

U.S. FEDERAL POLICIES AND HIGHER EDUCATION¹

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The purpose of this chapter is to provide an overview of the general direction of higher education trends within the U.S. as these establish the incentives and constraints for state policies on higher education. Our conceptual framework for this study holds that institutional rules are bounded by state rules, and that both in turn nest in overarching federal rules. Here we consider the context for state and institutional rules in use established by federal policies, which apply to all states. Because education is a state responsibility in the U.S., states have a choice about the degree to which the rules they establish are coordinated with those of the federal government. Since rules at state and institutional levels are influenced by related federal rules, the same rule about student assistance, for example, may have a different impact in a state that coordinates its assistance programs with those offered by the federal government as contrasted with one that does not.

The Federal Context

We discuss the federal context for higher education in relation to the six categorical groupings of rules presented in chapter 1.

Design and Governance

Federal regulations have not for the most part focused on how states design their higher education systems. The Tenth Amendment to the U.S. Constitution effectively delegates authority for education to the 50 states so each state defines and develops its own arrangements for higher education. Until the mid-1960s, federal support for higher education consisted primarily of research, development, and student or institutional subsidies in areas defined as national priorities. This changed with the Higher Education Act of 1965, an omnibus bill covering such items as: community service and continuing education; library assistance, training, and research; strengthening developing institutions; student assistance; teacher programs; and facilities construction. The enabling legislation for this act addressed concerns about state authority by noting specifically that federal authority did not extend to the curriculum, administration, personnel, or library resources of any institution.

A reauthorization of the Higher Education Act occurs every four to five years, building on, extending or modifying the programs established by the 1965 law.

¹ This chapter draws upon an earlier report Prisco, A., A. D. Hurley, et al. (2002). "Federal Policies and Higher Education in the United States." Retrieved March 2002, from <http://www.nyu.edu/iesp/aiheps/research.html>.

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Reauthorizations reflect the changing needs of higher education and associated constituencies, as well as policy leaders' perceptions of national priorities. The 1998 reauthorization, for instance, included provisions for the establishment of a web-based education commission to address technology-driven needs. Other reauthorizations have placed pressure on states to take actions favored by federal policy makers.

While the most significant governance structures—for both public and private institutions—exist at the state and local levels, formal federal influence occurs in such areas as: congressional legislative enforcement under the Fourteenth Amendment (equal protection); research and development appropriations; and matching funds generated by federal legislation in the area of loans for postsecondary students. Title VII of the Civil Rights Act of 1964, for example, makes no mention of higher education institutions, yet applies to all public institutions and private institutions receiving federal funds. Likewise, Title IX of the Education Amendments of 1972 (opportunities for women) and the Americans with Disabilities Act of 1991 further extend requirements for equal protection.

The federal interface with state higher education agencies and institutions includes a variety of cabinet level departments and federal agencies as well as staff from associations representing institutional and interest group constituencies who advise, lobby, and provide information. Rules (formal and informal) of the National Center for Education Statistics (NCES), the National Institutes of Health (NIH), the National Science Foundation (NSF), and the Office of Postsecondary Education (OPE) are established at the discretion of the President and usually change when a new President takes office. The most important organization in terms of formal policy implementation, regulation, and accountability is the Department of Education which exercises authority over all levels of education and both private and public institutions.

There are no obvious relationships between federal rules related to design and governance and those in use in our case study states. Clearly, states can and have designed different approaches to higher education without paying much attention to federal rules. Perhaps the one prominent exception involved the creation of State Postsecondary Review Entities in the 1992 amendments as part of an effort to expand state's oversight roles in identifying institutional practices leading to the misuse of federal student aid funds. The legislation met with great resistance and was repealed in 1994, but a number of states established or modified agencies in response to the legislation.

Planning and Priorities

Historically, the federal government has addressed higher education issues through a series of discrete interventions aimed at achieving limited priorities. Most have involved changes in fiscal policy and associated regulations. Many observers have had difficulty in discerning any consistent federal policy toward higher education.

Concerns of the past decade about accountability, costs, and quality are for the first time in 2005 on the agenda of a federal commission appointed to think on a longer term basis about higher education in relation to a more strategic set of priorities.

Strategic relationships between higher education and the federal government have in the past evolved most commonly through changes in fiscal policy and the accompanying regulations. Increased federal interest in accountability during the 1990s led to new regulatory requirements, institutional penalties, and the inclusion of academic performance measures in accreditation reviews. While institutions and their Washington-based representatives complained about the heavy regulatory burden and more adversarial role they saw in these federal initiatives, policy officials argued that the shift simply involved more emphasis on consumer advocacy and less on institutional deference.

