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Higher Education Tuition and Fees: Louisiana's Options for Keeping Pace

EXECUTIVE SUMMARY

All increases in higher education tuition and required fees in Louisiana currently must be approved by a two-thirds vote of the Legislature. Since this requirement was implemented in 1995, these charges at Louisiana's institutions have increased at a much lower rate than that of other higher education institutions in the South, resulting in Louisiana having some of the lowest institutional charges in the South and the nation as a whole.

This report examines not only student affordability, but also the degree to which state funding policies affect accessibility and achievement in higher education. It also reviews tuition- and fee-setting policies of other states to determine the best path for Louisiana going forward. Keeping charges for students affordable is only one element of sound tuition- and fee-setting policy. Institutions must be provided with adequate and predictable revenue that allows them to keep pace with peer institutions and has sufficient flexibility for reasonable, annual adjustments.

Although Louisiana has one of the lowest high school attainment levels in the United States, of those students who do graduate, a similar proportion enrolls in higher education as in the nation and the South. The state stands apart in that more students enroll in more expensive four-year institutions than in two-year institutions, leading to a higher-cost system with poor outcomes as compared to other states. Yet, with the creation and growth of the community college system and increased admission standards at most four-year institutions in recent years, an enrollment shift toward a more cost-effective mix is occurring. It is expected that this shift will result in improved outcomes and a more efficient system.

Institutional charges should be adjustable enough to respond to short-term financial issues but stable enough to provide predictable costs and revenue. Therefore, the Legislature should remove itself from routine tuition-setting decisions by setting a policy that allows tuition and fees to grow at a reasonable rate that is limited by the state's relative household income and tuition rates at peer institutions. Higher education management boards should be allowed to increase institutional charges as needed, but only if institution-specific performance goals are met. Moreover, all increases in institutional charges should be covered by the Tuition Opportunity Program for Students (TOPS).

The following are PAR's recommendations for higher education tuition- and fee-setting policies in Louisiana:

Recommendation 1. Enact legislation to allow higher education management boards to increase tuition and required fees for Louisiana's public higher education institutions up to maximum levels that are tied to charges at peer institutions and relative household income levels without a two-thirds vote of the Legislature.

Recommendation 2. Require institutions to meet certain performance standards outlined in the new master plan for higher education (currently under development) in order to impose tuition and fee increases.

Recommendation 3. Continue to fund TOPS fully to keep pace with tuition and fee increases.

INTRODUCTION

Louisiana is one of only two states where the Legislature has the primary authority for establishing required institutional charges (tuition and required fees) at all higher education institutions. A 1995 constitutional amendment requires all fee increases to be approved by a two-thirds vote of the Legislature; tuition was interpreted by the Attorney General to be such a fee. Prior to that, higher education management boards in Louisiana had the authority to raise institutional charges without legislative approval.

The Board of Regents introduced a tuition and fee policy in 2005 that would have allowed each higher education management board to set tuition and fees within certain parameters without legislative approval. The Louisiana Legislature did not act on the Regents' proposed policy, in effect rejecting that policy, just as it has all proposals that would return control over institutional charges to Regents or the management boards. The primary reasoning is that increased costs could prevent access to higher education for many deserving students and increase the state's financial commitment to higher education.

The Legislature has passed laws granting limited authority for higher education boards to raise their charges without full legislative involvement, but most have since expired or reached their maximums, leaving essentially all future increases subject to a two-thirds vote of the Legislature. Tuition and fees required to be paid by all students at an institution have been defined as fees applicable under the constitutional amendment. However, fees such as lab fees and parking fees not paid by all students and fees self-assessed by students have been exempted from the definition.

The general goals of tuition-setting policies, no matter who has the control to set rates, are to:

- provide institutions with adequate and predictable tuition revenue
- provide in-state students with affordable and predictable tuition costs
- support competition with peer institutions by achieving similar tuition rates for similar types of schools
- allow sufficient tuition-setting flexibility for reasonable, annual adjustments

This report examines current and trend data on measures of affordability, accessibility and achievement for Louisiana, the Southern states (as defined by the Southern Regional Education Board (SREB): Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia) and the nation. Only four-year and two-year higher education institutions that grant at least an associate's degree are examined in this study. Technical institutions are excluded from this study. Conclusions are drawn from the available data and an alternative to the Board of Regents' proposal for setting tuition and fee policy is recommended.

Special consideration must be given to tuition- and fee-setting policies in Louisiana due to the Tuition Opportunity Program for Students (TOPS), which requires the state to fund tuition and certain fees for eligible resident students. Allowing institutions full autonomy to increase tuition and fees could cause TOPS funding to grow without legislative input. This report explores the state's options for setting reasonable limits on that autonomy.

The major questions answered by this report are:

- Are Louisiana's current tuition and fees appropriate?
- Does requiring a two-thirds vote of the Legislature to increase tuition and required fees hinder the state's ability to fund higher education?
- Are current funding levels, including state appropriations and tuition and fee revenue, adequate?
- Is the SREB tuition and fee median an appropriate goal for Louisiana?
- Are current tuition and fees hindering

- access to Louisiana’s public institutions?
- What relationships, if any, are there between student success and tuition and fees?
- Could tuition and fee policies based on accountability measures offer desirable alternatives to the current system?

NOTE: Due to the impact of Hurricanes Katrina and Rita, the most recent data used is from the 2004-2005 academic year, the 2005 fiscal year and the 2004 calendar year.

