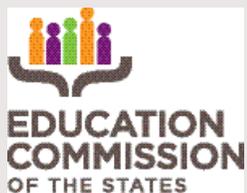


STATE-FEDERAL PARTNERSHIPS IN POSTSECONDARY EDUCATION

FIXING AFFORDABILITY: AN APPROACH FOR ADVANCING FEDERALISM IN THE MODERN ERA



Michelle Asha Cooper

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ABOUT THE AUTHOR



Michelle Asha Cooper is the president of the Institute for Higher Education Policy (IHEP). Cooper is one of the nation's most effective voices in championing access and success.

Cooper oversees IHEP's research portfolio and analytic expertise used to inform and shape national, state, local and institutional policy reform. Cooper is well-versed in higher education access and success (domestic and international), with special emphasis on equitable reform of higher education, college affordability and financial aid policy, institutional accountability, diversity and equity, and other national higher education trends and policies. In addition to being a content expert, Cooper has strong leadership skills, marked by proven success in strategic planning, fiscal management and revenue generation.

She held leadership positions at the Advisory Committee on Student Financial Assistance at the U.S. Department of Education, the Association of American Colleges and Universities, and the Council for Independent Colleges and King's College.

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EXECUTIVE SUMMARY

Contemporary proposals to make college affordable present an ideal opportunity to advance federalism – an enduring feature of our democracy. But the role of the governments and the alignment of federal and state policies is an ongoing concern, even in higher education. There are voices in the education space that suggest that the states’ role in policymaking is superior to that of the federal government. This perspective, however, overlooks the federal government’s role in financing higher education as well as federal policies that have opened the doors of opportunity, such as the Morrill Land Grant Acts, GI Bill, and Pell grants. At the same time, over the years several states have shown their ability to advance innovation and education reform. This is most evident with the “free college” movement that was incubated within local communities and states before gaining national prominence.

This paper explores free college from the lens of federalism and offers practical recommendations for advancing this policy proposal. It also offers perspective on the policymaking process that could inform strategy and alignment of shared goals, particularly in this era of political gridlock and divided politics. By examining the policymaking process through the lens of the “push-pull” framework – where there is both a pull (from the federal government) and a push (from the states) to advance reforms –

some instructive lessons can be learned about the balancing act needed to restore strong federal-state partnerships.

The purpose of this paper is to outline a new balance of power – between the federal government and states – that can advance the free college policy. But, the paper’s first half may feel like a historical account of policy moments and that is intentional. Before diving into a discussion about higher education policy and college affordability, it is necessary to reflect on federalism and how it has evolved to shape the policy landscape. The paper then shifts to contemporary issues, focusing on President Obama and his efforts at education reform, most importantly the America’s College Promise proposal that endeavors to tackle college affordability.

A NEW BALANCE OF POWER

Making college affordable is an issue facing policymakers across this nation. Many recognize that an affordable education is the gateway for increased degree attainment – which is a national priority and an economic necessity for our states and local communities. To achieve this shared goal, the federal government and states will need to work in concert, making strategic investments in higher education. The free college policy is well-suited to



advance a federal-state partnership. And with a new presidential administration on the horizon, now is an opportune time to reflect on how the federal and state governments can capitalize on their strengths to most effectively advance the needs of the American people.

Today's policy leaders must seek reforms that are forward looking, but informed by lessons of the past. On the affordability front, history tells us that college costs will likely increase and could result in the next financial bubble if left unchecked. As a result, policies associated with free college will only be beneficial if the federal and state governments own and play their part - that means spurring innovation, advancing equity, ensuring educational quality and deepening their respective investments in higher education. On the policymaking front, history teaches that there will always be political and turf battles among policy leaders at both levels. But when such tensions are approached strategically - recognizing the importance of balancing the pull and the push - important federal and state reforms can occur that promote shared goals. Given this, policy leaders seeking to advance free college must be guided by questions that acknowledge these practical concerns and anticipate the cycles of the political environment. Questions to consider should focus on access and completion, outcomes and cost. The following briefly highlights the salient points - which the paper discusses in greater detail - for each of these areas that undergird the federal-state strategy for advancing free college.

ACCESS AND COMPLETION: *Which students do not enroll because of financial barriers? Which students are most at risk of not completing college due to finances?*

Equitable access and success ensure that all students who desire to participate in higher education have the opportunity to do so. So when it comes to free college, to maximize the federal-state partnership, programs must target the neediest students. Because college access and success are so crucial, the importance of targeting these resources to grow the access pipeline cannot be understated. Allowing upper-income students, whose enrollment in college are not jeopardized by ability to pay, to benefit from these programs is not only a waste of government monies, it also has the potential to restrict access for other students.

At the federal level, Secretary Clinton's free tuition proposal does attempt to target a subset of students; she introduces an eligibility income cap of \$125,000. While this figure might seem appropriate in some contexts, in most states, \$125,000 puts a family solidly in the upper middle class. To account for income variability, the federal government's threshold should be lowered to \$70,000, which is slightly above the median family income level of \$68,260. This lowered income cap still captures the majority of Americans in most states.

Because state context can vary, state leaders should ask additional questions, "What are the demographic characteristics of potential college students in the education pipeline? What are the historical and current levels of college access and completion, particularly by critical demographics such as race/ethnicity, income and age?" The answers to these questions should be informed by strong data and may suggest that states further target free college programs to other high-need populations.

