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# Federal Relations

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## Federal Relations Report

August 2010

A (Re)Call to action

August has been a busy month, with the tall ships coming to Duluth, a primary election, Brett Favre's annual portrayal of Hamlet, and, most importantly, President Obama's recommitment to his goals for American postsecondary education and training.

The president spoke at the University of Texas on August 9, nearly a year after he launched his American Graduation Initiative, and reiterated his goal that the country increase its number of college graduates by 5 million by 2020. With the economy stubbornly stuck in idle, the president sought to frame his agenda in terms of economic growth, saying, "Education is an economic issue when we know beyond a shadow of a doubt that countries that out-educate us today will out-compete us tomorrow."

The president touted his reorganization of the federal student loan program, investment in community colleges, and simplification of the federal financial aid application as a few of his administration's accomplishments. He also called on college leaders to "get a handle on spiraling costs" that have helped drive increased tuition and student borrowing.

As students are all too aware, tuition at many public universities reliant on state funds has risen in recent years due to state cuts. A recent [outlook on state budgets](#) indicated that state coffers are not likely to return to pre-recession levels before 2013.

One bit of good news for public institutions: In a rare August session, the House sent to the president a jobs bill providing \$26 billion in funding assistance for K-12 education and health care to the states. That bill (now a law) contains a maintenance-of-effort clause that requires states to keep funding for education--both K-12 and higher education--at their 2006 levels or higher to be eligible for its K12 aid. Although conditions vary by state, legislatures may be discouraged from cutting higher education further, in order to qualify for these federal funds, which are designed to keep schools from laying-off teachers.

### For-profit colleges under scrutiny

Although the president did not mention it in his Texas speech, the Obama administration is particularly focused on the costs and student borrowing associated with for-profit or proprietary colleges. The administration has proposed what one observer called "the most complicated regulatory package that the Department of Education has ever promulgated." The

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so-called Gainful Employment rule is aimed at longer-term certificate programs associated directly with a specific occupation or a particular job. The rule would largely affect for-profit colleges and their individual programs' eligibility for federal financial aid based on their graduates' earnings, debts, and loan repayment rates.

For-profit institutions have received scrutiny at the other end of Pennsylvania Avenue as well. And it is little wonder why: since 2000, federal aid for students at for-profit colleges has more than quintupled, to \$26.5 billion a year. The Senate Health, Education, Labor and Pensions Committee held an August 4 hearing that Inside Higher Education dubbed a "shellacking" of for-profit schools, focusing on aggressive and fraudulent recruiting efforts. Committee chair Tom Harkin indicated that he will likely seek further regulation of for-profit colleges through legislation in the next Congress.

For-profit institutions have responded to criticism of their recruiting practices, as well as their high costs and high student loan default rates, by pointing out that they enroll a disproportionate number of students from underserved populations and provide a flexible learning platform that fits into many working adults' schedules. They have aligned themselves with the Obama graduation initiative, which counts those with pre-baccalaureate degrees as college graduates, emphasizing that the nonprofit education sector alone does not have the capacity to reach the president's goals.

Meanwhile, nonprofit colleges and universities have weighed in with the Education Department on its proposed rules, but compared with the for-profit industry, they are maintaining a low profile. They are also keeping *schadenfreude* to a minimum. A small number of certificate programs at non-profit institutions, including some at the University of Minnesota, already appear to fall under the proposed Gainful Employment rule's umbrella. A real concern is that lawmakers, in an attempt to show action on the high cost of college tuition, might be tempted to extend the reach of these regulations--and their significant administrative burden and possibility of revocation of federal financial aid--to degree programs at nonprofit institutions.

### **America COMPETES for increasingly partisan attention**

When the original America COMPETES Act passed in 2007, it set the stage for a doubling of funds over ten years for three key research agencies: National Science Foundation, National Institute for Standards and Technology, and Department of Energy-Office of Science. COMPETES represented a tangible response to concerns among policymakers and the business community that America's economic competitiveness was at risk due to underinvestment in science and technology research and education. The bill was also a rare demonstration of bipartisanship, passing the House by 367 to 57, with 143 Republican joining 224 Democratic members in approval.

COMPETES needs to be reauthorized this year, and the bill's supporters have found much tougher sledding. It had to be brought to the House floor three times because of derailing tactics by members opposed to it, and only 17 GOP members voted for its passage in June. Funding levels in the five-year, \$86 billion authorization bill, which would still need to be appropriated annually by Congress, include yearly increases of 7 percent for DOE-Science and slightly higher for NSF. Opponents objected to the size of the bill and the inclusion of new programs, including one devoted to advanced energy technology research (ARPAe). Many Republican members have pledged to vote against any new programs or increased spending levels, given the country's ballooning federal deficit.

On July 22, the Senate Committee on Commerce, Science and Transportation passed a smaller, three-year version of COMPETES, with funding levels equal to those of the House. Minnesota Sen. Amy Klobuchar, a member of the committee, successfully added several amendments related to university technology commercialization to the bill. University of Minnesota leaders and staff from the Association of Public and Land-grant Universities and the Association of American Universities continue to work with her office to ensure that these provisions achieve the senator's goals without unduly burdening research-intensive universities.