TUITION-SETTING POLICIES IN OTHER STATES

Other states have found a middle ground that allows institutions a degree of tuition-setting flexibility and autonomy within certain limits. However, there is not an established “gold standard” for tuition- and fee-setting control or policy. A variety of mechanisms are used to set and control institutional charges—the diversity in the South ranges from Texas, where recent deregulation allows tuition to be set by the individual institution; to Oklahoma, where the statewide Board of Regents controls tuition; and finally to Florida and Louisiana, where the Legislature exercises maximum control.

What is agreed upon is that no matter who sets the level of institutional charges, charges should be based on pre-defined goals of the state and in a manner that is flexible enough to respond to short-term financial issues but stable enough to provide predictable costs and revenues.

FUNDING LEVELS IN COMPARISON

The ability of institutions to reach an optimal funding level for higher education is limited by that level’s affordability to both the students and state taxpayers.

STATE APPROPRIATIONS TO INSTITUTIONS

States that regard education as paramount to economic growth generally allocate more of their budgets to higher education. Louisiana’s commitment to higher education has significantly increased in the past decade. In 1995, 9.7 percent of all state expenditures (including state and federal

funds) in Louisiana were for higher education, according to the National Association of State Budget Officers. That share had risen to 15.5 percent by fiscal year 2005. During this time, the Southern average held steady at roughly 14.5 percent. SREB data show that if only state funds are examined and adjusted for inflation, Louisiana has increased appropriations to higher education by 56 percent since 1995, while the increase for all Southern states was slightly over 11 percent.

State funding is reported many different ways, and, depending on which data are used, Louisiana’s comparative position can change dramatically. In 2005, Louisiana was 6 percent below other Southern states in terms of general operations funding per FTE for higher education, but rose 3 percent above in terms of total higher education appropriations per FTE. A comparison of general operations funding and total appropriations funding for four-year and two-year institutions combined is shown in Table 1. Total appropriations figures include state funding for statewide financial aid programs (like TOPS), statewide coordinating and governing boards, education programs for medicine and health professions, and private college reimbursements, but exclude funds for debt payments and capital outlays. General operations funding excludes all the aforementioned items.

The general operations gap between Louisiana and the Southern average general operations funding will be closed if the Governor’s 2008 budget recommendations are accepted and an additional \$115 million is allocated to higher education to fund fully the Board of Regents’ funding formula.

Table 1 also shows Louisiana’s support for total funding for higher education measured several ways other than by FTE. Louisiana’s spending per \$1,000 of personal income, appropriations per capita and tax effort are far above both the national and Southern averages. Tax effort is the ratio of total taxes collected to total state spending for higher education. These data show that when income levels and tax revenues are considered, Louisiana is making a high effort to fund higher education.

In summary, measured a variety of ways, state funding for higher education is near or above the Southern average when the TOPS program and other special programs are included. Yet, leaving out those programs drops Louisiana funding below

TABLE 1. Ranking of State Appropriations for Higher Education, Fiscal Year 2005

States	General Operations Appropriations* per FTE	Southern Rank	Total Higher Education Appropriations** per FTE	Southern Rank	Total Higher Education Appropriations per \$1,000 in Personal Income	Southern Rank	National Rank	Total Higher Education Appropriations** per Capita	Southern Rank	National Rank	Tax Effort***	Southern Rank
Alabama	\$4,822	9	\$6,664	7	\$9.83	5	11	\$267.50	5	11	15.5%	1
Arkansas	\$5,662	4	\$7,018	3	\$9.77	6	12	\$248.48	6	17	10.5%	10
Delaware	\$6,016	2	\$6,442	9	\$7.14	10	23	\$245.05	7	18	7.5%	16
Florida	\$5,336	6	\$5,881	12	\$5.81	14	36	\$179.42	15	39	9.3%	12
Georgia	\$6,460	1	\$6,584	8	\$7.12	11	24	\$215.58	10	27	12.3%	6
Kentucky	\$5,668	3	\$7,848	1	\$9.93	4	10	\$270.05	4	10	12.3%	6
Louisiana	\$4,670	10	\$6,910	5	\$10.38	3	6	\$280.56	2	8	14.4%	4
Maryland	\$5,280	8	\$7,316	2	\$5.36	16	41	\$209.47	11	30	8.7%	14
Mississippi	\$4,609	11	\$6,693	6	\$11.20	1	3	\$272.18	3	9	14.5%	3
North Carolina	\$5,504	5	\$6,923	4	\$10.55	2	5	\$307.74	1	6	14.3%	5
Oklahoma	\$4,432	13	\$4,814	15	\$7.84	7	17	\$216.20	9	26	11.1%	9
South Carolina	\$3,566	16	\$4,636	16	\$5.90	13	35	\$158.99	16	45	9.9%	11
Tennessee	\$5,335	7	\$6,401	10	\$6.23	12	29	\$184.49	14	36	11.2%	8
Texas	\$4,379	14	\$6,062	11	\$7.23	9	21	\$217.08	8	24	14.6%	2
Virginia	\$4,560	12	\$5,783	13	\$5.68	15	38	\$199.60	12	33	9.3%	12
West Virginia	\$3,770	15	\$4,966	14	\$7.27	8	20	\$186.96	13	35	7.9%	15
National Average					\$6.59			\$214.96			9.7%	
SREB Average	\$4,961		\$6,729		\$7.95			\$228.71			11.7%	
LA as % of SREB	94%		103%								123%	

*General Operations Appropriations include state revenues appropriated to four-year and two-year institutions, excluding statewide aid programs, statewide governing boards, health profession education, state funding to private colleges and universities and debt service and capital construction.