OUTCOMES: *How do students fare after college, and are they adequately prepared to meet workforce needs? What have they learned? What can they do?*

In policy conversations, more attention is being paid to “college value,” which looks at economic and workforce indicators, as well as outcomes associated with learning and social good. Therefore free college investments should be assessed using a number of these factors. Because of the movement toward outcomes-based funding models, state leaders may also ask additional questions about outcomes to ensure that the program balances educational supply and workforce demand for a given state. Potential questions include, “Are students able to repay their student loans? What are the priority fields of study and types of credentials needed to support the state economy?” Because each state has unique demographic and economic contexts, the answers will undoubtedly vary; so this flexibility should be accounted for within accountability metrics.

At the federal level, there is bipartisan support for increased transparency on college outcomes. For example, loan repayment is being considered as a potential measure of college value because it assesses graduates’ ability to actively repay loans. Plus, recent reports, such as the Degree Qualifications Profile and Answering the Call, outline a variety of indicators already in use by many state and institutional leaders seeking to gauge a more holistic assessment of college value. The growing convergence and agreement toward metrics to assess educational quality and post-college outcomes – being led by faculty and practitioners – bode well for infusing these elements into the free college framework.

COST: *How much should the federal government and states invest in college enrollment and completion?*

The rhetoric around free college is so compelling that many believe that college being “free” equates to college being affordable. But the program is not really free (not even for students) and can leave the root causes of affordability – rising tuition and declining state support – unchecked. Therefore, for free college programs to be viable and sustainable, states must contribute their fair share to financing college and enhancing affordability. The steady decline in state support to higher education is well documented. And even today, in many states, funding levels remain low and minimize the impact of any federal investment.

In recent years, maintenance of effort (MOE) provisions have been used to prod states to increase funding. While states should not need federal incentives to support their residents and economy, recent experiments with MOEs suggest otherwise. Therefore, the federal government should make MOE provisions permanent and introduce a matching requirement for receipt of free college support. And programs that offer “last-dollar” funding – like Tennessee and Oregon – to leverage state support should not decrease their share, at the expense of the federal government. The federal government cannot be the only entity with real skin-in-the-game. As such, sustainability needs to be factored into free college programs from the onset. There are several ingredients to a thoughtful sustainability plan, but clearly the commitment of multi-year federal and state dollars is crucial. Otherwise, programs can become susceptible to political and fiscal pressures at a later date.



THE REVIVAL OF FEDERALISM AND FREE COLLEGE

Although free college programs have been championed by some local communities and states for more than a decade, the desire to advance this proposal at the national level is growing immensely. Federal and state policy leaders should seize this opportunity to work collaboratively to fix the problem of college affordability. Inherent in balancing this partnership, however, is the issue of leadership and control. To ensure program integrity and guarantee that the balance of power remains consistent – with neither the federal government nor the states overstepping their boundaries – it may be worthwhile to create an inter-governmental agency that would be charged with the program’s creation and oversight. The commission should reside at the federal level, but be co-chaired with a governor and comprised of various state leaders. In addition to development and implementation, the commission would make sure

that the federal investment is sufficient to leverage and galvanize momentum in the states and that the accountability requirements placed upon state governments is aligned with state goals and capacity, and proportioned to the funding support.

Federalism and free college are hot topics that offer great promise for policy reform. With a keen awareness and readiness for the cyclical process – back and forth negotiations and debates that occur among federal and state actors – policy leaders can prepare to address free college in a manner that engages offensive and defensive strategies simultaneously. Because access to a quality education is also a foundational principle of American society, making college affordable – through efforts like free college – presents an ideal opportunity to advance federalism in the modern era.



TABLE OF CONTENTS

Restoring Federalism: Making the Case for Free College	2
Federalism as the Anchor for Policy Reform	5
The Historical Evolution of the New Federalism	6
A New Balance of Power	10
Endnotes	16

RESTORING FEDERALISM: MAKING THE CASE FOR FREE COLLEGE

Federalism is an essential feature of American society that has long served as a guiding principle of our democracy. And even with its central role in American history, when the word “federalism” is heard, most people wonder, “What is that again?” The word often conjures a flashback to an American History or Civics course. Some may even recall its connection to the nation’s Founding Fathers. But even with those memories, they still cannot definitively articulate what federalism is or why it is important.

Although federalism has never actually gone out of style – at least not in political circles – it is witnessing a revival in some respects. In the summer of 2016 alone, themes associated with federalism have dominated the media and pop culture. From the sparring among political candidates, to the Broadway hit musical *Hamilton*, to the controversial new film *Birth of a Nation*, conversations linked to federalism – both directly and indirectly – are ubiquitous. And while those enjoying federalism’s emergence in pop culture may have an opinion about this trending topic, even for them the question “What is federalism?” still lingers.

Simply stated, federalism represents the balance of power between the federal government and the states. It is a “safety valve – an instrument for political calibration, accommodation, and innovation.”¹ Although checks and balances and intergovernmental cooperation are core tenants of federalism, tensions between those interested in states’ rights and federal control are as American as

apple pie. And since access to a quality education is also a foundational principle of American society, making college affordable – through efforts like “free college” – presents an ideal opportunity to advance federalism in the modern era.

FEDERALISM IN HIGHER EDUCATION POLICYMAKING

Within higher education, the alignment of federal and state policies is an ongoing concern. Some in higher education argue that governance is a matter for the states, not the federal government. At the same time, the federal government plays a major role in financing higher education, contributing a significant share of revenue to the states.² Additionally, federal involvement in higher education has led to policies that have opened the doors of opportunity, such as the Morrill Land Grant Acts, GI Bill, and Pell grants. On the other hand, several states have demonstrated creativity and have shown that they really can be “incubators for innovation.”³ While there are voices in the education space that suggest that the states’ role in policymaking is superior to that of the federal government, this point overlooks the variation among states, especially as it relates to their capacity to create and fund such innovation. Given these complexities, we need a new balance of power among the federal and state governments. This balance of power needs to take into consideration not only what the states and federal government can do best, but more importantly, what the American people need now. And one of the things needed now is for college to be more affordable.



