

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

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- The federal role
  - The 14<sup>th</sup> 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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.