** Total Higher Education Appropriations include state revenues appropriated for general operations, statewide financial aid programs, state funds for private colleges and universities, health professions education but excludes debt service and capital construction.

*** Percent of total taxes collected that were spent for higher education

SOURCE: Grapevine (State Higher Education Appropriations, FY 2005), SREB (Fact Book on Higher Education), and PAR calculations

TABLE 2. Median Annualized Adjusted* Undergraduate Tuition and Required Fees for Full-Time In-state Students

	Four-Year Public Institutions				Two-Year Public Institutions			
	1994-95 Rank	2004-05 Rank	10-year % change Rank		1994-95 Rank	2004-05 Rank	10-year % change Rank	
United States median	\$3,129	\$4,716	50.7%		\$1,664	\$2,070	24.4%	
SREB states median	\$2,388	\$4,164	74.4%		\$1,234	\$1,838	49.0%	
Alabama	\$2,501	\$4,370	74.7%	6	\$1,411	\$2,781	97.0%	3
Arkansas	\$2,459	\$4,602	87.1%	3	\$1,062	\$1,813	70.6%	6
Delaware	\$4,059	\$6,144	51.4%	10	\$1,601	\$2,151	34.3%	13
Florida	\$2,333	\$3,185	36.5%	12	\$1,328	\$1,826	37.5%	11
Georgia	\$2,325	\$2,993	28.7%	14	\$1,472	\$1,706	15.9%	16
Kentucky	\$2,385	\$4,301	80.3%	4	\$1,214	\$2,843	134.2%	1
Louisiana	\$2,588	\$3,337	28.9%	13	\$1,341	\$1,891	41.1%	10
Maryland	\$3,939	\$6,155	56.3%	8	\$2,359	\$2,890	22.5%	14
Mississippi	\$3,107	\$3,951	27.2%	15	\$1,214	\$1,648	35.7%	12
North Carolina	\$1,898	\$3,371	77.6%	5	\$704	\$1,292	83.4%	4
Oklahoma	\$1,984	\$3,097	56.1%	9	\$1,359	\$2,172	59.8%	8
South Carolina	\$3,954	\$6,283	58.9%	7	\$1,252	\$2,921	133.3%	2
Tennessee	\$2,210	\$4,258	92.6%	2	\$1,255	\$2,253	79.6%	5
Texas	\$2,131	\$4,307	102.1%	1	\$875	\$1,385	58.3%	9
Virginia	\$5,089	\$5,450	7.1%	16	\$1,719	\$2,066	20.2%	15
West Virginia	\$2,589	\$3,730	44.0%	11	\$1,615	\$2,703	67.4%	7
Louisiana as % of SREB Median	108%	80%			109%	103%		
Louisiana as % of US Median	83%	71%			81%	91%		

* adjusted for inflation
 SOURCE: SREB (Fact Book on Higher Education); PAR calculations

TABLE 3. 2004-2005 Median Annualized Public Undergraduate Tuition and Fees for Full-time In-state Students By SREB Categories

	Flagship Universities*		Four-Year Public Institutions								Two-Year Public Institutions	
	Rank (out of 16)	Tuition and Fees	Tier 1 Rank (out of 16)	Tier 2 Rank (out of 12)	Tier 3 Rank (out of 15)	Tier 4 Rank (out of 13)	Tier 5 Rank (out of 14)	Tier 6 Rank (out of 10)	All Rank (out of 16)	Tuition and Fees	Rank (out of 16)	
US Median	\$5,701	\$5,628	9	\$4,516	6	\$3,944	\$1,633	\$4,490	\$4,515	\$2,010	4	
SREB Median	\$4,690	\$4,749	7	N/A	4	\$3,996	\$3,870	\$3,833	\$3,625	\$1,785	12	
Alabama	\$4,630	\$4,662	9	\$4,516	6	\$4,290	\$4,129	\$4,179	\$3,870	\$2,700	4	
Arkansas	\$5,135	\$5,135	7	N/A	4	\$5,053	N/A	\$4,168	\$3,834	\$1,760	12	
Delaware	\$6,954	\$6,954	2	N/A	3	N/A	\$4,976	N/A	N/A	\$2,088	8	
Florida	\$2,955	\$3,038	16	\$3,158	12	\$3,064	N/A	\$3,151	\$2,877	\$1,773	11	
Georgia	\$4,272	\$4,213	12	\$4,278	8	\$3,049	\$2,897	\$2,904	\$2,802	\$1,656	13	
Kentucky	\$5,239	\$5,164	6	\$5,040	5	\$3,984	\$4,104	\$3,834	N/A	\$2,760	3	
Louisiana	\$4,292	\$4,292	11	\$3,459	10	\$3,440	\$3,090	\$3,056	N/A	\$1,836	10	
Maryland	\$7,426	\$7,410	1	\$8,020	1	\$6,672	\$5,774	\$4,454	\$9,617	\$2,806	2	
Mississippi	\$4,110	\$4,105	14	\$4,108	9	\$3,841	\$3,657	\$3,664	N/A	\$1,600	14	
North Carolina	\$4,451	\$4,367	10	\$3,435	11	\$3,273	\$2,521	\$2,825	\$2,675	\$1,255	16	
Oklahoma	\$4,140	\$4,110	13	N/A	15	\$3,011	\$3,000	\$3,000	\$3,003	\$2,109	7	
South Carolina	\$6,416	\$7,128	2	\$7,816	2	\$6,051	\$6,051	\$5,866	\$6,060	\$2,836	1	
Tennessee	\$4,749	\$4,749	8	\$4,480	7	\$4,076	\$4,097	\$4,134	N/A	\$2,187	6	
Texas	\$5,735	\$5,848	5	\$5,300	4	\$4,182	\$3,633	\$4,005	\$4,278	\$1,345	15	
Virginia	\$6,600	\$6,219	3	\$5,358	3	\$5,119	\$4,544	\$6,441	N/A	\$2,006	9	
West Virginia	\$3,938	\$3,938	15	N/A	10	\$3,818	N/A	N/A	\$3,484	\$2,624	5	