There are many layers to the affordability conversation, but for purposes of this discussion, the growing momentum of the free college movement will be the focus. This paper explores this policy development from the lens of federalism, applying the push-pull theory which reveals the cyclical movements between the federal government and states.⁴ The paper also offers practical recommendations for advancing college affordability within the context of free college. At

times, the paper may feel like a historical account of policy moments and that is intentional. Before steps can be taken to advance this new idea, it is necessary to reflect upon the cyclical process of policy development and the moments that have shaped them. With history as our guide, we may be better equipped to navigate the policy terrain more strategically, and thereby create reforms more aligned to the conditions and priorities of the day.



WHAT IS FREE COLLEGE?

The phrase “free college” is often used interchangeably to refer to several different programs, summarized below. For this paper, “free college” refers to both the “free community college” and “free tuition” proposals that are being discussed at the federal and state levels.

<p>FREE COMMUNITY COLLEGE</p>	<ul style="list-style-type: none"> • Covers the cost of tuition at community colleges for two years • Program already in existence in Tennessee and Oregon • Primary focus of “free college” proposals at the state level • Winners: <ul style="list-style-type: none"> - Students who enroll in community colleges - Community colleges - States that use last-dollar funding strategies • Potential drawbacks: <ul style="list-style-type: none"> - More competition for seats at community colleges, thereby displacing students who typically enroll in community colleges - Students may need to borrow to cover other costs, such as fees, books, room and board, and transportation
<p>FREE TUITION</p>	<ul style="list-style-type: none"> • Covers the cost of tuition at all public institutions • Program initially introduced by Senator Bernie Sanders during his bid for the Democratic presidential nomination. It is now a part of the campaign platform of Secretary Hillary Clinton in her bid for the presidency. • Primary focus of “free college” proposals at the federal level • Winners: <ul style="list-style-type: none"> - Students who enroll in public colleges - Students with family incomes less than \$125,000 - Public colleges - States that use last-dollar funding strategies • Potential drawbacks: <ul style="list-style-type: none"> - More competition for seats at public colleges - Fewer students enrolling in private institutions - Diminished racial and socioeconomic diversity at selective publics - Students may need to borrow to cover other costs, such as fees, books, room and board, and transportation
<p>COLLEGE PROMISE PROGRAMS</p>	<ul style="list-style-type: none"> • Place-based scholarship programs – often in local communities – that offer free community college or free tuition • Program eligibility and features are determined by the local communities • Winners; <ul style="list-style-type: none"> - Can vary from state-to-state but most programs target recent high school graduates • Potential Drawbacks: <ul style="list-style-type: none"> - Can vary from state-to-state - Without sustained funding, program might be short-lived - Students may need to borrow to cover other costs, such as fees, books, room and board, and transportation
<p>DEBT FREE COLLEGE</p>	<ul style="list-style-type: none"> • Allows students to graduate from college without loans • Proposal initiated at the federal level • Program initially introduced by Secretary Hillary Clinton during her bid for the presidency. It is now infused into the free tuition policy. Winner and drawbacks would now coincide with free tuition program.

FEDERALISM AS THE ANCHOR FOR POLICY REFORM

In describing federalism, Richard Nathan highlights the balancing roles needed for policy development – “there is both a pull (from the federal government) and a push (from the states) that advance federal government initiatives and activities.”⁵ When innovation occurs in this manner, it then reflects the temperament and priorities of both the state and broader society. According to Nathan, historically, when the federal government has been led by conservatives, states have created, tested and refined policies on a localized level that eventually transform into national solutions. At the same time, Nathan suggests that in more recent years, liberal leaders have come to see value in the states, “particularly states with liberal leaders,” as more appropriate than the federal government for advancing certain policy issues.⁶

Nathan’s theory, although vague, has a central premise that focuses on seeking balance – the back and forth negotiations and debates that occur among federal and state actors. Nathan is most descriptive about the need to understand the policy environment and context upon which federal-state policy interventions rely. If policy leaders were to understand the historical and policy context first, and then recognize and even expect to engage in this balancing act, it might lend itself to more thoughtful and strategic interactions, and fewer (public) displays of anger and frustration. Nathan may have only examined this theory retrospectively, but in seeking ways to advance free college, this framework – even with its limitations – offers wisdom and a fresh perspective to policy development that encourages policy leaders to reflect on historical moments that have created the current policy landscape.

Push-Pull: The Dynamics of Federalism



Going back to the 19th century and the first part of the 20th century, the states – not all of the states, but some states – have been the sources of expansion of the public sector in conservative periods. When conservative coalitions controlled national offices, programs that were incubated, tested, and debugged in liberal states became the basis for later national action...

Likewise in the 1920s, when the country was “Keeping Cool with Coolidge,” states were the source of progressive initiatives like unemployment insurance, public assistance, and workman’s compensation. James T. Patterson said that the states ‘preceded the federal government in regulating large corporations, establishing minimum labor standards, and stimulating economic development. He added that ‘the most remarkable development in state government in the 1920s was the increase in spending.’ State initiatives planted the seeds of Franklin D. Roosevelt’s New Deal.

In the 1980’s when the pendulum of social policy nationally swung toward conservatism, there was a similar spurt in state activism in response to President Reagan’s domestic policies to cut domestic spending. States reshaped programs to reflect their priorities, increased the funding of programs in areas in which the federal government had become less active, and assumed more control over the activities of local governments and nonprofit organizations. In these ways and others, states expanded their influence vis-à-vis the federal government and in their relationship with local governments and nonprofit organizations).

