

“Effectiveness and Efficiency”

The University System of Maryland’s campaign to control costs and increase student aid

By Kay Mills

ADELPHI, MARYLAND

THREE YEARS into an “Effectiveness and Efficiency” campaign, the University System of Maryland has achieved some successes:

- Costs have been cut by \$40 million.
- Faculty workload has been increased by ten percent.
- Need-based student financial aid has risen substantially.
- Steps have been taken to shorten the time it takes a student to earn a bachelor’s degree.

Cliff Kendall, who chaired the Board of Regents when the “E and E” initiative was launched in June 2003, said that, faced with lean budget years and rising enrollments, the board decided to act. “We could sit and do nothing or we could take action,” he said. “We elected to do some-

thing.”

The system’s efforts have won support from Republican Governor Robert Ehrlich, Jr., and from the Maryland General Assembly. After taking budget cuts of 7.4 percent and 6.8 percent earlier

Maryland was facing a potential \$2 billion deficit when Robert Ehrlich, Jr. became governor in 2003.

in this decade and boosting the system’s average tuition by almost 40 percent over the last four fiscal years, the university system (ten campuses, two research centers and a largely online college) received a 5.9 percent budget increase last year and a 14.4 percent hike (including a cost-of-liv-



DENNIS BRACK, BLACK STAR, FOR CROSSTALK

Regent Cliff Kendall says rising enrollments and declining state support led the University System of Maryland to change its budgeting approach.

ing adjustment of almost two percent) this year.

Even so, the Board of Regents approved a 4.5 percent tuition increase for this fall, but Democratic legislators intro-

duced a measure to eliminate the increase, and the state Senate passed it. Soon thereafter, Ehrlich, who had previously labeled the legislation an “election-year gimmick,” *continued on page 15*

Remote Access

Western Governors University offers “competency-based” higher education, at a distance

By Kathy Witkowsky

SALT LAKE CITY

IN A RECENT INSTALLMENT of the popular comic strip Dilbert, the pointy-haired office boss announces that he has enrolled in a distance-learning class to obtain his master’s degree. “Is the online degree hard?” someone asks. “Not

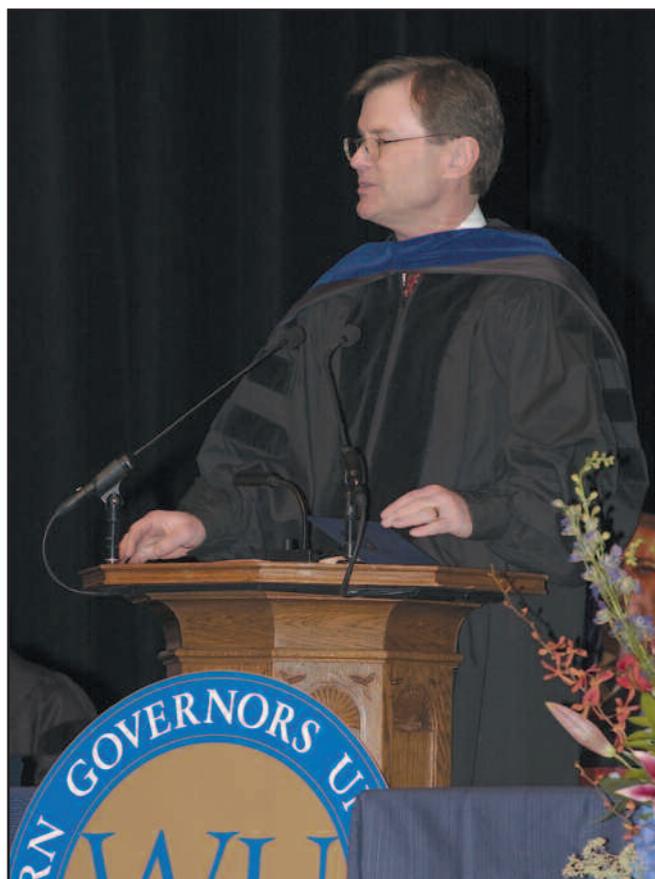
Contrary to early predictions that tens of thousands of students would rush to enroll in Western Governors University, for the first four years enrollment remained in the hundreds.

so much,” the boss replies nonchalantly, coffee cup in hand. “I’m taking my midterm exam as we speak.”

Funny? Not to students at Western Governors University, a private, non-profit

distance-learning institution based in Salt Lake City. Western Governors University (WGU) opened its virtual doors in 1999 with much fanfare and, as its name suggests, the political backing of 18 western governors plus the governor of Guam, each of whose states contributed \$100,000 in start-up funding. What the name does not convey is the institution’s lofty goal: to create a new model for higher education, one that not only harnesses technology to increase access and reduce costs, but maintains quality by measuring learning outcomes rather than credit hours.

“We wanted a university that was available through modern communications, and we wanted it based upon performance. And that was the essence of the experi-



PATRICK CONE, BLACK STAR, FOR CROSSTALK

WGU President Robert Mendenhall says the largely online university is small but influential: “Demonstrating a different model is more important than our size or enrollment growth.”

ment,” recalled former Colorado Governor Roy Romer, who, together with former Utah Governor Michael Leavitt, had the initial vision for WGU. Leavitt was

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In This Issue



BRIAN CASSIDY, BLACK STAR, FOR CROSSTALK

JOH-ANNA KIRKLAND, a senior at Southeast Missouri State University, will have a cumulative student loan debt of more than \$25,000 by the time she graduates. In a special six-page section, *National CrossTalk* explores the issues surrounding college debt, and offers profiles of four students. (See page 5.)

WGU

from page 1

most excited by the flexibility that new technologies could provide, while Romer was focused on the competency-based curriculum. “We wanted to be sure that we created a system in which you didn’t get credit for a degree based just upon hours of exposure but based upon proven competence that you demonstrated,” Romer said.

Since WGU’s inception, online programs have become commonplace, and their widely varying standards have made them easy targets for comedians and comic strips. But WGU students and administrators say the school’s unusual competency-based approach ensures that the institution is no joke.

Instead of earning credits based on the number of courses they take, students

Instead of earning credits based on the number of courses they take, students progress by successfully completing required competency assessments related to their degrees.

progress by successfully completing required competency assessments related to their degrees. These come in different forms: written assignments completed online; objective and essay exams administered at secure testing centers; and, in the case of student teachers enrolled in WGU’s teachers college, supervised observations in local schools. Bachelor’s and master’s degree candidates must also complete a final project and defend it orally.



A January graduate of Western Governors University, 47-year-old Angie Lambert says WGU “didn’t waste any of my time like other college classes have.”

The school doesn’t care where or how students learn the material. They might already know it, or they might have to learn it from one of the 200 learning resources—a mix of online courses, CDs with website components, and self-paced “e-learning” modules—that WGU licenses. The important thing is that they prove their mastery of the subject.

“Just because it’s online doesn’t mean it’s easy. There was a lot of work involved,” said Amanda Clark, 25, of Dallas, Georgia, a suburb of Atlanta. In January, Clark was one of 44 ecstatic graduates to attend WGU’s most recent commencement ceremonies, which were held in a rented hall at the University of Utah, about seven miles from the sleek, eight-story office building where WGU is headquartered. (Another 199 graduates were able to watch the ceremonies on a webcast.)

