



**The New England Council's Higher Education Principles  
February 2007**

The New England Council is pleased to take this opportunity to introduce our newly formed Higher Education Committee, which is anchored by more than 60 of our members from the higher education community and includes numerous other business members as well. This Committee is the Council's sixth public policy committee and will help the Council shape its agenda for higher education.

As an organization devoted to economic development in New England, we recognize the important role that higher education institutions play in driving the New England economy, and we seek congressional support for legislation that will benefit this important industry, as well as the region's economy.

In order to help maintain the strong contributions that New England's higher education institutions make to our economy, the Council is asking that the 110<sup>th</sup> Congress support legislation that will help make higher education more affordable and make our graduates more competitive in the global market by reducing student loan rates, increasing the maximum Pell Grant, emphasizing and bolstering science, technology, engineering, and mathematics (STEM) education and increasing federal funding for the National Institutes of Health, the Department of Energy, and the National Science Foundation. In addition, we urge Congress to resist efforts at changing accreditation procedures that could interfere with the diversity of New England's higher education institutions.

These goals are the foundation of the New England Council's Higher Education Principles, which have been developed based on input from the New England Council's members representing a variety of institutions and businesses. We hope that Congress will support these efforts.

## **I. Higher Education is an Important Driver of the New England Economy.**

As you know, higher education institutions play a critical role in the New England economy. According to a study by the New England Association of School and Colleges (NEASC), the overall economic impact of higher education institutions in New England amounted to an estimated \$80.45 billion in FY 2004. Accredited higher education institutions drive the economy as a major employer in New England – 187,903 New Englanders were employed by these institutions, including 136,173 full-time and 51,730 part-time faculty and staff in FY 2004. Higher education institutions employ more people in New England than the total number of doctors, police officers, construction laborers, dentists, pharmacists, and computer programmers in the region combined.

In addition, the research done at the region's higher education institutions create an environment that generates new businesses and technologies in the region. The research programs provide new knowledge that helps keep New England's companies highly competitive in areas of specialty such as genomics and nanotechnology and encourages new growth. According to the report *Engines for Economic Growth*, the eight research universities in Boston alone were granted 264 patents in 2000, signed 250 commercial licensing agreements, and helped form 41 start-up companies. These institutions are a magnet for investment and economic growth for the region.

Another contribution from higher education institutions to our economy is the approximately 864,350 students that are enrolled at these institutions, many of whom are attracted from other parts of the country and from around the world. In fact, New England 2020, the Nellie Mae Education Foundation's landmark 2006 report, found that "...in all [New England] states but New Hampshire and Maine, the in-migration rate for the college-aged was more than twice as high as was the rate of migration for the general population." Also, higher education is identified as the motive for nearly half of all in-migrants aged 20-24 to New England.

Of course, these higher education institutions and their students provide New England with its greatest economic strength – we have one of the most educated workforces in the world. Based on the strength of our workforce, the region is home to well-respected industries including high technology, biotechnology, healthcare, marine sciences and financial services. New England's greatest advantage has always been the quality of its workforce and we must continue to enhance the quality of the workforce to maintain our economic advantages.

Although educational attainment levels have increased in the region over the past two decades due to higher college level participation, the region has not been as successful at retaining our young, educated workforce after they have graduated, which could seriously hinder our strong innovation economy. The challenge may become even more complicated as the Nellie Mae report found that there may not even be enough students to fill the institutions in the region by 2020. The out-migration of young people from New England, as well as our inability to grow at the same rate as other regions, threatens both

the working age population in the region and our higher education institutions' growth and continued success.

## **II. Higher Education Needs to be More Affordable.**

There are several challenges facing New England's education institutions that are causing increases in tuition, including reduced federal and state funding, increased spending per student, and increased borrowing to pay for higher education. According to the College Board, the federal student aid programs, when adjusted for inflation, paid out less aid per student in 2005-06 than it did ten years ago. Plus, the value of the Pell Grant has decreased since 2004.

Further, state appropriations for public education in New England are not equivalent with other states in certain areas. For example, state appropriations for community colleges and vocational education, while it varies between the region's six states, is considerably less than in other regions of the country. North Carolina invests more than \$81 per capita versus Rhode Island's \$37, a regional high. Vermont's \$15 represents the region's lowest. This disparity is critical when new industries that thrive in New England, such as biotech manufacturing or advanced materials research, seek assistance from local community and technical colleges before making investment decisions.

Higher education institutions spend considerably more per student than they did in the past. In an effort to provide the best quality education in the country, New England's institutions have increased expenditures to attain the best faculty, research technology, student services, and some of the country's most generous institutional financial aid programs. Other contributors to the higher cost per student are upkeep of facilities, energy costs, and federal regulations. While New England institutions have worked to meet these increasing costs through a variety of ways – new efficiencies, private philanthropy, and other sources of support – students and parents have borne a share of these costs through tuition increases.

With less federal and state support for higher education costs and increasing tuition, it is not surprising to see that college students borrowed more in 2005-06 than ever before - approximately \$17.3 billion. New Englanders are paying up to 17% of their yearly income on public institutions and 33% on private institutions to cover the cost of tuition. The increased debt that is a consequence of more costly tuition threatens the financial future of students as well as that of their parents.

