

SENATOR ROBERT MORGAN
NORTH CAROLINA STUDENT LEGISLATURE
INTERIM COUNCIL
CHAPEL HILL, NORTH CAROLINA
SEPTEMBER 20, 1980

THE FEDERAL GOVERNMENT, ITS BUDGET,
AND HIGHER EDUCATION

I am pleased to be able to speak to you this morning.

As it happens, I am coming before you at an interesting time. The bill that would renew all the federal government's higher education programs, H.R. 5192, is now in the last stages before its final adoption by Congress and its enactment into law. The ups and downs that this bill has had over the last eighteen months are a fascinating study of the complexity of the legislative process today.

More important, the history of this legislation provides a lesson on the Congressional budget process and the difficulty of trying to balance the federal budget. It also indicates some of the problems that can develop when one becomes overly dependent on the federal government, a situation the higher education community may now be in.

Of course, the danger of overdependence on Washington is something many North Carolinians have become sensitized to recently, as a result of the controversy involving the University of North Carolina system. Over \$90 million is at stake in this fight, and to tell you the truth, I was shocked when I first heard that figure. But most school officials, who complain about federal regulations and intrusion as much as any businessman, do not, I

believe, realize how much they have come to depend on the support they receive from Washington.

Although I have been a strong advocate of the need to keep federal spending in line with income ever since coming to the Senate, this has not been a major concern of most members of Congress until the last year or two. The defeat of a bill simply because it was too expensive was rare, and it never happened when the bill was renewing an existing program, as opposed to creating a new one.

Last November, the House of Representatives passed H.R. 5192. Consisting of fourteen titles, or major sections, it renewed every federal higher education program. Most of you are probably not aware of many of these programs. The ones that you, as students, are most aware of come under Title IV--these are the student aid programs.

This bill called for increased spending in virtually every program. Most notable, however, were the generous increases in student aid, increases added on top of the quite generous increases agreed to in 1978 under the Middle Income Student Assistance Act. The House ignored two innovative new approaches that had been proposed, one by President Carter and the other by Senators Kennedy and Bellmon, both of which continued the wide availability of assistance but reduced the costs to the taxpayers.

This House bill came over to the Senate and immediately ran into trouble, largely but not exclusively because of the new student aid increases. This was not a total surprise--warnings were coming out of the Senate even before the House took final action.

There were three reasons for this. First, only 12 to 13 percent of the student aid funds under the proposed bill were to be distributed on the basis of need. Second, reports of abuses under the loan programs, as expanded in 1978, were beginning to come in at an alarming rate. And finally, the bill guaranteed that the federal government would pay up to 75 percent of the cost of a person's college education.

Due to substantial pressure from a number of Senators, the student aid parts of the bill were scaled back dramatically. The 75 percent cost provision was greatly modified, although not eliminated. The cost of borrowing from the federal government was increased so that unneeded loans would not be taken. And several highly technical changes were made which had the impact of cutting the cost of these programs to the taxpayers. After some delay and spirited debated, H.R. 5192 passed the Senate in July on a 92-4 vote.

Then events began to take an interesting turn, although other adjectives were also used.

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ferences between the House and Senate versions of the bill. Agreement on 13 of the 14 titles was reached in one day of meetings. No agreement was reached on student assistance, and no progress at all was made with regard to the loan programs.

Finally, in mid-August, things were worked out. Except, there was a problem. The conference report, which is what a bill is called after its approval by the conference committee, cost \$2 billion more than the Senate bill for fiscal 1981 (for your purposes, the 1981-82 school year), \$13 billion more over the five year life of the bill, and violated the Congressional spending ceilings which had been approved on June 13. In terms of the details of the student aid programs, or Title IV, the conference report looked very much like the original House bill. As I noted before, this the Senate had earlier refused to pass.

The House passed the conference report by an overwhelming margin. It was then sent to the Senate, which debated the matter on September 4.

After a heated debate, in which student assistance was all that was discussed, the Senate defeated the conference report on a 44-44 tie vote. This came as quite a shock, not only to colleges, universities, and student groups, but also to those Senators who led the fight against the bill. It was the first time in recent years that a conference report was defeated, and it happened with a highly popular bill strictly because the bill violated the Congressional budget.

