

# Economic Stimulus and the Higher Education Investment Act

By Frank G. Splitt

**Doug Lederman** reported<sup>1</sup> that a compromise amendment worked out by moderate Democrats and Republicans in the U.S. Senate late Friday slashed billions of dollars that would have flowed to colleges and universities in the Senate's original version, with the biggest cuts coming in education aid to states and funds to modernize college facilities. Differences between the House and revised Senate stimulus packages are to be reconciled in a subsequent House-Senate conference.

In the near term, the Senate action certainly does not bode well for the Higher Education Investment Act proposed in the December 16, 2008, open letter to (then) President-Elect Obama by a group of college and university officials as well as academic associations convened by the Carnegie Foundation of New York and its president, Vartan Gregorian.

The letter had a noble purpose and was well stated—saying public universities and colleges recognize the urgency of improving education outcomes, raising graduation rates, preparing more first-rate teachers, and building human capital in science, engineering, and mathematics,<sup>2, 3</sup> as well as urging much needed investment in public higher education to rebuild America's economy. See the Carnegie Foundation of New York Website (<http://www.carnegie.org/>) for access to the letter and the related press release, "Educators Urge Obama to Invest in Public Higher Education to Rebuild America's Economy."

According to the letter: "investment initially should focus on infrastructure: building essential classroom and research buildings and equipping them with the latest technologies." A commitment of 5 percent of the economic stimulus package—in the range of \$40 to \$45 billion—toward higher education facilities was requested "to provide the stimulus that will propel the nation forward in resolving its current economic crisis and lay the groundwork for international economic competitiveness and the well-being of American families into the future."

**Notwithstanding the pre-conference Senate action**, all is not lost since Lederman also reported that:

- o Lawrence Summers, the Obama administration's point man on the stimulus package, specifically mentioned on Feb. 8, television news shows, higher education is an area that is likely to be in dispute as the House and Senate craft a compromise, and hinted the administration might favor more than the Senate bill would provide—saying "There are crucial areas, support for higher education, that are things that are in the House bill that are very, very important to the president."
- o Education Secretary Arnie Duncan strongly suggested—in a speech at the American Council on Education's annual meeting on Feb. 10, and in comments afterwards—that the Obama administration would push to restore proposed spending on higher education that was cut from the version of the package that the Senate endorsed Monday, saying: "(the Senate) astonishingly" eliminated \$20 billion for modernizing educational facilities, \$3.5 billion of which was to flow to colleges.<sup>4</sup>

Nonetheless, there will be opposition and potential pitfalls besides. The government can be caught between the proverbial rock and a hard place when it comes to investing in public colleges and universities as outlined in the proposed Higher Education Investment Act.

**Re: opposition**, the Cato Institute (<http://www.cato.org/>) sponsored a full-page advertisement in the Feb. 9, 2009 issue of *The Wall Street Journal* that led with a strawman-like, Jan. 9, 2009, quote from then President-elect Barack Obama: "There is no disagreement that we need action

by our government, a recovery plan that will help to jumpstart the economy." There followed the statement, "With all due respect Mr. President, that is not true."

Some 250 university professors and 3 Nobel Laureates signed on to say they "do not believe that more government spending is a way to improve government performance." They go on to say: To improve the economy, policymakers should focus on reforms that remove impediments to work, saving, investment and production. Lower tax rates and a reduction in the burden of government are the best ways of using fiscal policy to boost growth."<sup>5-9</sup>

Clearly then, there will be strong opposition to proposals such as the Higher Education Investment Act. In view of this likely opposition and to ensure the proposal has every chance of success, it is suggested that the text of Higher Education Investment Act be made unequivocally restrictive in the sense that the federal funds can only be used as intended.

**Re: potential pitfalls**, many of America's public colleges and universities are part of the big-time college sports entertainment business—including some of the schools that signed on to the letter. These schools have opted to invest heavily in athletic facilities. In so doing, they not only have compromised their academic missions, but also now find themselves in a position where they must service very large debts during economic hard times.<sup>5-9</sup>

The situation is somewhat akin to economic stimulus mechanisms that provide \$billions in bailouts to mismanaged banks in order for them to continue to do what they are supposed to be doing as part of their core business.