While the higher education industry must play a key role in making institutions more affordable, the federal government can play a role as well. The New England Council supports efforts to make higher education more affordable by making adjustments to need-based aid, student loan interest rates, and tax deductions. First, an increase in the maximum Pell Grant from \$4,050 to \$5,100 would account for inflation and rising tuition costs over the past five years, during which time the maximum grant amount has remained unchanged. Second, the Council supports a significant cut in interest rates on federally guaranteed college loans from 6.8% to 3.4% for students and from 8.5% to

4.25% for parents. A cut in interest rates is especially important to New England where 44% of students take out loans as opposed to only 35% nationally. Third, an increase in the tax deductibility of college tuition, while simplifying the maze of tuition laws to allow a 100% tax credit for tuition up to \$12,000 from \$4,000, would help students and their families more easily manage the rising cost of higher education.

### **III. The Federal Government Needs to Support Innovation and Competitiveness.**

Another important educational priority of the Council's is to improve America's competitiveness. New England is home to some of the world's leading innovators, and our colleges and universities have educated and employed many of them. In order to preserve that edge in the global economy, our region's education institutions must maintain a pipeline of qualified candidates to fill important roles in our innovation economy so that we can continue to compete economically with countries such as China and India, which are producing significantly more math, science, and engineering college students and graduates.

#### **A. STEM Education is a New England Priority.**

The President's American Competitiveness Initiative and several other proposals have all shared the same goal – to ensure that America remains the global leader of the innovation economy through increased investment in and attention to the science, technology, engineering and mathematics (STEM) education pipeline, and through a renewed commitment to federally supported research and development.

The New England Council shares the concerns of so many about the ability of the United States to compete globally, and our concerns are even more pressing in New England than the rest of the country. The area is a world leader in areas such as biotechnology, defense technology, information technology, environmental services, health care, and university research. These industries drive our regional economy and are especially dependent on workers with superior math, science, engineering, and technology skills.

Our concern for the region has grown due to indications that high school graduates in the region are choosing to major in areas other than STEM. In 2005, only 20.2% of New England high school students taking the SATs indicated a desire to major in a STEM field. This rate is below the national average - 26.3% - and significantly below that of North Carolina's, a major competitor of the New England region, whose rate is at 33%.

In order to encourage more students from New England to choose STEM professions, the New England Council has long advocated for federal action to support STEM education efforts with a long-term strategy that focuses on K-12 and higher education. Recently, the Council, along with the New England Board of Higher Education, published its STEM principles, which emphasize an increased investment in: K-12 STEM teachers;

STEM higher education; technology in schools; and our communities' role in STEM education. We include a copy of our STEM principles with this letter.

## **B. New England Institutions Depend on Federal Research Funding.**

In addition to STEM education, federal funding of departments and institutions that contribute significantly to the advancements of research and development and to the New England region's innovation economy is critical. While New England has only 5% of the nation's population, the NEASC study concluded that New England institutions received 7.2% of federal funds appropriated to higher education institutions for research and development.

In particular, the National Institutes of Health (NIH) alone allocated \$3.1 billion in funding to New England institutions in FY 2004. Averaged out on a per capita basis, four New England states -- Connecticut, Massachusetts, Rhode Island and Vermont -- score among the top 10 in the nation in terms of monetary value of NIH awards received. In addition, Maine and New Hampshire receive more funding on a per capita basis than the national average. In FY 2004, each New England state had at least one institution ranked in the NIH's top 100 funded institutions.

Another major source of R&D funding in the region that should be supported with additional resources is the National Science Foundation (NSF). The NSF funded 1,940 awards, as well as additional fellowship support, granted to higher education institutions in New England in FY 2006, totaling \$504 million. Included among the recipients were MIT, the University of Massachusetts-Amherst, Yale University, Brown University, and University of Rhode Island, which each have one of the NSF's top 100 highest-funded projects.

In addition, the Department of Energy's (DOE) Office of Science contributes significant funds to research institutions in New England. In FY 2005, New England higher education institutions received \$103.89 million in federal funds for research projects. DOE funding accounted for 12% of MIT's research budget in FY 2005, which demonstrates just one example of its importance to innovation research in the region.

Funding for the National Institutes of Health, the National Science Foundation, and the DOE Office of Science, however, has remained flat or has been cut in the past two fiscal years.

Flat or decreased federal funding combined with decreased state funding and increasing quality, maintenance and energy costs in the region are all challenges to higher education institutions that will continue to increase the cost of education and decrease critical advancements in research. Now is the time to take action to ensure that these challenges are overcome and that New England continues to grow economically and compete globally.

#### **IV. Changes in Accreditation Procedures Should Not Interfere with the Diversity of New England's Institutions.**

New England has arguably the finest and most diverse collection of colleges and universities anywhere in the world: 235 accredited higher education institutions, including research universities, liberal arts colleges, state colleges, religiously affiliated institutions, community colleges, and special-purpose institutions in the arts, sciences, and professional fields.

In its oversight of federal funds to higher education, especially student financial aid, the government relies on accreditation as the “reliable authority” on the quality of education. New England accreditation standards hold colleges and universities to high expectations with regard to assessment of student learning, and availability of information important to students, parents, and the public. Stringent accreditation procedures, informed by public participation through the higher education commission, must continue to take into account unique institutional missions and review by peers.

We are concerned about efforts to regulate accreditation into making our colleges and universities more uniform. In 2005, *The Economist* identified America's higher education system as the best in the world. It included three New England institutions among the top 11 universities internationally, noting that “A sophisticated economy needs a wide variety of universities pursuing a wide variety of missions.” We urge the region's congressional delegation to consider carefully any proposed changes in federal accreditation procedures and to resist those that may over-regulate accreditation and interfere with the diversity of the region's institutions.