But, and quite frankly, I voted against the bill, it was an encouraging vote because it provided a clear sign that a majority of the Senate is taking their budgetary responsibilities seriously.

For the next three days, the telephones in my office did not stop ringing. College and university officials from North Carolina could not believe what had happened. More than that, they could not believe that I had voted against the bill given my consistent and strong support for higher education. Explanation after explanation was given concerning the disaster that would fall on post-secondary schools if a bill was not passed.

It was difficult for me to get these officials, and many of them are personal friends, to understand that I wanted a bill to pass but that this version simply cost too much. The general attitude of those who called was that a bill was so important the Senate should have ignored all budgetary considerations. The fact that it was their lobbying, and that of their friends around the country, that turned the bill into a budget-breaker was simply ignored.

This episode started me thinking about two things. The first is that we got a textbook lesson on the difficulty of balancing the budget. Everyone favors balancing the budget in principle, but everyone also has good ideas for things the federal government should do. And, unlike almost every State and local government, there is no legal or constitutional requirement that Congress keep spending in line with income.

The result of this is that the principle of holding down government spending is ignored when it comes to people's favored programs. That is human, but the absence of an external disciplining force, like the one the North Carolina Constitution exerts on the General Assembly, is critical.

I am reminded of a cute little story that Senator Long frequently uses which is applicable in this case. Senator Long is Chairman of the Senate committee which deals with taxes. As he tells it, the average person's vision of tax reform goes as follows:

"Don't tax you, don't tax me,
Tax that fellow behind the tree."

The statement Congressmen always get from their constituents is: "Yes, we have to have a balanced budget, but my program is too important."

The point of all this is that cutting the federal budget is not easy. Voting for virtually any proposed cut is difficult. And, do not be misled by the grand rhetoric about useless spending. One person's waste is more often than not another's necessity. And those who talk most grandly about cutting spending, such as Governor Reagan, are unwilling to specify where they would cut. Not two weeks ago, a Reagan campaign official was quoted in The Washington Post as saying that there was no need to discuss specifics, that those decisions could be made after his election.

But, the second point to come about of this episode should

be of greater concern to the higher education community--the question of federal dependence.

This country has a long and cherished tradition of a diverse and independent system of higher education. We have private and public colleges. We have military, agriculture, engineering and liberal arts colleges. There are Baptist, Catholic, and Jewish schools. And, a frequently overlooked distinction, there are large and small schools.

This incredibly rich and diverse system may well have become too dependent on the federal government, which is almost inevitably a discourager of diversity. In the current academic year, Winston-Salem State University is receiving about \$2,300 in federal funds, from a variety of programs, for each student. That is nearly as much money as the school gets from the State, but it is a State school. Many colleges, not all, are getting over one-third of their income directly or indirectly from Washington.

But, none of this money comes without strings attached, and it never will. It is an accurate truism to say that he who pays the bills calls the shots. To get this money, schools have to respect a whole host of civil rights, meet tons of regulations relating to accountability for funds, and other requirements. These conditions are almost always well intentioned in the conception, but taken together, they have a corrosive effect.

And, there is no guarantee that more onerous conditions will

not come down the road in the future. A few years ago, the National Science Foundation tried to impose some requirements relating to curriculum as a condition of receiving certain grants. Congress blocked that one, but will it always be that way?

A good example of what can happen with condition-free funds is now before the Congress. The general revenue sharing program, which provides block grants to State and local governments, has always been one of my favorites. I believe this program allows local government to undertake needed tasks which they might not otherwise be able to afford, but the absence of strings allows the decisions made to most in accordance with local needs.

Local governments have now become dependent on this program. Many of those local and State government refuse to grant their employees collective bargaining rights. In fact, North Carolina is one of those States.