* Flagship tuition and fees are an average, not a median
 SOURCE: Flagship data, Washington Higher Education Coordinating Board (Tuition and Fee Report); all other data, SREB (Fact Book on Higher Education)

the Southern average. Local funding in other states is also a significant revenue source for community colleges, but in Louisiana is completely absent. Without this funding source, Louisiana's two-year institutions are at a disadvantage.

AFFORDABILITY

Louisiana's median undergraduate tuition and required fees are some of the lowest in the South and the nation, consistently ranking below Southern and national median charges for four-year institutions and at the median for two-year institutions.

When adjusted for inflation Louisiana's annual median institutional charges increased between 1994-95 and 2004-05 at both four- and two-year institutions (see Table 2). However the percentage increases were some of the smallest in the South. In 1994-95, institutional charges at Louisiana's four-year institutions were 8 percent above the Southern median. Ten years later these charges had dropped to 20 percent below the Southern median. In the same time period, institutional charges at two-year institutions dropped from 9 percent above the Southern median to 3 percent above the median. Annual unadjusted median charges by SREB classifications and the rank among the Southern states in 2004-05 are shown in Table 3. Median charges at Louisiana institutions were lower than the Southern median in all cases, except for two-year institutions where they were about \$50 above the median (Note: LSU Alexandria is counted as a two-year institution in SREB data, yet its mission has been reclassified by Louisiana as a four-year tier 6 institution, and its tuition is set as such. Once LSU Alexandria meets the SREB criteria as a Tier 6 institution, the median tuition for two-year institutions in Louisiana will probably decrease and no longer will be above the Southern median). As shown in Table 4, when comparing charges at each institution within Louisiana, a wide variation exists within tiers, and some lower-tiered institutions have tuition higher than institutions levels above.

In-state, undergraduate education in Louisiana is a relative bargain for students. That the state has maintained low institutional charges while increasing the state funding effort would suggest that Louisiana prefers to spread more of the costs for higher education among all citizens while

keeping costs low for students. No matter how the balance is struck, the overall goal is to fund higher education institutions in Louisiana at comparable levels to institutions in other states in order to achieve a competitive, highly educated and trained labor force. A more flexible tuition-setting policy can help to move the state toward this goal, but will likely lead to higher costs for students, which seem to be justified by state-to-state cost comparisons. However, some measure of affordability within the context of the state's economic condition must also be considered.

Affordability is determined more by a family's ability to pay than by the price of education elsewhere. In 2004, median household income in Louisiana ranked 12th in the South and was 93 percent of the Southern median. As seen in Table 5, it takes less of the median household income (8.9 percent) to pay for full-time, in-state tuition at a public four-year institution in Louisiana than in most other Southern states. This is because Louisiana's median household income is near the Southern median and median in-state charges at a four-year institution are only 80 percent of the Southern median. Charges at two-year institutions required 5 percent of the median Louisiana household income, slightly more than the percentage required to pay tuition and fees at the median Southern two-year institution. Once LSU Alexandria is removed from the two-year data, it is expected that Louisiana two-year charges will be in line with the rest of the South.

Louisiana families with income in the lowest 20 percent would have to spend nearly 32 percent of their income to pay for a year of tuition and fees at a median-cost, four-year university and 19 percent at a two-year college. These burdens were near the Southern percentages of about 34 percent and 16 percent for four- and two-year institutions, respectively.

STUDENT AID

There are other costs associated with obtaining a degree, such as room and board, transportation, books, and supplies. There is also income foregone by attending classes instead of entering the workforce. On average, tuition and fees only account for one-third of the total cost to attend college. However, published costs are rarely the actual costs paid by students.

TABLE 4. Median Annualized Undergraduate Tuition and Required Fees for Full-Time In-State Students in Louisiana Institutions, By SREB Tier

	2004-05
Tier 1	
LSU, BR	\$4,316
Tier 2	
University of Louisiana at Lafayette	\$3,258
University of New Orleans	\$3,587
Tier 3	
Louisiana Tech	\$3,932
Southern University at BR	\$3,440
University of Louisiana at Monroe	\$3,196
Tier 4	
Grambling	\$3,410
Northwestern	\$3,291
Southeastern	\$3,032
McNeese	\$3,112
Tier 5	
Southern University at New Orleans	\$2,872
LSU-Shreveport	\$2,934
Nicholls	\$3,240
Tier 6	
none	
Two-Year Institutions	
Baton Rouge CC	\$1,596
Bossier Parish CC	\$1,682
Delgado CC	\$1,651
LSU-Alexandria*	\$2,993
LSU-Eunice	\$1,988
Nunez CC	\$1,718
Southern University at Shreveport	\$2,188

* LSU-Alexandria is phasing into a Tier 6 four-year institution
 SOURCE: Chronicle of Higher Education

Financial aid in the form of federal, state and institution-sponsored aid programs, loans and scholarships all help in reducing the burden borne by students. Taxpayer-funded aid programs often are targeted toward those with financial need, leaving middle-income families struggling to pay for higher education.

