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Rising College Costs Pose Test for Obama on Education Policies

By RICHARD PÉREZ-PEÑA - October 18, 2012

In campaign stops across college campuses, and again in the debate on Tuesday, President Obama has promoted his efforts to make college more affordable. His record, more activist than any recent predecessor's, includes greatly expanding the federal government's role in granting college loans, increasing aid to community colleges, and even taking steps to try to stem soaring tuition.

Though none of the questions in the presidential debate were on college affordability, Mr. Obama pivoted to that topic on his own. In answering a question about gender equity, he said, "We've expanded Pell Grants for millions of people, including millions of young women."

But while many education experts laud his efforts, analysts of varying political stripes have also questioned how much impact some of the president's policies will have, noting that the prices charged by colleges, and student borrowing, continue to climb.

"I think the president deserves a lot of credit for putting emphasis on things that weren't being talked about much — raising educational attainment, expanding community college, cost containment," said Derek Bok, the former Harvard president who has written extensively on the problems and future of higher education. "But I think the jury's out on whether it's effective."

Some conservatives have pushed that critique further, saying that Mr. Obama's policies are too costly, often assist the wrong people and could have the paradoxical effect of driving up college costs. The dispute turns not just on different assessments of how policies play out, but on differing philosophical views about the role of government. During his time in office, Mr. Obama has sharply increased aid to low- and middle-income students, notably through the Pell Grant program, which grew from \$14.6 billion given to 6 million students in 2008, to nearly \$40 billion for almost 10 million students this year. His administration also made it easier to request aid, shortening the complex federal application and allowing people to transfer their financial information electronically from the Internal Revenue Service database.

"On the area of assisting students to gain a college opportunity, President Obama has exerted the most impressive leadership of any president in my memory," said Molly

Corbett Broad, president of the American Council on Education, an association of college and university presidents.

But conservative critics of the Pell Grant program contend that as government pours more money into higher education — whether in grants or loans — the law of supply and demand dictates that it contributes to price increases.

“Could the colleges charge what they’re charging now in the absence of federal aid?” asked Neal McCluskey, an education analyst at the Cato Institute, a conservative policy research group. “The answer is no.”

Mitt Romney has also called the aid expansion unsustainable, and his campaign’s education plan says he would “refocus Pell Grant dollars on the students that need them most.” His stance was widely interpreted as meaning that he would cut the program, primarily by making fewer students eligible — the same approach that his running mate, Representative Paul D. Ryan, took in his proposed budget.

Yet in the presidential debates, Mr. Romney seems to have shifted his position. In the first debate on Oct. 3, he said, “I don’t have any plan to cut education funding and grants that go to people going to college.” He went further in the debate Tuesday, promoting a state aid program he created as governor of Massachusetts, saying, “I want to make sure we keep our Pell Grant program growing.”

College costs have risen dramatically. In the last school year, tuition, fees, room and board averaged \$38,589 at private colleges, up almost \$15,000 from a decade earlier, according to the College Board. At public four-year colleges, the total bill came to \$17,131, up more than \$8,000.

But behind the headlines about soaring costs, the reality is more complex and wildly uneven, because a growing number of students receive financial aid, and only relatively high-income families pay those fast-rising sticker prices. Adjusted for inflation, the College Board calculates, the average “net price” changed little over the last decade at private schools, and rose only modestly at public ones.

Defending federal spending, Arne Duncan, the secretary of education, said that for more than 30 years, college prices had risen even when federal aid had not, leading him to believe there was “zero correlation.” And he noted that the big increases under Mr. Obama had come at a time of declining state support for public colleges.

Conservatives have criticized Mr. Obama’s other college affordability programs.

Mr. Obama removed banks as middlemen in making federal student loans, saving billions of dollars a year in lender fees, some of which was used to pay for increased student aid. Mr. Romney has said he would replace that policy with a marketplace approach. The president also strengthened programs that limit the size of student loan payments, based on a debtor’s income, and forgive unpaid loans for some borrowers after 10 or 20 years. So far, few borrowers have taken advantage of such options, and Mr. Obama has directed the Department of Education to publicize them more aggressively.

Scott Fleming, an education policy adviser to Mr. Romney, said those changes would cost the government billions of dollars by increasing unpaid loans. Shrinking monthly

payments means extending the life of a loan, he noted, so some borrowers could end up paying much more.

The administration repeatedly makes the case that more people need to go to college — or back to college — and that much of that education should take place at community colleges. Mr. Obama has sought \$10 billion in new aid for community colleges over several years, much of it to teach job skills; so far, Congress has approved \$2 billion.

Experts from across the political spectrum say expanding college enrollment is not enough, that both quality and price must be addressed. Mr. Obama has taken steps to curb rising prices and link federal assistance to performance.

“We’re not just investing in the status quo; we’re investing in reform,” Mr. Duncan said.

Experts say those attempts are limited, and may not work, but they go well beyond what other presidents have done.

“The idea that the government has put colleges on notice not to just expect a blank check is a huge change,” said Kevin Carey, director of education policy at the New America Foundation.

But Mr. McCluskey, the Cato analyst, said Mr. Obama misses the system’s fundamental flaw: that federal aid and loans are often awarded to mediocre students and schools, with poor odds of producing economically successful graduates.

The president wants to tie some aid to colleges’ efforts to keep prices in check, and he has called for a contest among states to win \$1 billion in grants for the best cost-control ideas; both proposals would require Congressional approval. This summer, his administration released a “shopping sheet,” a form allowing students to make apples-to-apples price comparisons among colleges. About 400 schools have pledged to use it.

The administration also imposed what is known as the gainful employment rule, mandating that schools, mainly aimed at for-profit colleges, meet benchmarks for graduation rates, student employment and debt, or risk losing access to federal loans and aid. The rule was struck down in court this year, but the administration is planning a new version.

“Obama has done big things on higher education that just haven’t gotten a lot of attention,” Mr. Carey said. “He’s taken on issues that had been largely neglected.”