SHEEO

STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

STATE HIGHER EDUCATION LEADERS' PERSPECTIVES ON COLLEGE AFFORDABILITY AND THE STATE-FEDERAL RELATIONSHIP IN HIGHER EDUCATION FINANCING

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ACKNOWLEDGEMENTS

This report would not have been possible without additional support, particularly from SHEEO staff members Sophia Laderman, Kelsey Heckert, Pearson Brown, Christina Whitfield, Lynneah Brown, and John Lane. SHEEO would like to thank our membership for taking the time to participate in the interviews and take the survey.

DISCLAIMER

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

The State Higher Education Executive Officers Association (SHEEO) serves the executives of statewide governing, policy, and coordinating boards of postsecondary education and their staffs. Founded in 1954, SHEEO promotes an environment that values higher education and its role in ensuring the equitable education of all Americans, regardless of race/ethnicity, gender, or socioeconomic factors. Together with its members, SHEEO aims to achieve this vision by equipping state higher education executive officers and their staffs with the tools to effectively advance the value of higher education, promoting public policies and academic practices that enable all Americans to achieve success in the 21st century, and serving as an advocate for state higher education leadership. For more information, visit sheeo.org.

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EXECUTIVE SUMMARY

Growing concerns over student debt have led to a series of sweeping policy proposals from higher education associations, think tanks, and policymakers over the last decade to align state and federal higher education financing policy. The existing framework, in which states primarily subsidize institutions and the federal government primarily supports students, is increasingly seen as an inadequate, outdated approach to making college affordable. The most prominent proposal was the tuition-free community college plan advanced by President Biden in 2021, a measure undergirded by a state-federal partnership that received substantial but not sufficient support from Congress. Despite this setback, more partnership proposals are expected in the years ahead.

State higher education executive officers (SHEEOs) play a key role in state policy leadership and would be central to the implementation of a state-federal higher education financing partnership. However, most state-federal partnership proposals have been crafted at the federal level, with limited input from the SHEEOs. This study used interviews with SHEEOs and a survey of the membership of the State Higher Education Executive Officers Association to better understand the views of the SHEEOs on factors influencing college affordability, the appropriate role of states and the federal government in higher education financing, and their perspectives on tuition-free public higher education proposals.

In the interviews and surveys, the SHEEOs expressed their concern over college affordability but had a range of views on factors driving increased tuition prices, including inflation, labor costs, and declines in state subsidies. The SHEEOs welcomed greater coordination with the federal government through incentives and investments in state-driven college affordability plans, but tuition-free proposals received a mixed response. SHEEOs remain concerned about the sustainability of such programs and believe more targeted approaches, such as supporting need-based financial aid, could better withstand longer-term budgetary and political challenges. SHEEOs were also wary of onerous federal mandates and would like flexibility in a partnership amid the wide variation in state political and economic contexts.

This study has yielded numerous opportunities for further research. This includes exploring cost containment efforts in the states to make college more affordable, examining how the existing suite of federal higher education programs could better integrate state policy and participation, and gaining perspectives of other state policy actors on a state-federal financing partnership, such as governors, legislators, and college presidents. There are also opportunities for the development of flexible state-federal partnership proposals that address concerns raised by the SHEEOs, including centering state affordability plans, targeting financing policies that reduce the burden on states, and minimizing federal policy mandates.

INTRODUCTION

Over the past decade, there have been growing questions about whether the longstanding, bifurcated federal higher education financing framework—consisting of states primarily subsidizing public institutions of higher education and the federal government largely investing in student financial aid—is achieving its goal of ensuring equality of opportunity. Many of these questions stem from the significant share of high school graduates opting not to enroll in higher education due to cost concerns, continued educational attainment gaps based on race and income, and cumulative student debt having surpassed $1.75 trillion. This has led to an array of proposals from higher education associations, think tanks, and policymakers that, if enacted, would represent the most sweeping changes to federal higher education financing policy since the 1972 amendments to the Higher Education Act (HEA).

One reform idea that has gained traction has been a state-federal partnership for higher education financing, like longstanding state-federal financing arrangements in the transportation, K-12, and health care sectors. Partnership proposals have ranged from incentives for states to maintain their investment in higher education to complex federal-state cost sharing agreements that set tuition prices at public colleges and universities. The most prominent reform proposal, America's College Promise (ACP), would create a state-federal partnership to make community college tuition free. This proposal, which was supported by President Joe Biden and most House and Senate Democrats, failed to gain enough support in Congress and was removed from President Biden's budget reconciliation package in 2021. Despite this, the movement to make college more affordable through a state-federal partnership will likely continue in the years ahead.

The shift toward an overhaul of higher education financing through a state-federal partnership has largely been driven at the federal level, and the voices of state higher education leaders (SHEEOs), who would play a pivotal role in implementing these far-reaching policy reforms, have been largely absent from the literature. In addition, there is limited information on SHEEOs' views on the broader issues of college affordability and the forces driving increased tuition prices in higher education, along with their perspectives on the appropriate roles of the states and federal government in making college affordable. Through interviews with SHEEOs and surveys of the membership of the State Higher Education Executive Officers Association (SHEEO), this study examines the views of state higher education leaders on college affordability, provides their perspectives on the state and federal roles in higher education financing, and shares insights into their views on state-federal partnerships and free college proposals.

CONTEXT

SHEEOS AND COLLEGE AFFORDABILITY

College affordability is a shared responsibility spread across federal, state, and local governments, along with students and their families (Laderman, Cummings, Lee, Tandberg, & Weeden, 2023). States lower the price of college tuition through subsidies to public colleges and universities while also supporting students through state financial aid programs. In more than half of all states, local governments provide financial support to public institutions—most of which is directed to community and technical colleges (Kunkle & Laderman, 2023). The federal government's role in college affordability largely consists of investments in student financial aid programs, with the Pell Grant and federal student loans being the dominant vehicles for federal financial support. The federal government also makes sizable investments in college affordability through the tax expenditures and veterans' educational benefits (The Pew Charitable Trusts, 2019).

