As the current round of reauthorization of the Higher Education Act (HEA) comes to a close, there is again a buzz about the impact that the changes evolving from reauthorization will have on states and state policy. State policymakers, if they think about federal policy, often think of Pell Grant and student loan programs and federal research funding – but federal policy impacts state higher education policy in a number of other important ways. This session will address several aspects of federal policy of which state policymakers should be aware.

While the Pell Grant and student loan programs have become central policies for advancing access to higher education in the U.S., they are not the only aspects of the Higher Education Act that significantly impact states. For example, the GEAR-UP program, authorized in the last reauthorization of the HEA in 1998, has transformed the linkage between secondary and postsecondary education, placing heightened attention on the need to better prepare students, particularly at-risk students, for success beyond high school.

While most of the changes in the current reauthorization are essentially incremental in nature, some could have a profound impact on state higher education policy. For example, the change in the federal definition of what constitutes “an institution of higher education” (IHE) includes many proprietary for-profit institutions. While this will have little impact on eligibility for federal student aid (because these institutions already appreciate the benefits of participation in federal programs), it will radically expand access to aid in many states. Many states use the federal definition of an IHE as the criteria for state aid eligibility, so states that have not included these institutions in the past may now do so. Furthermore, this change will make a much larger universe of institutions eligible for federal non–student aid programs, such as TRIO and Title III. Traditional public and private colleges that currently participate in those programs will have to compete with a much larger set of institutions for what is likely to be about the same overall amount of funds, which will probably diminish the overall level of federal support that they receive.

Beyond HEA, there are other, equally important policies of which state policymakers should be aware. Just as in the states, much “policy” is imbedded in the federal appropriations and budget processes. Pell Grants, for instance, are “authorized” to increase every year, but “appropriations” levels have kept them at the same $4,050 maximum level for the past five years. And the Budget Reconciliation Act for FY 2006, passed recently, achieved more than $12 billion in savings over the next five years through reductions in lender subsidies and student benefits in the federal student loan programs. Particularly important
to WICHE and its member states, this same act included a new enhancement to the Pell Grant program: academic competitive grants and smart grants that will provide in the neighborhood of a billion dollars.

Increasingly, federal tax policy has also become an important area for state policymakers to follow. Many states have yet to recognize the significant increase in benefits appreciated by their residents from the HOPE tuition tax credits and deductions adopted in 1997. Today, these tax benefits provide nearly $8 billion in benefits to middle-income students throughout the country, yet in some states many students receive no benefit from these federal benefits because either state tuition policy or financial aid policy makes them ineligible for the benefits. Indeed, states leave billions of federal resources on the table each year, money that could benefit their citizens or the state coffers.

Topping this all off, Secretary of Education Margaret Spellings has convened a National Commission on Higher Education and the Economy, which will conclude its work this summer or early fall and will like suggest significant ways in which higher education should approach its service to the nation in the future and how the nation should hold higher education accountable for doing so.

This session will address how these various federal (and national) policy areas and activities come together to impact state policy.

Biographical Information on the Speaker

See bio in tab 3.