(Richard Nathan, “Updating Theories of Federalism,” p. 8)

THE HISTORICAL EVOLUTION OF THE NEW FEDERALISM

Astute policy leaders recognize that when crafting solutions to contemporary issues, failure to grasp the lessons of history in policymaking can result in short-term fixes at best, or on the flip side, no real solution – just perpetual, swirling discussions that show no real evidence of progress. So it is important that before diving into higher education policy and affordability, we reflect on federalism. After all, “those who [do not] remember the past are condemned to repeat it.”⁷

THE BALANCE OF POWER

The role of the federal government and states has been a constant source of frustration for policy leaders. In 1953, this frustration led President Eisenhower to create the Commission on Intergovernmental Relations:

The present division of activities between the Federal and state governments, including their local subdivisions, is the product of more than a century and a half of piecemeal and haphazard growth. This growth in recent decades has proceeded at a speed defying order and efficiency. One program after another has been launched to meet emergencies and expanding public needs. Time has rarely been taken for thoughtful attention to the effects of these actions on the basic structure of our Federal-state system of Government.⁸

This statement, over 50 years old, reflects sentiments expressed by some even now. Just a year ago, the Pew Research Center released a study that showed that the American public, similar to President Eisenhower, was disenchanted with the government, politics and the nation’s leaders. In fact, only 19 percent indicated that they trust the government always or most of the time.⁹

UNDERSTANDING THE POLICY ENVIRONMENT

Given the high levels of government distrust, ensuring federal-state alignment of goals is the most advantageous approach for policy development. The Obama administration, for example, has used the gridlock on Capitol Hill as an opportunity to have the states advance their own policy agendas. Some suggest that Obama’s strategy for advancing his education policy agenda has proven effective in part because many states are simply running out of money.¹⁰ Marcia Howard also recognizes that the Obama administration increased its reliance on “the carrot and the stick.”¹¹ In essence, while the federal government provides funds to spur innovation at the state level, it is not a blank check. There is some accountability and expectations tied to these funds. For example, the \$4 billion Race to the Top program for K-12 education encouraged states and local districts to enhance innovations that improved student outcomes. Eleven states received funds that led to comprehensive statewide education reforms, but what is most impressive is that a total of 46 states applied, which at least implies a willingness to comply with the federal outcome requirements.¹²

Whether President Obama’s approach was born through strategy or necessity is debatable, but exploiting this weakness in the political landscape – given rocky relationships with some congressional and state leaders – has led to advances in education policy at the federal and state levels. As Daniel Vock notes, “these [Obama] years might also be remembered as a time when an administration seemingly hobbled by opposition in Congress and in the states regained its footing through executive actions and the pursuit of new partners. It’s a shift that could have long-lasting

lessons for governing in an era of divided politics.”¹³ These lessons will be instructive as a new administration prepares to lead in the White House. The federal-state partnership is a hallmark of American democracy and can withstand changes in presidential leadership. If executed purposefully – recognizing that there is an inherent push and pull to this relationship – it can lead to better alignment of federal and state goals.

Federal-State Partnerships in Education

There are many examples of federal-state partnerships in education. The K-12 sector offers *Race to the Top* and the *Every Student Succeeds Act*, among others. In higher education, the *Morrill Acts of 1862 and 1890* and the *State Student Incentive Grants* (later renamed to *Leveraging Educational Assistance Partnerships*) are two examples. For more information about federal-state partnerships in higher education finance, view the film series *Looking Back to Move Forward: A History of Federal Student Aid*. (<http://www.ihep.org/research/initiatives/looking-back-move-forward-history-federal-student-aid>)

CAPITALIZING ON MOMENTUM: INCREASING ANXIETY OVER COLLEGE AFFORDABILITY

College affordability features prominently in higher education policymaking. Whether it is Pell grants, student loans or the free college movement, there have been a barrage of messages indicating that college is unaffordable. According to a poll by Gallup and the Lumina Foundation, only 21 percent of Americans believe that higher education is affordable.¹⁴ For most, affordability concerns are connected to either college prices and/or student debt. While these two measures of affordability –

college prices and student debt – are essential, it is important to note that affordability is about more than just these two items. “It is about economic inequality, about income levels for the majority of families and individuals, about the prices of other goods and services, and about personal and society priorities.”¹⁵ Affordability then is about students’ ability to pay. And at a time when stagnant – in some cases diminishing – family income is coupled with economic uncertainty, ability to pay for working- and middle-class students is further compromised.

While there is broad perception among the American public that college has become unaffordable, very few know the reason. Many have blamed rising tuition on colleges’ wasteful spending habits, focusing on everything from technology, faculty salaries, health care, facilities management, rankings and even the availability of grants and loans. These items may all have an impact on college costs, but none impact students’ ability to pay like declining state support to institutions; institutions have now shifted a greater share of their costs to students through higher tuition and fees.¹⁶ The concept of shared responsibility – with the federal government, state, institutions and students – was once an important aspect of college financing. Some states, however, embraced this concept more dutifully than others. Over the last several decades, this partnership of shared responsibility has eroded, and that has affected the ability of millions of students to access and complete college in a timely manner.

Recognizing the importance of a college degree or credential for strengthening the workforce and boosting the economy, higher education policy has featured prominently among federal and state governments. In 2015, President Obama introduced *America’s College Promise* that would tackle college affordability by making the first two years of community college free

for eligible students. While this proposal has not yet passed Congress, versions of it are being championed by states and local communities nationwide. To be clear, this free community college proposal started at the local levels. Some argue that the Obama administration just capitalized on the momentum in the states to advance this national effort, reinforcing the cyclical relationship between the federal governments and states in policy development.