There to cheer Clark on as she received her bachelor’s degree in interdisciplinary studies from WGU’s teachers college were her husband, two children and parents. The occasion marked not one but two important milestones: They had flown on an airplane for the first time to be in Salt Lake City; and Clark, an honors student who had dropped out of high school shortly after getting married and giving birth, went through her first graduation ceremony. It probably won’t be her last: She has since enrolled in another distance institution’s master’s degree program, which she plans to continue when she starts a new job teaching first grade next year.

Also in attendance was former Governor Romer, who was awarded an honorary doctoral degree from the institution he helped to conceive. “It is really fun to have an idea that works,” Romer said in his commencement address. It wasn’t always clear that this one would. Said Romer, who is now superintendent of the Los Angeles Unified School District, “This has been a steep hill, sometimes a rocky road.”

In part, that was because of the western governors themselves, who had created enormous expectations for the institution, said David Longanecker, executive director of the Western Interstate Commission for Higher Education (WICHE). “Governors are people who think big and talk big,” Longanecker said. “So the hype was going to be big.”

“There was a lot of hype about it,” agreed Peter Ewell, vice president of the National Center for Higher Education Management Systems. Ewell was instrumental in designing WGU’s first curriculum, and he serves on the university’s assessment committee, which is meant to ensure the integrity of the testing process. “It became a huge political symbol of a threat to higher education.”

That was never the intention, according to Romer. “The objective was not to change higher education but to expand the outreach,” he



Western Governors University Provost and Academic Vice President Douglas “Chip” Johnstone came to WGU after 18 years at Empire State, the distance learning arm of the State University of New York.

said.

“We saw it as filling in the gaps more than anything,” said former Wyoming Governor Jim Geringer, now chairman of WGU’s board of trustees. “But other higher education institutions saw it as direct competition for dollars,” he said. “If we didn’t intend to shake up higher ed, we did anyways.”

That became painfully clear when Geringer met with the provost and faculty senate at the University of Wyoming to explain the concept of WGU. “They were very defensive and even disparaging about it,” Geringer said. “We didn’t view it as a diversion of existing funds from higher education, but they certainly did. They saw it as a poke in the eye with a sharp stick.”

Even people who liked the concept were skeptical. “I thought it was an interesting and novel and bold approach, so I was hopeful that it would work. But frankly, I wasn’t optimistic,” Longanecker said.

To some extent, Longanecker’s skepticism proved justified. Predictions that tens of thousands of students would rush to enroll turned out to be off by a long shot; for the first four years, enrollment remained in the hundreds. An idea that WGU would generate money by acting as a broker, maintaining a vast catalog of distance courses offered by institutions throughout the west, quickly proved unrealistic. And it took far longer than the governors anticipated for the school to gain accreditation and secure additional funding to come up with programs that would attract more students.

One major turning point came in 2001, when the school was awarded a \$10 million, five-year U.S. Department of Education grant to develop a teachers college, which opened two years later and now accounts for two-thirds of enrollment. Another came in 2003, when WGU, which was already accredited by the Distance Education Training Council, was awarded regional accreditation. “We had no concept for how much it took to get something like this off the ground,” admitted Geringer.

In the intervening years, WGU largely fell off the educational radar screen. In

fact, said Longanecker, “I think a lot of people presume that it failed.”

They are wrong.

It is true that WGU has not lived up to its early hype. “You don’t hear people talking about it anymore. Whereas, when it first started, that was all people talked about,” said Carol Twigg, president and CEO of the National Center for Academic Transformation, a non-profit organization that focuses on the use of technology to improve student outcomes and reduce educational costs. WGU may be doing a fine job for the small population it serves, Twigg said, but because it has remained so small in the face of an explosion in online and adult learning, she added, “I don’t think it’s having much of an impact on the landscape of higher education.”

What WGU has done, said Longanecker, is provide evidence in favor of competency-based education. “I don’t think it’s the wave of the future, but I do

Since receiving regional accreditation three years ago, WGU’s enrollment has skyrocketed, growing more than tenfold to 5,200 students from all 50 states and ten foreign countries.

think it provides a way we can say: You can do this. You can focus on competency,” he said.

“It didn’t fulfill all of the dreams we had,” Peter Ewell acknowledged. “But it’s in pretty solid shape now. I’m just sorry that it took so long.”

Since receiving regional accreditation three years ago, WGU’s enrollment has skyrocketed, growing more than tenfold to 5,200 students from all 50 states and ten foreign countries. And enrollment is projected to double to 10,000 within the next two to four years, increasing to 15,000 by 2013, said WGU President Robert Men-

denhall.

The school has awarded nearly 700 associate's, bachelor's and master's degrees, and it has expanded its initial offering of four degree programs to 29 degree programs in education, information technology and business, as well as seven post-baccalaureate programs for educators. This fall, it will open a new college of health professions, its fourth degree area. Student surveys have been overwhelmingly positive. And WGU President Mendenhall has been appointed to the U.S. Secretary of Education's Commission on the Future of Higher Education.

WGU's 5,200 students constitute just a tiny percentage of the estimated 1.2 million students enrolled nationally in online programs. But the numbers are only part of the story, said Mendenhall, who came to WGU in 1999 with a background in technology-based education. (He co-founded and was president and CEO of a computer-based education and training company, and he later ran IBM's K-12 education division.) "Demonstrating a different

are a model."

Margaret Miller, director of the Center for the Study of Higher Education at the University of Virginia, was more circumspect. "I would say the jury's still out. But I'm very glad someone's trying to do this," said Miller. "There is no challenge more important than how we get more people better educated in the world." Combining online learning with competency-based as-

WGU does not develop its own courses or materials, but instead licenses them from about 30 sources.

essments, she said, seems to be the most promising strategy. "If they have found a way to do this, then we all owe them a huge debt."

They have, and we do, according to Sandra Elman, president of the Northwest Commission on Colleges and Universities.

"A lot of people wanted to be very cynical about this institution," said Elman, who chaired the Interregional Accrediting Council that was formed specifically to accredit WGU. (The council, which brought together four of the nation's regional accrediting associations, disbanded after awarding WGU accreditation in 2003; the Northwest Commission has since taken over sole accrediting responsibility for the institution.)

Elman was not one of the cynics. But, she said, "I was very, very cautious and very conscious of the fact that anything that we did with a fairly experimental, innovative university should not in any way compromise the integrity or principles of regional accreditation." And she was concerned that the governors might tire of the long and arduous accreditation process. According to board chairman Geringer, Elman's concern was justified. "There were a few of us

who just hung on by our fingernails," he said.

To its credit, Elman said, the leadership of WGU stayed the course. And today, she considers WGU "a success story," that "is affording access to quality programs through its competency-based virtual delivery programs."

Each of those programs has been designed by one of three "program councils"—one for each degree area WGU offers—of industry experts and faculty from WGU and other institutions. They identify the skills and knowledge a student needs in order to graduate. Then a separate council of outside experts (the "assessment coun-

cil") identifies or develops ways to check those competencies, which are graded, either by computer or hired graders, on a pass/fail basis.

Exams are administered at authorized testing centers. In order to pass, students must achieve the equivalent of a B grade or better; where possible, WGU also uses accepted standardized national exams. Students can attempt each assessment twice before incurring additional tuition charges.

WGU does not develop its own courses or materials, but instead licenses them from about 30 sources. These include courses from traditional educational institutions such as Chadron State College in Chadron, Nebraska, and Chemeketa Community College in Salem, Oregon; online learning modules produced by for-profit educational providers such as Teachscape; and corporate training in information technology from NETg. Students may also learn from textbooks or other independent study materials; WGU contracts with the University of New Mexico for the use of its library services.

