The Federal Role in Postsecondary Education

“A Brief History of Everything You Ever Needed to Know About That – And Some Thoughts About the Future”
In the beginning

There Was A Constitution

Tenth Amendment

“The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people”
And thus,

- Education, not being mentioned in the constitution was not a federal responsibility.

- In fact, American higher education was not initially a state responsibility.

- It was an elitist system, designed to educate an elite class, “as it should be.”
Mid-century (that would be 19th century) brought a new thrust

- Driven not by constitutional responsibility, but by Federal interest and national need
- The Land-Grant Act of 1862
  - To address *a national economic imperative*
- Began the move toward a meritocratic system of higher education
  - Best and brightest of all classes
  - Scholarships for the most able
- To What End – economic development
Federal Postsecondary Policy -- Access the American Way

Broad access became a “public” goal in the mid 20th century.

- Began as Economic Development
  - GI Bill
  - NDEA
- Became Egalitarian with Great Society (HEA of 1965)
  - Beyond federal interest to federal responsibility – equal opportunities to life, liberty, and the pursuit of happiness (Imbedded in the 14th Amendment)
Access the American Way

- Federal Movement toward Egalitarian Policy
  - Need based aid – SEOG to BEOG to Pell
- Matched by National Movement toward Egalitarian Policy
  - Geographic access
  - “as free as possible” – low tuition
  - Need based financial aid – with federal incentive
- Community College Movement
Federal Postsecondary Policy -- Access the American Way

Fifty Years of Incremental Creep

- Initially HEA was real clear
  - Goal was clear – financial access
  - Strategy was clear
    - Grants for the most needy
    - Loans for the less needy
    - Nothing for the non needy
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Fifty Years of Incremental Creep

- Initially HEA was real clear
  - And it worked
    - Enrollment increased dramatically
  - Or did it
    - Radical increase at state level at same time
    - Dreaded **DRAFT** provided another enrollment driver
  - Let’s say it worked
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Fifty Years of Incremental Creep

The first wave of reform – MISAA – the Middle Income Student Assistance Act

- Espoused Goal – Expand opportunity to middle class
  - No evidence to support/ Strong evidence to oppose
  - Did it work depends on perspective
- Actual Goal – Politically popular idea
  - Did work on authorization side
  - Not so much on appropriations side
The *second* wave of reform – Middle Income at the expense of the most needy

- Loan Expansion
- Over Pell Grants
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Fifty Years of Incremental Creep

The **third** wave of reform (**part one**) – Program Improvement
- Direct Lending
- Improved accountability (SPREs & Default)
- Mixed Bag on Results

The **third** wave of reform (**part two**) – Even more for the middle class
- Tuition Tax Credits (on top of a bunch of other tax benefits that the crept in)
- Merit madness @ the state level
The *fourth* wave of reform – Pell, Pell, and more Pell

- More is Better and Never Enough

- Deregulation fosters innovation

- Effectiveness
  - Depends upon perspective
  - From my perspective – huge failure
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Access to Success

And Affordable, to Boot

But Affordability for All Stakeholders (Not just students)

the Movement of the New Millennium
The shock of the economic downturn
  - Financial access eroded
    - Tuition increased
    - Aid did not
  - Completion became *THE ISSUE*
    - Slipping international competitiveness
    - Data showed the disconnect between access and success
The New Millennium – A Renaissance of Sorts.

- The new agenda: Frugal Essentialism
  
  - Reflected by:
    - Access becomes Access to Success
    - Need is redefined and reemphasized
    - Resources, however are quite constrained
Reemergence of focus on need – Returning to First Principles
  - The West – 15 States
    - Two states were already there – California and Washington
    - Four more have emerged – Hawaii, Wyoming, Oregon, and New Mexico
    - Three think they are there but aren’t – Alaska, Nevada and Colorado
    - The New Entrant – Idaho

But,
  - No stomach for free-loaders
  - No stomach for higher taxes
The New World: Policies In Sync

- Finance Policies At The State Level
  - Intentionally integrating institutional appropriations, tuition, and financial aid policies
  - Recognition of the limits of the Public Purse
  - Much heavier focus on ROI (to individuals and states)
The New World: What Makes Good Student Aid Policies – State/Federal

- Transparency -- Do folks know about it
- Can consumers understand it – is it simple
- Can partners buy it (and complement it)
- Can it be implemented effectively & efficiently
- Is it sufficient to achieve objective
- Can we afford it
The New Millennium – A Possible Renaissance of Sorts Federally

- **With regard to the States**, Move from protecting students from bad states to helping good states protect students
  - SSIG/LEAP worked & could again, done smartly (smart MOE)
  - Loans & Grants as potential partnership
The New Millennium – A Possible Renaissance of Sorts Federally

- **With regard to Institutions**, Move from incentives for nothing to “skin in the game.”
  - Institutions share default risk on loans
  - Institutions share benefits of completions

- **Beware of Greed**
  - Begins as “doing well, by doing good”
  - Evolves to “buyer beware” justification
  - Becomes simple greed
    - I’m doing well, but could do even better
The New Millennium – A Possible Renaissance of Sorts Federally

- *With regard to students*, move from “something for nothing” to “skin in the game.”

- More economically rational risk sharing with students
  - More rational cost sharing (ICR)
  - Redefine FTE
  - Provide completion bonus
  - Rebuild the Expected Family Contribution (shared responsibility – reinventing financial aid)
The New Millennium – A Possible Renaissance of Sorts Federally

- **With regard to the Federal Government,**
  More federal coordination
  - Between authorization, appropriations, and tax policy
  - Between Departments – ED, DOD, HHS, Labor, Agriculture