I am having trouble signing on to the campaign to make our universities dependencies of the federal government. I want the money. I am confident that we could spend it a lot better than the bailed out banks and the rescued financial services industry. I also know that higher education is a much better investment that many other government projects. We already receive a lot of money from the Federal government through the Pell Grant program that subsidizes many of our students, the many research programs sponsored by various federal agencies, special appropriations for federal laboratories, building subsidies, and earmarks of one kind or another.

The list of federal contributions to one or another constituency of colleges and universities is very long indeed, adding up to some $90 billion. Moreover, all of us in the not-for-profit sector, public and private institutions alike, benefit from a large subsidy from the federal government in the form of not-for-profit status that allows us to raise money from private individuals and avoid a host of other business and property taxes.

These federal benefits are substantial, and in one sense, I suppose I should not worry about adding yet another item onto the list. Why not have a federal subsidy for general undergraduate educational expenditures?

We all know, of course, that the Feds give nothing without strings attached. For the federal government, there are no free goods. In exchange for every federal dollar, we receive a structure of federal control. Our research enterprise is driven by decisions made in various federal agencies, and although the Feds co-opt our research scholars to serve on peer review panels and to help decide the agenda, the Feds (whether bureaucrats, legislators, or executive branch leaders) have the last word. Perhaps we should not care. We have defended ourselves rather well against federal control of research, mostly by carefully managing the agendas of the various agencies, deploying capable lobbyists from our associations and our individual universities, and effectively working the legislative process. While we have found the federal government increasingly eager to shift research costs to university budgets, we have worked the technical details of the indirect cost recovery process effectively enough to blunt many of these measures.

Yet the institutional experience with research and student financial aid may not serve as an accurate precursor of what our life would be like with major direct funding of undergraduate education. In research, the Feds have to deal with true expertise, peer review panels of people who know more than anyone else about the substance of the work, agencies staffed by bureaucrats who themselves are but one step removed from the university-based subject experts. These people buffer the ideological goals of legislators and others with specific agenda. While the ideologues can hamper stem cell research, and kill off a research project like the supercollider, their ability to...
affect the processes of science and research is somewhat muted by the expertise required to carry on the argument.

In the case of undergraduate education, as we have all learned in the battles in our states, everyone is an expert. There is no accepted or recognized expertise for undergraduate instruction and content. Legislators will intervene with great enthusiasm to meddle in the operation of institutions, to propose admission and graduation standards, to channel students towards one or another field of study, and to manipulate the curriculum. We saw with the Spellings Commission what kind of ideological intent an empowered federal government might have over public and private institutions.

Now, is this to say that our states have wise and enlightened public higher education policies? In many cases the answer is no, and in some cases a state can be thoroughly retrograde, making the prospect of federal intervention look progressive and positive. In our current system, however, truly foolish public higher education policy may only affect one or two states, not all of us. We worry that the centralization of authority and funding may not turn out to be a good thing, because once a federal agency pays, it will surely seek to control.

Perhaps, I worry too much, and the addition of another pot of higher education money under federal control would not increase our vulnerability much. After all, the Federal government controls many aspects of our undergraduate programs already (in ways most of us think are good such as gender equity in all aspects of institutional financial aid including athletic scholarships). Most of us use federal standards to drive our need-based financial aid policies, even when we use non-federal money. The recent infusion of federal dollars through the stimulus funding saved many public universities from horrific budget reductions for this and perhaps the next year (and the prospect of losing that subvention may well prompt enthusiasm for general federal support of higher education).

If we are to have federalized public higher education, we will surely need to consider some issues. If the feds support our undergraduate programs, they should do so at the same rate everywhere. Perhaps legislators will imagine that the fairest way to provide Federal money to higher education is by supporting students, not institutions. The Feds might provide a subsidy for each full-time enrolled student in any college or university, public or private, not-for-profit or for-profit. While this is not the ideal form of subvention for institutional growth and stability, it does guarantee that federal tax dollars will support students rather than institutions, a prospect that might be much more attractive to legislators and reduce battles between public and private, for- and not-for profit, institutional lobbyists.

The real problem for colleges and universities is that federal aid presupposes some common index for the fair distribution of money because not all states have the same investment in higher education. Both federal and state tax dollars come from similar sources and out of a concern for fairness, the federal government needs a standard for state tax support of higher education per enrolled FTE and pay federal support in proportion to the state’s contribution.

In the interests of jump starting the campaign to gain more federal funding for higher education, let me propose the following legislative act:

\textit{The Higher Education Foundations Act}

\textbf{Whereas}, an educated public is a critical national need; and

\textbf{Whereas}, citizens with college degrees earn substantially more than citizens without degrees; and

\textbf{Whereas}, national competitiveness requires that the US invest in the production of degreed graduates,

\textit{The Higher Education Foundations Act creates a joint investment between state and federal government to support student achievement in undergraduate education.}

This Act establishes a funding mechanism to ensure that citizens have a baseline of support to help them achieve a four-year college degree. Recognizing the diverse character of American higher education as a key strength of our system, the \textit{Higher Education Foundations Act} establishes a fund to enhance and incentivize the college degree opportunities for all Americans at any accredited institution of higher education in America.
Every year, the Secretary of Education will establish the minimum financial foundation expressed as the baseline cost of delivering one FTE of a college curriculum. For 2010, that amount is set at $10,000 per full time equivalent student. For the purposes of this Act, the federal government will be responsible for one half, or $5,000 of this amount and the educational institution will be responsible for the other $5,000.

At the end of each full academic year, institutions of higher education will provide the Department of Education an independently audited account of the qualified FTE’s taught during that year and an independently audited financial statement demonstrating the institution’s support of undergraduate instruction of at least $5,000 from sources not paid by students (state appropriations or endowment earnings for example). The federal government will match each qualified FTE of institutional support, dollar for dollar, up to a maximum of $5,000 per FTE.

Each qualifying institution will demonstrate financial aid to its students equaling 92% of the full cost of attendance. Additionally, each participating institution will provide a complete independently audited financial statement, according to federal standards defined by regulation that demonstrates the amount of the institutional budget spent on undergraduate instruction. Financial statements will also include all other institutional income and expenditures clearly identifying sources of funds and categories of expenditures as defined by subsequent regulation.

As an accountability measure, the Department of Education will develop a set of undergraduate performance standards to ensure satisfactory progress of students, effective retention and graduation rates, and effective transfer policies. These performance standards will include graduation testing against national standards to ensure quality outcomes.

The Secretary of Education will appoint an advisory commission of distinguished educators and citizens to review and advise on the development and evaluation of this program. A report to Congress will be required at the end of each year, and a summary report at the end of five years when this Act will sunset unless renewed by an act of Congress.

This will surely provide us with the basis of a true federal program in support of America’s higher education establishment.

I am not sure we will all like the rules, but we will like the money.