It is the job of the WGU faculty to help students figure out which of these resources meet their individual needs. These so-called "faculty mentors" are academically qualified experts, most of whom hold a terminal degree in their field. But they don't actually teach. Instead, their job is to guide each of their students—80 is considered a full load—through a custom-made academic process.

The average age of a WGU student is 37, and 70 percent work full-time, often in their fields of study. Most programs do not require a minimum grade point average or a specific score on aptitude tests for admission, but the majority of students come to their programs with at least some proficiency in their degree area. WGU recognizes that their skills often have outpaced their educational credentials.

"We fill a hole that they don't have the knowledge in, and we let them succeed and fly in the areas that they have already mastered," explained Jennifer Smolka of Waxahachie, Texas, a WGU mentor since 2004 who is also the program coordinator for the master's degree in education.

WGU administrators say that the system is not only more efficient, it is also more economical. Students can matriculate at the beginning of any month; they pay a flat fee of just under \$2,790 every six months, during which time they can progress as rapidly as they are able to pass assessments. (WGU will accept some transfer credits but none from upper-division courses.) Theoretically, it is possible to earn a degree from WGU without ever taking a single course or learning module through the school—with the exception of the required introduction, "Education Without Boundaries." That has never happened, but some students have graduated in as little as six months.

"One of the great things we can demonstrate is [higher education] doesn't have to cost \$15,000 a year, and it doesn't have to go up by eight percent a year," said WGU President Mendenhall. The school would not release its current annual budget, but officials said that total revenues for the last

continued next page



Amanda Clark and her daughter Aubrey came from a suburb of Atlanta, Georgia, to attend the January graduation ceremony in Salt Lake City.

model is more important than our size or enrollment growth," Mendenhall said.

"We'll always have a lot of people who have never heard of us," said Douglas "Chip" Johnstone, WGU provost and academic vice president, who also arrived at WGU in 1999, after 18 years at Empire State College, a distance-learning institution that is part of the State University of New York. But already, said Johnstone, "We have changed the nature of the discussion and the nature of the results."

"I think it's a model that many of us will have to learn from as student outcomes become more critical," said WICHE's Longacker. "They aren't the model. But they



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WGU

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fiscal year were \$19.3 million. This year, 85 to 90 percent of revenues will come from student tuition, which covers the entire cost of a WGU education; corporate donations and grants—which total about \$40 million to date—are used to develop new programs.

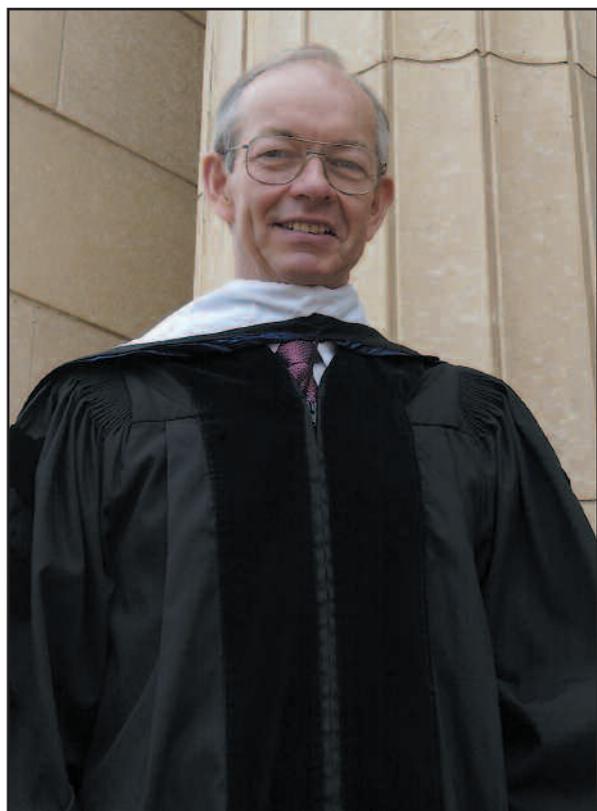
WGU can keep its costs down because it doesn't have to build or maintain a physical campus or support athletic and other

The WGU faculty don't actually teach. Instead, their job is to guide each of their students through a custom-made academic process.

expensive activities that students at bricks-and-mortar institutions have come to expect. Nor does it have to pay its faculty to develop new courses, conduct research or grade students' work. That frees up the school's mentors to focus exclusively on their students. There are currently about 100 mentors; three to eight new ones are hired each month to keep up with enrollment growth.

Mentors are key to the WGU model, because they are more than just academic advisers. "We are a counselor, a tutor, a guide," Smolka said. "We are the shoulder to lean on and the hand to pull you up out of the hole and to push you when you're going. It's a little bit of everything."

WGU's administrative and technical staff, which now numbers about 150, work out of the Salt Lake City headquarters, but like WGU students, mentors are spread across the country. So it is rare that Smolka



Former Wyoming Governor Jim Geringer, now Western Governors University board chair, says traditional colleges and universities saw WGU as a threatening competitor for higher education dollars.

has the opportunity to meet her charges in person. Still, she said, they develop close relationships through regular e-mails and phone conversations. "Instead of getting a new professor every 16 weeks, you have somebody who's there throughout the whole program with you," said Smolka, who has a Ph.D. in educational computing with an emphasis in distance learning, and formerly taught at the University of North Texas. "I know and have a better relationship with my students in this model than I have had in ten years of other higher education experience."

Beyond the personal satisfaction of helping students gain an education, there are monetary incentives. WGU does not offer tenure, and WGU officials declined to provide salary figures or even a range of salaries. But compensation—not only for mentors but for all employees, including senior administrators—is based primarily on the success of the school's students: their progress, retention, satisfaction and graduation rate.

So far, WGU appears to be doing well in all of these areas. The school has not been offering bachelor's degrees long enough to be able to calculate a six-year graduation rate, but the one-year retention rate is more than 70 percent. Compared to their peers, WGU students do well on national standardized exams, school officials say. For instance, WGU students graduating with a bachelor's degree in human resources management have a 91 percent pass rate on the Society for Human Resources Management certification exam, compared to a national pass rate of 67 percent.

In a 2005 survey of 1,771 students, 92.5 percent said that overall they were satisfied with their studies at WGU. About 85 percent of the 693 degrees WGU has granted were conferred within the past two years, so the school has not yet conducted a longitudinal study of its graduates, though it plans to launch one within the next year.

But a preliminary follow-up study of two groups of 32 graduates found that 80 percent said they had been promoted within two years after earning their degree. "Overwhelmingly, they expressed great satisfaction with the degree and what it had done for their careers," said WGU Provost Johnstone.

That was certainly true of the students who attended the graduation commencement in January, WGU's tenth.

Angie Lambert of Evanston, Wyoming, enrolled at WGU's teachers college because the closest four-year institution was in Salt Lake City, and she couldn't afford to spare the hour it would have taken to commute each way. "I loved the WGU program," said Lambert, who already had earned an associate's degree from Western Wyoming Community College before she enrolled at WGU in September 2003. "It didn't waste any of my time like

other college classes have."

And the WGU degree paid off. Even before she formally graduated in January with a bachelor's degree in interdisciplinary studies, Lambert had been offered—and had started—a new job teaching fourth grade.

WGU also serves urban residents who need the convenience of anytime, anyplace learning. "What we've discovered is that access is just as much an issue for working adults as rural residents," said Mendenhall.

That was the case for Brian Taylor of Salt Lake City, who graduated with a Bachelor of Science in business with an emphasis in information technology management.