College affordability remains a leading public policy concern today with declining state subsidies listed as a leading factor driving higher tuition prices (Archibald & Feldman, 2011, 2012, 2018). States have contributed less as a share of their budgets to higher education over the last several decades (Kunkle, 2023) and net tuition has increased (Kunkle & Laderman, 2023). Other explanations include, but are not limited to, price escalation stemming from the availability of federal student grants and loans, rising administrative expenses, and increased student support services and amenities.

State higher education executive officers play a leading role in setting a statewide agenda for higher education and developing policies to increase access to affordable college opportunities (Curry, 1988; Harnisch & Laderman, 2023; Lingenfelter, 2018). Despite their influential positions, the last national assessment of their views on the factors influencing college affordability was performed in the 1980s (Mingle, 1988). With considerable changes in the college affordability landscape since then, understanding their views can help federal and state policymakers craft the most effective college affordability frameworks.

THE STATE-FEDERAL RELATIONSHIP IN HIGHER EDUCATION FINANCING

With declining state subsidies cited as a leading factor driving rising college prices, there have been myriad proposals to create a partnership between the states and the federal government to make college more affordable (Barrett, 2016). The states and federal government have distinct roles in higher education financing and often misaligned policies (Conklin & Baum, 2017; Mingle, 1995). While federal-state partnership proposals vary widely, the common goal is that the federal government incentivize states to invest in higher education and make college more affordable.

Despite today's misaligned policies, there is a history of state-federal cooperation in higher education financing. State-federal partnerships in higher education date back to early American history with federal land grants, the most notable partnerships being the Morrill Land-Grant Acts and their related laws (Honey & Hartle, 1975; Rivlin, 1961). Other partnerships have included the Higher Education Facilities Act of 1963, which included federal matching funds to states to build and upgrade campus physical plants (Honey & Hartle, 1975) and the State Student Incentive Grants (SSIG) created in the 1972 Higher Education Act Amendments. SSIG, which was later renamed the Leveraging Educational Assistance Partnership (LEAP) in the 1998 HEA amendments, greatly influenced growth in state investments in need-based financial aid (Alexander, 2021) but has not been funded since 2011.

More recently, in the 2008 HEA reauthorization, Congress approved the College Access Challenge Grants (CACG), which provided funds to states to finance a range of activities related to college access, including providing financial literacy and debt management and assistance in filing the Free Application for Federal Student Aid (FAFSA). The program included a maintenance of effort (MOE) provision for states, requiring them to continue funding institutions at the same or similar level over time even if federal support wanes. However, a significant number of states applied for waivers from the MOE provision, and the limited amount of federal funds required some states to make significant increases in higher education funding to receive a relatively small amount of federal funding (Harnisch, 2012). CACG has not been funded since 2014.

Stimulus bills passed in response to the Great Recession and COVID-19 pandemic have included MOE provisions to ensure states used the influx of federal funds to supplement, and not supplant, existing state investments in higher education. MOE provisions included in the American Recovery and Reinvestment Act (ARRA) of 2009 influenced state appropriations levels. According to one analysis, nine states reduced their funding for higher education in fiscal year 2010 to within 1% of their fiscal year 2006 federal MOE threshold and three states set their higher education budgets at the minimum threshold (Alexander et al., 2010). A subsequent analysis found that states reduced funding to financial aid programs, which were not subject to MOE requirements (Delaney, 2014). The three major COVID-19 pandemic relief packages each included MOE provisions (Whitford, 2022), but an analysis of the effect of these provisions on state funding for higher education has not yet been conducted.

Beyond these limited examples, however, there is not a consistent state-federal relationship in higher education financing in federal law. Leading federal policymakers in the late 1960s assumed the robust state funding of the 1960s would continue unabated in the years ahead (U.S. Department of Health, Education and Welfare, 1969) and did not include protections for state investment in higher education. This assumption has not materialized, as state higher education budgets remains volatile and vulnerable to funding cuts, particularly during economic downturns.

SHEEOs can play an important function in articulating the appropriate roles for states and the federal government in making college affordable. Historically, SHEEOs have played a role in the development of federal-state higher education policy frameworks dating back to the creation of SSIG (Lingenfelter & Mingle, 2014). SHEEOs, working in coordination with federal policymakers, can develop state-federal policy frameworks with realistic, effective, and politically feasible provisions that maximize state participation and make college more affordable.

TUITION-FREE COLLEGE

Efforts to make public colleges and universities tuition free have gained traction at the local, state, and federal levels in recent years. Local and state governments, along with private support, have initiated a diverse array of "promise" programs to make public colleges tuition free. Most are "last dollar" programs, meaning the funding source, such as the state government, pays tuition costs not already covered through Pell Grants and state financial aid programs. The federal government, starting in the Obama administration, has sought to build on the momentum of the local and state efforts to create a national free community college through a partnership with states (The White House, 2015). While President Obama's plan did not gain traction in the Republican-controlled Congress, House and Senate Democrats continued to introduce free community college bills in the years following his administration.

In 2021, the federal free community college movement regained momentum with the backing of President Biden and Democratic majorities in the House and Senate. The proposal included a provision that matched $3 in federal funds for every $1 in state funds, along with other requirements on states, such as improved transfer pathways (Baldwin, 2021). However, it did not receive sufficient support from Senate Democrats and was removed from the budget reconciliation package (Gravely, 2021). The Biden administration has included free community college in its budget blueprints since 2021, but the plan remains opposed by the Republican-controlled House of Representatives.

If Congress decides to enact a national free community college program, SHEEOs will play a key role in policy implementation. Governors and legislators will have to choose whether to participate in the program, and if states decide to join the program, SHEEOs and their agencies will have to adjust existing state policies and programs to accommodate the new federal policy. While free college has been part of the national higher education discourse for several years, a collective assessment of the state-level perspectives has not been conducted, including from the SHEEOs.

DATA COLLECTION & ANALYSIS

The purpose of this study was to understand state higher education leaders' views on college affordability, the role of state and federal governments in higher education, and federal proposals to make college tuition free. To answer our research questions, we first interviewed a subset of SHEEOs to provide depth and nuance to the three research questions. We then surveyed the entire SHEEO membership to gain a wider understanding of state higher education leaders' perspectives on higher education finance.

