



## State Colleges and Universities and the 2006 Elections

*With the 2006 mid-term elections over, higher education will be an important topic in public policy discussions at the federal and state levels. State colleges and universities will need to stay informed and be prepared to take action as discussions about access, affordability, and accountability play out in the coming year.*

### Context

With public dissatisfaction of the war in Iraq at an all-time high and ethics charges clouding the Republican leadership, Democrats made significant gains in the 2006 mid-term elections. When Congress reconvenes in January, Democrats will control both houses for the first time since 1994, and they will occupy the majority of governor's mansions and state legislatures.

The Democratic agenda includes several expensive items, including making college more affordable, increasing the minimum wage, removing barriers to stem cell research, and reforming health care. With a budget deficit of \$8.6 trillion, a slim majority in the U.S. Senate, and a Republican in the White House, it is difficult to predict how successful the Democrats will be in achieving their legislative priorities. Though Democrats now hold the same majority in the U.S. House of Representatives that Republicans held before the election, many newly elected Democrats

are viewed as more moderate than their incumbent peers. With a divided government for the first time in a dozen years, almost any outcome is possible. State colleges and universities have much at stake and they need to stay informed.

### Observations

**By winning control of both the U.S. House of Representatives and the U.S. Senate, Democrats will set priorities and determine the agenda in Congress. They will lead the reauthorization debates related to the Higher Education Act and No Child Left Behind, as well as other issues related to academe.**

As part of their 2006 election campaigns, Democrats promised a "New Direction" in the 110th Congress and advanced a "Six for '06" platform, including a commitment to "college access for all". They propose making permanent college tuition tax deductions, cutting student interest rates, and expanding Pell

Grants. In fact, House Democratic Leader Nancy Pelosi promised that in the first 100 hours that the House meets, Democrats will cut student interest rates in half to 3.4 percent for federal student loans and 4.25 percent for federal parent loans.

As they continue to figure out how to structure and pay for their proposal—estimated to cost \$18 billion over five years—the conversation seems to be shifting to less costly options, including reducing interest rates for only one year and applying the lower interest rate to subsidized loans for students with the most financial need, potentially reduce the cost of their proposal to \$3 billion.

Democrats also have proposed to increase the maximum Pell Grant by 25 percent (from \$4,050 to \$5,100), while also proposing to double the HOPE scholarship tax credit (from \$1,500 to \$3,000). These proposals are even more costly, adding up to approximately \$60 billion. In order to implement these changes, Democrats will need to find combinations of spending cuts and new revenue—which will become increasingly difficult with a rising deficit and the costly war in Iraq.

The Elementary and Secondary Education Act (ESEA), last reauthorized in 2001 as the No Child Left Behind (NCLB) Act, will expire in 2007 and Congress will need to reauthorize its provisions, including teacher preparation. This debate will be contentious because many stakeholders want to be involved and may not be completed within the next two years.

Though President Bush and the new chairmen of the House and Senate education committees—Congressman George Miller and Senator Edward (Ted) Kennedy—favor timely reauthorization, critics have been arguing for years that NCLB has been underfunded. In addition, many newly elected Democrats campaigned in opposition to mandates in the law. Both Congressman Miller and Senator Kennedy's priorities for NCLB will include funding of NCLB provisions and a commitment to teacher training, preparation, and quality.

Due to the strong interest in NCLB, the reauthorization of the Higher Education Act (HEA)—already delayed by several years—may take a back seat to K-12 education debates. During the 109th Congress, HEA was extended several times and a

budget reconciliation bill signed into law by the President changed HEA student loan provisions. While the Senate failed to approve a bill addressing the other provisions in HEA, the House passed its revision of HEA. The new Democratic House leadership will likely start from scratch on HEA and may expand Congressional oversight over the guaranteed student-loan program. They are not likely to include provisions designed to favor for-profit colleges, and college cost issues may continue to be an issue of debate. It is expected that the Senate will pass a similar HEA bill to the one passed in Senate committee during the 109th Congress.

In the new political climate, it is unclear what will happen to the U. S. Secretary of Education's Action Plan, developed in response to the final report of the Secretary's Commission on the Future of Higher Education. A key question is whether the U.S. Department of Education's "negotiated rule making" process will address the recommendations of the Secretary's plan or if it will stay focused on what it is obligated to do—to carry out the new Academic Competitiveness Grants and SMART grants. Despite these uncertainties, the Secretary's first order of business became clear when she called an Accreditation Forum in late November to address ways to strengthen the measurement of student learning outcomes as part of accreditation. It is expected that this will be an area of continued interest, even with a Democratic Congress, since accrediting agencies must be reviewed and recognized every five years by the U.S. Department of Education. The central topics under discussion are the extent to which comparable standards among accrediting agencies can be developed and issues of transparency and public right-to-know. (*see chart*)

**Democrats made big gains in governor's mansions and statehouses. The new Speaker of the House should expect a heightened level of activism from the governors.**

Governors were elected in 36 states this year, and for the first time since 1994, Democrats control of a majority of governor's mansions, 28 compared to 22 for Republicans. This reverses the pre-election picture in which Republicans controlled 28 governorships, Democrats 22. Governors expect to have more influence with the Congress in policy areas of common concern such as minimum wage, stem cell

## Balance of Power Pre- and Post-Election, 2006

	Pre-Election		Post-Election		Gain/Loss	
	Democrat	Republican	Democrat	Republican	Democrat	Republican
U.S. House of Representatives*	203**	230	232	201	29	-29
U.S. Senate	45**	55	51***	49	6	-6
State Legislatures (seats)	3650	3635	3984	3325	334	-310
State Legislatures (party control)	19	21	23	15	4	-6
Governors	22	28	28	22	6	-6
States (governors + legislatures)	7	12	15	10	8	-2

\*Two races undecided as of December 11, 2006.