An emerging trend to help more students afford higher education is the development of state-funded, merit-based scholarship programs. Many

states have introduced these programs that allow recent high school graduates who meet certain academic standards to attend colleges at reduced rates regardless of income. Six Southern states have large-scale programs like Louisiana, which first funded TOPS in 1998. TOPS allows students who complete a defined academic core and achieve certain GPA and ACT scores to attend college relatively tuition free. In 2004-05, more than 42,000 students received TOPS at a cost to the state of more than \$117 million.

Board of Regents data show that only about \$1.4 million of need-based aid was provided to Louisiana students in the same time period, and only 19.1 percent of children from lowest income families in Louisiana were enrolled in college in 2005, compared to 25.4 percent nationally. It seems that many students from the poorest families are unable to afford a post-secondary degree even with available financial aid programs. This is partially due to poor academic preparation and also because non-traditional students – those not enrolled within their first year after high school – are not eligible to receive TOPS. A proposal being considered in the 2007 legislative session would fund a \$15 million need-based financial aid program to help approximately 11,000 students in the upcoming school year and would grow to cover approximately 21,000 students at a cost of nearly \$41 million in four years. Implementing this program will help more financially needy students to gain access to higher education.

ACCESS

Access to higher education is measured by enrollment rates among recent high school graduates and the total population. Data for Louisiana show that accessibility is not a problem. However, Louisiana does enroll more students in more expensive four-year institutions than in two-year institutions, leading to a higher-cost system with poor outcomes as compared to other states. Yet, with the advent and the growth of the community college system, an enrollment shift is occurring, and it is expected that this shift will result in improved outcomes.

Louisiana continually has some of the lowest high school attainment levels in the United States, yet these levels are not out of line with other Southern states. In 2002, 12 percent of Louisiana's 16- to 19-year-olds were without a diploma or GED and not

TABLE 5. Percent Median Household Income Needed to Pay for Median Undergraduate Annualized Full-Time In-State Tuition and Required Fees

	Four-Year Public Institutions			Two-Year Public Institutions			Flagship University*	
	1994	2004-05	Rank	1994-95	2004-05	Rank	2004-05	Rank
United States	7.4%	10.3%		4.1%	4.5%		12.9%	
SREB States	6.3%	10.3%		3.4%	4.6%		12.9%	
Alabama	7.1%	11.6%	5	4.1%	7.4%	3	12.6%	8
Arkansas	7.4%	12.8%	2	3.3%	5.0%	8	14.7%	3
Delaware	8.7%	12.4%	3	3.5%	4.3%	12	14.5%	4
Florida	6.1%	7.6%	14	3.6%	4.4%	11	7.3%	16
Georgia	5.7%	7.1%	16	3.7%	4.0%	13	10.4%	15
Kentucky	6.9%	11.7%	4	3.6%	7.8%	2	14.7%	2
Louisiana	7.7%	8.9%	12	4.1%	5.0%	7	11.8%	12
Maryland	7.7%	10.5%	9	4.8%	4.9%	9	13.0%	6
Mississippi	9.4%	11.0%	6	3.8%	4.6%	10	11.8%	10
North Carolina	4.8%	8.1%	13	1.9%	3.1%	16	11.1%	13
Oklahoma	5.6%	7.6%	15	4.0%	5.3%	6	10.5%	14
South Carolina	10.2%	15.8%	1	3.3%	7.3%	4	16.6%	1
Tennessee	5.9%	10.9%	7	3.5%	5.7%	5	12.5%	9
Texas	5.3%	10.1%	11	2.3%	3.3%	15	13.9%	5
Virginia	10.4%	10.3%	10	3.6%	3.9%	14	12.9%	7
West Virginia	8.4%	10.9%	8	5.4%	7.9%	1	11.8%	11

* Flagship tuition and required fees are an average, not a median

SOURCE: SREB (Fact Book on Higher Education); Washington Higher Education Coordinating Board (Tuition and Fee Report); PAR calculations

in school, compared to 11 percent in the South and 9 percent in the nation. Of those who do graduate from high school, the percentage that then enrolls in college is at the Southern and national average (see Table 6). Just as in the nation and in the South, most of Louisiana's higher education enrollment was in public, rather than private, undergraduate programs.

Measured as a percentage of total population, Louisiana has slightly more FTEs than the Southern average (4.1 percent vs. 3.5 percent per capita enrolled in public colleges). Perhaps the fact that more students remain in-state to obtain higher education degrees explains how Louisiana can have lower high school graduation rates yet higher per-capita higher education enrollments.

The state greatly deviates from other Southern states in the type of institutions in which students are enrolled. Traditionally, Louisiana has had an unorthodox undergraduate enrollment mix with more students enrolled in more expensive four-

year institutions than in less expensive two-year institutions. This was due to the limited number of two-year programs, so many of which had very little transferability into four-year institutions. Also, the admission standards for most four-year institutions were no more restrictive than those of two-year programs.

This system is financially inefficient and has laid the groundwork for the state's low graduation rates at many institutions. However, in recent years with the expansion of the community college system and changes in admission standards, an enrollment shift has begun. Total in-state FTE enrollment in Louisiana's undergraduate programs increased by 39.3 percent between 1994 and 2004-05. The majority of the increase was in two-year institutions. The four-year/two-year enrollment mix in the fall of 1994 was 89 percent/11 percent and had shifted to 75 percent/25 percent by 2004-05. The Southern average was a 55 percent/45 percent mix in the 2004-05 academic year.

