What State Policy Makers Should Know About Federal Higher Education Policy

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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 -- Including **PRODUCTIVITY & COST**
The Law: The Higher Education Act

- Current Circumstance
  - Reauthorization scheduled for 2004
  - Extended automatically to 2005 (normal)
  - Temporarily extended multiple times since
  - Passed – August, 2008 – How About that! (but, done piecemeal, which is not normal)
    - Budget Reconciliation Act dealt with student loans and some definitions
    - Remainder in the final Bill
The Law: The Higher Education Act

- Direction is clear
  - Incrementalist in nature
    - Authorized spending levels increase slightly,
      - But funding won’t
    - Mandates & Monitoring increase,
      - And this will be realized
    - Case in Point – Link of funding to CACG

- 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 & Cost/Price

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.
  - Academic Competitiveness Initiative and CACG
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.

- The Loan Scare
  - An Issue for Lenders (Public and Private)
  - Need Not an Issue for Borrowers

- 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 Senate’s Increasing Interest
    - 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
- 2006-07 NCSL Commission and Report
- The New Reauthorization
- The OECD Efforts

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.