Changes in accountability requirements during the 1990s emphasized four strategic actions: accreditation and audit changes that included more involvement by the states, loan default rate triggers calculated for each institution and used to signal “bad practices,” information disclosure requirements for institutions, and mechanisms that capped indirect cost rates for federal research grants. All accrediting bodies had to be approved by the secretary of education. Those that conducted institutional reviews were required to devise a set of outcome standards that would allow them to assess quality and performance based on such indicators as graduation and completion rates, grades received on state licensure exams, and job placement. At the beginning of the decade, higher education was not regulated in such areas as student loan default rates, the costs associated with college, access for students with disabilities, graduation rates of students and student athletes, pass rates of teachers on state licensure examinations, campus crime, or hate crimes. By 2000, colleges had to report information and comply with federal regulations in all of these areas (Ikenberry and Hartle 2000).

The 1998 reauthorization created a Performance-Based Organization (PBO) within the DOE dedicated solely to student assistance. Creation of this organization highlighted dominant policy themes of the 1990s including streamlining, cost saving, and middle-class tax relief. The PBO management unit now administers more than \$60 billion in federal student assistance each year. It is responsible for: improving services to students and other participants; reducing the costs of administering programs; increasing accountability of those responsible for administration; providing greater flexibility in the management of operational functions; integrating the supporting information systems; developing and maintaining complete, accurate, and timely data to ensure program integrity; and implementing an open, common, integrated system for the delivery of student financial assistance.

Most of the literature argues that the combined federal influences on higher education in the U.S do not add up to a coherent strategy. That may be about to change to the consternation of many higher education leaders. In October 2005,

Education Secretary Margaret Spellings appointed a broadly based Commission on the Future of Higher Education to engage students and families, policy makers, business leaders, and the academic community in a national dialogue about all aspects of higher education. No fewer than eight federal agencies were asked to participate in the Commission's work. Secretary Spellings' remarks at the Commission's inaugural meeting identified four priorities: accessibility, affordability, accountability, and quality. These were not new themes. What was new was her charge to the Commission to "think strategically about the bigger picture."(U.S. Department of Education 2005)

The federal emphasis on goal-related incentives and accountability supports state efforts to identify and measure progress on related priorities. In addition, the federal decision to channel most higher education funding through aid to individual students favors states that have planned their systems to compete effectively under market-like conditions.

Information

The National Center for Education Statistics (NCES) serves as the federal government's primary information clearinghouse and data dissemination agency. It fulfills a congressional mandate to collect, analyze and report statistics on the condition of American education; to conduct and publish reports; and to review and report on international education activities. Congress, federal agencies, state and local officials, educational institutions and associations, the news media, business organizations, and the general public use NCES statistics. Data products of NCES that focus on higher education include: academic libraries; cost of attendance; institutional characteristics and financial statistics; salaries, tenure and fringe benefits of faculty; and student enrollment

Federal requirements for collecting and reporting data are critical to all levels of government that are interested in assessing the degree to which postsecondary institutions are responsive to public priorities. Requirements for reporting information in specified formats apply to all institutions and systems that receive federal funds. The databases produced through this massive collection and reporting effort support ongoing studies of a wide range of higher education indicators, including student progress; effects on financial assistance; progress in improving access and equity for underserved populations; student completion; faculty characteristics and job satisfaction; accountability; and consumer protection.

The National Student Loan Clearinghouse is aimed at improving the federal capacity to monitor student loan borrowers. Most postsecondary institutions provide the Clearinghouse with current information about individual student enrollment and receipt of financial aid. The system permits the federal government to track borrowers and has assisted in efforts to decrease the student loan default rate.

The College Tuition Reduction and Information Act of 1997 established a National Commission to grapple with the issue of rising college tuition. Following congressional dissatisfaction with this Commission's report, legislation was passed requiring colleges to make public their prices, costs and many associated factors.

For all U.S. states, the federal government plays a major role in collecting and disseminating information used by state policy makers. Specified information must be provided by all public and private institutions that receive federal funds.

Student Access and Achievement

Federal efforts aimed directly at improving preparation and opportunity for low income and educationally disadvantaged students have clearly been factors in helping eligible students secure a foothold in higher education. In the process, such programs have helped create powerful political advocacy groups committed to improving opportunity. One interesting recent development in the design of such programs has been the evolution from grants focused on individual institutions to programs requiring collaboration across the K-16 sectors as well as with business and industry and the community.

The federal government has historically encouraged articulation between secondary and postsecondary education to improve academic preparation of low-income and disadvantaged students. TRIO grants were awarded to individual institutions for this purpose beginning in the early 1970s. GEAR-UP, the most significant federal attempt to assist low-income students during the 90s, provided counseling, mentoring, academic support, outreach, and information about alternatives for financing postsecondary education to low-income elementary, middle, and secondary school students at risk of dropping out and to their parents. Participants who obtained a secondary school diploma (or its recognized equivalent) were guaranteed the financial assistance necessary to attend an institution of higher education. GEAR-UP grants required collaboration among colleges and universities, schools, and outside organizations. Collaborating partners were expected to provide the academic core curriculum students need to succeed in postsecondary education, to focus on systemic change, to ensure all students are held to high standards, and to provide a dollar-for-dollar match of federal funds. (Silver 2001)

Tech Prep, designed to facilitate school-to-work transitions, provided a planned sequence of study in a technical field beginning as early as the ninth year of school and extending through two years of postsecondary occupational education or apprenticeship. The program culminated in an associate degree or certificate (U.S. Department of Education 2001).