TABLE 6. 2004-05 Enrollment in Colleges and Universities

	Public FTEs Per Capita	Recent High School Graduates Who Enroll in Higher Education (%)	Total Enrollment in Undergraduate Programs (%)	Undergraduates in Public Institutions (%)	First-Time Freshmen Remaining In-State (%)
United States		56.1	85.6	78.8	82.8
SREB states	3.5	56.6	87.0	83.9	87.7
Alabama	4.0	59.5	85.4	88.5	90.2
Arkansas	3.5	56.7	90.8	89.8	88.8
Delaware	3.8	52.4	84.1	82.7	71.0
Florida	3.1	53.8	87.9	78.1	90.3
Georgia	3.2	61.8	86.9	79.7	86.4
Kentucky	3.4	54.5	87.7	82.9	89.0
Louisiana	4.1	56.5	86.0	86.0	90.9
Maryland	2.9	58.5	80.8	87.5	68.6
Mississippi	4.1	60.8	89.0	91.2	93.4
North Carolina	4.4	65.4	88.4	83.7	90.8
Oklahoma	4.5	52.3	88.0	87.4	90.4
South Carolina	3.4	68.8	88.3	82.8	89.2
Tennessee	2.9	49.3	86.3	73.6	84.1
Texas	3.6	53.3	88.1	88.5	91.0
Virginia	3.4	58.2	84.8	81.6	81.4
West Virginia	3.8	54.3	87.2	84.3	86.0

Source: SREB (Fact Book on Higher Education); PAR calculations

The over-enrollment in more expensive four-year institutions makes for an inefficient system of higher education that requires a higher level of investment to maintain than that required in other states. While overall accessibility has not been affected by this inefficiency, student success has been hampered.

ACHIEVEMENT

While Louisiana's higher education enrollment levels are consistent with the rest of the Southern states, student success rates are low. Less than 20 percent of the state's adult population has a bachelor's degree or higher, ranking 13th lowest in the South (see Table 7). Louisiana also ranks low in most achievement standards at both four-year and two-year institutions.

Data for the class of students that started four-year institutions in 1998 show that the state's graduation rate (the percentage of students graduating within six years at four-year institutions) was the lowest in the South, and the progression rate (the percentage of students who within six years either obtained a degree or remained enrolled in a higher education institution) was third lowest. Achievement rates at two-year institutions are close to the Southern average, in all but the graduation rate, which ranks second lowest in the South with only 6 percent of students who entered college in 2001 graduating within three years.

If the primary reason states fund post-secondary education is to gain the economic growth that is associated with a highly educated population,

it would seem Louisiana is not achieving its main goal and needs to re-evaluate the system. Students are enrolling in higher education, but not graduating. However, as low as the achievement results are, they are considerably better than they have been in the past and, for the most part, are increasing faster than the Southern average. These improvements reflect results before full implementation of the more restrictive admission standards; therefore, it could be argued that the better performance results are due to increases in state funding.

POLICY OPTIONS FOR LOUISIANA

THE TUITION-INCOME LINK

Many tuition-setting policies around the nation, including the tuition policy proposal by Louisiana's Board of Regents, set maximums based on median charges at peer institutions. Although easy to calculate and understand, such a policy sets tuition based on an ever moving target. The Louisiana Board of Regents' proposed tuition and fee policy, for all institutions except LSU Baton Rouge, is based on the SREB median institutional charges categorized by tiers. Seemingly taking into account that Louisiana's median household income in 2004 was 93 percent of the SREB median, the Regents' plan would limit charges to 93 percent of the median for most institutions. Community colleges are the one exception to this 93 percent limit; they would be allowed to set charges equal to 100 percent of the SREB median. The Regents' plan would allow LSU Baton Rouge to set tuition and fees equal to 93 percent of the national flagship average as reflected in the Washington Higher Education Coordinating Board data.

As shown in Table 8, increasing LSU's institutional charges to the plan's maximum in 2004-05 would result in an increase of \$1,010. If all other states maintained the same charges at flagship institutions, the following year tuition again could be increased slightly by approximately \$20. Adjusting upward to the national flagship average would result in LSU's charges being almost \$550 above the tier 1 SREB median and would move it from 11th to sixth in the South. Adjusting tuition and fees to the 2005 Regents' policy proposal would result in an average increase at all other four-year institutions of

almost \$490. Yet, charges at the median priced community colleges would be frozen.

THE TUITION-TOPS LINK

Any tuition-setting policy in Louisiana has to consider the impact on TOPS. In 2004-05, 13,954 students at LSU received TOPS. Increasing tuition and fees to 93 percent of average charges at the national flagship institutions would result in the need for additional state funding of slightly more than \$14 million for TOPS. Funding TOPS at all other four-year institutions would require an additional \$10.6 million. Increasing charges to the maximums set in the Regents' plan would require an additional \$24.8 million for TOPS. The Regents' plan was designed to be phased in over six years.

THE TUITION-PERFORMANCE LINK

Few states tie performance goals to tuition-setting policy. However, tying performance to state appropriations is a growing trend in higher education, and the tuition-performance link is beginning to be explored by policy makers.