"College was a dream I had as long as I could remember," said the 39-year-old Taylor. But after graduating from high school in 1985, Taylor had to go to work to help support his parents and siblings, and he later had to continue working to support his wife and daughter.

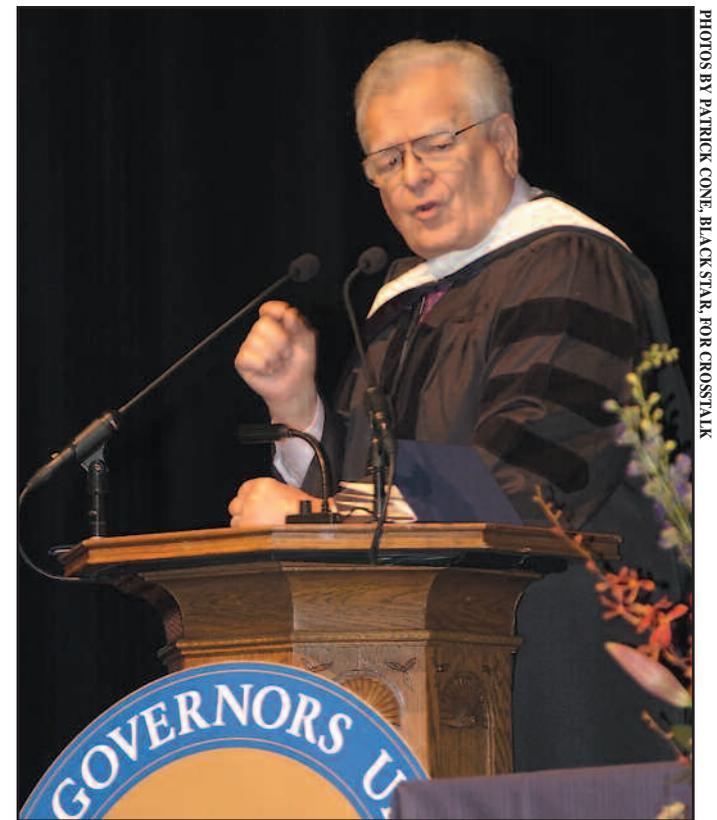
For years, Taylor worked in information technology without a degree. But in the late '90s he began to realize it might be holding him back. "More and more, I was finding clients who would say, 'Well, do you have a degree?'" said Taylor. "There was business that I was not able to do because I didn't have a degree."

So he was thrilled to discover WGU. "I was looking for something that would allow me to take the experience I already had in the workplace and apply that street-smart knowledge to my studies," he said.

Now that he is armed with that college degree, said Taylor, "I am confident that I can go into any business. And I have the credential to say my services are worth X, and my clients will have no qualms about paying for it, because they'll know they're getting a quality service."

Not every student is so wildly enthusiastic. One said that while he was pleased that WGU is allowing him to finish up his degree in marketing management both quickly and efficiently, supports its competency-based model, and has an excellent relationship with his mentor, he also has a litany of complaints. His admissions counselor was "abysmal," he said, adding that he found some of WGU's software systems to be "unreasonably slow and poorly designed," and that he has been disturbed by an overall lack of attention to detail. "I routinely find spelling and grammar errors in all manner of communication from WGU, including course materials, and even in assessments," e-mailed the student, who asked not to be identified. "Is no one editing these documents?"

The same student also wrote, "They've really got something to prove, which I



Former Colorado Governor Roy Romer spoke at the Western Governors University graduation in January. Romer and former Utah Governor Mike Leavitt were instrumental in starting WGU.

would expect would push them to strive for a high level of competence in everything they do. But unfortunately, I don't think they've risen sufficiently to those challenges, and it leaves them open to a lot of criticism."

WGU is well aware of this student's concerns, which it has taken seriously. So seriously, in fact, that Johnstone offered to waive the student's tuition in exchange for ongoing, regular reports. Some of the student's concerns have already been addressed, Johnstone said, and probably would have been even without the student's input, though perhaps not as quickly. "I consider him to be a really valuable resource to us," Johnstone said.

That willingness to engage in serious self-reflection is one of the things about WGU that impressed Sandra Elman, who led the accrediting team. It is one of the reasons she is so optimistic about the school's future. "It engages as an institution in its own self-examination as to what it needs to do," Elman said.

"I think that it will continue to offer quality programs," Elman added. "Through its own ongoing assessment of its student base and societal needs—because it's very conscious of societal needs—it will shape and reshape its programs to best meet the needs of students who partake in this kind of higher education."

And there are more and more of them. Because of that, WGU officials said their next challenge is twofold: to find qualified, good mentors; and to keep up with technological advances. If they continue to do so, Mendenhall said, there's no practical limit to the number of students they can eventually enroll. "I don't think we have aspirations to grow and grow and grow," he explained. "But on the other hand, we don't have any caps in mind." ♦

Kathy Witkowsky is a freelance reporter in Missoula, Montana, and a frequent contributor to National Public Radio.

The Future, on Loan

INCREASING COLLEGE COSTS, stagnant federal and state grant programs and rising student loan interest rates are driving more and more American students deeper into debt. Almost two-thirds of students at four-year colleges and universities have borrowed to pay college bills, and average debt for graduating seniors is approaching \$20,000. Some will owe \$50,000 or more by the time they graduate. In this special six-page section, *National CrossTalk* explores these issues, and presents the stories of four students.

Many college students are heading toward a life of debt

By William Trombley
Senior Editor

FOR MILLIONS of college students who depend on federal loans to pay college bills, the recent news from Washington has been unsettling.

Searching for ways to reduce the huge federal budget deficit, Congress has targeted the student loan programs, which now account for about half of all student financial aid. Of \$39 billion in anticipated deficit reduction over the next five years, almost \$12 billion—by far the largest part—will come from the loan programs, leading to these changes:

- On July 1, interest rates on the popular Stafford loans will increase from a variable rate that has dipped as low as 4.7 percent this year, to a fixed rate of 6.8 percent.

Two-thirds of graduating seniors now borrow to pay the bills, and their average debt burden is \$19,200, more than twice what it was a decade ago.

- Parent Loans for Undergraduate Students (PLUS) loans, which have been made at variable rates recently averaging 6.1 percent, now will carry a fixed rate of 8.5 percent.

- Limits on Stafford loans will be increased (from \$2,625 to \$3,500 for the first year; \$3,500 to \$4,500 for the second; \$5,500 remains the limit for third- and fourth-year

loans), but the total amount that a student can borrow remains capped at \$23,000. After that, many students are turning to private loans, generally at higher interest rates.

- For the fifth year in a row, federal Pell grants for lower-income students will be funded at the same level—\$4,050.

Two-thirds of graduating seniors now borrow to pay the bills, while in 1993 less than half did so. The average debt burden for these graduates is \$19,200, more than twice what it was a decade ago, according to The Project on Student Debt, a non-profit advocacy group.

The combination of higher interest rates, stagnant Pell grants and escalating college costs will increase the student debt burden substantially, according to many observers who follow student financial aid developments.

“It’s very clear that in the short run—that is, over the next five years—students will bear the burden of the (budget) cuts,” said Sam Kipp, president of EdFund, the student loan services auxiliary of the California Student Aid Commission. “The long term is much less clear. It depends on how high the variable rate would have gone without this legislation.”

“I agree this makes it tougher on students,” said Brett E. Lief, president of the National Council of Higher Education Loan Programs, which represents guarantee

agencies and non-profit lenders. “I also think this will scare more low-income students away from higher education.”