More recently, under pressure to reduce soaring budget deficits, the Bush administration has proposed the elimination of TRIO, GEAR-UP and Tech Prep on the grounds these programs have not been effective in achieving their objectives. At

the time this chapter was written, it appeared that Congress would restore funding to these programs. Under the mandates of the Bush “No Child Left Behind” initiative, states must test for student achievement and must be able to show that those who progress and graduate are meeting standards. The impact of these policies on access and achievement remains to be determined.

Student financial assistance remains the core federal strategy for supporting student access and achievement. Federal student assistance programs include Pell grants, Family Education Loans (FFEL), the William D. Ford Direct Loan Program, Income Contingent Loans (ICL), Leveraging Educational Assistance Partnerships (LEAP), Perkins Loans, Federal Work Study Grants, and Supplemental Educational Opportunity Grants (SEOG).

Pell grants are made directly to students based upon financial status and the cost of attendance. Funding levels have not kept up with increases in the costs of going to college so the buying power of the Pell grant has eroded. The FFEL program, which subsidizes and guarantees low-interest loans to students and parents, is the largest student assistance program. Private or commercial lending agencies make and manage the loans while the government backs or guarantees them. The only need-based element is the subsidized Stafford loan, for which the student pays no interest while in school. Consolidation loans help students and parents convert different types of federal loans with different repayment schedules into a single loan.

The LEAP program provides federal grants to promote state-level, need-based grants and community service work-study assistance. Through the 1990s, federal funding for LEAP and a predecessor program consistently declined, although state governments continued to support the program strongly.

Three programs, administered primarily by participating institutions, complete the picture of federal student assistance. The Perkins program offers long-term, low-interest loans to graduate and undergraduate students. The Work Study Program provides grants to institutions to subsidize the salaries of on-campus part-time student workers. SEOG provides need-based assistance to both part- and full-time graduate and undergraduate students. Institutions provide matching funds equal to 25% of the total for these last two programs.

Fiscal Policies

The federal government is the largest provider of student aid. The decision to provide federal dollars directly to students who “vote with their feet” on how these funds should be distributed among institutions has irrevocably altered state approaches by imposing a market-like competition for eligible students. States that use high tuition, high aid schemes are better situated to capture the federal dollars awarded to individual students. The availability of federal assistance for part-time adult students enhances the ability of states to attract adult students especially when they provide comparable state programs of financial assistance.

Arguably, the decision to fund institutions primarily through students has also added to pressures to raise tuition and fees by increasing the amounts students can afford to pay and by making loans widely available. Federal policies make no distinctions between public and private institutions in eligibility for funding favoring states that incorporate private institutions into their design for providing higher education services.

Financial aid awarded directly to students constitutes the largest single federal appropriation to higher education. Increasingly, there has been less emphasis on need-based grants and more on subsidized loans. While low-income and underserved populations remain a federal concern, the middle class has become a frequent focus of new initiatives. Tax credits, which require substantial income for students and families to benefit, are one major example.

Both private (commonly referred to as ‘independent’) and public institutions receive federal funding and are therefore bound by the rules and regulations that accompany these funds. Students at “for-profit” institutions are eligible for federal financial assistance, provided that their institutions meet mandated requirements. Legislation in the late 80s and early 90s removed eligibility for federal financial aid from students attending institutions with high student loan default rates. The subsequent loss of revenues eliminated some 1500 institutions (primarily for-profit) from the higher education system. Related actions strengthened the accrediting and auditing infrastructure for overseeing higher education.

The Taxpayer Relief Act of 1997 authorized HOPE Scholarships—\$1,500 tax credits for up to two years—to be offered to families with adjusted annual gross incomes no greater than \$80,000 to \$100,000. The Lifetime Learning proposal applied to families in the same income brackets and enabled them to offset the cost of education by taking up to \$10,000 a year in tax deductions. Tax credits clearly benefit primarily middle-income students attending higher-priced institutions. Early projections suggest that tax credits may ultimately create a liability for the federal government equal to all other forms of aid combined.

Research and Development

The federal government uses an incentive grant system to fund research and development projects it deems necessary to the national interest. (Chronicle of Higher Education 2001). Labor force education and work linkages have also been priorities for the federal government. Colleges and universities have increasingly been pressured to collaborate with private sector business and industry. Although research and development funding increased steadily through the 1990s, questions of oversight and concerns over earlier instances of scientific misconduct prompted policymakers to investigate whether institutional self-regulation and peer review were sufficient safeguards against academic fraud.

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Federal research funding clearly encourages states to create infrastructure and program initiatives that enhance the capability of universities to compete for federal grants. In this sense, research funding rules are incentives for increased state effort. The prestige of a state's system of higher education is also related to success in developing institutions that attract research funding.

The federal government remains the major sponsor for university research. Available funds are increasingly tightly proscribed and administered in ways that often limit methodologies and severely restrict investments in infrastructure. Many states have made major investments in personnel and infrastructure to keep their universities competitive for federal research funding. There have also been complaints during the Bush administration of federal attempts to influence research reporting so that information not supportive of administrative political positions appears in its most favorable light.