PUSHING-PULLING TOWARD A COLLEGE AFFORDABILITY PLAN

At the time of the president's announcement of *America's College Promise*, the effort that we now call the free college movement had been growing for a decade. Because of the visibility generated by President Obama's announcement, many assume that the idea originated at the federal level. Instead, it originated within local communities and states, with notable programs like the Kalamazoo Promise, Say Yes to Education and Knox Achieves.

On the federal level, Obama's proposal for free community college spurred congressional action that led to the *America's College Promise Act* of 2015.¹⁷ This legislation would invest nearly \$80 billion over 10 years to provide free tuition to an estimated 900 million community college students and 300,000 students at minority-serving institutions. States would apply to participate in the program and would also have to provide a 25 percent match to the funds provided by the federal government. In addition to several requirements, state recipients would agree to implement "evidence-based institutional reforms and innovative practices to improve student outcomes."¹⁸ This plan has its critics. Some state leaders and

conservatives consider the federal proposal "a takeover of the two-year sector;"¹⁹ at the same time, leaders from the Association of American Community Colleges support the legislation.²⁰ The plan's opponents also do not favor the strings attached to the funding, primarily the requirement to adopt "evidence-based institutional reforms."

In addition, free college has become a signature feature of Secretary Hillary Clinton's presidential platform. The Clinton proposal has garnered much attention and has helped her gain support from progressives; but it too has its critics. For example, because of its emphasis on public institutions, leaders of private colleges, like Pat McGuire from Trinity College in Washington, DC, have expressed concern about the potential impact on small, private institutions. McGuire believes that Clinton's proposal puts institutions like Trinity "gravely at risk."²¹ Also, the high income eligibility levels – \$125,000 – would allow students from upper-income families to be eligible for this benefit. And lastly, the free tuition proposal would help students with some college costs, but the program *is not really free* – not even for students,²² and can leave the root causes of college affordability – rising tuition and declining state support – unchecked.

As debate about free college swirls on the national landscape, even states and local communities are making strides toward implementation. Prior to President Obama's announcement of *America's College Promise*, dozens of programs were already in existence. Since then, many more have sprouted nationwide. There are four state-wide programs currently being implemented – Tennessee, Oregon, Minnesota and Kentucky – and there's emerging legislation in at least

Local Communities Leading with the Promise



The Promise movement started in 2005 in Kalamazoo, MI, with a financial gift that allowed the city to “promise” free college tuition at any Michigan college or university to graduates of Kalamazoo’s public schools. Since then, the idea caught fire and has spread to local communities nationwide. There is increasing interest in Promise programs, and local leaders and organizations are working closely with state and institutional leaders to make the promise of a free education a reality.

The success of local programs, like the Kalamazoo Promise and KnoxAchieves—which was the pilot for what later became the Tennessee Promise—was the impetus for the federal government’s America’s College Promise. In 2015, the College Promise Campaign was created to build support for Promise programs. This grassroots effort now boasts over 100,000 members, which represent Promise programs, community colleges, and career and technical institutions.

a dozen more.²³

Tennessee (TN) and Oregon (OR) are among the first and most frequently cited state programs. While these programs have some differences, their missions are similar: “Put more people through degree, certificate, or vocational training programs and into the workforce with minimal debt.”²⁴ These goals resonate with residents of both states, and as a result, the programs are hugely popular. In its first year, 80 percent of seniors at public high schools applied for Tennessee’s program.²⁵ Another important similarity of the programs is their strategy for leveraging federal dollars. Each state’s program is based on a “last-dollar” formula, meaning that the states provide support only after the Pell grants and other state grant aid has been applied. This allows the state to stretch its resources. Oregon’s program

also guarantees students with at least \$1,000 in state assistance, regardless of the availability of other federal or state financial support. This additional support can be used for other educational expenses, such as living expenses or books.²⁶

There are also some unique qualities to these programs. Tennessee’s program has solid financials with a \$360 million interest-bearing endowment from lottery revenues. Oregon’s program, on the other hand, has only been approved for \$10 million in support for 2016-2017. Tennessee also offers a mentoring and community serving component to its program. These are not core features of Oregon’s program, which instead offers support to undocumented students and provides additional funds for student success and completion efforts.²⁷

A NEW BALANCE OF POWER

With a new administration on the horizon, now is an opportune time to reflect on how the federal and state governments can capitalize on their strengths to most effectively advance the needs of the American people. As has been said, Nathan's push-pull theory does not outline explicit parameters. Its strength lies, instead, in the ability to offer a retrospective analysis of the process of policy change and the role played by both federal and state actors. These roles can appear in discord, even partisan at times, but when functioning with an awareness of the process and a desire to promote the greatest good for all people, history has shown that innovation and policy reform can be achieved.

In the contemporary era, policy change needs to be forward looking, but informed by lessons of the past. To this, Nathan emphasizes the need to understand the current policy context and ascribes roles, often implicitly, to federal and state actors. For instance, the federal government plays an important role in educational quality and advancing equity – or leveling the playing field. The states have similar aims, but do so with a lens focused on the distinctive social and economic needs of the region or locale. Because tremendous diversity exists among states, with some being more receptive to innovation and equity than others, ensuring that equity and equitable outcomes feature prominently in the design of free college is paramount. Another important feature of the federal-state partnership to advance free college would be the carrot and stick needed to drive policy leaders and key actors within both government sectors to work in concert, leveraging resources to make strategic investments in higher education.

With an awareness of the balance of power inherent within the cyclical relationship between the federal

government and states, policy leaders should be guided by questions that aim to address contemporary concerns. Research has shown that today's most critical questions focus on access and completion, outcomes, and cost.²⁸

- **ACCESS and COMPLETION:** Which students do not enroll because of financial barriers? Which students are most at risk of not completing college due to finances?
- **OUTCOMES:** How do students fare after college, and are they adequately prepared to meet workforce needs? What have they learned? What can they do?
- **COST:** How much should the federal government and states invest in college enrollment and completion?