Said Luke Swarthout, a higher education associate at the Public Interest Research Group, “The bottom line is that Congress took \$12 billion from the loan programs to pay for other things at the worst possible time. Tuitions are rising fast, the nation needs more college-trained people, and there is increasing evidence that one needs a college degree to lead a middle-class life.”

Initially, changes in the loan programs were being studied as part of reauthorizing the Higher Education Act of 1965, a leisurely process that began three years ago. However, as the federal deficit soared, “most plans to reform the student loan programs were swept aside, and the loan programs became a deficit reduction target,” said Becky Timmons, director of government relations for the American Council on Education. “We were on the students’ side on this one—why not reduce lenders’ subsidy further, instead of hiking student interest rates?”

The legislation that emerged, and that is now law—the Deficit Reduction Act of 2005—is not entirely unfavorable to students. In addition to increasing Stafford loan limits, Congress voted to phase out the three percent “origination fee” that has been added to federal loans. Also, graduate students now are eligible for the PLUS loans that previously were available only to parents of undergraduates. And two new grant programs were established for lower-income students who are proficient in math and science.

Banks and other for-profit lenders also came in for some Congressional trims. “We are definitely worse off” because of the legislation, said John Dean (not *the* John Dean), special counsel for student loan programs at the Consumer Bankers Association.

Dean said elimination of the origination fee will reduce lender revenue (although many banks already were offering “no-fee” loans). Overpayments on student loans, which have been pocketed by lenders, will go to the federal government in the future. The Congressional Budget Office estimates that these overpayments will amount to \$13 billion over the next five years.

The rate at which the government repays lenders on defaulted loans will drop slightly—from 98 percent to 97 percent, but that lost revenue is likely to be recovered many times over by the increased interest rates on federal loans, many experts believe. The national default rate is currently 4.5 percent, based on data from 2003, the most recent year available.

“The legislation’s impact will be very light on lenders,” said Mark Kantrowitz, publisher of *findaid.org*, a website about student aid. “You can tell what they think by what they’re telling their investors, and what they’re telling them is that the impact

More than 20 percent of student borrowers drop out, leaving them with no certificate or degree, and a debt to repay.

(continued on page 10)

Katie Christofferson

By Kathy Witkowsky

MISSOULA, MONTANA

LAST SPRING, Katie Christofferson was nearly debt-free and proud of it. After graduating from Flathead High School in 1997, she had financed three years at Flathead Valley Community College in her hometown of Kalispell, Montana, earning a 4.0 grade point average all but one semester, with scholarships and a \$1,000 savings account that was a gift from her parents. Then, using her earnings, she had paid off thousands of dollars in credit card debt that her now ex-husband had racked up. Except for \$600 she owed for a computer she bought for him, she was in the clear.

But less than a year later, this 27-year-old single mother owes more than \$14,000 in federal student loans and \$1,500 to her parents. And if she is approved for a private alternative student loan she is hoping to obtain, she will owe another \$7,000 to a bank. That

At the University of Montana in Missoula, the average student debt upon graduation, for those who have loans, is \$21,000.

money has financed just one year at the University of Montana in Missoula, where in-state tuition and fees cost \$2,455 per semester, and where the average student debt upon graduation, for those who have loans, is \$21,000. There, nearly nine years after she first enrolled in college, Christofferson will graduate in June with a bachelor's degree in business administration, with an emphasis in management.

Then, she hopes, the investment will begin to pay off.

Dealing with her ex-husband's financial troubles made Christofferson so wary of debt that for a long time she refused even to get a credit card. But following her divorce last spring, she realized the need for a college degree if she wanted financial security for herself and her four-year-old daughter, Mariah—even if that required going back into debt. "It just seemed like if I didn't finish it up, I'd never really be able to go anywhere, never be able to support myself," she said.

Christofferson has always liked to work, and she enjoyed her last job, as office manager for the Kalispell Parking Commission, where she was employed part-time from April 2003 until May 2005. But she was only earning about \$21,000. By Montana standards, that's not a bad salary, but nonetheless it was far less than her predecessor earned. She suspects that was at least in part because she had not completed college, whereas he had a master's degree. "I wasn't being paid for the work I was doing. But I didn't have a four-year degree," she said.

Christofferson also had personal reasons for returning to school. "It was kind of a pride thing. Both my brothers have graduated, and they're younger than me," she said. (Andy, 26, graduated from Montana State University, in Bozeman, and is working toward a master's degree in England; Jake, 24, graduated from the University of Montana and is living in Sweden with his fiancée.) Both financed their schooling in part with student loans.

Christofferson could have finished her four-year degree through Flathead Valley Community College. That would have been much less expensive than attending the University of Montana, and, in fact, cost was a major factor in her original decision to enroll at Flathead Valley. But she felt the need to make a fresh start after her divorce, which was finalized in April 2005.

In May, with the encouragement of her mother, a retired elementary education counselor and now a part-time tutor, and her father, a contract pilot, Christofferson moved 120 miles south to Missoula, where she enrolled full-time at UM for the summer session. In exchange, her mother agreed to pay off a \$7,500 car loan that Christofferson and her ex-husband had taken out together. ("I have every intention of paying her back. She just doesn't know it," said Christofferson, with characteristic determination.)

Rather than taking on any kind of significant employment, which would cut into the time she could spend on academics or with Mariah, Christofferson chose to accept the maximum amount of financial aid offered to her. Despite her aversion to debt, taking

out the loans was not a difficult decision. "People do it all the time," she said.

Still, adjusting to life without a disposable income has not been easy. Christofferson has furnished her \$550 per month, two-bedroom apartment in UM student housing with a comfortable couch, two televisions, a DVD player and several dozen DVDs, a computer, a nice bed with a premium mattress, and other remnants of her former dual-income lifestyle. But cash flow has been a problem.

A year ago, she had been warned by the UM registrar's office that her financial aid package was not designed to cover the cost of raising a child, but nonetheless Christofferson has been frustrated. "They are basing my student loans purely on my needs, and if I have a dependent, then [according to them] I should have another source of income," she said. Christofferson is not looking for handouts, but she does wish the government would take into account her child's needs as well as her own.

In May 2005, she received a \$1,349 federal Pell grant and \$4,757 in a federally subsidized Stafford loan, which was intended to see her through summer school. In addition, her mother had made a short-term loan of \$2,200. Christofferson paid half of that back when her financial aid came through. But then rent, food, childcare, car insurance, phone, internet and other bills ate up all that money so quickly that Christofferson was unable to afford August rent. Instead, she delayed paying that bill until September, when she used part of her fall financial aid—which totaled \$7,045, not including \$1,000 she has been allotted in work-study income—to cover it.

(Her aid package is identical for both fall and spring semesters, and it breaks down as follows: a \$1,900 federal Pell grant; a \$400 Federal Supplemental Educational Opportunity Grant; an \$800 federal Perkins loan; \$2,750 in a subsidized federal Stafford loan; \$1,195 in an unsubsidized federal Stafford loan; and \$1,000 in work-study earnings.)

By last September, she had already spent more than her aid package had budgeted. Then she also had to buy new contact lenses for herself (\$130), and pay for medical and dental checkups and immunizations for her daughter (about \$100). She did manage to save \$420 of the estimated \$600 cost of her textbooks by purchasing them from an online discount bookseller, and even borrowed one from an instructor. (Sometimes, she hasn't bothered to get a required book at all, if she thought she could learn the material without it.)