Performance Trends

The U.S. has developed significant databases at the federal level, which permit comparisons of higher education outcomes over time at least from the late 1970s. Using this data, we examine changes in outcomes for four indicators: student preparation for postsecondary education, participation in some form of postsecondary education, affordability, and degree completion.

Preparation

Over the past two decades, primary and secondary education has been the focus of much concern in the United States. Despite some improvements, the general consensus is that much room for improvement remains. A higher percentage of high school students are now taking advanced classes in mathematics, science, English, and foreign languages. However, national trends in reading, math and science scores are mixed. The average scores of 17-year-olds were higher in 2004 than in 1973 in mathematics, about the same in reading, but lower in science (Fox, Connolly et al. 2005). The high school drop-out rate of 16- through 24-year-olds decreased over the past decade from 11% in 1992 to 10.5% in 2002 (National Center for Education Statistics 2005). During this same period, the number of GED recipients decreased from 457,000 to 330,00 and average scores on the SAT exam increased from 1,001 to 1,020; while the average ACT score increased from 20.7 to 20.8 (College Entrance Examination Board 2002; American Council on Education & General Educational Development Testing Service 2004; ACT 2006).

Participation

During the 1990s, more than 60% of all U.S. high school graduates immediately went on to college; this trend has continued since the year 2000 (National Center for Education Statistics 2005). During the period of 1992-2002, College enrollments in degree-granting institutions increased by 14.5% from 14.5 million in

1992 to 16.6 million in 2002. This growth is expected to continue well into the next decade and is projected to reach 19.1 million in 2012. Much of the growth was fueled by increases in the proportion of women going on to college; women currently account for the majority in associate, bachelor's and master's degree programs. This trend is also projected to continue. During the 1990s, about 50% of all first-year students enrolled in community colleges. This enrollment trend is expected to persist as access to 4-year colleges continues remains an issue.(Hussar, 2005) African-American and Hispanic students disproportionately depended upon community colleges as their access institutions The proportion of minority college students increased from 16% in 1976 to 32.7% in 2003. Much of this change was accounted for by the rising numbers of Hispanic, African-American, and Asian-American students (Fox, Connolly et al. 2005).

Affordability

For most American families, higher education is less affordable than it was in 1995. Many families have found that the cost of attending two and four year public and private institutions has grown more rapidly than inflation, and faster than family income. While financial aid has increased, it has not grown as rapidly as costs of attendance. Students from lower-income families have lost ground compared with their more affluent counterparts. Gaps between whites, African Americans and Latinos also persist. Despite declines in affordability, middle- and high-income families continue to attend college in record numbers although these families have had to rely more on loans to finance this enrollment. More students are borrowing money at all income levels (National Center for Public Policy and Higher Education 2004). Both lower-income and middle-income students have difficulty affording the highest-priced, private institutions. For these two groups, financial assistance may not be adequate for high-cost institutions to be a realistic choice.

Completion

Over the last decade, more people in the U.S. completed college. Between 1993 and 2003, the number of degrees conferred at all levels rose: associate degrees increased 23%, bachelor's degrees increased 15.7%, master's degrees increased 38.7%, doctoral degrees increased 9.2%, and first professional degrees increased 7.2%. Over the same period, the number and proportion of degrees awarded to women rose at all levels. In 2003, women earned the majority of associates, bachelors, and master's degrees; 47% of doctor's degrees; and 48% of first-professional degrees. This trend is also expected to continue (Gerald and Hussar 2000). More should be done to analyze the decline in the percentage of men who are participating in higher education because the effects of this decline could have long standing social implications (Berliner 2004).

Themes and Propositions

The goal of our study was to organize the national experiences of Canada, Mexico and the U.S around common themes if these could be found. Discussions of the three national case studies and their affiliated state and provincial counterparts led to the identification of six common themes that form the foundation of our comparative analysis. These six themes include: the search for equal opportunity, labor force development, accountability and quality improvement, marketization, research and development, and responding to globalization. We discuss the way these themes manifested themselves within the U.S. in this section.

Equal Opportunity

The search for equal opportunity has been a significant part of the U.S. experience for the federal government since at least the 1960's. The 14th amendment to the U.S. Constitution, the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972 and the 1991 Americans with Disabilities Act all speak to this theme as does the 2006 report of the DOE Commission on the Future of Higher Education. Supreme Court Decisions dating to the late 1930s broadened the mandate for equal treatment for citizens, who had earlier been the targets of court-approved legal discrimination. Beginning in 1965, an executive order issued by President Johnson required federal contractors to take affirmative action to insure that constitutional and statutory guarantees of equal treatment were translated into their employment practices. From that beginning, affirmative action defined as giving special consideration for employment and college admission to gradually widening classes of citizens who had been subject to previous discrimination became accepted practice. In 1978, the Supreme Court raised the first caution for affirmative action by ruling in *Bakke* that universities could not use quotas, but could consider race and ethnicity in practices narrowly tailored to achieve racial diversity.

