



The Final Stimulus Bill

February 13, 2009

As the dust began to settle and details slowly emerged about the composition of the compromise economic stimulus bill crafted by Congress (the bill text is now available, here [http://www.rules.house.gov/111/LegText/hr1_legtext_cr.pdf] and here), the picture for higher education was generally positive -- with students and colleges poised to receive somewhere between \$50 billion and \$75 billion, based on our rough estimate. But exactly how it looked very much depended on where you sat.

Administrators at public colleges and officials in state higher education agencies were probably relieved that the compromise legislation would deliver a total of \$53.6 billion in new aid to states over the next two years. That figure is lower than the \$79 billion that was in the House of Representatives' original bill, and money that state officials were hoping to get specifically to renovate education facilities will have to come out of that total because lawmakers eliminated a separate pot of money for that purpose. But the compromise figure is far higher than the \$39 billion that was in the Senate version of the legislation, and \$53.6 billion -- \$39.6 billion of which is designed to fill gaps left by state budget cuts, and \$8.8 billion of which is set to go to governors to use for education and other purposes -- should go a significant way toward softening the impact of the economic downturn on state colleges and universities.

Universities and academics most interested in research were elated, as the final package allots roughly \$16 billion to several federal agencies for research grants and facilities over two years, most of which will eventually flow to academic institutions. That includes \$10 billion for the National Institutes of Health (\$8.5 billion for research grants and \$1.5 billion to renovate university facilities), \$3 billion for the National Science Foundation, and \$2 billion for science and research programs at the Energy Department. As of just a few days ago, the NSF had looked to get virtually nothing, as it was excluded from a proposal, made by three moderate Republicans, that formed the core of the compromise legislation.

About \$30 billion in new funds would flow to students and their families in 2009 and 2010, about \$17 billion in the form of increased Pell Grants and \$13 billion in expanded higher education tax credits that would, for the first time, be available to some students from lower-income families that do not pay taxes. (Some assistance for students -- an increase in borrowing limits for federal student loans and funds for Perkins Loans -- was dropped from the compromise legislation, though, to the dismay of advocates for private and for-profit colleges.)

If there was bad news in the final stimulus bill, it was probably for officials at private nonprofit institutions. Their students will surely benefit from the increased Pell Grants and tax credits, but they had hoped that Congress would increase the limits on unsubsidized loans (as the House had planned to do), and they lost at the last minute nearly \$60 million in new capital contributions to the Perkins Loan Program. They were also hardest hit by the Congressional negotiators' decision to eliminate the separate pot of money (\$6 billion in the House bill, \$3.5 billion in the Senate) for higher education facilities, which was envisioned to be distributed by the higher education agency in each state.

The compromise stimulus bill wiped out those funds and up to \$16 billion for school districts -- reportedly in the face of opposition from Sen. Susan Collins of Maine, one of three Republicans whose votes the White House and Senate Democrats desperately needed in order to pass the legislation, which most GOP members oppose as too heavily tilted toward non-stimulative spending rather than tax cuts. Speaker of the House Nancy Pelosi and House Democrats fought throughout the day Wednesday (even after a reported "agreement" on the measure was announced at mid-day) to restore funds for school modernization to the legislation. At 10 p.m. that evening, according to Congressional aides, the legislation was altered to incorporate funding for facilities into the state stabilization fund -- but in a way that would primarily benefit public rather than private institutions.

Under the change, according to Democratic Congressional aides, \$39.5 billion of the \$53.6 billion available through the stabilization fund would be distributed to state leaders to "backfill" cuts that have been made to the 2008 or 2009 budgets for elementary, secondary or postsecondary education. In restoring cuts to public college budgets, states are supposed to use the money for financial aid and operating costs, but under the last-minute change, they can also use the funds for facilities -- but only at public institutions.

Another \$8.8 billion of the \$53.6 billion stabilization fund under the compromise legislation would go directly to governors to use for what they determine to be "critical services," which can include education. Like the backfill money, those funds could also conceivably be used to modernize (rather than build new) facilities, and a state's governor could, if he or she chose, direct money from that pot to private colleges and universities for facilities or other purposes, the Democratic Congressional aides said.

The rest of the \$5 billion would be distributed to states by Education Secretary Arne Duncan through two funds designed to reward innovation and strong performance on a variety of measures; most if not all of this money would flow to K-12 education.

