




Higher Education Will Continue to Face Headwinds




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This document outlines some of the challenges and changes facing institutions of higher education. These range from public perception and regulatory environments to the changing demographics of students. While federal efforts to legislate on topics like endowments, free speech, and accountability are unlikely to be enacted into law this Congress, the precedents these legislative proposals pose for the future are troubling. Regulatory changes are also likely to create uncertainty as 2024 could see a new Administration that will be keen to undo changes made by the Biden Administration, particularly as it relates to Title IX and student loan forgiveness.


Higher education has an opportunity to capitalize on the bipartisan support and interest in and for workforce development, research and development, economic development, and the positive influence institutions have on their communities as anchor institutions. Education and workforce topics are likely to remain a forefront concern for Congress, the U.S. Department of Education (ED), and the Biden Administration for the foreseeable future.

Challenge	Background	Considerations and Potential Federal Action
<p>Free Speech and Politicization of Higher Education</p> 	<p>Concerns around free speech protections on campus continue to linger. The aftermath of a hearing on confronting antisemitism on college campuses resulted in the resignation of two university presidents who were witnesses, after their testimony was considered inconsistent with campus safety and unsympathetic to students who feel targeted.</p>	<p>ED will likely release its “Discrimination Based on Shared Ancestry or Ethnicity” regulations this year.</p> <p>Congressional Republicans are likely to continue to charge that “College campuses are a breeding ground for illiberal thought.” Higher education can expect continued scrutiny via investigations and hearings.</p>
<p>Public Perception</p> 	<p>Public support of higher education has been waning for many years. Recent polling highlights new lows in this perception. “Americans’ confidence in higher education has fallen to 36%, sharply lower than in two prior readings in 2015 (57%) and 2018 (48%).”</p>	<p>Charges of elitism and concerns about costs are often cited as factors in the decline in perception, and thus reflected in political messaging.</p> <p>These challenges also facilitate legislative proposals that take aim at federal support for higher education. Concerns about elitism are bipartisan, as evident in the bipartisan support for Bipartisan Workforce Pell Act, which would be funded by removing eligibility for institutions subject to an excise tax on the endowment investment income of private institutions, from awarding Federal Direct Loans. This bill will likely pass the House this year.</p>
<p>Student Loans and Higher Ed Financing</p> 	<p>With the Supreme Court striking down the Biden Administration’s initial student loan debt cancellation plan, the Administration pivoted to a new more targeted plan.</p> <p>Debt cancellation and forgiveness have been a priority for ED and the Administration, to the tune of \$132 billion in debt relief. A new income-driven repayment (IDR) plan, the Saving on A Valuable Education (SAVE) repayment plan, is estimated to cost at least \$230 billion over ten years.</p> <p>Graduate student lending continues to be a concern with ED noting, “A closer look at borrowing trends and the outcomes of graduate programs, however, suggest cause for concern.”</p>	<p>Debt relief has faced legal and regulatory challenges. Concerns around the ballooning cost of loan forgiveness contribute to efforts limit aid to higher education, as seen in the House Republican’s FY 2024 Labor-H appropriations bill that would provide no funding to Supplemental Educational Opportunity Grants and Federal Work-Study.</p> <p>Going forward, expect to see efforts to unwind loan forgiveness programs by future Administrations and limit aid to institutions, particularly through new limits to the federal student loan programs, which are showing to be a cost to the federal government and not a revenue raiser.</p>

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<p>Macroeconomic Concerns</p> 	<p>Inflation exacerbated many of the fiscal challenges facing higher education, with COVID-relief funding having served as a temporary financial salve for many institutions. Institutions are facing increased costs across the board, including in supplies, utilities, healthcare, and salaries.</p>	<p>The type of federal relief provided under the Higher Education Emergency Relief Fund will be non-existent for the foreseeable future.</p> <p>Flagship institutions have not been immune to fiscal hardship and all types of institutions will likely need to evaluate their financial positions. Competition is likely to increase for federal research and discretionary grant funding at a time when agencies are moving toward a constricted budget environment.</p>
<p>Enrollment Challenges</p> 	<p>Several factors are creating enrollment challenges for higher education, including declining birth rates. Federal data shows that “undergraduate enrollment was 15 percent lower in fall 2021 than in fall 2010, with 42 percent of this decline occurring during the pandemic.”</p> <p>Student populations are becoming more diverse, with a 30 percent increase in Hispanic students between 2010 and 2021.</p>	<p>To maintain enrollment, institutions will likely need to evaluate how to better serve and engage adult and nontraditional learners, including the forty million who make up the “Some College, No Credential (SCNC) population.”</p> <p>Institutions will likely need to explore options like dual enrollment, with high school students making up nearly 20% of community college enrollment.</p> <p>Institutions, particularly regional ones, may be able to advocate for federal programs to be targeted to rural or declining population states. Flagship institutions, even ones with growing student populations, may face pressure on if their student populations reflect “large and persistent gaps in representation of Black and Hispanic students.”</p>
<p>Regulations</p> 	<p>ED has been extremely active in the regulatory space with financial value transparency and financial responsibility regulations alone, running more than 1400 pages. Title IX campus safety regulations and the student debt forgiveness are still to come, and ED recently announced more regulatory efforts around state authorization, distance education, and accreditation, among other issues.</p> <p>As higher education witnessed earlier in 2023, efforts to reform Third-Party Servicers created massive concerns around reporting requirements and liability.</p>	<p>Regulations can create reporting burdens that sap institutional resources. They can also be utilized as a means of increasing scrutiny on higher education, as evident in H.R.5933, the DETERRENT Act, a bipartisan bill that passed the House which would expand foreign gift reporting and international engagements under Section 117.</p> <p>Regulations can also be undone by new Administrations, which creates instability. Scrutiny of higher education also remains bipartisan as evident by ED initially proposing a requirement that all higher education students would have to acknowledge enrollment in “low-financial value” programs. While this was eventually limited to graduate programs and certificate programs, ED has indicated it is not leery of wielding its regulatory powers.</p>