A notable experiment in tuition-setting policy that allows increases only when performance goals are met is underway in Virginia. When that state overhauled its higher education system in 2005, it established 11 accountability indicators that an institution must meet in order to have autonomy in tuition-setting and operational activities. The 11 goals are broad and cover topics such as ensuring access and affordability, improving academic standards and student achievement, developing a broad range of academic programs that stimulate economic development, and requiring plans detailing how the institution is working with lower level education institutions to increase preparedness. Each institution must provide detailed outcome measures for each of the 11 indicators to report its current levels and the level to which it is striving.

It is still too early to determine how well the Virginia plan is actually working in regard to tying autonomy to performance measures. There has been opposition, especially from smaller institutions that claim that developing the performance measures is too time consuming and not worth the freedom they gain. Although there may be some tweaking required to develop

TABLE 7. Attainment and Achievement Levels in Louisiana's Public Colleges and Universities

	Educational Attainment for Persons 25 or Older, 2005			Four-Year Public Institutions				Two-Year Public Institutions				
	High School Graduate or More (%)	Bachelor's Degree or More (%)	Rank	2003 Cohort	1998 Cohort	1998 Cohort	2003 Cohort	2003 Cohort	2001 Cohort	2001 Cohort	2001 Cohort	2001 Cohort
	Rank	Rank	Rank	First-Year Persistence Rate (%)	Progression Rate (%)	Graduation Rate (%)	First-Year Persistence Rate (%)	Progression Rate (%)	Graduation Rate (%)	Rank	Rank	Rank
United States	85.2	27.6		85	72	52	64	49	18			
SREB	82.2	22.0										
Alabama	80.9	19.8	12	84	56	15	73	43	20	2	9	6
Arkansas	81.4	17.5	15	76	67	10	55	54	3	12	3	24
Delaware	86.8	25.6	4	87	65	11	65	12	15	3	15	11
Florida	86.8	25.5	5	86	71	7	71	42	10	3	10	32
Georgia	85.7	26.9	3	86	77	4	70	53	5	4	5	15
Kentucky	78.9	19.0	14	83	65	11	59	59	2	9	2	34
Louisiana	80.2	19.7	13	80	59	14	58	51	6	11	6	15
Maryland	87.0	36.3	1	88	70	8	80	61	1	1	1	8
Mississippi	79.9	21.9	10	77	56	15	39	No data	No data	14	No data	No data
North Carolina	84.0	25.4	6	85	77	4	No data	31	14	No data	14	23
Oklahoma	85.2	24.0	9	80	78	3	60	54	3	8	3	21
South Carolina	83.0	24.2	8	88	75	6	54	40	12	13	12	14
Tennessee	81.8	21.6	11	82	69	9	62	41	11	7	11	11
Texas	78.2	25.4	6	87	83	1	64	50	7	5	7	12
Virginia	86.1	30.7	2	89	83	1	63	44	8	6	44	14
West Virginia	82.4	15.1	16	79	64	13	59	40	12	9	40	16

SOURCE: US Census Bureau; SREB (Fact Book on Higher Education)

TABLE 8. Effect of Proposed Tuition and Fee Increases on TOPS Funding, 2004-05

	Four-Year Institutions					Two-Year Institutions All	Total TOPS Changes
	Flagship	Tier 2	Tier 3	Tier 4	Tier 5		
Regents Proposal^a							
Louisiana Median Charges	\$4,292	\$3,459	\$3,440	\$3,090	\$3,056	\$1,836	
Peer Median Charges	\$5,701	\$4,379	\$3,996	\$3,870	\$3,833	\$1,785	
Policy Maximum Tuition and Charges	\$5,302	\$4,072	\$3,716	\$3,599	\$3,565	\$1,785	
Difference Needed to Reach Adjusted Charges	\$1,010	\$613	\$276	\$509	\$509	-\$51	
Impact on TOPS Funding							
# of Recipients	13,954	6,758	5,870	7,130	2,483	1,246	
Cost to Implement	\$14,092,563	\$4,145,830	\$1,621,764	\$3,629,883	\$1,263,077	0 ^b	\$24,753,117
PAR Proposal^c							
Louisiana Median Charges	\$4,292	\$3,459	\$3,440	\$3,090	\$3,056	\$1,836	
Peer Median Charges	\$5,701	\$4,379	\$3,996	\$3,870	\$3,833	\$1,785	
Maximum Tuition and Charges	\$4,732	\$4,072	\$3,716	\$3,599	\$3,565	\$1,660	
Difference Needed to Reach Adjusted Charges	\$440	\$613	\$276	\$509	\$509	-\$176	
Impact on TOPS Funding							
# of Recipients	13,954	6,758	5,870	7,130	2,483	1,246	
Cost to Implement	\$6,137,388	\$4,145,830	\$1,621,764	\$3,629,883	\$1,263,077	0 ^b	\$16,797,942
Cost Difference for TOPS Between PAR and Regents Proposed Policy	-\$7,955,175	\$0	\$0	\$0	\$0	0 ^b	-\$7,955,175

a) Flagship is based on 93% of national average flagship charges; all other four-year institutions based on 93% of SREB median charges; two-years are based on 100% of SREB median charges.

b) Although the proposal would limit maximums, it would not require rollbacks of current tuition. These medians also include LSU-Alexandria as a two-year institution instead of its new four-year Tier 6 designation.

c) Flagship is based on 83% of national average flagship charges; all other institutions based on 93% of SREB median charges.

reasonable and well defined benchmarks and early goals may go unmet, the increased scrutiny on performance of all institutions is an important step to ensuring the public mission of higher education is being met.