The qualitative interviews consisted of SHEEOs in 15 states for approximately 20 to 50 minutes each. The interviewees were selected purposefully to cover a wide array of political landscapes, financial aid and college affordability environments, governance structures, and makeup of institutions within their states (i.e., number of two-year, four-year, public, and private institutions). Interview questions were broken up into three sections: (a) views of college affordability and the state-federal relationship in higher education policy; (b) views on free college; and (c) perspectives on President Biden's free community college proposal. To maintain participant confidentiality, we do not describe specific contexts for the states in which we interviewed the SHEEO. All interviews were recorded and transcribed by a member of the research team or a professional transcription service. These recordings and transcripts were used for data analysis.

Following the transcription and analysis of the qualitative interviews, we designed a survey in Qualtrics using our research questions, the qualitative interview questions, and the initial interview participants' responses. We emailed the survey to each member of the SHEEO Association (61), inviting them to participate. The final survey consisted of 10 questions and asked participants about their views on the cost of college to students and families, the role the federal government should take to help states make college more affordable, and tuition-free college. Like with the participant interviews, to protect anonymity, we do not identify the states from which SHEEOs responded.

To analyze the data, we first uploaded transcripts and recordings of each interview into Dedoose, a qualitative data analysis software program. We then used open coding to categorize responses and create a codebook in Dedoose. As similarities across the constructed categories emerged, we used axial coding (Merriam & Tisdell, 2016) to group open codes together. For example, we grouped "financial aid/student costs," "state disinvestment," "state funding," and "uses of funding," under "funding/finance." To make sense of the coded data, two members of the research team used our guiding research questions to take notes and memos. The two research team members then reviewed and discussed each other's notes and memos, seeking to determine where there were similarities and differences in SHEEOs' responses to the interview questions. This allowed us to observe similar and outlier perspectives among the interview participants, then identify three overarching themes addressing SHEEOs' views on college affordability, the roles of states and federal government in making college more affordable, and federal proposals to make college free.

We then analyzed the survey data, using percentages of participant responses, averages, and ranked orders to describe the results. Of the 10 survey questions, we asked participants to respond to eight questions using a Likert scale consisting of seven options ranging from strongly disagree to strongly agree. In the Likert scaled questions, we asked participants questions pertaining to the cost of attendance at public institutions, the contributing factors to college affordability issues, and potential options for coordination of state and federal funding of higher education. For the remaining two questions, we asked participants to rank four options pertaining to preferences on federal subsidies and state-federal partnerships to make college more affordable. Of the 61 SHEEOs we invited to participate, a total of 37 responded to the survey. Thirty-one SHEEOs responded to the two ranking questions. Thirty-one SHEEOs responded to the individual items within the Likert scaled questions. On average, 36.1 SHEEOs responded to the eight Likert scaled questions.

RESULTS

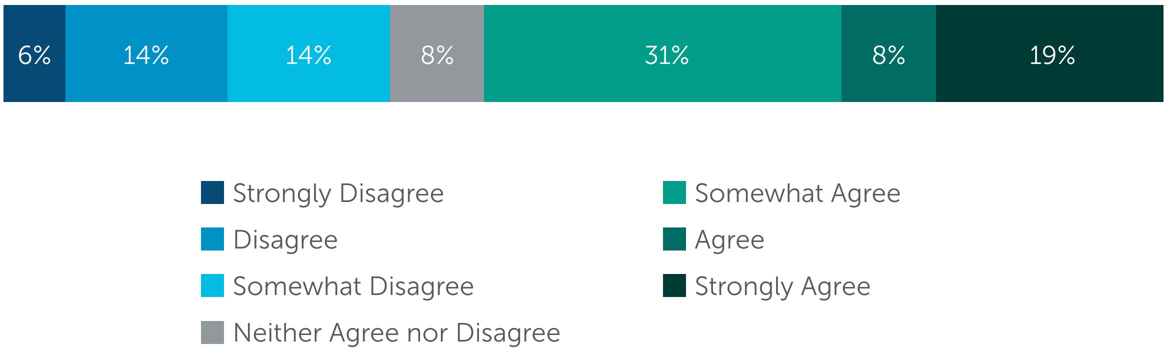
The responses to the research questions varied greatly. Overall, SHEEOs' perspectives shared concern for college affordability, the desire for a federal-state partnership that allows flexibility, and a preference for targeted tuition-free college policies over those open to all students. In this section, we present overarching themes from the qualitative analysis of interview data and descriptive analysis of survey responses.

COLLEGE AFFORDABILITY

The majority of SHEEOs expressed concern over college affordability. More than half of the 36 respondents agreed that the cost of attending public colleges and universities in their state is too high (see *Figure 1*). One SHEEO expressed concern that the prices of college are leaving people in their state behind and preventing them from receiving "the educational tools they need in order to be able to fully participate in the economy." While many SHEEOs shared the view that the cost of attending college in their state is too high, they did not all agree on what factors and who—institutions, state governments, or the federal government—are to blame.

FIGURE 1

THE EXTENT TO WHICH SHEEOS AGREE THAT COSTS OF ATTENDING PUBLIC COLLEGES AND UNIVERSITITES IN THEIR STATE ARE TOO HIGH



NOTES:

