**

The other accountability instrument potentially affecting college enrollment is the reporting and disclosure of consumer information available for students, families, and the general public. Such requirements direct institutions to report and obtain data on a range of measures of institutional performance, academic offerings, and campus climate and culture. This disclosure may promote college enrollment and choice by improving the availability of relevant information for students, families, and other decision makers (see further discussions on the role of information in the chapters in this volume by Bragg; Conley; Heller; Long & Boatman; Melguizo, Kienzl, & Kosiewicz; and Perna & Kurban). Noting that enrollment is primarily driven by consumer choice, Carey and Kelly (2011) point out policymakers' desire for greater accountability but reluctance toward regulating college behavior directly. As such, relations between postsecondary institutions and federal and state governments have moved toward an uneasy truce, "[a] recent years, a familiar compromise between regulation and autonomy has emerged: require colleges to provide more information" (Carey & Kelly, 2011, p. 1).

Although reporting data to federal, state, and other entities has long been a measure of accountability and consumer information, increases in the volume and scope in reporting and consumer disclosures have been noted (ACSF, 2011b). As part of the agreement to participate in the federal student financial aid programs, institutions must agree to disclose and make publicly available significant information and data on costs of attendance, graduation rates, job placement rates, enrollment rates, campus crime, and numerous other data related to college operations and outcomes (O'Donnell & Hatton, 2009). State agencies also collect similar data as a condition of institutions receiving state student financial aid dollars. Students, families, institutional employees, researchers, and policymakers rely upon such information to make decisions relative to their roles and interests, but the information can be difficult to locate, compare, and use (National Postsecondary Education Cooperative, 2009).

Although important for consumer information and accountability purposes, the processes of data collection, data analysis, reporting, disclosure, and
dissemination can be time consuming, costly, and duplicative. Campus officials reported in a recent survey (ACSFA, 2011b) that

[F]ederal reporting and disclosure requirements often overlap and duplicate similar requirements from state agencies and non-government organizations... [A]dditions to and modifications of these requirements over the years have led to an unwieldy volume and expansive scope of reports and disclosures, with some requirements considered irrelevant [to participation in student financial aid programs]. (p. 37)

Respondents to the ACSFA survey also suggested that the volume and scope of information required tends to be overwhelming for both students and families, contributing to “confusion rather than awareness” (ACSFA, 2011b, p. 37). If students and families are unable to make informed decisions because they are overwhelmed or confused by the information, and if institutional resources that could be productively employed elsewhere are expended in the pursuit and preparation of reporting of doubtful utility, the cost effectiveness of providing such information is undermined.

Recommendations

Numerous aspects of state-level policy relating to postsecondary access, persistence, and completion extend beyond what can be covered in this chapter. Early information and awareness initiatives, dual-enrollment policies, integrated student success initiatives, transfer and articulation policies, and remedial/developmental education strategies are covered in detail elsewhere in this volume (e.g., see chapters by Bragg, Long & Bozman; Melguizo, Kienzl, & Kosiewicz; and Perna & Kurban). Also, beyond the scope here is the ongoing blurring of mission differentiation in many states, as community colleges are increasingly allowed to offer baccalaureate degrees and online programs cross over traditional mission and degree demarcations. Further, the growth of online programs and expansion of the for-profit sector are clearly influencing access and completion in the states, and merit extensive policy discussion.

There is plenty in this chapter, however, to prompt thoughts about how best to move forward at the state level in pursuit of student postsecondary access and success. Following are some recommendations based on our review of this arena.

**Fully Consider Context in Any Reform Initiative**

Every state reform needs to be thoughtfully developed with an eye to not only what has worked elsewhere, but also to what might work in that particular state. That is, context is critical. States constitute, in effect, at least 50 different ecosystems for policy development, and each is different in terms of resources, histories, and cultures. For example, states with centralized governance systems, low tuition rates, heavy reliance on community colleges, and small private sector constitute remarkably different environments for students’ college decision making from states featuring decentralized governance, high-priced four-year institutions, and large private sectors. What works in one may well not work in another. The diffusion of good ideas from state to state, and even the national imposition of certain reforms, can be beneficial, but successful innovations must always be astutely contextualized.

