



**POLICY
MATTERS**

Improving Conditions, Tough Competition— The Year Ahead

Context

The start of the new year signals a return to “the people’s business” in Washington D.C. and the states, with a fresh wave of policymakers arriving in capitols to tackle a wide range of developing and continuing issues. They will do so amid slowly improving economic and fiscal conditions matched by escalating service demands. Legislative agendas on Capitol Hill and in statehouses will be packed, focusing heavily on issues of elementary/secondary education, security, and health care.

For public higher education, the year ahead is likely to present a good news/bad news scenario. The good news is the fiscal hemorrhaging that has caused significant funding cuts has largely slowed. The bad news is competition for rebounding revenues continues to intensify as enrollment demand increasingly strains campus capacity. Additionally, recent tuition increases have brought increased scrutiny and renewed debate about student aid priorities, while continued growth in non-public revenue for colleges and universities keeps governance issues in the public eye. Finally, hot button issues such as regulation of for-profit

providers, free speech rights, and immigration are also likely to surface in state and federal policy conversations.

In sum, 2005 promises to be a year of slightly improving resources, tempered by tougher public scrutiny and competition for those resources. Amid the dizzying flurry of bills, resolutions, hearings, and reports, public higher education watchers should keep an eye on a handful of areas.

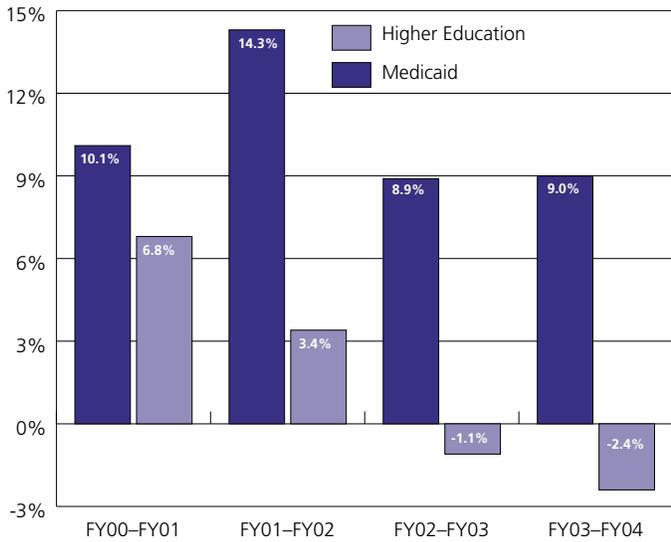
The Fiscal Situation

Increasing stability in the economy is providing some breathing room for state and federal budget watchers, but not much. At the state level, revenue collections are on the upswing, but have not yet recovered to pre-recession levels. Spending demands related to K-12 education and Medicaid will gobble up most of the surpluses that do materialize (see Figure 1). In Washington D.C., foreign and domestic security demands, as well as tax policy, will contribute to a lean Fiscal Year 2006 budget from the President.

Higher Education Act (HEA) Reauthorization

Now in its third year, there are no guarantees

Change in State Spending— Higher Education and Medicaid, FY00–FY04



Sources: Grapevine (Illinois State University); National Association of State Budget Officers.

that the measure will be finished this year, but major debates should shape up. Institutional accountability, regulation of for-profit institutions, and student loan policy are expected to claim the spotlight. Additionally, the President’s recent proposals for boosting the Pell Grant program are likely to spark legislative debate.

College Affordability

Tuition increases and aid reductions induced by the recession have spurred students, families, and policymakers beyond concern and toward action. In the states, lawmakers will be considering a range of tuition policy issues, including indexes/caps, changing tuition-setting authority, mechanisms for promoting greater stability and predictability in rate-setting, and differential rates by academic program. A renewed push for need-based aid appears to be taking shape among the states, including those that have led the charge for merit scholarships. On Capitol Hill, additional reporting requirements regarding pricing and student aid as part of HEA appear to be a virtual certainty.

Governance and Management

Activity in this area will play out on two fronts in 2005. In several states, debate will center around the structure and organization of public university systems, with proposals for mission realignment and new/consolidated institutions on the table. In others, institutional autonomy and managerial flexibility will be key topics for discussion.

Campus Capacity (enrollment/infrastructure)

Rising public university enrollment, driven largely by the “Baby Boom Echo,” continues toward an expected peak in the 2008-2010 period. The increased demand is straining institutional capacity in a number of states (especially in the West and South), increasing the push for strategies to accelerate students through the postsecondary system. At the same time that campuses are scrambling to accommodate growth, many are also addressing a significant accumulation of deferred maintenance. *The Chronicle of Higher Education* has identified renewal/expansion of campus infrastructure as a major legislative issue in at least one-third of the states.

Immigration/Foreign Students

Debates over the openness of the nation’s borders will include public colleges and universities in 2005. In light of new data that show foreign enrollment on U.S. campuses slipping, the higher education community will step up pressure on federal agencies to streamline visa processing. At the same time, institutions and systems in a number of states will have to navigate the political minefield of admitting and aiding undocumented aliens as debates and legal battles continue on this front.

Free Speech/Academic Bill of Rights

The 2004 elections featured heated rhetoric from the left and the right, with considerable debate focused on the question of whether conservative

students are being subjected to viewpoint discrimination on campuses. Some right-leaning activist groups argue that such discrimination is rampant in academe, and have proposed a legislative remedy (the Academic Bill of Rights) to provide redress for perceived viewpoint harassment. The measure gained limited traction in 2004, but its proponents promise to take it to as many as 20 states and Congress in 2005.

Higher education policy in the year ahead is likely to fill in more of the picture of “the perfect storm” that is emerging—rapidly rising demand met by increasingly limited resources and clashes over institutional autonomy and accountability. How students and families, campus leaders, and policymakers address these trends will determine if the picture will become calmer or stormier in the years that follow.

Resources

American Association of State Colleges and Universities

(AASCU)—Tracks federal and state policy trends through weekly news updates (EdLines), special alerts and advisories, and reports and analyses. The association also summarizes its policy priorities through the 2005 *Public Policy Agenda*. aascu.org

Center for Public Higher Education Trusteeship and

Governance—Provides up-to-date information and analysis on issues and trends affecting governance and management of state colleges and universities through its *State Governance Action Annual*, regular updates, and special analyses. centerforgovernance.net

Education Commission of the States (ECS)—Disseminates news and analysis on state-level education policy issues through daily updates (*e-Clips*), as well as 50-state databases and summaries of recent policy developments. ecs.org

National Conference of State Legislatures (NCSL)—Offers background information and analysis on key issues facing state lawmakers, as well as data on legislatures and links to legislative websites. ncsl.org

National Association of State Budget Officers (NASBO)—

Publishes two reports containing data on state finances: *Fiscal Survey of the States* (semi-annual) and *State Expenditure Report* (annual). nasbo.org

State Higher Education Executive Officers (SHEEO)—Conducts in-depth analyses in areas such as K-16 policy, teacher preparation, and state higher education finance. sheeo.org

Stateline.org—Summarizes state news daily and offers in-depth reporting on a range of issues, including higher education.

U.S. Congress—Information regarding HEA reauthorization can be accessed through committee websites (edworkforce.house.gov and help.senate.gov); other legislative information may be accessed via THOMAS (thomas.loc.gov).