During the quarter century following *Bakke*, the 1960s consensus goal of equal opportunity, conceived as equal outcomes, gradually gave way to a majority view of affirmative action as "reverse discrimination." Such states as California voted to outlaw admissions or employment practices based on race and ethnicity. And in 2003, the Supreme Court ruled against an undergraduate admissions policy at the University of Michigan that awarded points on the basis of race while preserving by a narrow 5 to 4 vote a law school admissions process was designed to achieve diversity within the *Bakke* standards. The justice who cast the deciding vote has since left the court and been replaced by a more conservative jurist. Most observers believe that the future of affirmative action based on race, ethnicity or gender is very much in doubt. Both states and institutions are seeking alternatives for continuing to pursue equal educational opportunity.

The most important program by the federal government to achieve equal opportunity remains need-based financial aid to students. There is also a range of grant-based programs aimed at improving student preparation for postsecondary education through counseling, mentoring, academic support, outreach and

information. Such programs have long used income and educational disadvantage as their criteria for eligibility. The earliest of these preparation programs date to the early 1970s and focused on helping individual universities design and operate special programs. More recently, federal programs have been structured to require collaboration among postsecondary institutions and their constituencies, including K–12 schools and business and industry.

The rules of the game for student assistance have changed as a result of the decade-long emphasis on better consumer information, improved collaboration across sectors and among stakeholders, and greater institutional accountability. There is now less emphasis upon need-based grants and more on subsidized loans. While low-income and underserved populations remain a federal concern, the middle-class has become the focus of a majority of the new initiatives. And tax credits, for which students and families must have substantial income to benefit, have further shifted the focus of federal financial aid dollars from low-income to middle-income families.

Labor Force Development

Labor force development is one part of a larger federal strategy for economic development. Supporting programs aimed at improving workforce qualifications is a sophisticated and accessible information system maintained by the Department of Labor that tracks such indicators as level of unemployment, number of jobs created, workers laid off, skill and education requirements, and characteristics of the emerging workforce. Within the Employment And Training Administration of the Department of Labor is the . Division of One Stop Operations, which funds the planning and implementation of one-stop career centers are designed to provide a combination of employment and training services in central locations for all 50 states. These centers are developed in collaboration with local communities to provide access to a range of job placement and employment services including initial assessment of skills and abilities, information about skill requirements for various occupations, consumer information on the performance of local training providers, and information about the labor market.

Information about programs provided by postsecondary institutions are part of the services provided by the One-Stop Centers. Programs identified as focused on labor force development include both general education, and occupation or industry-specific programs. During the late 50s and 60s, the federal government supported postsecondary programs at both the graduate and postgraduate levels aimed at preparing students for specific professional positions identified by labor force projections as fields where intervention was necessary to guarantee an adequate supply (examples: teachers of foreign languages, engineers for specific fields). Often, projections were off the mark and federal interventions distorted the market. In 1972, the focus on specific fields was replaced by need-based student financial aid that has over time produced sufficient numbers of prepared professional and technical workers in virtually every area of employment. Periodically, shortages in

such fields as nursing and teaching have led to calls for federal intervention, most commonly in the forgiveness loans. Despite occasional modest exceptions, however, the decision to rely on general financial assistance and the dictates of the labor market and individual informed choice has been sustained.

Since the early 70s federal efforts to support labor force development have increasingly focused on the unemployed, underemployed, and those needing retraining as a result of the loss of jobs in traditional industries. The principal federal programs aimed specifically at work force development include: 1) grants that help state and local schools offer programs to develop the academic, vocational and technical skills of students; 2) GEAR UP, a program of six-year discretionary grants for state and community partnerships in a high poverty middle and high schools. The partnerships work with a cohort of students beginning no later than the seventh grade and follow them through high school and into college where federal funds are also available for scholarships; 3) discretionary, competitive grants for “Tech-Prep” vocational education programs that combine at least two years of high school education with two years of postsecondary education leading to an associates degree that leads either to high skill-high wage employment or further college; and 4) state grants for basic skills training for out of school adults over the age of 16, who lack a high school diploma or the basic skills to function effectively as parents, workers and citizens.

Community colleges are the primary postsecondary institutions involved in all of these programs. For the four-year institutions, student financial aid and labor market information are the basic strategies supported by the federal government to ensure an educated workforce. Federal TRIO programs also provide funds for special recruitment and support programs for colleges and universities serving high proportions of educationally disadvantaged students. The federal government also provides competitive grants through the Tribally Controlled Vocational Institutions Program to ensure continued and expanded opportunities for American Indian students. Interestingly, the Bush administration has proposed to eliminate most of these workforce development programs on the grounds that they have not been effective in achieving their objectives.