Unless safeguards are developed, the government could very well end up investing in the college sports entertainment business rather than infrastructure: building essential classroom and research buildings and equipping them with the latest technologies.

To mitigate against the potential subversion of the aims of the proposed Higher Education Investment Act, consideration should be given to an expansion of the Act's conditional statement to read as follows:

Federal funds should be conditional on states' agreement: 1) not to use these federal funds as an excuse to reduce budgetary commitments to universities, 2) not to use these funds for payment of expenses in anyway related to a school's sports entertainment business, and 3) to accept requirements for transparency, accountability, and oversight to assure that the funds are being used for their intended academic purpose.

To appreciate the necessity of the (added) last two conditionals, one need only be aware of the fact that schools supporting big-time college football and men's basketball programs are under the stranglehold of the college sports entertainment industry as well as be aware of the government's pitiful experience with the TARP bailout program for America's banking system.

**The bottom line** is that the last thing that those concerned with the efficacy and viability of higher education in America would want see is the taking of federal funds to enhance athletics programs already fueled by government subsidies. School officials supported by boards of governors populated by wealthy sports boosters—including corporate and banking executives—would have little if any problem following Mark Twain's maxim: "It is better to take what does not belong to you than to let it lie around neglected."

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## NOTES

1. Lederman, Doug, "The Senate Sheds Education Aid," *Inside Higher Ed*, Feb. 9, 2009, <http://insidehighered.com/news/2009/02/09/stimulus>. This essay is based in large part on the author's posted comment on this story. Titled: "What About the Higher Education Investment Act?," the comment built on several e-mails to Dr. Vartan Gregorian, President of the Carnegie Foundation of New York, under the subject "Getting priorities right when investing in higher education." These e-mails were prompted by appearance of Dr. Gregorian on the Jan. 30, 2009, PBS *Bill Moyers Journal* program where he argued on behalf of higher education for a substantial piece of the economic stimulus package as an investment in America's public colleges and universities.
2. Splitt, Frank G., "Sports in America 2007: Facing Up to Global Realities" [http://thedrakegroup.org/Splitt\\_Sports\\_in\\_America\\_2007.pdf](http://thedrakegroup.org/Splitt_Sports_in_America_2007.pdf)
3. Duderstadt, James J., "Engineering for a Changing World: A Roadmap to the Future of Engineering Practice, Research, and Education," The Millennium Project, The University of Michigan, 2008, <http://milproj.umm.umich.edu/publications/EngFlex%20report/download/EngFlex%20Report.pdf>
4. Lederman, Doug, "Politicians Praise and Pressure Colleges," *Inside Higher Ed*, Feb. 10, 2009, [http://www.insidehighered.com/news/2009/02/10/a\\_ce](http://www.insidehighered.com/news/2009/02/10/a_ce)
5. There are many big-time public colleges and universities that have made ill-advised investments in athletic rather than academic facilities—prioritizing athletics over academics. These schools not only have projects that are in-process, but also long-planned and equally long-deferred projects that can be quickly made shovel-ready.
6. Palaima, Tom and Tublitz, Nathan, "Barack Obama and the International Education Bowl," *Inside Higher Ed*, Jan. 9, 2009, <http://www.insidehighered.com/views/2009/01/09/palaima>.
7. Splitt, Frank G., "The Rutgers 1000: A Profile in Academic Courage," [http://thedrakegroup.org/Splitt\\_Rutgers\\_1000.pdf](http://thedrakegroup.org/Splitt_Rutgers_1000.pdf)
8. \_\_\_\_\_, "Unrestrained Growth in Facilities for Athletes: Where is the Outrage?" [http://thedrakegroup.org/Splitt\\_Unrestrained\\_Growth.pdf](http://thedrakegroup.org/Splitt_Unrestrained_Growth.pdf)
9. \_\_\_\_\_, "College Sports: National Priorities and Unplugged Loopholes," [http://thedrakegroup.org/Splitt\\_National\\_Priorities.pdf](http://thedrakegroup.org/Splitt_National_Priorities.pdf)