**Nourish the Natural Roots of Reform While Maintaining Measures of Accountability and Consumer Protections**

As an extension of the consideration of context in reform, policymakers need to recognize that “one size fits all” mandates are unlikely to succeed, or to be well received, given the extraordinary variation across states, and across institutions within states. Indeed, recent experience with federal initiatives in student unit-record systems provides ample evidence of the advisability of more indirect approaches. Capably designed, incentive-centered policies to enlist states in federal efforts that widen access and ensure persistence and completion hold great promise, because evidence-based information is critical to policy decisions. Reciprocal communication among students, counselors, practitioners, educational leaders, policymakers at the federal and state levels, researchers, business leaders, and other stakeholders is a goal to be sought in and of itself, independent of particular issues in student success. Sorely lacking in policymaking and individual decision making regarding access, persistence, and completion is a visible, stable information and communication infrastructure to ensure both knowledge dissemination and ongoing dialogue among actors in this arena. Regulatory control of academic quality has been vested far more at the state level than at the federal level. And at the state level, there is wide variation in institutional quality and in the role states play in monitoring that variation. Although current political will tends toward deregulation and marketization in education, as well as in other policy domains, it is important that regulatory regimes not be compromised or abandoned. As larger socioeconomic and technological conditions change, fiscal and social progress and integrity require restraint as well as freedom. Incentives for greater efficiency or increased degree production should never come at the expense of program quality, institutional quality, and access.

**Ensure Policy Development Includes Critical Evaluation of the Entire Spectrum of Access and Completion**

The myriad demands on higher education need to be clear, as does the understanding of the evolving diversity of the student population and the way by which education is delivered. Policymakers need to undertake more detailed consideration
of the definitions of acceptable levels of access, persistence, and completion. Over recent years, we have increasingly lost clarity on, and need rigorous research to inform, such questions as “What is a student?” “What is enrollment?” “What constitutes persistence?” “What constitutes completion?” and “What degrees and certificates comprise goals for completion?” These are not merely rhetorical questions—there are real equity considerations at stake. We have long known that higher education enrollments and degree outcomes look more and more equitable as we extend the definition of enrollment from traditional images of college to encompass part-time attendance as well as full-time attendance; two-year institutions, vocational-technical institutions, for-profit institutions as well as non-profit four-year institutions; certificates as well as degrees, online degrees as well as traditional degrees; and so forth. In an era in which even the most elite institutions are offering increasing numbers of MOOCs (massively open online courses), and further widening the doors to postsecondary participation, it is critical to ask, “How much is enough?” That is, what is the point at which one draws the line, stating this constitutes access and this does not, and for whom? As we dilute core indicators, we, in turn, increase the difficulty of the task, and in that process we may dilute as well the prospects for achieving true equity of opportunity.

Adopt Performance Funding With Careful Consideration and Realistic Expectations

Performance funding, despite its limitations, maintains strong appeal to many stakeholders, including state legislators and governors, so it is important for policymakers at the institutional, state, and national levels to be aware of best practices and opportunities to provide incentives that will demonstrably improve performance. In developing any such system, it is essential for all involved to thoroughly consider the most critical state- and institution-specific goals to be incorporated into funding, consider the relative importance of various stakeholders in the prospective system, scan available resources to learn what is known about the most effective funding mechanisms for pursuing key goals, remain sensitive in funding approaches to the needs of individual colleges, reward progress in meeting these goals (Miao, 2012), plan from the start to accommodate the fiscal and planning uncertainty that can plague colleges under such systems, and develop knowledge about who will be implementing the system in institutions.

Resurrect and Strengthen the Notions of Federal-State Partnership and Cross-Sector Partnership

One of the valuable aspects of the relative comity around postsecondary policy issues in the 1970s was the ongoing sense among various actors that they shared a common goal of expanding educational opportunity. Obviously, no era is ever as harmonious as it might appear in retrospect, and the 1970s were no exception (see Hearn, 1993), but there is little doubt that tension across levels and sectors rose as the seeds of political and economic atomization grew in the following decades. Too often, suspicions, cynicism, and redress of past grievances have driven polarized stances. Now, the time seems ripe for shared understanding and compromise. Many of the programs in the Higher Education Act arose out of implicit and explicit partnership between federal and state governments to establish and carry out policies for postsecondary access, with further partnership with institutions for persistence and completion. The strength of these partnerships is necessary to ensure local, state, and national educational goals are met, especially in the critical domains of postsecondary access, persistence, and completion.