Accountability and Quality Improvement

Quality is one of three major themes of the U.S. Department of Education Commission on the Future of Higher Education. The major vehicle for quality assurance in the U.S has for more than 100 years been accreditation, defined as a process of external quality review conducted by private, non-profit organizations (Eaton 2000). The federal interest in accreditation can be traced to its use as a qualifying requirement for institutional eligibility for federal grants and student aid programs. As federal funds increased during the 1970s and 1980s, the concept of higher education as a self-regulating enterprise came increasingly into question. The Higher Education Act of 1965 as amended placed into law a federal recognition process for national and regional accreditation organizations. Eligibility to receive

federal funds depends upon being accredited by an organizations recognized by the Department (Schray 2005).

Prior to 1992, relationships between accreditation organizations and the federal government were essentially non-contentious. However, in the reauthorization of that year, Congress wrote in a number of provisions that signaled both more aggressive oversight and an attempt to shape the accreditation process to the perceived needs of elected officials. Most resented by the higher education community was the establishment of State Postsecondary Review Entities (SPREs) to serve as federal agents to combat fraud and abuse in student aid programs. SPRES were abandoned in 1995, partly as a result of the objections by higher education and officially repealed in the reauthorization of 1998. Such other issues raised by the 1992 legislation as new and detailed standards for accreditation organizations, unannounced site visits for vocational programs, the elimination of student aid for distance education and transfer of credit illustrate the expanding scope of federal concerns and oversight for an accreditation process once considered “voluntary and self regulating.” While the 1998 reauthorization addressed many of the more onerous provisions of the 1992 legislation, the federal interest in accreditation was clearly not going to go away (Fusco 1998).

While the 2006 reauthorization has yet to be signed into law, its general shape can be discerned in H.R. 609 as passed by the House of Representatives. Among the changes included in this bill are: 1) a required National Academy of Sciences evaluation of the quality of distance education programs, 2) a requirement that accrediting organizations confirm that transfer of credit policies are publicly disclosed and disclose whether credits are denied solely on the basis of the accreditation of the institution where they were earned, 3) require that accrediting organizations consistently apply and enforce standards that include consideration of religious mission, 4) require accrediting organizations to ensure that institutions disclose financial assistance information personnel and the methods by which and locations where they may be contacted by prospective students seeking information institutions are required to disclose, 5) require the disclosure to current and prospective students completion or graduation rates for entering undergraduate students as well as any other outcome data, qualitative or quantitative regarding distance education, appropriate to stated mission and when applicable, licensing and placement rates for professional vocational programs (Council for Higher Education Accreditation Update 2006).

The principal non-governmental accreditation coordinating organization is the Council for Higher Education Accreditation (CHEA). CHEA, created in 1996 is a membership organization made up of about 3,000 colleges and degree granting universities. CHEA manages a formal recognition process for accreditation organizations based on five standards: 1) advances academic quality, 2) demonstrates accountability, 3) encourages purposeful change and needed improvement, 4) employs appropriate and fair procedures in decision-making, and 5) continually assesses accreditation practices. The U.S. Department of Education

through the Secretary's National Committee on Institutional Quality and Integrity (NACIQI) also uses a different set of standards in its recognition process for accrediting agencies based on federal legislation. Among federally prescribed standards are: success with respect to student achievement; curricula; faculty; facilities, equipment and supplies; fiscal and administrative capacity; student support services; recruiting and admissions practices; student complaints, and several measures of compliance with student loan requirements.

There is considerable overlap between the criteria used by NACIQI and CHEA to recognize accrediting organizations, but, the outcomes are not identical. A November 2005 report by CHEA pointed out that the Department recognized 60 accreditors and CHEA either recognized or had under review 61 accreditors. However, only 37 were recognized by both the Department and CHEA. The principal issues around which the quality assurance debate swirls include: assuring performance, open standards and processes, and consistency and transparency (Schray 2005).

The shape of future accountability initiatives at the federal level can be discerned in the 2006 draft reports of the Department of Education Commission On The Future Of Higher Education. Included among these recommendations:

- urging states to require public institutions to measure student learning including value added assessments;
- improving federal data collection and reporting especially with respect to college revenues and expenditures;
- developing a national student units record system that would be used to provide institutional performance information on retention, graduation rates and net tuition prices;
- creating a user-friendly consumer information database and search engine to encourage students, parents and other higher education stakeholders to weight and rank comparative institutional performance;
- reforming accreditation practices by placing greater emphasis on measurable quality outcomes especially in relation to student learning;
- increasing transparency and useful information provided to the public from accreditation about institutional performance and student achievement;
- making the accreditation process more open and accessible through increasing the proportion of public representatives on the boards of the accrediting agencies and on review teams and through making team findings publicly available.

Over the past 15 years institutions of higher education and their lobbying representatives have resisted virtually all of the demands of the federal government for accountability and greater transparency. Already, the initial and second draft report recommendations of the National Commission have drawn fire from higher education organizations. It would be unreasonable to expect these recommendations to be enacted into law in anything like their current form in the near future. Nevertheless, it is quite clear that accountability demands from federal

policy officials are not likely to go away because federal funds have transformed the higher education landscape into a quasi-market. Better information, improved quality assurance, and informed consumer choices are now essential elements in the effective use of public resources.