The following is a chart that, based on the best available information last evening (the full legislation was not yet available), compares the compromise version of the stimulus bill with the version passed by the House and the one passed by the Senate after having been revamped to try to satisfy a trio of moderate Republicans, including Collins, her fellow Mainer Olympia Snowe, and Sen. Arlen Specter of Pennsylvania. Where information was not available, the chart notes that with the word "Unclear."

The Stimulus and Higher Education

	House	Senate	Compromise
Aid for Students			
Pell Grants	\$15.6 billion to increase maximum grant by \$500 and eliminate shortfall	\$13.9 billion to increase maximum grant and close shortfall	\$17.1 billion to increase maximum grant and eliminate shortfall
College Work Study	\$490 million	Not included	\$200 million
Perkins Loans	Not included	\$61 million for capital contributions	None
Loan Limits	Increase limit on unsubsidized loans by \$2,000	Not included	Not included
Higher Education Tax Credit	Temporarily replace Hope tax credit with \$2,500 credit available for four years of college. Credit phases out for individuals with income of \$80,000, \$160,000 for couples. Credit is 40 percent refundable. Cost: \$13.7 billion over 10 years	Temporarily replace Hope tax credit with \$2,500 credit available for four years of college. Credit phases out for individuals with income of \$80,000, \$160,000 for couples. Credit is 30 percent refundable. Cost: \$12.9 billion over 10 years	Temporarily replace Hope tax credit with \$2,500 credit available for four years of college. Credit is 40 percent refundable.
529 savings plans	Not included	Allow computers to count as qualified expenses under 529 savings plans	Allow computers to count as qualified expenses under 529 savings plans
Education Aid for States			
	\$39 billion for school districts and public colleges, distributed through existing formulas	\$26.7 billion for school districts and public colleges, distributed through existing formulas	\$39.5 billion for "backfilling" of state budget cuts; uses include facilities modernization
	\$25 billion to states for "high priority" needs, "which may include education"	\$9.5 billion to states for "high priority" needs, "which may include education"	\$8.8 billion for governors to award for "high priority" needs, including education
Infrastructure			
College/School Facilities (through	\$6 billion for "higher education modernization,	None	None (see Education Aid for

Education Department)	renovation, repair"; \$1.5 billion for grants and loans to colleges, schools, and local governments for energy efficiency		States above)
National Institute of Standards and Technology	\$300 million to construct research buildings at colleges	Not included	\$180 million for competitive grants for research building construction
Computer centers (at public libraries and community colleges)	Not included	\$200 million	\$200 million
Energy Department	Not included	\$330 million for laboratory infrastructure	None
Scientific Research			
National Science Foundation	\$2 billion for research grants, \$900 million for equipment and facilities, and \$100 million for science education	\$1 billion for research grants, \$150 million for infrastructure, \$50 million for education	\$3 billion, including \$2.5 for research, \$400 million for infrastructure, \$100 million for education
NASA	\$600 million for climate change and other research	\$450 million for science, specifically earth science missions	Unclear (probably \$1 billion for science; including \$400 million for climate change research)
National Institutes of Health	\$1.5 billion for biomedical research, \$2 billion for facilities renovation and capacity building	\$7.85 billion for biomedical research; \$300 million for shared equipment	\$10 billion, including \$8.5 billion for research, \$1.5 billion for university research facilities
Energy Department	\$2 billion for energy efficiency research; \$2 billion for basic physical science research	\$100 million for advanced computer R&D	\$2 billion for research, including \$1.6 billion for Office of Science, \$400 million for Advanced Research Project Agency-Energy
Homeland Security	Not included	\$14 million for cybersecurity research	None
National Institute of Standards and Technology	Not included	\$168 million for external grants	Unclear

Job Training	\$4 billion	\$3.25 billion, including \$1.95 billion for adult and dislocated workers	\$3.95 billion, including \$2 billion for dislocated workers and \$500 million for adults
Other			
AmeriCorps	Not included	\$200 million	\$200 million
Teacher quality partnership grants	\$100 million	\$50 million	\$100 million
Preparing health care workers	\$600 million for training primary care doctors, dentists and nurses	Not included	\$500 million
Student Aid Administration	\$50 million to help Education Department administer student aid in changing student loan environment	Not included	Not included
Support for state data systems	\$250 million	Not included	\$250 million
Help for Lenders	\$10 million for larger subsidies for lenders	Not included	Not included
Arts	\$50 million for National Endowment for the Arts	Not included	\$50 million
Rural distance learning and telemedicine (Agriculture Department)	Not included	\$100 million	None

(Note: This table has been updated to correct information from an earlier version.)

— **Doug Lederman**