

May 21, 2006

**WICHE Commission
Meeting
Bismarck, North
Dakota**

**Presenter:
David Longanecker
Executive Director**

***What State Policy
Makers Should
Know About Federal
Higher Education
Policy***

The Mantra

Education is a State Responsibility,
Not a Federal Responsibility.

The Legitimate Federal Stake

- The federal role
 - The 14th Amendment of the U.S. Constitution
 - The federal interest – competitiveness
 - Politics
- The federal investment
 - \$90 billion annually
 - Or maybe only \$25 billion
- Why Is This Important to *State Policy Makers*?
 - Harmonize State and Federal Policies & Programs
 - Maximize use of federal policy & practice to achieve the State's interests.

The Law: The Higher Education Act

- Originally passed in 1965 – amended periodically
- Domain
 - Access
 - Financial Aid
 - Quality
 - Institutional aid/supporting unique institutions
 - Teacher preparation
 - Areas of particular federal interest
 - Graduate Education
 - International education
 - Whatever

The Law: The Higher Education Act

- Current Circumstance
 - *Reauthorization* scheduled for 2004
 - Extended automatically to 2005 (normal)
 - Temporarily extended multiple times since
 - Being adopted piece-meal (not normal)
 - Budget Reconciliation Act dealt with student loans and some definitions
 - Remainder remains “in process”

The Law: The Higher Education Act

- Direction is clear
 - Incrementalist in nature
 - Authorized spending levels will increase slightly,
 - But funding won't
 - Mandates & Monitoring will increase,
 - And this will be realized
- Incrementalism can have BIG consequences for States
 - The Definition of *An Institution of Higher Education*.
 - Will spread federal benefits
 - Could affect state program eligibility

The Law: The Higher Education Act

- Change over time:
 - Less Focused on the Most Needy
 - Less Focused on Students & Institutions & More on Third-Party Providers (particularly lenders).
 - More Focused on Accountability
- Why is this important to *State Policy Makers*?
 - Change can complement or pervert state policy
 - Example: "*Federal Methodology*"
 - Unnecessarily complex
 - And not contemporary or practical for states
 - Definition of IHE.

The Money: Federal Appropriations

- Understanding the appropriations “disconnect”
 - Entitlements – Student Loans
 - Discretionary – Everything else
 - Except
 - Pell Grants – the Quasi-entitlement Program
- The mythical shift from grants to loans
 - Pell – more is less
 - Loans – more is more – a larger piece of a larger pie.
- Why Is This Important to *State Policy Makers*?
 - Federal dollars are *first in*, which gives States leverage
 - Few intentionally take advantage

The Hidden Money: Federal Tax Benefits

- Tried and true tax benefits
 - Tax exemption for public and private institutions
 - Tax benefits for employer provided education and training opportunities
 - Research and Development tax credits & deductions for business and industry.
 - Tax deductions for gifts
 - Tax deductions for dependents attending college
- The New Biggies
 - HOPE & Lifelong learning tax credits -- \$8 Billion (could be \$12 Billion)
- Why Is This Important To *State Policy Makers*?
 - You are leaving a lot of federal dollars on the table, both for your citizens and for your State.
 - Some may be at risk – institutional tax exemption
 - The American University debacle
 - Intercollegiate Athletics

The Federal/National Focus on Accountability

- 1992 Reauthorization of the HEA – SPREs & The Triad
- 1996 National Commission on the Cost of Higher Education
- 2005 SHEEO National Commission on Accountability in Higher Education
- 2006 National Commission on the Future of Higher Education

- Why Is This Important to *State Policy Makers*?
 - It is an ethic whose time has come
 - States can lead,
 - or be led.

Why This Is Important To You

- You are significant *partner* with the feds on issues of both access and quality, whether you or they recognize it, or not.
- The federal presence in financial aid and research drive policy
- Being *policy smart* can make your programs much more cost effective.
- Current discussions will affect you in a big way.