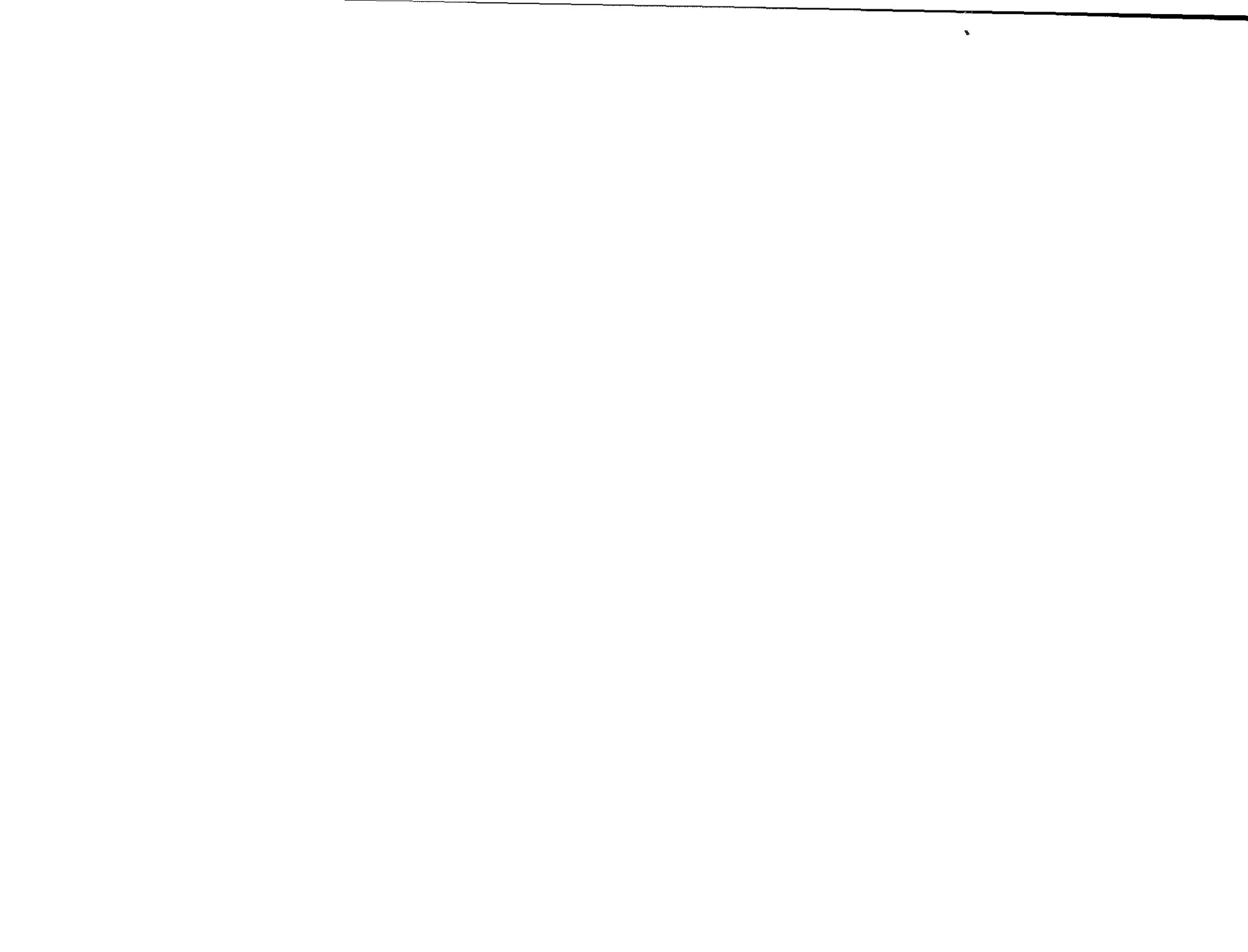
As you can imagine, public employee unions do not like this situation. A proposal has been made to the Congress, and it may be brought to a vote this year, which would require that public employees be allowed to collectively bargain as a condition of receiving general revenue sharing--a program that was always supposed to be a no strings attached program. I am confident that that proposal will be beaten. But proposals of this nature have a habit of hanging around year after year, and eventually, after enough time has gone by, they often become law. There is a Washington wisecrack that says "Today's joke is tomorrow's legislation."

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The dependence itself is the problem, and maybe, we need to start thinking about ways to weaning colleges from the federal government. But, if we are to do it, it would have to be done very carefully and in a way that would not damage our system of higher education. This could well be one of the important challenges you will have to face in the future.

One final note. After the conference report on higher education was defeated, a new conference committee was formed. They agreed to a new conference report, one that is somewhat more fiscally responsible. This report, containing almost \$50 billion worth of authorizations for the next five years, including considerable money for student aid, is likely to become law before October 4.

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