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<p>In addition to the structural challenges mentioned above, higher education is also facing uncertainty around:</p> <ul style="list-style-type: none"> • Skills vs Degrees • Artificial Intelligence • Endowments/Charges of elitism • College Athletics • International Students • ROI • Race-conscious admissions <p>All these issues will impact higher education to a great extent.</p> 	<p>While the decline of the importance and value of a four-year degree may be overblown, more than 16 states have removed formal degree requirements for state jobs and the number of “alternative providers” in the education space is growing.</p> <p>A survey from the WICHE Cooperative for Educational Technologies (WCET) found, “When asked if their institution implemented policies, or is planning to develop policies related to AI, a majority (65%) responded that they have or will be developing policies. Of those, only 8% reported that they have developed or implemented one or more policies...” While advocacy on AI research has been a priority for higher education, more attention will need to be devoted on supporting AI teaching and learning.¹</p> <p>The endowment tax created by the <i>Tax Cuts and Jobs Act</i> has proven to be a popular target for policymakers looking to target higher education. From the <i>Bipartisan Workforce Pell Act</i> to the <i>Higher Education Accountability Tax Act (HEAT)</i>, targeting endowments has been a way to signal opposition to alleged elitism in higher education. More legislation is expected to target institutions, with public institutions potentially not avoiding future proposals. This could also extend to the practice of legacy admissions, which has come under bipartisan criticism.</p> <p>Bipartisan efforts to address college athletics have stalled for the time being. The NCAA, however, is already responding to a changing environment in its consideration of compensation for athletics. “The growing financial gap between the highest resourced colleges and universities and other schools in Division I has created a new series of challenges” including impacting the fiscal resources of institutions seeking to expand athletic success.</p> <p>International student enrollment has rebounded with “a 12 percent increase compared to the previous academic year.” Uncertainty remains, however, as tensions with China continue to impact academic relationships and immigration regulations and fees increase.</p> <p>The question of ROI or “Return on Investment” is not a straightforward one. For policymakers, the question often comes down to if resources devoted to students and institutions lead to better employment outcomes for students. A Gates Foundation survey found “45% of respondents said that a college degree is not worth the investment because they can’t afford the accompanying debt.” Students and policymakers have indicated their support for career-connected learning. A survey from the American Association of Colleges and Universities found that 66% of employers favor students who can demonstrate “Knowledge gained from addressing real-life problems, regardless of discipline.” Efforts to create more opportunities for work-based learning and closer alignment between education, workforce, and economic development are likely to be favored by policymakers.</p> <p>The U.S. Supreme Court’s decision to ban race-conscious admissions has increased scrutiny of all type of admissions efforts, including legacy admissions. While ED has maintained that the decision only applies to universities’ admissions programs, there are already efforts to apply these restrictions to financial aid programs and other diversity efforts. State legislative efforts are likely to continue to focus on higher education with federal efforts to support diversity likely to face scrutiny.</p>	<p>¹ Sebesta, J., and Davis, V. L. (2023, June 30). Supporting Instruction and Learning through Artificial Intelligence: A Survey of Institutional Practices & Policies. WICHE Cooperative for Educational Technologies. wcte.wiche.edu/resources/wcetreport-supporting-instruction-learning-through-artificial-intelligence-a-survey-of-institutional-practices-policies/</p>

The headwinds and challenges identified here are not new for anyone familiar with higher education. While politicization of higher education has risen and fallen over time, it is certainly near a peak now. While policymakers may disagree over some issues like race-based admissions, there is a broad consensus that higher education needs to improve its ability to serve students. Whether through regulations, legislation, or even conditions on federal funding (including research), policymakers will continue to focus on addressing concerns that higher education is not fulfilling its mission of preparing students for the future. The outcome of the 2024 election may determine if federal efforts remain limited to the regulatory and performative realms, or if more significant sanctions and limitations, including via the tax code, are pursued.