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Commentary

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COMMENTARY

Should Congress Demand More State Support for Higher Education?

By Representative Rae Ann Kelsch, North Dakota

Just last June, the chairman of the U.S. House of Representatives Committee on Education and Labor, George Miller, along with 31 cosponsors, introduced a provision in budget-reconciliation legislation that would punish states for not maintaining certain levels of appropriations for higher education. It would have required any state not supporting "public institutions of higher education" at or above a rolling five-year average to cede federal education funds until the state legislature "corrected" the situation.

States were welcome to beg the Secretary of Education for a waiver from such misdirected fiscal decision making. Fortunately, reason trumped intent, and Representative Miller, a California Democrat, offered an amendment removing the language. Unfortunately, virtually the same provision is included in the College Opportunity and Affordability Act of 2007 that unanimously passed the committee on November 15.

If enacted by the full House and agreed to by the Senate, the provision would have negligible impact on its intended target, postsecondary tuitions. But it would set a dangerous precedent for federal intrusion into state policy and appropriations authority—creating a federal mandate on state spending in an area where there is little direct federal investment to states—as well as have the unintended effect of reducing state support for higher education.

Along with a "higher-education price index" and more Pell Grant money for institutions that limit tuition increases, the attempt to control state appropriations is one of three legs of a federal tuition-containment stool. But at least two of those three legs—the index and the control over appropriations—are shaky. The index would paint an incomplete and inaccurate picture of college affordability for students and their families. For example, colleges with already-high tuitions would fare better than those that were holding the line before the index calculations began. Meanwhile, state spending is only a small part of the tuition equation, and the unintended consequences of the provision, however well meant, could actually limit *appropriations increases* more than *tuition increases.* Or as H.L.

Mencken put it, "There is always an easy solution to every human problem: neat, plausible, and wrong."

Tuition increases that outpace the Consumer Price Index make great headlines but a bad foundation from which to develop a uniform public policy for the 50 states. Articles about tuition focus on published rates of tuition and fees, and usually on the highest prices and the largest increases. Ignored are the multitude of factors that influence tuition rates — like changes in nontuition revenues, the prices of goods and services that educational institutions purchase, the nature and extent of the services and facilities provided, the academic preparation of the students who enroll, the efficiency of campus operations, the level of demand for particular institutions, and the intense competition among institutions. In addition, reports of "average" tuition increases hide the considerable economic variation in states and regions. And a one-size-fits-all solution ignores the many different ways tuition rates are ultimately determined. Only some are controlled by legislatures, while most decisions are made by governing boards and individual institutions.

State constitutions require policy makers to support elementary and secondary schools in good and bad economic times. Higher-education investments benefit from no such protections, but the resulting yearly volatility has yielded gains for colleges in the long run. For example, when state revenues declined precipitously in the economic slowdown of 2002, higher-education spending increased by only 1.8 percent, according to the National Association of State Budget Officers. Between 2006 and 2007, state revenues rebounded and showed surpluses, with states projecting increases in higher-education spending of 9.3 percent. During that same period, federal support is projected to decline by 8.1 percent. Indeed, over the last 10 years, state higher-education spending has increased an average of 5.8 percent annually.

The provision proposed by the House education committee would discourage states from the cyclical make-up increases because any increases would raise the rolling average, requiring states to continuously ratchet up appropriations. With state appropriators' eyes always on the bottom line of a balanced budget (required in 49 states), the provision would most likely lead to lower net increases in the long run. In short, it would smooth out the down-cycle decreases at the expense of the up-cycle increases.

Federal maintenance-of-effort provisions are commonly included in appropriations measures to ensure that states do not use federal money to replace their support for special-education services or compensatory programs for the disadvantaged. The operative language in both the Elementary and Secondary Education Act and the Individuals With Disabilities Education Act is that federal money is intended to "supplement, not supplant." The problem of applying such a provision to higher education is that no funds of any consequence that go to states by formula have influence over tuition rates. So Congress has turned to the Leveraging Education Assistance Partnership program, or LEAP, to require compliance. LEAP gives states money to help establish a grant program to assist students who demonstrate substantial financial need. Presumably states that lower higher-education appropriations in an across-the-board budget cut would lose LEAP funds. Hence the penalty for a state facing a fiscal crisis would be to deny poor students access to need-based grants and work-study assistance.

It is ironic that maintenance-of-effort provisions imposed on states do not compel Congress to support the grossly under funded federal mandates in the Individuals With Disabilities Education Act, which run between $12-billion and $30-billion each year, or the No Child Left Behind Act, which run in the tens of billions. At the very least, states want the federal government to meet its own appropriations commitments before compelling them to spend additional money on higher education.

The effectiveness of cost controls—which are basically what the higher-education price index attempts to put in place—is also highly questionable. The last time the federal government attempted to correct a significant market problem with federally mandated controls was in August 1971, when President Richard Nixon imposed wage and price controls to check a runaway inflation rate. By 1974 the approach was thoroughly discredited.

Now we have a bipartisan effort to control postsecondary tuition by resorting to a failed economic policy from the 1970s. The White House recognized the futility of that approach in July when it released a statement of administration policy regarding the first effort: "The administration would oppose any attempt to establish tuition price controls and is concerned about the bill's 'higher education price index.' While college affordability is a worthy goal, *pricing of services like higher education is complicated, and government attempts to compare and 'index' prices can have unintended consequences*" (italics added).

Each year states provide about $70-billion in operating funds for their public institutions of higher education, which enroll more than three-fourths of all college students. In fiscal 2007, the federal government provided $118-billion in student-aid money, of which nearly $80-billion was in the form of student loans to be repaid. In addition, $3-billion was for earned military benefits and $8-billion for tax credits, leaving less than $28-billion as the federal support for the cost of student aid and institutional support—a level that fails to buy the feds a controlling interest in determining how much state money should be appropriated and how it should be spent.

We at the state level are just as concerned about tuition rates at our public institutions as Congress is. But tuition rates are merely one part of the issue; tuition, financial aid, and appropriations must be considered together as an entirety by each state, along with institutional efforts to spend money more efficiently. The difference between our approach and that of Congress is that we recognize that dealing with this complex issue requires a thoughtful, thorough, and comprehensive policy review—not a neat, plausible, and wrong quick fix.

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