***ACCESS and COMPLETION:** Which students do not enroll because of financial barriers? Which students are most at risk of not completing college due to finances?*

Equitable access and success ensure that all students who desire to participate in higher education have the opportunity to do so. The demographic makeup of the average college student is changing, in large part because the demography of our national landscape is shifting. Even as the profile of today's college student changes, for too many the ability to access college is not easy or automatic. Financial barriers impede students' progress and have been shown to price out millions annually.²⁹ Given that, we need to make sure more of these students – often referred to as 21st century students – have the opportunity to enroll and persist in college.



So when it comes to free college – to maximize the federal-state partnership – programs must target the neediest students. Allowing upper-income students, whose enrollment in college are not jeopardized by ability to pay, to benefit from these programs is not only a waste of government monies, it also has the potential to restrict access for the other students. Many have argued that students from upper income families could displace lower-income students because it would increase the competition for available seats. Research on the Georgia Hope Scholarship shows that this displacement effect exists, as college attendance gaps between blacks and whites and low-income and high income families actually widened as a result of that program.³⁰

At the federal level, Secretary Clinton’s free tuition proposal does attempt to target a subset of students; she introduces an eligibility income cap of \$125,000.³¹ While this figure might seem appropriate in some contexts, in most states \$125,000 puts a family solidly in the upper middle class. To account for income variability, the federal government’s threshold should be lowered to \$70,000, which is slightly above the median family income level of \$68,260.³² This lowered income cap still captures the majority of Americans in most states.

Because state context can vary, state leaders should also ask, “What are the demographic characteristics of potential college students in the education pipeline? What are the historical and current levels of college access and completion, particularly by critical demographics, such as race/ethnicity, income and age?”³³ The answers to these questions should be informed by strong data and may suggest that states further target free college programs to other high-need populations. Oregon, for example, opened eligibility to undocumented students and part-time students. Tennessee decided to also pursue adults.

Because college access and success are so crucial, the importance of targeting these resources to grow

the access pipeline cannot be understated. If left unchecked, privileged students will benefit from these programs, “further stratifying higher education into sectors for the haves and have nots.”³⁴ Additionally, using data to inform these decisions can mitigate the push-pull tensions that will emerge over who benefits and who does not. The politics of higher education require that we focus efforts on all students, which is important because we must ensure that all Americans are prepared to compete in the workforce and global marketplace. However, when it comes to innovation and financial investments, it is clear that the attention must be placed on the neediest populations. It is simple – such a targeted investment will yield the highest return – the biggest bang for our buck.

The Effects of “Free College” on Private Higher Education

The Georgetown University Center on Education and the Workforce estimates that “free college” would result in enrollment declines at private colleges by 7-15 percent. Less selective private institutions would be at the greatest disadvantage. To ensure access for deserving students, “free college” should be granted to eligible students at all non-profit institutions.

Anthony P. Carnevale Martin Van Der Werf Cary Lou, The Enrollment Effects of Clinton’s Free College Proposal, 2016

OUTCOMES: *How do students fare after college, and are they adequately prepared to meet workforce needs? What have they learned? What can they do?*



The public and private benefits of higher education are undeniable. College produces benefits not only in terms of income, but in economic, civic and health outcomes to both the individual and larger society.³⁵ Low completion rates and high student debt levels, however, reduce the chances that students and society will reap these benefits. College completion rates for underserved students lag behind national averages.³⁶ And with nearly 70 percent of undergraduates taking on an average loan debt of \$28,950,³⁷ financial insecurity is a commonly cited reason for not finishing college.

Because of these trends, more attention is being paid to “college value,” which looks at economic and workforce indicators, as well as outcomes associated with learning and social good.³⁸ Therefore free college investments should be assessed using a number of factors, including post-college outcomes. The federal government has already started this trend through competitive grant programs, and states are moving in the direction of outcomes-based funding models. Given that, states may also ask additional questions about outcomes to ensure that the program balances “educational supply and workforce demand” for a given state.³⁹ Potential questions include, “Are students able to repay their student loans? What are the priority fields of study and types of credentials needed to support the state economy?”⁴⁰ Because each state has unique demographic and economic contexts, the answers will undoubtedly vary, so this flexibility should be accounted for within accountability metrics.

On the federal level, there is bipartisan support for increased transparency on college outcomes, and many institutional leaders have been responsive. For example, loan repayment is being considered as a potential measure of college value because it assesses graduates’ ability to actively repay loans.⁴¹ Recent reports, such as the Degree Qualifications Profile⁴² and Answering the Call,⁴³ outline a variety of indicators already in use by many state and institutional leaders seeking to gauge a more holistic assessment of college value. Even with

the growing movement toward increased transparency, push-pull tensions will arise undoubtedly. Such debate is to be expected, but the growing convergence and agreement toward metrics to assess educational quality and post-college outcomes – being led by faculty and practitioners – bode well for infusing these elements into the free college framework.

COST: *How much should the federal government and states invest in college enrollment and completion?*

The rhetoric around free college is so compelling that many believe that college being “free” equates to college being affordable. In some ways, free college can decrease costs for the student. But these programs focus on tuition only and do not factor in room, board and living expenses, which can account for a significant proportion of a student’s total yearly budget. As the College Board reports, living expenses can present a problem for many students, even those who receive grant aid to cover tuition costs.⁴⁴ Additionally, free college does not address the real cost drivers of the affordability equation – college costs and state appropriations. Some opponents of free college have argued that it will reward states that have decreased their support of public institutions; others argue that the program will allow institutions to charge even more since the governments will cover the costs.⁴⁵ These are very real concerns that cannot be overlooked.