Marketization

Federal rules in use support the inclusion of private institutions of higher education as part of a national strategy for maintaining diversity in student choice and achieving market efficiencies in the tax dollars required for support of the higher education enterprise. The rules also support the inclusion and proliferation of private, for-profit degree granting institutions in the marketplace. For-profit institutions have participated in the federal student aid programs for well over a decade, but Congressional policymakers have recently considered expanding federal definitions to allow institutions in this burgeoning sector to compete for and access funds across government programs. The effects of these policies are yet to be realized, but the inclusion of for-profit institutions complements the diverse marketplace and provides additional choices for students of all ages.

While knowledgeable authorities differ on details, there is general agreement that higher education in the U.S. is heavily influenced by market values. While state policies in the U.S. vary, federal policies incorporate a strong market orientation through practices that: 1) reduce reliance on funding that comes from government sources; 2) encourage greater autonomy for public institutions in setting fees and spending funds from any source, 3) accommodate the development of private institutions, 4) provide subsidies in the form of student aid rather than institutional support, and 5) emphasize loans rather than grants. (Hauptman 2002)

A former Secretary of Labor in the Clinton administration argues that higher education is increasingly perceived as a personal or family investment not dissimilar from real estate or stock markets and resembles other personal service industries. Products are sold in a market marked by intensifying competition for the best qualified students who are described as consumers or customers to be attracted and satisfied. The student amenities required to compete in this market help to drive up the costs that policy makers decry. (Reich 2004) A recent text on the marketing of higher education adds that it is no longer safe to assume institutions of higher education have any mission beyond serving their own members private good. The contest between the values of the market and those of the Commons threatens access especially to top tier institutions, while deemphasizing the importance of need or merit in deciding participation. (Kirp 2003)

Since the federal role in higher education in the U.S. is limited by the constitution, central planning and regulation has never been an option for federal policy. Nevertheless, before 1972, there were periods when national consensus supported institutional subsidies aimed at such priorities as responding to Russian space advances, helping to expand higher education facilities in the '60s, and helping

institutions better serve students disadvantaged by segregation. Since 1972, most federal assistance for undergraduate education has been in the form of student aid and the major growth in the past two decades has been in loans and tax credits, not in Pell Grant awards. Many institutional leaders now argue there is a long-term trend toward privatization caused by a decline in public support by states and aggravated by federal policies that shift responsibility for meeting such domestic needs as health care and homeland security to the states. (Lyll and Sell 2006) Beyond shifting costs to states, federal public policy provides disincentives for state spending on higher education. States that spend less and allow tuitions to rise receive more federal funding because more students qualify for higher federal grants and loans. In contrast, state that spend more on health care receive more federal funding. (Ehrenberg 2006)

Economists justify federal subsidy of higher education as a market transaction on four grounds. The first is capital market failure when lower income students have difficulty financing higher education. This produces both inequalities and inefficiencies as such students are less likely to invest in human capital development than is justified by a favorable rate of return. Pell grants and subsidized loans were designed to overcome this failure. The degree to which they have done so remains an issue. A second justification involves such externalities as better citizenship and increased productivity. Most of the burden of dealing with externalities is assumed by state and local governments with the federal government's contributions appearing primarily in the form of interest subsidies on student loan programs, work-study grants, and a variety of other assistance programs. Incomplete information also contributes to market failure where consumers must rely on suppliers for information about the need for services and their quality. Here the federal government has invested heavily in providing data bases, accountability mechanisms and information designed to help consumers and pressure institutions and their accrediting agencies to provide more complete disclosure. (Baum 1995; Zimmerman 1999)

Research and Development

There is no better evidence of the importance of the market in U.S. higher education than academic research, 60 percent of which was purchased by the federal government in 2002. This market is efficient and nationally integrated. At the same time it is highly decentralized with no single unit accounting for more than two percent of the total. (Geiger 2004)

One important foundation of the currently research enterprise was the patent and trademark act amendments of 1980, (Bayh-Dole Act) which created a uniform patent policy among the many federal agencies that fund research. The act with its subsequent revisions authorized universities to retain ownership of innovations developed under federally funded research. Universities were expected to file patents on inventions they elected to own, to collaborate with commercial firms in the use of such inventions, and to give licensing preference to small businesses.

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The act was especially instrumental in encouraging universities to participate in technology transfer and was described in an article in the *Economist* as helping to reverse what was at the time perceived as a U.S. loss of global industrial competitiveness. (The Association of University Technology Managers 2006)

Nearly 800 separate campuses participated in the \$21.4 billion federal research and development funds awarded in 2002. The nation's 126 medical schools received about 45 percent of that total. Federal funding for research is concentrated in about 80 institutions that account for 71 percent of the total funding. The Department of Health and Human Services, which includes funding for medical schools, accounts for two-thirds of all research and development funding for higher education. Five other agencies account for most of the remainder: the National Science Foundation (11 percent); Department Of Defense (7 percent); Department Of Energy (four percent); and Department Of Agriculture (3 percent). Between 1996 and 2002 federal funding for research increased by 67 percent in current dollars. (Rand Corporation 2004)