Christofferson also found other cost-cutting measures: In October, she qualified for a grant from Head Start that covered her childcare costs; and since June, she has been receiving about \$50 a month in federal WIC (Women, Infants, Children) vouchers, which help defray her grocery bills.

Still, by the end of October, Christofferson had once again run out of money. So she cashed out a \$2,000 retirement account she had accrued when she worked for the Kalispell Parking Commission. Some of that money was used to buy clothes for a job interview, and some of it was spent on organic fruits and vegetables for her and her daughter. And after she loaned a large chunk of it to her ex-husband, that money, too, was gone.

When Thanksgiving came, she was grateful to receive a holiday food basket from Mariah's Head Start program. Her parents also have given her about \$400 toward grocery bills, she said. But her ex-husband hasn't paid any of the money he owes her, and she doesn't expect that he will.

Even before the fall semester began, she had inquired about getting UM to revise her estimated budget, which was calculated to total \$16,090 for both the fall and spring semesters, including personal expenses. But the people at the financial aid office didn't seem to know exactly what that would entail, and they told her it would require a lot of time-consuming paperwork, Christofferson said. And, with a full course-load and a four-year-old, time is at a premium in Christofferson's life. Indeed, last fall she only managed to log enough hours as an assistant to two professors to earn \$100



MICHAEL GALLAGHER FOR CROSSSTALK

of the full \$1,000 she had been allotted in work-study money.

In late December, Christofferson requested—and received—an \$850 advance on her spring financial aid. But by February she had spent all of the money that was supposed to see her through the spring semester. Aside from \$100 in monthly child support, she had no income because she had decided not to work at all this semester, preferring to focus on her five classes. Reluctantly, she broke her vow forswearing credit cards, and applied for a Visa, which she used to buy groceries and to pay off her computer.

Using a tax refund of a little more than \$2,000, she was able to pay the balance on the credit card and other bills in March. But she still had a month and a half left before the end of the semester, and no money. Not only was she facing the usual expenses, but her childcare grant had expired at the end of February, so she had to cover that cost, too—about \$430 a month.

At the suggestion of the UM financial aid office, she asked her mother to co-sign an alternative, private student loan for her. But the bank turned down their request for \$7,000 because her mother is retired. At press time, Christofferson was hoping her aunt would agree to co-sign the loan, which she said would not only get her through the first summer session, when she expects to graduate, but would also pay for first and last month's rent after she moves out of UM student housing.

The good news, Christofferson said, is that there is light at the end of the tunnel. She has accepted a sales management trainee position in Billings, Montana, with Ferguson Enterprises, a nationwide distributor of plumbing supplies. She will begin July 10 at a starting salary of \$32,000 annually, plus benefits. That's about 50 percent more than she has ever earned, and she's thrilled to re-enter the work force, this time as a college graduate. This feels like a good step toward her eventual goal: living in a small town, perhaps in Wyoming, with dogs and horses for Mariah, and a job in human resources or a similar field for herself.

After her divorce last spring, Christofferson realized the need for a college degree if she wanted financial security for herself and her four-year-old daughter.

When asked how much her loan payments will be after graduation, Christofferson freely admitted she had "no clue." She wasn't even sure how the payments are calculated. She files her financial aid information in a plastic storage box underneath her desk, where much of it remains unopened. "I keep getting the statements in the mail, but I don't ever look at them. I don't want to add to my stress," she said. "What's the point in being concerned about it now? I've got enough things to worry about." She is optimistic that her new job will allow her to live comfortably and repay her debt.

Joshua Drake

By Susan C. Thomson

CHAMPAIGN/URBANA, ILLINOIS

LOOKING BACK, Joshua Drake muses that he probably could have managed to graduate from the University of Illinois in three and a half concentrated years, instead of the five that it is taking him. The fifth year became necessary partly because he had to take a certain German class three times before he passed, but mostly because he wavered about a major. He began with physics, only to give that up for atmospheric sciences, before finally settling on history, which is the basis for the bachelor's degree he expects to receive in August.

This fifth year has been a bank-breaker, forcing Drake to take on far more debt than in any previous year, some of it at a painfully high interest rate.

Drake, 23, comes from Girard, Illinois, population 2,200, and

Joshua Drake has mastered the art of doing without. He doesn't have a cell phone or a credit card, which he dismisses as too much of a temptation.

from family circumstances he describes as "lower-middle class." For his freshman year, he received a one-time \$1,200 scholarship from a donor in his hometown. Better yet, he started college on a solid financial footing, thanks to a full-tuition scholarship from the university for children of Illinois veterans, his largest single source of college funds for four years. But this year the scholarship ran out and he has had to replace it with loans.

Drake's father, who served in the Army during the Vietnam years, is divorced from Drake's mother, who has remarried. Because she is her son's custodial parent, the calculation of the "expected family contribution" toward his college is based on her income as a nurse combined with his step-father's as an employee of the state of Illinois. Drake's 19-year-old sister Lisa also is attending college, at Southern Illinois University, Edwardsville—a further constraint on his parents' ability to provide for him.

Drake says his family, including his father, has helped him out these five years to the extent possible, mostly with expenses for books, clothes and incidentals. He also has received several thousand dollars a year in need-based aid—a combination of federal Pell grants and grants from the Monetary Award Program of the Illinois Student Assistance Commission.

Drake has helped himself by working and by living frugally. He started earning his own money when he was in high school, dispensing popcorn at a movie theater, cashiering and selling in a store, and stocking grocery shelves. At college, though eligible for federally subsidized work/study, he has scouted out his own on-campus jobs. He especially enjoyed being a "librarian" in a residence hall, checking books in and out of a small collection of recreational reading materials there. This year he is working as a cashier and sales clerk in the law school book store.

The jobs have been good, he says, paying \$6.50 to \$9 an hour, adding up to about 15 usually flexible hours a week, accommodating his class schedule and pressing academic deadlines. And he kept right on working through the summers.

Consolidating her student loans before July 1, as experts recommend, will enable Christofferson to lock in an interest rate of 4.75 percent for the \$14,247 she owes the government. According to a consolidation counselor with the non-profit Student Assistance Foundation, that will result in monthly payments of about \$111 spread over the course of 15 years (a total of nearly \$20,000).

If she receives the \$7,000 she is seeking in an alternative stu-

Even last summer, when Drake attended a camp for Christian college students in Michigan, he did maintenance work for a stipend of \$60 a week.

Drake has lived in university residence halls all five years now, and he all but apologizes for doing so. He knows he could have saved money by moving off-campus, but the neatness and predictability of just two annual room and board payments, made through his university account, appeal to him more than writing monthly rent checks and worrying about potentially deadbeat roommates.

In addition to the room, Drake allows himself movies, basketball tickets, one meal out a week and a couple of shows every semester at the university's Krannert Center for the Performing Arts. Otherwise, he has mastered the art of doing without. The television in the room is his roommate's, and they don't subscribe to cable.

By buying used books and checking out library copies, he says, he has held his outlay for books to around \$100 a semester. He doesn't have a cell phone—"one of the only students who doesn't," he joked. Likewise, he is one of the few who does not have a credit card, which he dismisses as too much of a temptation.

It has never been in the numbers for Drake to parlay all of his sacrifices, scholarships, jobs and grants into anything close to the full cost of his education. Because he started college in 2001, three years before a state law began requiring Illinois public universities to guarantee freshmen the same rate for four years, his tuition has been increasing annually, to \$6,436 this year. Adding transportation, books, room and board and personal expenses, the university estimates his total cost to be \$18,634 this year, a 22 percent increase since his freshman year.