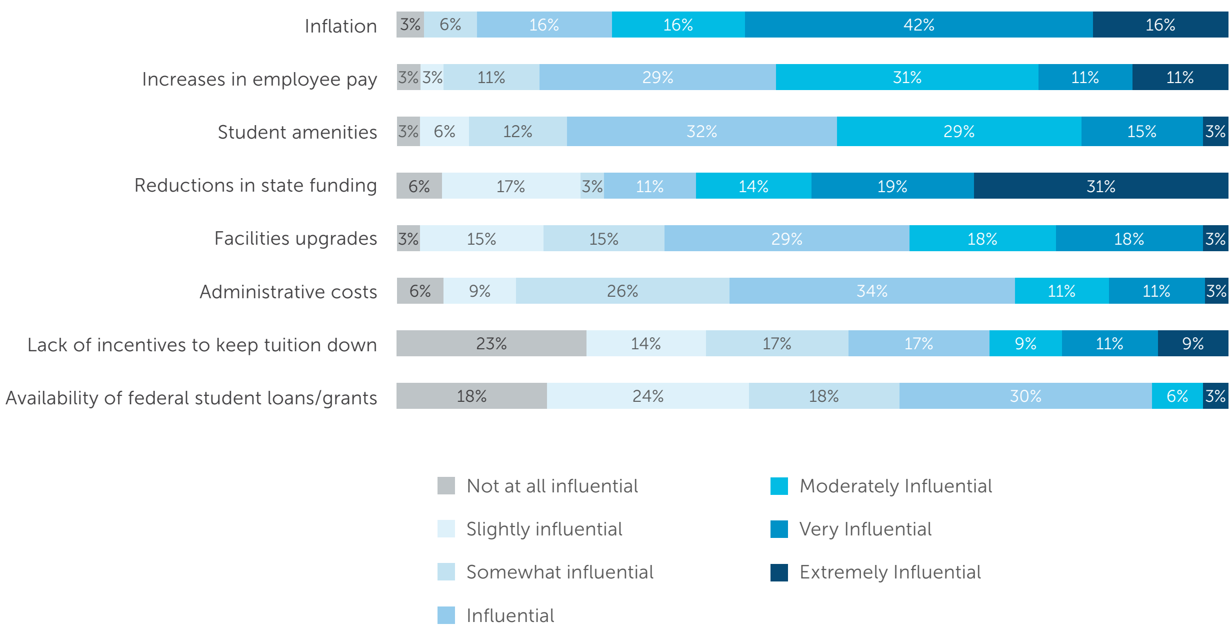
1. Ratings scale: (1) strongly disagree, (2) disagree, (3) somewhat influential, (4) neither agree nor disagree, (5) somewhat agree, (6) agree, (7) strongly agree.
2. These percentages represent the responses from 36 state higher education executive officers.

SOURCE: State Higher Education Executive Officers Association

Multiple interview participants identified potential causes for rising costs of tuition and fees. One SHEEO discussed what is generally known as cost disease, which is the argument that wage increases to compete for highly skilled workers coupled with technology changes that affect quality have led to increased costs in personnel-based industries like higher education (Archibald & Feldman, 2011, 2012, 2018). This SHEEO described the challenge of defining "quality at the institutional level," through the means of maintaining cost-driving, highly skilled workers, "and how to fund it." The SHEEOs surveyed also identified inflation and increases in faculty and staff pay as the top two factors contributing to increased tuition prices at public institutions of higher education in their states. As seen in *Figure 2*, 74% and 54% of participants identified inflation and increases in faculty and staff pay, respectively, as at least moderately influential. Conversely, 18% and 23%, respectively, identified the availability of federal loans and grants and a lack of incentives to keep costs down as not influential to increases in tuition prices in their states.

FIGURE 2

THE EXTENT TO WHICH SHEEOS ATTRIBUTE FACTORS TO INCREASES IN COLLEGE TUITION PRICES AT PUBLIC COLLEGES AND UNIVERSITIES



NOTES:

1. Ratings scale: (1) not at all influential, (2) slightly influential, (3) somewhat influential, (4) influential, (5) moderately influential, (6) very influential, (7) extremely influential.
2. These percentages represent the responses from 36 state higher education executive officers.

SOURCE: State Higher Education Executive Officers Association

SHEEOs also focused on the actions of entities with power over funding higher education and setting tuition prices. Some SHEEOs expressed concern that colleges and universities raise tuition and fees potentially because student loans are "allowing institutions" to do so. One participant was especially concerned about institutions increasing fees:

> My concern, as far as access and affordability is concerned, is the increase of tuition and fees. Why do I bring up fees? Because some colleges and universities mask tuition increases in the sense that we only increase tuition two or five percent, which is the national average. However, what I'm starting to find is the infrastructure of fees, and there's this whole conglomerate of fees now.

This SHEEO went on to name numerous fees that have been added to the price students must pay to attend college and expressed concern that these fees "could eat up" federal, state, and other financial aid. Other survey participants shared this concern. As seen in *Table 1*, survey participants identified growth in student amenities and services, which are primarily covered by student fees, as the third highest factor influencing increases in tuition and fees in their state.

SHEEOs also criticized the investments, or lack thereof, of states and the federal government. Reductions and instability in state funding received the fourth highest number of SHEEOs selecting this factor as influencing increases in tuition and fee prices at their public colleges and universities. One participant we interviewed bluntly stated it must be acknowledged that "states have disinvested because it's been easy for them to do it, relative to other costs that states face and Pell has not kept pace with either of those two changes." However, while several SHEEOs we interviewed touched on the latter factor—the federal government not having kept up with its share of contributing to higher education and the waning purchasing power of Pell Grants—only 39% of the SHEEOs we surveyed identified availability of federal student loans and grants as a contributing factor, and only 9% identified this as at least a moderately influential factor (see *Table 1* and *Figure 2*).

TABLE 1

THE PERCENTAGE OF SHEEOS WHO RATED FACTORS AS INFLUENTIAL OR HIGHER

	% OF RESPONDENTS WHO SELECTED "INFLUENTIAL" OR HIGHER
INFLATION	90%
INCREASES IN FACULTY/STAFF PAY	83%
GROWTH IN STUDENT AMENITIES/SERVICES	79%
REDUCTIONS/INSTABILITY IN STATE FUNDING	75%
FACILITIES UPGRADES	68%
GROWTH IN ADMINISTRATIVE COSTS	60%
LACK OF INCENTIVES TO KEEP TUITION DOWN	46%
AVAILABILITY OF FEDERAL LOANS AND GRANTS	39%

NOTES:

1. Ratings scale: (1) not at all influential, (2) slightly influential, (3) somewhat influential, (4) influential, (5) moderately influential, (6) very influential, (7) extremely influential.
2. These percentages represent the responses from 36 state higher education executive officers.