RECOMMENDATIONS

The following recommendations outline policy changes that would grant higher education boards in Louisiana some degree of tuition- and fee-setting autonomy from the Legislature. However, the additional flexibility would be limited by charges at peer institutions, relative household income and achievement of performance goals.

Recommendation 1. Enact legislation to allow higher education management boards to increase tuition and required fees for Louisiana’s public higher education institutions up to maximum levels that are tied to charges at peer institutions and relative household income levels without a two-thirds vote of the Legislature.

Higher education management boards should be allowed, with the approval of the Board of Regents, to set their tuition and fee levels up to the following maximum limits:

- For all but the flagship institution, LSU in Baton Rouge, the maximum allowable tuition and required fees at each institution should be calculated as a percentage of the median charges at peer institutions in the Southern region, as defined by SREB. The percentage should be calculated as the ratio of median household income in Louisiana to the Southern median household income, which was 93 percent in 2004. Regents’ policy proposal allows all four-year institutions, except the flagship institution, to reach a set percentage (93 percent) of the SREB median for each type of institution.
- The maximum allowable tuition and required fees at the flagship institution should be calculated as a percentage of average charges at peer institutions nationwide. The percentage should be calculated as the ratio of median household income in Louisiana to the national median

household income, which was 83 percent in 2004. Regents’ policy proposal allows the maximum to be 93 percent of average tuition and fees at flagship institutions around the nation.

- The maximum tuition and fees at community colleges should also be tied to the ratio of household income in Louisiana to that in the Southern region just as all other institutions (except the flagship institution). Regents’ policy proposal allows community colleges to reach 100 percent of the SREB median. This higher limit was set to compensate for the institutions being new emerging schools. Yet affordability is key to increasing enrollment in two-year institutions and achieving a more efficient and productive enrollment mix statewide; therefore community colleges should be held to the same standards as all other institutions. Tuition and fees at two-year institutions already have bypassed the SREB median, but this is most likely a temporary issue due to LSU Alexandria being included as a community college, not a four-year tier 6 institution.

Allowing institutions to raise costs up to the level of their peers is a reasonable approach to allowing limited tuition-setting flexibility. However, affordability for Louisiana citizens must be taken into account. By adjusting the maximum allowable tuition and fees downward relative to household income levels, accessibility can be maintained. Table 8 compares the cost of raising tuition and fees to the maximums defined by Regents’ and PAR’s proposed policies. For LSU, the 2004 increase based on PAR’s recommendations vs. Regents’ would have resulted in increased maximum annual charges of \$440 vs. \$1,010. In both plans, community colleges would have few, if any, increases since Louisiana’s median charge is already above the Southern median charge.

If at any time an institution believes it needs additional tuition funding beyond the maximum levels to further its mission, then it should be required to first seek approval from Regents and then receive a favorable vote of two-thirds of the Legislature before the new policy maximums could be exceeded.

Recommendation 2. Require institutions to meet certain performance standards outlined in the new master plan for higher education (currently under development) in order to impose tuition and fee increases.

Each institution should be required to achieve specific performance benchmarks in order to be granted tuition and fee increases. The Board of Regents is developing a new master plan for higher education, which should identify appropriate performance standards for each institution. At the very minimum, since tuition maximums are based on peer averages, tuition increases should be tied to achievement (persistence, progression and graduation rates) and access levels (percent of minority enrollees, percent of low-income enrollees) equal to that of peer institutions. If at any time, the institution fails to meet the goals, the Board of Regents should have the option to prevent further tuition increases until the benchmarks are being met.

It is hard to tie dollar-to-dollar increases to achievement results, and there is no exact level that hinders access. Full-time, high-level faculty, smaller class sizes and smaller teacher loads have all been cited as improving student success, all of which require a higher investment per FTE. Therefore additional funding may be justifiable in order to continue the path toward improved performance outcomes. Where additional funding is necessary and justifiable, tuition-setting flexibility can be granted as one tool for increasing revenues. Yet, financial aid programs must be in place to prevent academically prepared, low-income students from being excluded from the higher education system. Even with such programs in place, carte blanche should not be granted to institutions to raise tuition without proving that the charges are justified.

Recommendation 3. Continue to fund TOPS fully to keep pace with tuition and fee increases.

If policy recommendation 1 had been in place during the 2004-05 school year, full funding for TOPS would have cost the state approximately an additional \$16.8 million. This funding increase is a reasonable expenditure and does not make the tuition increases cost prohibitive. TOPS was designed as a program to fully cover the cost of

tuition and some fees for each eligible student regardless of the expense.

At its inception, TOPS was designed to grow with increased student enrollment and increases in tuition and required fees. However, as it has evolved, not all required fees have been covered. Nearly all new fees that have received legislative approval in recent years have been exempted from TOPS. Continuing this practice would limit growth in TOPS funding, but also would seem to dilute the original intent of the program.

CONCLUSION

Access, affordability and achievement are paramount goals of any state's higher education system. Louisiana does comparatively well on access and affordability, but student achievement lags behind. To improve the potential for higher education to become a major driver of economic development, institutions need more flexibility in setting appropriate tuition levels to keep pace with their peers but also must be required to meet performance standards directly tied to higher education goals of the entire state.

The Legislature should be removed from the decision-making process regarding routine tuition increases. The objective approach of tying student costs to those at peer institutions and limiting them to relative household income levels is a long-term solution to the annual political fight over tuition increases. Requiring performance measures to be met in order to receive the full benefits of tuition flexibility would ensure that the state's goals for higher education were being assessed routinely and progress was being made toward attaining those goals.

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