It was always a given that he would need to borrow. But until this year he had kept loans in check, racking up a relatively modest total of \$15,000 over four years, all in federally subsidized Stafford loans.

Drake, easy-going but realistic, took stock two years ago and came to terms with the inevitability of this extra year. "When I had to make the decision that I would have to be here for a fifth year, I did that knowing that it would be more expensive," he said.

He knew his tuition grant for being a veteran's child would be a goner, but it turned out the delay in graduating cost him the need-based award from the Illinois Student Assistance Commission as well. For the second year now, the commission has been pegging its awards to the number of credit hours students have taken. By this semester, Drake had amassed so many that he had used up his eligibility. Fortunately, the university made up most of his loss with a need-based grant from its own funds.

To help make ends meet this year, Drake gave up his car, a 1989 Pontiac Bonneville with 311,000 miles on it. He got only \$400 for the car but figures he saved an annual outlay of about \$2,500 for gas, parking, maintenance and insurance.

Still, he had to go into hock for more than \$9,000 to finance the fifth year, increasing by more than two-thirds what he will owe after he graduates.

After maxing out his Stafford loans to a total of \$20,795, he turned to the "alternative market" of private lenders for a \$3,500 "signature student loan." These are available through selected bank partners of Sallie Mae at interest rates no less than prime, now about 7.5 percent, and with up to six more percentage points tacked on depending on the credit worthiness of the borrower. Vincent E. Martinez, a financial aid counselor at the University of Illinois, says these loans are "becoming very common" as more

dent loan, she will have to make other additional payments as well. Those will vary depending on the federal prime rate, and on how much the bank decides to charge on top of it; a representative of Wells Fargo, where Christofferson is applying for the loan, said the monthly payment could range from \$65 to \$110.

The prospect of debt doesn't bother Christofferson. "I'm not worried," she said. "I've got a good job. And living in Billings is



TERRY FARMER FOR CROSSTALK

and more students turn to them after stretching their Stafford loans to the limit.

Drake got his signature loan at a rate of 10.25 percent. Yes, he knows that is high but "it's better than dropping out of school," he said. "At the point that I worked out this loan, I was looking at taking a semester off to work and save the money." One good thing is that he will have up to 25 years to repay the loan to Sallie Mae. But given the high interest rate, he says this is the first loan he'll want to pay off.

At its current interest rate of 5.3 percent, and for a typical payback period of ten years, Drake will owe about \$225 a month on his Stafford loan. Because the University of Illinois participates in the federal "direct lending" program, he will be making those checks out to the U.S. Treasury, not to a private lender.

Repayments start six months after graduation. By then Drake hopes to have pinned down a job, perhaps in Illinois state government, perhaps in a museum or archive, perhaps in something using the writing and research skills he learned from his history major. He is also toying with the idea of seeking certification to teach high school history. "I guess I don't have a specific career in mind at this point," he admitted.

He does, however, have in mind a specific young woman who is to graduate in May from Calvin College in her hometown of Grand Rapids, Michigan. She might move to Illinois; he might move to Grand Rapids. It all depends on where the two of them can best find jobs. "We don't know how that's going to work right now," he said.

Drake is clear on this much: "I plan on continuing to live frugally and pay off my loans in the shortest time possible," he told Martinez. "I've been used to living cheaply. If I can do this for two or three years (after graduation), I ought to be able to pay off the bulk of them pretty quickly."

Not so fast, counseled Martinez. He praised Drake for being more realistic about his debt than many students. "A lot of people, when they get out of school, they plan on buying a house, a car," he said. On the other hand, he thought Drake's idea of wiping out most of his debt in two or three years was too ambitious. "Don't over-commit," he warned. Better to choose a longer payment period with lower monthly payments and add extra money as available, he said. "You can always pay down the principal." ♦

"I plan on continuing to live frugally and pay off my loans in the shortest time possible."

—Joshua Drake

cheap."

The first of her loan payments will be due six months after Christofferson leaves school, and the last of them will come due right about the time her daughter is due to enter college. Christofferson is hoping to be able to save enough money to pay for that. So even though Mariah is only four, Christofferson has already started a college savings account for her. There's about \$1,200 in it. ♦

Joh-Anna Kirkland

By Susan C. Thomson

CAPE GIRARDEAU, MISSOURI

JOH-ANNA KIRKLAND marvels at how far she has come. At 22, she is a semester and a half shy of becoming the first person in her family to graduate from college. Her mother and various aunts and uncles started college, she said. "But nobody's come as close as I have" to going the distance. She is counting down the months until next December, when she is due to get her bachelor's degree in fashion merchandising from Southeast Missouri State University.

Kirkland is excited about the prospect, but it also gives her

pause. "I'm so worried about getting a job," she said. And with reason. She'll need a job because, as she is all too well aware, graduation will start the clock ticking toward the time of reckoning on her student loans.

She has three kinds of federal loans—a subsidized Stafford loan of \$13,226, an unsubsidized Stafford loan of \$4,000, both borrowed from a local bank and

now held by the Missouri Higher Education Loan Authority, and a Perkins loan of \$7,548 from the university's pool of federal funds for that program. That's \$24,774 altogether, already about 50 percent more than the average debt of a Southeast Missouri graduate,

and that does not include whatever money Kirkland will have to borrow to make it through her last semester.

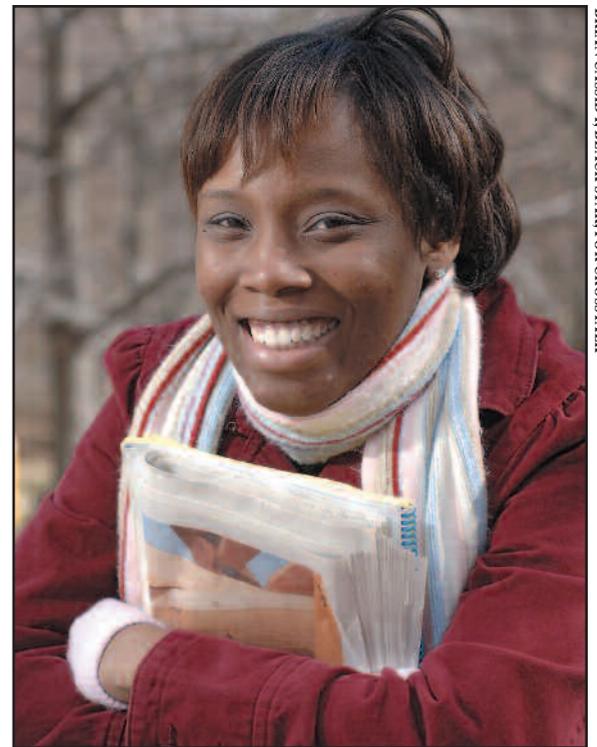
Kirkland also has received \$16,150 in federal Pell grants that do not have to be repaid. She says she was unaware of any other grants or scholarships for which she might have been eligible. "I thought loans were the only way," she said.

A congenial young woman with a ready smile and a positive attitude, Kirkland is among the slightly more than eight percent of Southeast's 10,300 students who are African American, and she is used to sacrificing for her education. From sixth grade on, she took part in the St. Louis area's voluntary desegregation program, riding school buses 50 minutes from her home in a predominantly black city neighborhood to attend predominantly white schools in the suburbs. Between the commutes and the demanding homework, she had to forego extracurricular activities at the academically oriented high school where she graduated in 2002.