For free college programs to be viable and sustainable, states must contribute their fair share to financing college and enhancing affordability. The steady decline in state support to higher education is well documented.⁴⁶ Although the federal investment has not kept pace with price increases,⁴⁷ during the Great Recession the federal government significantly increased its support of higher education programs, even as state support continued to decline. Still today, in many states funding levels remain low and minimize the impact of any federal investment.



THE RHETORIC AROUND “FREE COLLEGE” IS SO COMPELLING THAT MANY BELIEVE THAT COLLEGE BEING “FREE” EQUATES TO COLLEGE BEING AFFORDABLE. IN SOME WAYS, “FREE COLLEGE” CAN DECREASE COSTS FOR THE STUDENT. BUT THESE PROGRAMS FOCUS ON TUITION ONLY AND DO NOT FACTOR IN ROOM, BOARD, AND LIVING EXPENSES, WHICH CAN ACCOUNT FOR A SIGNIFICANT PROPORTION OF A STUDENT’S TOTAL YEARLY BUDGET.

In recent years, maintenance of effort (MOE) provisions have been used to prod states to increase funding. While states should not need federal incentives to support their residents and economy, recent experiments with MOEs suggest otherwise.⁴⁸ Therefore, the federal government should make MOE provisions permanent and introduce a matching requirement for receipt of free college support. Programs in Tennessee and Oregon rely on last-dollar funding, which leverages all other forms of aid before offering state support. There is no harm in leveraging federal financial aid with state dollars to support a state’s neediest students. In fact, this is a longstanding tenet of shared responsibility. However, the states – and other partners for that matter – should not decrease their share at the expense of the federal government; the federal government cannot be the only entity with real skin-in-the-game.

Efforts in Tennessee and Oregon have shown an ability to combine public and private resources to support programs. Both states, and other programs being piloted on local levels, have garnered financial assistance from private philanthropists and business leaders. Students can also tap into these individuals and organizations for mentoring and community-service opportunities. Gaining local financial support

allows for community buy-in and engagement, but it does not diminish the need for states to increase and maintain their own investments.

Students Need Skin in the Game Too

The Rule of 10: Students should pay no more for college than the savings generated through 10 percent of discretionary income for 10 years and the earnings from working 10 hours a week while in school. A student from a family whose income is less than 200 percent of the poverty rate is expected to contribute no more than he or she can earn in 10 hours of work per week.

(Lumina Foundation, A Benchmark for Making College Affordable: The Rule of 10, 2015, p. 5)

As such, sustainability needs to be factored into free college programs from the onset. There are several ingredients to a thoughtful sustainability plan, but clearly, the commitment of multi-year federal and state dollars is crucial. Given most states’ track record of shifting funding priorities, the federal government must insist on at least a 10-year funding plan. Otherwise, programs can become susceptible to political and fiscal pressures at a later date, as was the case with the AccessUVA’s no-loan financial aid program.⁴⁹ To date, Tennessee is the only program with a long-range revenue stream. Hillary Clinton’s plan for free college does not offer specifics about total costs, however, the America’s College Promise Act proposes a 10-year, \$80 billion investment.⁵⁰ Once details on the costs for the federal investment become clearer, funds to support this program should be derived from closing

tax loopholes that benefit high-income families at the detriment of those with lower incomes.

In nearly all policy discussions, the importance of strengthening the link between education and the workforce is a bipartisan issue. The tensions arise over who controls and who pays. In the case of free college everyone should pay. It is a shared responsibility, and one in which everyone benefits. Given that, the federal government, states and even institutions and students must take part. But when it comes to making college affordable, efforts that address the affordability of college must be a top priority for both states and the federal government.

WHO LEADS FREE COLLEGE?

Inherent in balancing the federal-state partnership for free college is the issue of leadership and control. This might be the fundamental pain point of the relationship. In an era of divided politics, this notion is ever-more challenging, but not impossible, given that these tensions are a normal and necessary exercise in policy development.

To ensure coordination and distribution of funds, a national free college program should reside within the federal government. The federal government already provides support and oversight to colleges and universities, so this is a natural extension. This oversight, however, cannot be prescriptive or restrictive. Instead, states must have flexibility within the parameters outlined above to ensure that programs are responsive to the demographic, fiscal capacity and even political context of a given state. The federal government can support these efforts and even play an important role in communicating trends and distinctive state features, as well as provide technical support to states.

It may even be worthwhile to consider reviving an inter-governmental agency, similar to Eisenhower's Commission on Intergovernmental Relations. The commission would be a federal commission, but co-chaired with a governor and comprised of various state leaders. The commission would be charged with creating and overseeing implementation and assessment of the program nationwide. The commission would make sure that the federal investment is sufficient to leverage and galvanize momentum in the state. But also, that the accountability requirements placed upon state governments are aligned with state goals and capacity, and proportioned to the funding support. The commission would also have the authority to sanction and withdraw support from states that do not comply with program standards and outcomes. Policy leaders serving on the commission would need to have a track record of innovation and willingness to work across party lines, and maybe even state lines, to support the American people. In essence, the commission would ensure program integrity, while also guaranteeing that the balance of power remains consistent – with neither the federal government nor the states overstepping boundaries.

FINAL THOUGHTS: THE REVIVAL OF FEDERALISM AND FREE COLLEGE

Federalism and free college are currently trending in their respective circles, and that offers great promise for policy reform. Given the distrust and dissention characterizing the political process on the one hand, increasing anxiety over college affordability on the other, plus the change in political leadership soon to occur at the federal and state levels, the policy environment is ripe for innovation and transformation. Capitalizing on these tensions to usher in a period of restoration and compromise – on key policy topics – would be an important, positive shift.