Federal funding which grew to 64 percent of total academic research support by 2004, partly because of a decline in industrial support for academic science and engineering, has since leveled off. Funding remained concentrated in the largest research institutions with the top 20 accounting for almost one-third of the spending and the top 100 about 80 percent of all research and development dollars. (National Science Foundation 2006) The proposed budget for 2007 included cuts in a wide range of higher education programs including research in order to achieve administration deficit reduction targets. The long-term outlook for federal spending suggests the possibility of significant loss in federal research support over the next five years (Epstein 2006)

Globalization

The U.S. Department of Education oversees 14 international education programs. Domestic programs are designed to strengthen the capacity of American education in foreign languages and in area and international studies. Overseas programs aim at improving secondary and postsecondary teaching and research in other cultures and languages, supporting the training of specialists, and enhancing the public's general understanding of other nations and cultures. (International Education Programs Service 2005; U.S. Department of Education 2005)

The U.S. emphasis on international education dates to the late 1950s when Title VI of the National Defense Education Act of 1958 initially funded 19 national resource centers to focus on area and international studies in addition to creating modern foreign language fellowships, international research and studies, and language institutes. The fellowships assisted advanced students in the study of uncommon languages. Research and areas studies supported advanced language learning methodology and the creation of new teaching methods in both common and uncommon languages. Language institutes provided advanced training in the use of

new teaching materials and methods for elementary and secondary school teachers. (U.S. Department of Education 2005)

During the 1960s, the Kennedy administration added the Alliance For Progress to the basic emphasis on language and areas studies. The Alliance provided funds to combat illiteracy, support economic integration, encourage the growth of market economies, support Peace Corps programs and encourage scientific and higher education collaborations in Latin America. During this decade, Congress also passed the Fulbright-Hays Act of 1961 aimed at strengthening non-West European language and area expertise. The Act provided focused opportunities for overseas study in four categories: doctoral dissertation research, faculty research, group projects, and foreign curriculum consultants. (U.S. Department of Education 2005)

In the 1980s, Title VI programs were incorporated into a reauthorization of the Higher Education Act of 1965. Reauthorization language reflected the increasing importance of international expertise in all aspects of national life by adding funds to strengthen business education and services to U.S. firms doing business overseas, by creating language resource centers, by providing funds to enhance library collections of foreign periodicals, and by funding summer language institutes. (U.S. Department of Education 2005)

During the 1990s, Congress created the Institute For International Public Policy to increase diversity in the international service professions. Congress also established American overseas research centers formed by consortia of U.S. institutions to help students and faculty conduct area studies-related research abroad. Also authorized was the Technological Innovation And Cooperation For Foreign Information Access Program which promoted the use of new technologies for collecting and disseminating information from other nations. Following the events of September 11th, 2001 Congress provided the first significant increases to the Title VI and Fulbright-Hays funding since the 1960s. (U.S. Department of Education 2005)

The Fund for The Improvement of Postsecondary Education (FIPSE) established by the Higher Education Amendments of 1972 within the DOE with an extremely broad mandate to encourage reform and innovation in higher education provides a modest program of competitive seed grants. During the 1980s and 90s FIPSE initiated a number of special focus competitions on international and cross-cultural perspectives, global education, and international education. Between 1995 and 2004, FIPSE funded 226 consortia involving 196 institutions in 20 countries. The majority of foreign institutional partners have been in Europe, however, the North American program has funded consortia in Canada, the U.S. and Mexico aimed at creating curricula and enhancing student mobility. A similar initiative has linked the U.S. and Brazil. (U.S. Department of Education 2005)

At present, DOE describes Title VI and Fulbright-Hays programs as the "vital infrastructure of the federal government's investment in the international service pipeline. ... Title VI primarily provides domestically-based language and area

training, research and out-reach while Fulbright-Hays supports on-site opportunities to develop these skills." (U.S. Department of Education 2005)

While DOE thinks of title six as a comprehensive approach to expanding international education, two major national associations argue that the United States still does not have a comprehensive policy for linking international education to the national needs created by globalization. From the perspective of these organizations, an effective policy would: 1) promote international, foreign language, and areas studies; 2) create a comprehensive strategy to restore America's status as a magnet for international students and scholars; 3) create a comprehensive strategy to establish study abroad as an integral component of undergraduate education; and 4) strengthen citizen- and community- based exchange programs. (Association of International Educators and Alliance for International Education and Cultural Exchange 2006) While elements of all of these recommendations can be found in existing federal programs, the plan proposed by these associations would involve more comprehensiveness, less emphasis on national security rationale, more strategic planning, and a greater leadership role for the federal government.

In contrast to such ambitious proposals, the federal approach to globalization, even under the stimulus of the 1950s USSR achievement in space and the 2001 attacks on the World Trade Center, reflect the combination of incentives and restraint that have been characteristic of the U.S. federal role in higher education throughout its history. Programs are opportunities not mandates. Participation is voluntary and funding competitive. Available funds never equal demand. The Congressional intent is for programs to serve as a catalyst, not as the foundational support.

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