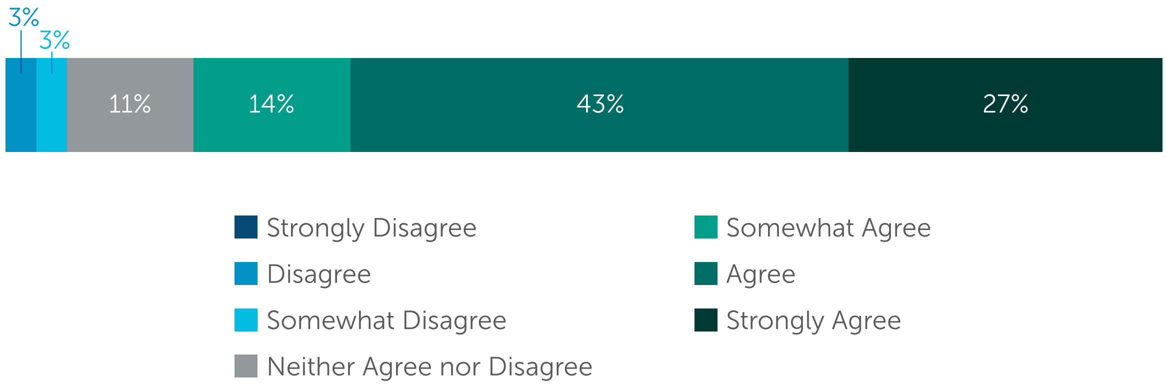
SOURCE: State Higher Education Executive Officers Association

STATE-FEDERAL PARTNERSHIPS

SHEEOs generally agreed that the current arrangement of higher education funding—states primarily funding institutions and the federal government primarily funding students—has not been effective in keeping college affordable. One participant we surveyed stated that "a new model is needed that values the public good of higher education while continuing to reduce student debt." Both interviewed and surveyed SHEEOs were generally in favor of some form of state-federal partnership to address college affordability. In fact, 74% of the participants we surveyed wished to see greater coordination between the states and the federal government to make college more affordable (see *Figure 3*).

FIGURE 3

THE EXTENT TO WHICH SHEEOS WOULD LIKE TO SEE GREATER COORDINATION BETWEEN STATES AND THE FEDERAL GOVERNMENT TO ADDRESS COLLEGE AFFORDABILITY



NOTES:

1. Ratings scale: (1) strongly disagree, (2) disagree, (3) somewhat influential, (4) neither agree nor disagree, (5) somewhat agree, (6) agree, (7) strongly agree.
2. These percentages represent the responses from 37 state higher education executive officers.

SOURCE: State Higher Education Executive Officers Association

Generally, SHEEOs emphasized the need for the federal government to implement incentives so states will buy in. There was some consensus among interviewed and surveyed participants that the "devil is in the details" when it comes to states being incentivized to participate. SHEEOs overwhelmingly expressed the condition of a state-federal partnership allowing flexibility for states to use federal funds to address their differing needs. In general, survey participants (84%) preferred that federal government funds to states be tied to the development of a state-driven college affordability plan (see *Table 2*). Both in interviews and the survey, some SHEEOs explicitly expressed concern over maintenance of effort (MOE) requirements. These SHEEOs acknowledged that, as one participant stated, due to state differences, it would be difficult "to craft federal policy that doesn't penalize states that are in a certain place or that incent bad behavior," when it came to MOE requirements.

TABLE 2

THE PERCENTAGE OF SHEEOS WHO AGREE TO POTENTIAL FUNDING TIES IN A STATE-FEDERAL PARTNERSHIP

	% OF RESPONDENTS WHO SELECTED "SOMEWHAT AGREE" OR HIGHER
A STATE-DRIVEN COLLEGE AFFORDABILITY PLAN	84%
ACCOUNTABILITY MEASURES, SUCH AS PERFORMANCE CONTRACTS, WITH STATES THAT INCLUDE REWARDS OR PENALTIES	54%
FREE PUBLIC COMMUNITY COLLEGE TUITION	47%
NO FEDERAL CONTROLS OR DIRECTION REGARDING TUITION	42%
FREE PUBLIC FOUR-YEAR COLLEGE TUITION	39%
A TARGETED TUITION PRICE AT PUBLIC COLLEGES AND UNIVERSITIES SET BY THE FEDERAL GOVERNMENT, BUT NOT FREE TUITION	60%

NOTES:

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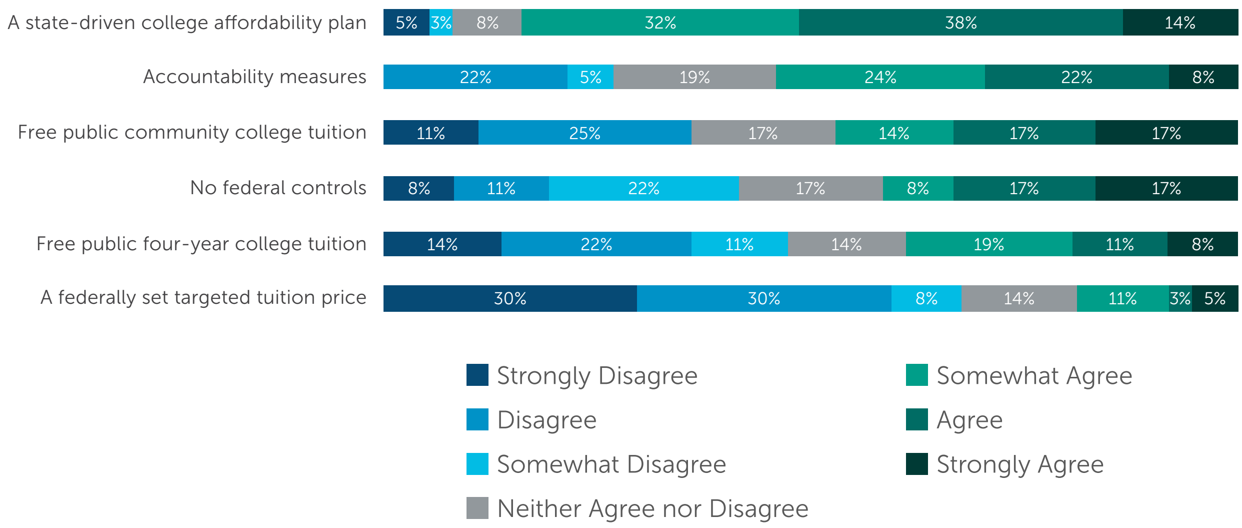
2. These percentages represent the responses from 37 state higher education executive officers.