Because expanding educational opportunity has proven to be an area for some cooperation, policy leaders should seize the moment to make strides on the issue of affordability. In seeking reform, history offers some instructive lessons. On the affordability front, college costs will likely increase, and could result in the next financial bubble. As a result, policies associated with free college could be beneficial, but only if the federal and state governments own and play their parts. For the states, that means committing to advancing equity and deepening the state's investment in higher education so that it lowers college prices. For the federal government, there needs to be funding support and oversight that allows states' flexibility and creativity to spur innovation. When it comes to federal-state partnerships, there will always be political and turf battles. But when such tensions are approached strategically – recognizing the importance of balancing the pull (from the federal government) and the push (from the states) – important federal and state reforms can occur that promote shared goals.

With a keen awareness and readiness for these aspects of policy development, policy leaders can prepare to address free college in a manner that engages offensive and defensive strategy simultaneously. Although there will be debate and disagreement, the enduring quality of federalism is that it offers checks and balances. And when executed strategically, it can lead to better alignment and implementation of shared goals. After all, “American governmental processes are always changing. They are untidy, hard to control.”⁵¹ But as history demonstrates, it can and will yield policies that support the current era.



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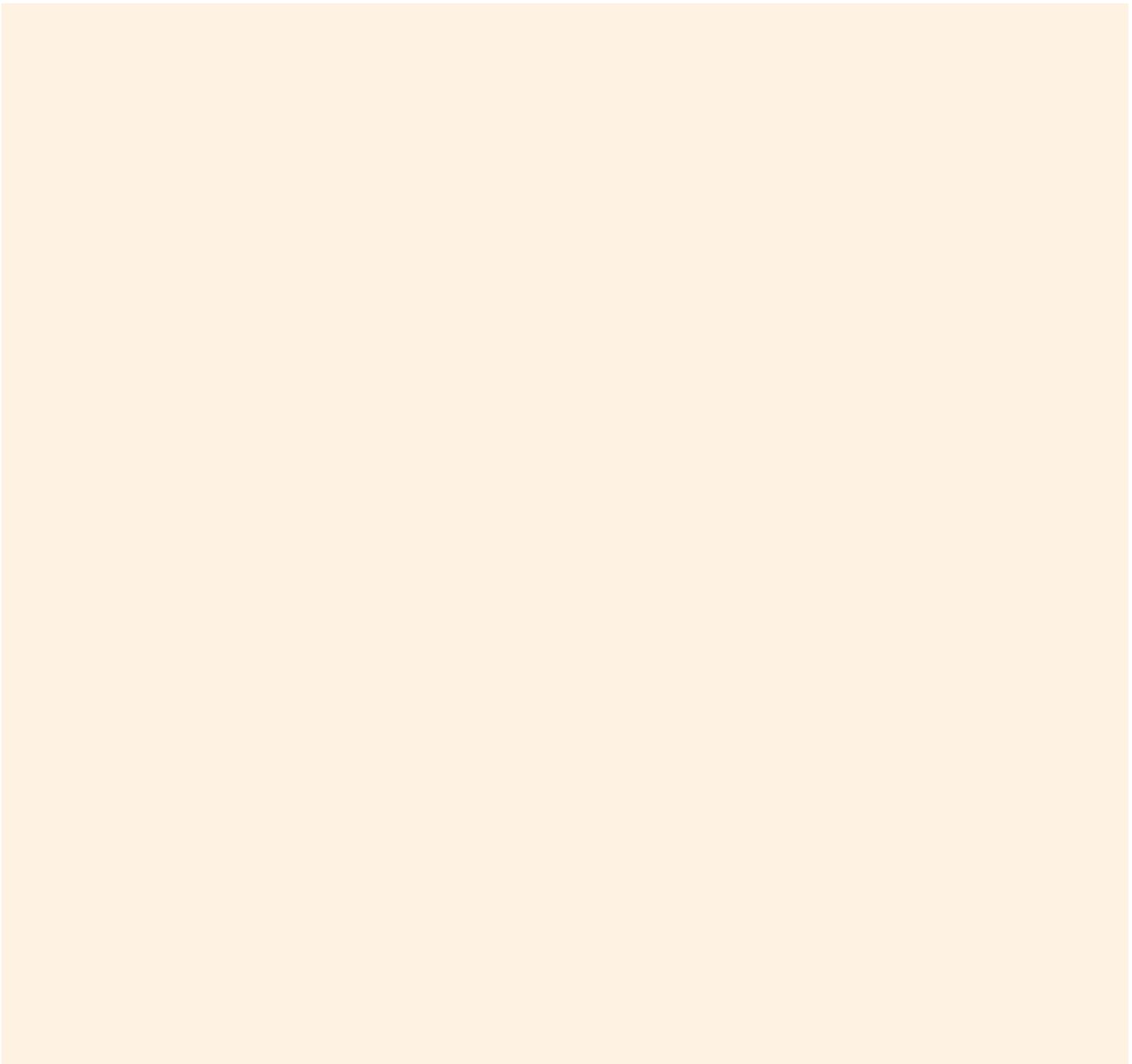
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ABOUT THE INITIATIVE

Education Commission of the States coordinated the creation and dissemination of a series of policy briefs focused on the interaction between state- and federal-level policies pertaining to higher education. The briefs are composed by a diverse collection of education policy and thought leaders representing state and federal perspectives. The goal of this collection of briefs is to highlight how federal and state higher education policies can provide a cohesive policy playbook to support student success and the progression toward meeting aggressive attainment goals.

The brief production process began in late-summer 2016 with authors beginning the writing process. Dissemination of the briefs was provided through informal policy briefings with state and federal audiences through fall 2016 and the public release in December 2016. Topics explored in the briefs include, but are not limited to, financial aid, data policies, funding, the “triad” and workforce needs.

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