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## US austerity mandate will end Obama college spending spree

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By **Jon Marcus**

Midterm elections will turn off federal financial tap to higher education for the next two years. Jon Marcus reports

The Republican takeover of the House of Representatives and a resounding mandate for austerity in last week's US midterm elections has brought federal largesse for higher education to a screeching halt.

President Barack Obama and the Democratic Congress have lavished billions of dollars on universities over the past two years: they simplified access to much boosted student financial aid; encouraged higher graduation rates to restore the US world lead in its proportion of degree-holders; and finalised regulations to protect students and encourage quality.

But in the next two years, even the Administration's supporters agree, no additional money is likely for higher education, and some of the gains won by Obama may even be reversed.

The graduation initiative, for instance, while its goals may be achieved in some parts of the country, "just won't happen on a national level", said Ben Miller, a policy analyst at the Washington think tank Education Sector.

Generous increases in financial aid are also threatened. "Given the growing concern about the federal budget deficit, the likelihood is that there will be enormous pressures on federal spending," said Terry Hartle, senior vice-president for government and public policy at the American Council on Education. "We are entering a period when budget will define policy."

At the beginning of Obama's term, the government gave \$22 billion (£14 billion) in stimulus money to higher education, most of it to plug gaping budget holes left by the economic downturn. It also succeeded in eliminating subsidies to banks for making loans to students in favour of direct loans. And while the savings from this turned out to be far less than expected - \$52 billion instead of the projected \$87 billion - it was enough to bolster direct aid, known as Pell Grants, which don't have to be repaid, to a record \$43 billion.

Financial aid is typically a bipartisan cause. But as the amounts have grown larger than the budgets of eight cabinet-level federal departments, it also has become a tempting target. Mr Hartle said: "Anybody who looks at the Pell Grants has to think, if Congress do decide to cut the budget deficit, they will look at this programme and say, 'Why has it expanded so quickly and what can we do about it?'"

Republicans have already pledged to return non-defence, discretionary spending to 2008 levels.

Even if they are left intact, the Pells are being outpaced by the tuition fees they are designed to cover - up 7.9 per cent for public and 4.5 per cent at private universities and colleges this year, according to the College Board, during

a time when other consumer prices fell by 0.4 per cent. Now the flow may stop.

"The way you starve Pell Grants is by not raising the award level over the years as tuitions go up," said William Zumeta, a professor of education at the University of Washington and president of the Association for the Study of Higher Education.

But there are other ways of driving higher education policy. "Not everything takes money," said Professor Zumeta. It is "possible to share best practices and create national consortia" to press for things such as increased graduation and retention, he said.

One way is to organise a Bologna-style process to standardise academic credit, which is difficult to transfer between states and institutions, clogging the system with students who fail to earn degrees, said Robert Zemsky, founding director of the University of Pennsylvania's Institute for Research on Higher Education.

"The Administration can summon leadership," Professor Zemsky said.

It can also continue to impose regulations, most of which seem to be aimed at fast-growing private, for-profit universities and colleges. Thirteen major regulations were announced the day before the election, including one that would measure the loan debt of students in vocationally oriented programmes as a proportion of their estimated annual income. Programmes with too high a rate of debt to income would lose their eligibility for federal financial aid, effectively shutting them down. Another would prohibit bonuses for recruiters or admissions officers based on how many students they sign up.

But however the Administration moves forward on its higher-education plans, it won't have any new money to do it.

Even before the Republican victories, Martha Kanter, the US undersecretary of education for postsecondary education, said: "We've got our work cut out for us. Like everyone else in this country, we have to do more with less."