\*\*Includes one Independent who votes with the Democrats for organizational purposes.

\*\*\*Includes two Independents who will vote with the Democrats for organizational purposes.

research, immigration, Medicaid, college affordability, and reauthorization of No Child Left Behind.

On the legislative side, Democrats picked up more than 330 seats and hold a majority (54 percent) of the nation's 7,382 statehouse seats. Democrats control both legislative chambers in 23 states, a gain of four states. Republicans control both chambers in 15 states, down from 21. (The rest are split.) In about half the states, a single party controls both legislative chambers and the governorship: 15 Democratic, a gain of nine states, and 10 Republican, a loss of two.

### **This was a busy year for state ballot measures, with good and bad news for higher education.**

On a measure strongly opposed by higher education groups, Michigan voters overwhelmingly approved (56 percent) a proposal to ban race and sex-based affirmative action in all government programs, including college and university admissions. This makes Michigan the third state to pass such a measure, following California (1996) and Washington (1998). Expect the University of Michigan to explore possible legal challenges to this amendment as well as other options for defending diversity. Watch for similar proposals to emerge in other states.

Voters in Maine, Nebraska, and Oregon rejected Taxpayer Bill of Rights initiatives (TABOR) that would have imposed strict limits on increases in state spending. Colorado passed similar legislation in 1992 to codify strict tax and spending limitations in the state constitution, and decreased state appropriations

for higher education resulting in increased tuitions. This experiment with TABOR illustrates the dangers of putting untested fiscal constraints directly into state constitutions.

Missouri narrowly approved a constitutional amendment that would prohibit state and local governments from restricting stem cell research allowable under federal laws. Voters in Arkansas, California, New Mexico, North Carolina, and Rhode Island approved bond measures for facilities improvements. Arizona passed Proposition 300 that will prohibit undocumented students from receiving in-state tuition rates at public colleges. Seven of eight states opted to ban gay marriage, which could affect institutions that have approved or are considering domestic partnerships.

### **Higher education affordability, access, and accountability promise to be major issues in 2007 state legislative sessions.**

Most states are enjoying their best budgetary climates in six years, which has allowed state legislatures to keep average public four-year tuition increases at the lowest rate (6.3 percent) since 1999-2000. Although this is promising news for students, the longer-term trend is that higher education is becoming less affordable as appropriations are not keeping pace with state economic growth. After each of the four recessions since 1979, states have failed to restore higher education appropriations to pre-recession levels and public colleges are steadily becoming less

“public” as families are shouldering more of the cost burden.

In 2006, once again state funding for merit-based programs outpaced the growth in need-based funding, continuing to make college less affordable for the most needy students. Twenty-three states have at least one merit-based aid program, accounting for 17 percent of total state grant aid. States will continue to battle over financial aid strategies, some emphasizing need-based aid to promote access while others maintain that merit-based aid is the best way to attract and retain academic talent for state economic development.

The National Conference of State Legislatures just released a report from its bipartisan Blue Ribbon Commission on Higher Education calling on state legislators to take the lead in reforming higher education or “risk opening the door to unnecessary federal intrusion.” Criticizing state lawmakers for not making higher education a funding priority, it urges them to determine a public agenda for higher education for the future, set clear goals for the state and higher education, and hold institutions accountable for performance. Expect this report to generate discussion in the states, but whether state legislators act on its recommendations remains to be seen.

## Conclusion

Higher education emerged as a key issue this year in both Congressional and state elections and will remain important in upcoming public policy discussions. State colleges and universities have much at stake and need to pay close attention as discussions about access, affordability, and accountability play out in the coming year.

## Resources

**Grapevine.** The 50-state higher education funding survey is administered through the College of Education at Illinois State University, and contains data on tax appropriations for higher education over time. [grapevine.ilstu.edu](http://grapevine.ilstu.edu)

**National Association of State Budget Officers.** NASBO publishes two reports of interest to state budget-watchers: Fiscal Survey of the States and State Expenditure Report that analyze state fiscal health and budgeting trends. [nasbo.org](http://nasbo.org)

**National Conference of State Legislatures.** NCSL provides up-to-date data and analysis of state legislative races, ballot measures, and political commentary. [ncsl.org](http://ncsl.org)

**Nelson A. Rockefeller Institute of Government.** The Institute's Fiscal Studies Program at the State University of New York-Albany serves as an authoritative data source on state revenue collections, publishing State Fiscal News and State Revenue Reports. [rockinst.org](http://rockinst.org)

**U.S. Department of Education.** The Spellings' Commission on the Future of Higher Education laid out a blueprint for a 21st century higher education system that focuses on affordability, access, competitiveness, and accountability. [ed.gov/about/bdscomm/list/hiedfuture](http://ed.gov/about/bdscomm/list/hiedfuture)

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