SOURCE: State Higher Education Executive Officers Association

Additionally, SHEEOs had differing thoughts on how a state-federal partnership should look. One participant interviewed stated: “I think that the states themselves have a responsibility to their citizens to try to make college more affordable, so they should be on the front line.” Another desired a financial arrangement in which states are responsible for two thirds or three quarters of financing public higher education and the federal government is responsible for one third or one quarter. This SHEEO then acknowledged the regulatory and accountability components of a partnership and stated that “the Feds probably should play two thirds of the role in some instances, and the states play a third of the role.” Out of the 37 survey participants, more than half (54%) agreed that federal funding should be tied to accountability measures, such as performance contracts with states that include rewards or penalties. However, most SHEEOs were against federal funds to states being tied to the federal government being able to target tuition prices at public colleges and universities or having any controls or directions regarding tuition in general. Although survey participants did not feel as strongly about federal funds being tied to federal controls or direction regarding tuition, more than 40% still disagreed with this option (see *Figure 4*).

FIGURE 4

THE EXTENT TO WHICH SHEEOS AGREE TO POTENTIAL FUNDING TIES IN A STATE-FEDERAL PARTNERSHIP



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2. These percentages represent the responses from 37 state higher education executive officers.

SOURCE: State Higher Education Executive Officers Association

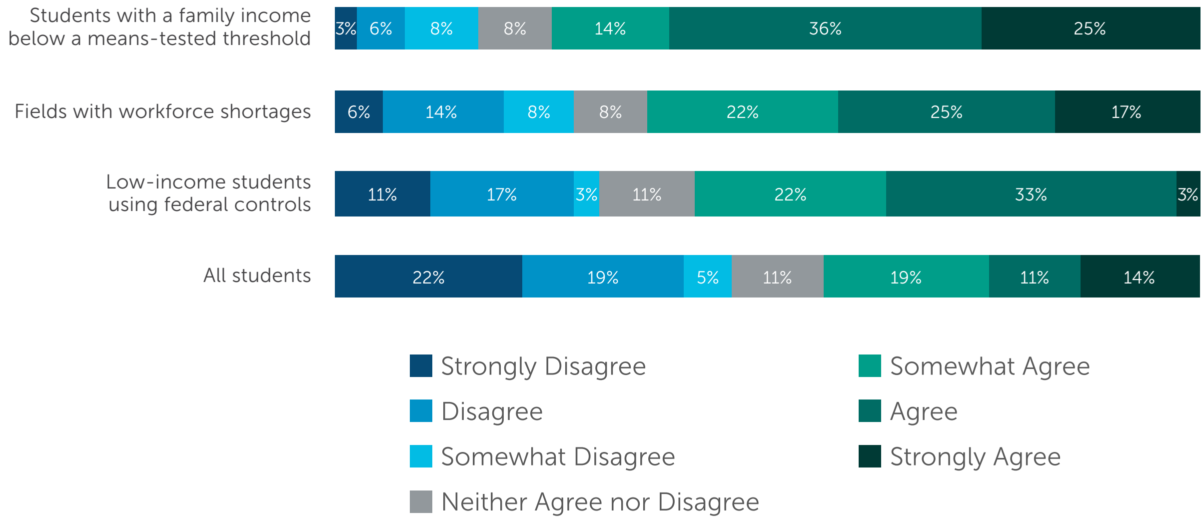
TUITION-FREE COLLEGE

When specifically asked about proposals for state-federal partnerships that would make college tuition free and President Biden's 2021 proposal for tuition-free community college, responses were mixed. SHEEOs expressed that partnering with the federal government to provide free college was not preferred but would be preferable to some alternative options, such as tuition controls and targeted prices mentioned above. As seen in *Table 2*, tying federal funds to free public community college tuition ranked third out of the six options we provided.

We asked survey participants to select which student groups should receive free community college tuition should states partner with the federal government for such a funding arrangement, meaning we did not provide "no students" as an option. Most participants (75%) at least somewhat agreed that community college should be tuition free for students with a family income below a means-tested threshold (see *Figure 5*). SHEEOs also favored the idea of partnering to make tuition free based on workforce needs, subsidizing students entering fields with state-designated workforce shortages. Fewer than half of the SHEEOs we surveyed agreed that community college should be free for all students. When asked about tuition-free college for students attending four-year public institutions, 73% of participants agreed that should a partnership exist, college should be tuition free for students with a family income below a means-tested threshold. As seen in *Figure 5*, the largest percentage of SHEEOs who agreed only somewhat agreed. Both interviewed and surveyed SHEEOs generally agreed that four-year college should not be tuition free, at least not for all students.

FIGURE 5

THE EXTENT TO WHICH SHEEOS AGREE ON TARGETS FOR FEDERAL FUNDING IN A STATE-FEDERAL PARTNERSHIP FOR TUITION-FREE COMMUNITY COLLEGE



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2. These percentages represent the responses from 37 state higher education executive officers.

SOURCE: State Higher Education Executive Officers Association

One reason many participants we interviewed were concerned about a state-federal partnership for tuition-free community college was sustainability. Participants worried that future financial constraints might prevent states from continuing to participate in partnerships, such as the plan President Biden proposed in 2021, since state investment would be required to increase as the federal government contribution decreased over time. Some SHEEOs said the increasing costs for states in future years would deter their state legislature from agreeing to participate, even when politically aligned. One SHEEO framed their concern about financial sustainability for President Biden's plan using the example of the federal Leveraging Educational Assistance Partnership (LEAP) program, explaining that after decades of reduced federal funding, states eventually lost interest in funding the program themselves and abandoned it. This left the SHEEO with a critical question about the proposed partnership for tuition-free community college: "Can states maintain sustainably when the [federal] funding is not 100%?"

Several SHEEOs we interviewed were also concerned about whether the political structure in their state would threaten the longevity of their state's participation in the program. For purple states or those that shift their leadership over time, changes to their legislature might disrupt states' ability to stay in the program long term. One SHEEO proposed the idea of a dedicated fund, or a "nest egg endowment," to ensure their state would be able to continue funding the program during shifts in political control. As an alternative to President Biden's free community college proposal, many SHEEOs offered potential ways for the federal government to address college affordability in a more limited and seemingly feasible fashion, including bolstering existing state and federal aid programs such as state-level free college programs and Pell Grant aid, or narrowing a federal free college program to focus on Pell-eligible students.

