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For the Next Stimulus Package, Direct Aid to States for Public Higher Education

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As Congress prepares for another round of stimulus legislation this summer, the unprecedented financial challenges confronting public colleges and universities remain a pressing issue facing lawmakers. There have been a host of disagreements on the best federal policy approach to help higher education, such as the appropriate funding levels and uses of the aid. These debates will likely continue in the weeks ahead. A more fundamental question that has emerged is whether federal aid for public higher education should be distributed directly to institutions through the U.S. Department of Education or given to the states, who would then distribute it to institutions.

Some think tanks have called for aid to states, while many higher education associations, including those representing college presidents, have called for direct federal aid to institutions. On Capitol Hill, the GOP-led Senate demonstrated a preference for aid to institutions in the previous stimulus package, while the Democrat-controlled House has been partial to distributing aid through the states (if only as a pass-through). Which one of these is the better approach for public higher education financing? Does it really matter?