Some energy and education programs were not included in the Senate bill, because of jurisdictional issues between committees, but those programs are expected to be added when the bill comes to the floor after the August congressional break.

#### **Appropriations: How does November work for you?**

When it returns to Washington after Labor Day, Congress is again likely to be a picky eater when it comes to the budget buffet. Although the Senate Appropriations Committee surprised many observers in July by passing 9 of the 12 bills that make up the federal budget, few expect a full tray of federal appropriations to be finished before October 1, the start of federal Fiscal Year 2011. In the meantime, Congress is likely to pass a continuing resolution that holds funding for federal agencies at their current levels once FY 2011 begins.

The reasons for Congress' finicky mood might be a distaste for controversial votes so close to the November elections, especially given a spike in public concern over the federal deficit during the spring and summer (although general concern for the economy in general far outstripped deficit worries in polls). In September and October, the legislative branch is likely to pick at its plate some more and perhaps pass a few more bills through committee. Perhaps even a couple, the Military Construction and Veterans Affairs bill and the Defense bill, will pass the full House and Senate before the elections. Congress is likely to pass the rest of the budget in an omnibus bill in a November-December lame duck session.

On the positive side, given the current austere budget

environment, the FY 2011 appropriations measures moving thus far contain moderate funding increases for student aid, the National Science Foundation, and the National Institutes of Health. On the less positive tip, funding for extension and agriculture research programs are, as of yet, largely flat-lined, and a \$5.7 billion expected shortfall in Pell Grant funding has yet to be addressed.

### **On Campus and on the Hill**

On July 8, Sen. Amy Klobuchar visited the Nanofabrication Center (NFC) on the East Bank and spoke with Vice President Tim Mulcahy and University researchers regarding innovation and technology commercialization. Lab users from private industry emphasized the importance of access to the NFC to their ability to develop new, high tech nano-based products. Sen. Klobuchar also held a Broadband Summit at the Carlson School on August 24, and her staffers Andrew Hu and Tim Molino also visited campus that week.

Peter Frosch, Rep. Betty McCollum's legislative director, and Josh Straka, her district director, visited campus on July 6 to hear from experts on supercomputing and information technology.

In July, Senior Vice President Robert Jones and Prof. Geoff Maruyama met with Congressman Keith Ellison at his DC office to discuss the Urban Research and Outreach Center (UROC) and the agenda of Urban Serving Universities. Ellison Legislative Director Minh Ta visited UROC in June.

Katherine Blauvelt from Sen. Al Franken's office visited the Office of Technology Commercialization in early August.

### **Article of interest**

In Texas Speech, Obama Renews His Educational Goals for the Nation  
Chronicle of Higher Education  
August 9, 2010

<http://chronicle.com/article/In-Texas-Speech-Obama-Rene/123861/>

For-profit colleges draw attention from regulators and millions of students

Washington Post  
June 14, 2010

<http://www.washingtonpost.com/wp-dyn/content/article/2010/06/13/AR2010061304605.html>

Shellacking the For-Profits  
Inside Higher Education  
August 5, 2010

<http://www.insidehighered.com/layout/set/print/news/2010/08/05/hearing>

With Statistics-Heavy Report, Apollo Group Goes on the Defensive

Chronicle of Higher Education  
August 23, 2010

<http://chronicle.com/article/With-Statistics-Heavy-Report/124101/>

Damaging Data on Loan Repayment  
Inside Higher Education  
August 16, 2010  
<http://www.insidehighered.com/news/2010/08/16/eddata>

Nonprofit Colleges Have Their Own Concerns About  
New Federal Rules  
Chronicle of Higher Education  
July 8, 2010  
<http://chronicle.com/article/Nonprofit-Colleges-Have-Their/66219/>

How to discourage college students  
Washington Post Editorial  
August 22, 2010  
<http://www.washingtonpost.com/wp-dyn/content/article/2010/08/21/AR2010082102468.html>

Washington, We Have a Problem  
Vanity Fair  
September 2010  
<http://www.vanityfair.com/politics/features/2010/09/broken-washington-201009?printable=true&currentPage=all#ixzz0xYDntKgZ>

House Passes America COMPETES Bill On Third Try  
National Journal  
May 28, 2010  
<http://techdailydose.nationaljournal.com/2010/05/house-passes-america-competes.php>

With the arrival of summer, congressional legislating  
gives way to campaigning  
Washington Post  
June 22, 2010  
<http://www.washingtonpost.com/wp-dyn/content/article/2010/06/21/AR2010062104679.html>

Senate Looks To Slug It Out As House Eyes Exit  
Strategy  
CongressDaily  
July 26, 2010  
[http://www.nationaljournal.com/congressdaily/coa\\_20100726\\_5619.php?mrefid=site\\_search](http://www.nationaljournal.com/congressdaily/coa_20100726_5619.php?mrefid=site_search)

Federal budget deficit to exceed \$1.4 trillion in 2010  
and 2011  
Washington Post  
July 24, 2010  
<http://www.washingtonpost.com/wp-dyn/content/article/2010/07/23/AR2010072304101.html>

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