In general, SHEEOs felt that smaller, non-universal programs seemed more feasible and sustainable as a state-federal partnership model. For several SHEEOs, the desire for a more tailored, targeted program was primarily due to concerns about sustainability of funding such a large program, and not necessarily because of an ideological distinction about whether college should be free. Additionally, several SHEEOs we interviewed and surveyed expressed that state needs for workforce areas would be a desirable way to target tuition-free programs. Some SHEEOs also emphasized that tuition-free programs do not fully address the total cost of college and that the focus should be on debt-free college rather than tuition-free.

As *Figure 6* shows, overall, SHEEOs expressed preference for state-federal partnerships that would incentivize need-based state financial aid or state operating support—both leaving the federal government out of tuition rate regulation—over per-student subsidies and a state matching plan to make public two- and four-year college tuition free. Altogether, the findings from SHEEO interview and survey responses show that while there seems to be a consensus that college affordability is of great concern and a state-federal partnership may help address this issue, the length and limits to which SHEEOs expressed their state would be incentivized to participate in such a program differs. Ultimately, our interview and survey results suggest that SHEEOs want any future proposals for a state-federal partnership to address college affordability, especially if it involves a tuition-free college component, to allow for flexibility to address their own state's needs and higher education funding preferences.

FIGURE 6

SHEEOS' STATE-FEDERAL PARTNERSHIP PROPOSAL PREFERENCES

	# RANKED 1st	# RANKED 2nd	# RANKED 3rd	# RANKED 4th	AVERAGE (ORDER)
INCENTIVIZE NEED-BASED STATE FINANCIAL AID	13	10	6	2	1.90 (1)
INCENTIVIZE STATE OPERATING SUPPORT	8	12	9	2	2.16 (2)
PER-STUDENT SUBSIDY WITH FREE TUITION REQUIREMENT	7	6	11	7	2.58 (3)
NEGOTIATED AGREEMENTS	3	3	5	20	3.35 (4)

NOTE:

1. State higher education executive officers were asked to rank four potential proposals from most preferred to least preferred.

SOURCE: State Higher Education Executive Officers Association

IMPLICATIONS

The variety of responses we recorded in our interviews and received in our survey are unsurprising given the differences in political contexts, financial capacities, and higher education perspectives that exist among states. Like explicitly stated by some interview participants, these differences create challenges in developing a unanimous model for a state-federal partnership. As evidenced by the reluctance of many states to support and adopt President Biden's free college proposal, the defining features of a state-federal partnership to address college affordability should be flexibility and customizability. That is, the federal government can provide states with a menu of options to mix and match into an approach that is best suited to the context of each state. The following sections outline the four key features of a state-federal partnership—eligibility, funding, accountability, and sustainability—and the operationalized options that exist within each feature.

ELIGIBILITY

SHEEOs generally agreed that tuition-free college should be accessible only to students with demonstrated financial need. Although the specific means test used to determine eligibility was not discussed, the overarching sentiment was that students who can afford to pay, should. Within a means-tested approach to offering tuition-free college through a partnership with the federal government, states have several options for implementation:

1. States can determine a cut-off income level below which students are eligible for tuition-free college. Each state can determine this income level independently based on the average or median income of students and their families in the state.
2. States can implement a tiered tuition model that charges students differential tuition rates based on their income level. As with option 1, states can determine these tiers independently.
3. For options 1 and 2, states can choose to award eligible students financial aid (in the form of grants) or can provide appropriations directly to institutions to reduce tuition.

In addition to student eligibility, SHEEOs also expressed different opinions on which institutions should be eligible for a free-college program. These different opinions likely stem in some part from the differences across states in the proportion of two-year compared to four-year and public compared to private institutions. Like the income-based models for student eligibility proposed above, a flexible federal model would permit each state to determine institutional eligibility independently. The most restrictive programs would be eligible only at public two-year colleges. Broader models would include public four-year or private institutions. In these cases, states may specify that students attending four-year institutions are only eligible for free tuition for a designated number of academic years or terms. After those years of free tuition are exhausted, the student must resume paying tuition.

The primary benefits of means-tested or tiered tuition models are reduced costs for states. Only students below the designated income level are eligible for tuition-free college, while students with higher incomes pay full tuition (or, in the case of a tiered tuition model, varying rates based on their income bracket). States are therefore only obligated to cover tuition costs for eligible students, lowering the overall cost of the program. Costs can be further reduced through limiting the institutions (or number of years in college) that are eligible for the free tuition program. A less expensive option may be more palatable for politicians and policymakers to adopt.

One of the main drawbacks of means-tested and tiered tuition models is the complexity of designing, implementing, and explaining eligibility criteria. The processes of developing an eligibility formula, running students through the formula, assigning eligibility or tuition tiers, and updating eligibility as financial circumstances change are onerous for state agency staff. Moreover, students and their families may have difficulty understanding their eligibility and estimating their costs. Rules surrounding which institutions and the number of years in college that are eligible for free tuition add further confusion. Another negative consequence of a means-tested model is the impact on middle-class families who may not qualify for tuition-free college based on income alone. These students may appear capable on paper of affording college tuition but may in practice be unable to pay tuition without accumulation of educational debt. States should consider the impact of a means-tested program on these middle-class students and adjust their eligibility criteria accordingly.

FUNDING MECHANISM

The mechanism for funding a state-federal partnership is a key area of concern for SHEEOs. Most SHEEOs felt that states should assume the front line in funding a free college program, while the federal government should continue to provide state grants and some degree of regulatory oversight. SHEEOs were concerned that additional federal funding could lead to additional federal regulations of state higher education. However, SHEEOs also agreed that states must be incentivized to participate in a state-federal partnership through articulated cost-sharing agreements to support a free college program. Given the range of cost-sharing options, SHEEOs did not reach a consensus on the most appropriate distribution of costs between states and the federal government. Following the theme of flexibility and adaptability, therefore, an ideal state-federal partnership would allow cost-sharing arrangements to vary by state.

Potential cost-sharing arrangements could range from primarily state support (greater than or equal to three-quarters of all support) to primarily federal support (with less than one-quarter of support coming from states). The distribution of support could also change over time, with states assuming increasingly larger proportions of the share in subsequent years. In this shifting model, the funding from the federal government could incentivize early state participation by reducing the upfront costs associated with a free college program. Over time, as states garner interest in and support for the program, the distribution of funding can shift more squarely onto the shoulders of states. Once again, allowing for state flexibility in determining the most appropriate cost-sharing arrangement could incentivize state participation and long-term compliance.