Refocus Efforts to Reduce Financial Barriers

Regardless of the philosophy adopted toward public funding of education, states’ continuing de facto commitment to a high tuition/low aid model must be seriously reconsidered and ameliorated. Students with the least financial resources need to have opportunities to pursue the postsecondary education for which they have prepared and to which they aspire. The current stance of high tuition/low aid is pricing out growing numbers of students who seek to enroll and complete postsecondary education. Institutions must do their part in keeping costs down as well, as all stakeholders need to put in place models that effectively minimize financial barriers. As efforts to improve academic preparation advance, it is important not to let financial barriers negate that progress.

Conclusion

Despite the recent recession and subsequent economic turmoil, access, persistence, and completion are as important now as they were at the time the Higher Education Act was enacted in 1965, nearly a half-century ago. Indeed, these goals may very well be more important, as the U.S. faces global economic challenges while progressively losing its historic pre-eminence in postsecondary education. In the current context, it would be entirely unrealistic to rely on the federal government to play as critical a role in educational opportunity as it played in the 1960s and 1970s—as a central, primary policy champion, creator, and funder in this arena. States will continue to have critical policy roles in ensuring college affordability, standards for and alignment among the stages of education, and accountability for outcomes. In pursuing those goals, they ultimately play major national roles in ensuring access, persistence, and completion.

Notes

1. Although private foundations are taking increasingly prominent roles in national postsecondary education policy (Cloftelder, 2012; Hall & Thomas, 2012; Lumina
Foundation, 2011), this chapter focuses on efforts at the state level, including those state initiatives or policies that were scaled nationally by representative associations.

2. We distinguish “total outlay” from “total cost” to differentiate these costs from opportunity costs, which would include the lost wages from not entering the job market and instead entering postsecondary education. When we use the term “cost” throughout the remainder of the chapter, we are referring to outlays and not opportunity costs.

3. In its annual survey of state-funded expenditures for postsecondary student financial aid, the National Association of State Student Grant and Aid Programs (NASSGAP, 2012) found that for the 2010–2011 award year, total state aid from all sources increased 1.3% in constant dollars from the previous award year; need-based grants for undergraduates increased 1.7%, and total grants—both need-based and non-need-based—increased 4%. These increases in state need-based grant funding have not kept pace with public tuition increases as in-state tuition and fees at public four-year institutions increased by 7.9% between the 2009–2010 and 2010–2011 award years (College Board, 2010). In constant dollars, using the 2010–2011 award year as a base, state need-based grant assistance increased by 5.8% in 2007–2008, and the amount of increases in subsequent years has fluctuated to the current level of an increase of only 0.5% between 2009–2010 and 2010–2011. Total spending on grants—need- or non-need-based—hasn’t fared much better. Conversely, increases in tuition and fees at public four-year institutions have outpaced state increases in need-based aid during this period (College Board, 2012).

4. The HOPE program began as a need-based program but eventually had the income caps eliminated. Also, during the program’s inception, HOPE grants were created, and continue to exist, for certificate and diploma programs. The authors thank Nancy Ferguson at the University of Georgia’s Office of Student Financial Aid for sharing her expertise on the particulars of the program and its history.

5. A recent study (Fitzpatrick & Jones, 2012) questions the strength of the claim that merit aid stanches brain drain, however.

6. Both plan types are often called “529 Plans” in recognition of the section of the Internal Revenue Code in which they are authorized. For purposes of clarity in this chapter, we reference each plan by its type name.

7. Although K–16, P–16, and P–20 efforts all have a similar goal of creating a comprehensive system of education that begins with early childhood and ends after college, each effort has its own focus. Specifically, K–16 systems generally span kindergarten through a four-year college degree, P–16 initiatives range from preschool through a four-year degree, and P–20 systems go beyond P–16 to include graduate school degrees and certificates (Krueger, 2006). For purposes of this chapter, we consistently use P–16 to generally refer to all such efforts.

8. For additional insight into the Common Core State Standards, see the Conley and Perna and Kurban chapters in this volume.

References


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