SHEEOs generally agreed that the most appropriate form of federal support for a free college program should take the form of incentivizing state need-based financial aid through a state match of federal dollars. That is, federal aid would match state investments in need-based financial aid, without interference into tuition rates. Other popular forms of federal support among SHEEOs include matching state operating support and providing per-student subsidies with a state match. While many SHEEOs praised the Pell Grant for expanding affordability and indicated their support for increasing the size of Pell awards to keep pace with the rising costs of higher education, they expressed reluctance in expanding federal grant programs that would increase federal oversight. The ideal model for a state-federal partnership would therefore expand state need-based financial aid with federal funds to match state investments. Flexibility at the state level could exist through the eligibility requirements for state grant programs, the amount of the federal match, and the changing distribution of state to federal dollars.

ACCOUNTABILITY

SHEEOs generally agreed that accountability metrics are a critical part of a tuition-free college model but were apprehensive of federal government overreach into state performance indicators. Overwhelmingly, SHEEOs expressed that the federal government should have no role in determining tuition rates for states. They also concurred that accountability metrics should not be one-size-fits-all and should allow for state variation. Some SHEEOs also supported tying federal funding to accountability measures that would reward or penalize states for their performance on specific outcomes. While specific outcomes were not identified, these could include academic measures such as retention and completion rates or measures of equity such as student racial/ethnic and economic diversity. States could develop these accountability measures independently based on their individual state contexts and attainment goals.

Whereas other federal grant programs have been tied to institution performance on key metrics such as retention and completion, the largest proportion of SHEEOs felt that federal funding to states through a state-federal partnership should be tied directly to state plans to address college affordability. That is, a key metric for success in the partnership would be progress toward making college more affordable for students in the state. Importantly, each state would be responsible for defining and measuring affordability, developing metrics for achieving affordability, and reporting progress to federal partners. The release of additional federal funds to support the state-federal partnership would be contingent on achieving these state-defined affordability goals.

The benefit of permitting states to develop their own performance and affordability metrics is the increased relevance of the measures and effectiveness of the contracts. When states can contribute to the development of relevant metrics, they are incentivized to achieve those goals. Performance and accountability metrics that reflect the context and goals of the state are also more likely to be achievable and sustainable long term.

SUSTAINABILITY

Maintenance of effort clauses require states to dedicate sufficient revenues to maintain the free college program as federal support declines in subsequent years. As with eligibility, affordability, and accountability, SHEEOs agreed that MOE requirements should vary by state context. States vary widely in their ability to dedicate financial resources to tuition-free college programs. SHEEOs were sensitive to the fact that uniform MOE requirements could punish states that have fewer financial resources available to support a free college program. Importantly, a flexible approach that permits each state to establish its own level of a financial match could prevent this unintended consequence.

A common critique of President Biden's free college plan was the lack of guidance on long-term sustainability. While many states may be eager to join the program in the early years, SHEEOs were cautious to point out the challenges in ensuring adequate funding for future years. Changes in state financial circumstances, political control, or ideological beliefs could shift state priorities away from a free college program and undermine the continued success of the program. An ideal state-federal partnership should include a dedicated plan for long-term (at least 10-15 years) financial and political viability, such as through the establishment of an endowment.

IDEAL STATE-FEDERAL PARTNERSHIP MODEL

The results of our interviews and survey suggest that the ideal state-federal partnership will be structured as a federal match of state financial aid dollars, include a means test for eligibility, and be tied to state-driven affordability goals. Beyond these basic characteristics, the specifics of implementing a free college program are less concrete. As one respondent remarked, "the devil is in the details" of how to structure the means test, ratio of state to federal dollars, enforcement of affordability metrics, and maintenance of effort requirements. The overarching theme in a state-federal partnership for free college, therefore, is flexibility. The failure of previous free college models has stemmed in no small part from the lack of attention to the diversity of state contexts. While a model that allows each state to independently determine student and institutional eligibility, the appropriate state-federal funding allocation, accountability metrics, and a plan for long-term sustainability is significantly more challenging to implement, it is also more likely to appeal to a larger number of states. The trade-off of policy complexity is a more relevant, targeted, and sustainable program that works best for each state.

FURTHER RESEARCH & CONCLUSION

This study provides several opportunities for further research on each of the three research questions. On affordability, future interviews and surveys of SHEEOs could take a closer look at cost containment efforts in areas that were deemed as influential in determining college affordability. Interviews and surveys with SHEEOs could be compared with other key groups in higher education, such as college presidents and governing board members, to find shared areas of concern on controlling costs and best practices in cost containment.

On the relationship between the states and the federal government, there are opportunities for further research about how the existing suite of federal higher education programs could better integrate states and state higher education agencies into program participation and leverage state support for higher education. Most federal higher education programs for higher education bypass states, failing to take advantage of state-level accountability mechanisms and strategic plans while also potentially providing a disincentive for states to fund higher education. In addition, there is an opportunity to explore how states responded to the federal pandemic relief packages, including maintenance of effort requirements.

Lastly, there is also an opportunity for further research on the perspectives of other key constituencies in a state-federal higher education partnership and tuition-free college, such as state legislators, governors, and college presidents. With broad support for state-driven college affordability plans, there are opportunities for developing state-federal partnership frameworks and tuition-free college plans that center state affordability plans, target financing to best ensure the program's sustainability, and minimize federal mandates placed on states.

CONCLUSION

This report explored the views of SHEEOs on college affordability, the roles of the states and federal government in college affordability, and policy proposals to make college tuition free. SHEEOs expressed concern over college affordability but cited different factors making college less affordable. The SHEEOs welcomed greater state-federal coordination on higher education financing, but overall preferred a flexible approach that accommodates different state contexts. On tuition-free college, SHEEO responses were mixed, with interest in targeted policies that would be more financially sustainable, such as limiting the program based on financial need or workforce demands. As federal policymakers develop new state-federal higher education financing models in the years ahead, they should consider flexible approaches to ensure broad state participation, limit the federal mandates placed on states, and prioritize program sustainability. There are also numerous avenues for future research on college affordability, the state-federal higher education financing partnership, and tuition-free college proposals.

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