At Southeast Missouri State, in a turnabout, Kirkland plunged into the social life. She joined Delta Sigma Theta, a national African American sorority, which has elected her vice president. She also serves as an orientation leader, a student "ambassador," leading tours for visiting prospective students and their families, and as a "presidential ambassador," representing students and greeting people at public events with Southeast President Kenneth Dobbins.

This is Kirkland's second semester as a residence hall adviser, a job that gives her free room and board but also demands her time and energy. "I'm in charge of a whole bunch of freshmen," she said, sounding impatient, as seniors can about freshmen. "That can be pretty stressful." On the other hand, she said, brightening, "I just like being involved, I guess."

But now, with graduation upon her, she is determined to be a little less involved. "I'm cutting down on my extracurriculars so I can concentrate on school and exercise," Kirkland said. She frets that she is out of shape and that, although her grades are satisfactory, they could definitely be better. "They *are* going to be better," she promised, because the better they are, the better her chances of get-



BRIAN CASSIDY, BLACK STAR, FOR CROSSTALK

Joh-Anna Kirkland is "worried about getting a job" after graduation. And with reason: She has three kinds of federal loans totaling \$24,774.

ting the job she will need to pay off those loans.

Kirkland is the oldest of three daughters of a single mother. "We are all smart kids, and I think me being in college is helping my other sisters realize that they can do it, too." Janyce, 17, is a junior in high school who is definitely planning on college and wants to be an emergency room physician. Jessica, 12, is a sixth grader who harbors dreams of becoming an Olympic swimmer.

"We were never really poor," Kirkland said. "There were just more mouths to feed" as the younger two girls came along, and as her mother "just kind of got down on her luck." Her mother now works as a family specialist in a middle school, a kind of liaison between teachers, counselors and troubled students. But her income is such that her contributions to Kirkland's college expenses have

The Rapid Growth of Student Loans

Figure 1: Growth of Stafford, PLUS, and Nonfederal Loan Dollars in Constant (2004) Dollars, 1996-97 to 2004-05

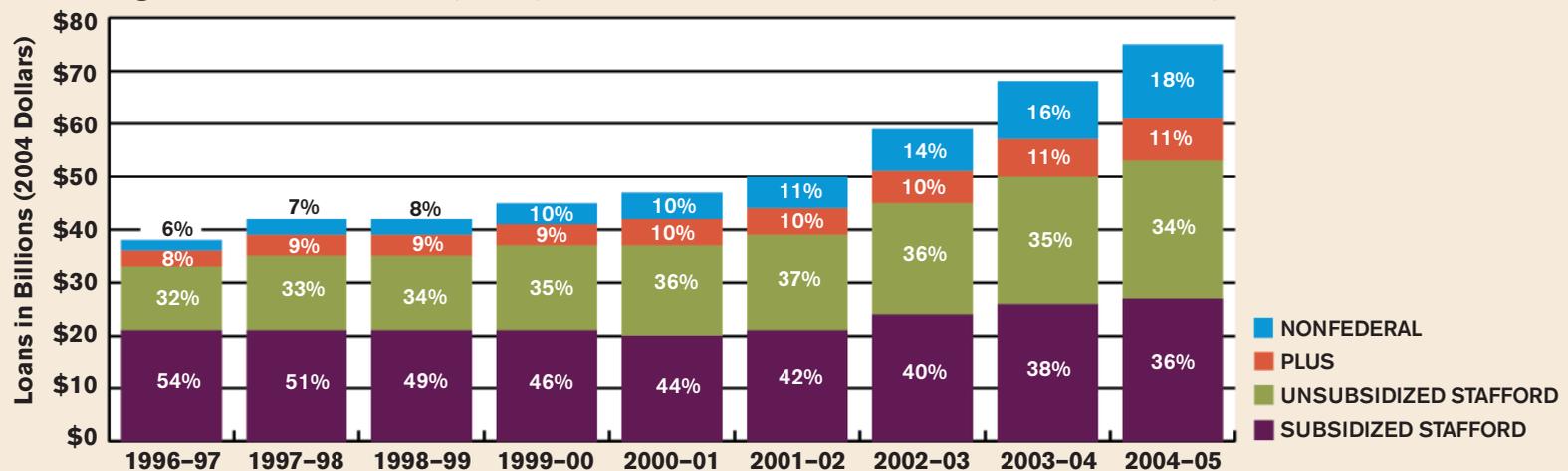


Figure 2: Estimated Student Aid by Source for Academic Year 2004-05 in Current Dollars (in Billions)

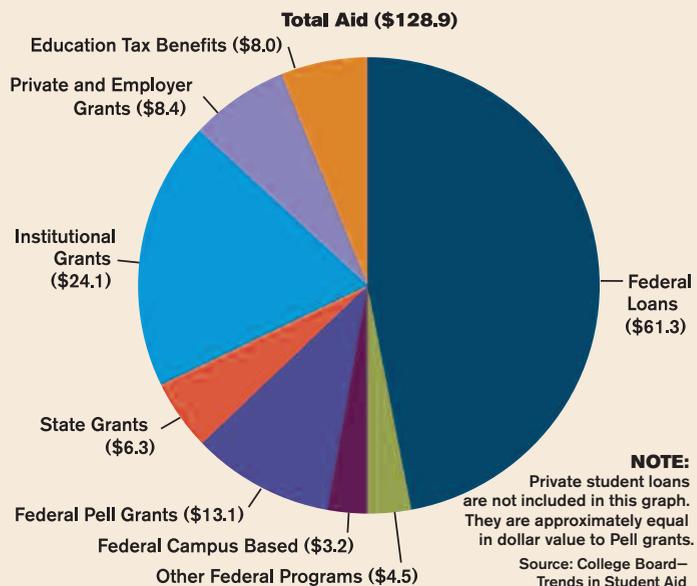


Figure 3: Stafford Loan Repayment Schedules

Possible Repayment Schedule of a Stafford Loan of \$20,000 over 10 Years

Fixed Interest Rate	Total \$ Amount to Pay Back	Total Interest as % of \$20,000	Total Interest	Monthly Payment
5.30%	\$25,809	29%	\$5,809	\$215
6.80%	\$27,619	38%	\$7,619	\$230
8.25%	\$29,436	47%	\$9,436	\$245

Possible Repayment Schedule of a Stafford Loan of \$20,000 over 20 Years

Fixed Interest Rate	Total \$ Amount to Pay Back	Total Interest as % of \$20,000	Total Interest	Monthly Payment
5.30%	\$32,478	62%	\$12,478	\$135
6.80%	\$36,640	83%	\$16,640	\$153
8.25%	\$40,900	105%	\$20,900	\$170

NOTES:

5.3% is the interest rate at which students in the class of 2006 will start.
6.8% will be the fixed interest rate on federal students loans scheduled for July of 2006.
8.25% is the maximum interest rate on variable-rate federal student loans.
Source: The Project on Student Debt

Thomas Dillon

By Lori Valigra

STORRS, CONNECTICUT

THOMAS DILLON, a 19-year-old sophomore at the University of Connecticut, will have accumulated about \$170,000 in student loans by the time he graduates from the university's pharmacy program in four years. But he is optimistic about the prospects of paying off the debt.

Jobs for pharmacy school graduates are plentiful, Dillon said, and he expects to earn at least \$90,000 a year after graduation. His parents, who have a six-figure income, have promised \$12,000 a year toward his debt. A careful planner, Dillon has included rent, car payments, other expenses, even marriage (after graduation) to his girlfriend, who will bring her own student loan debts to the match. "After six years in school I'll have a doctorate and a guaranteed job," he said. "But it will take ten years to pay back."

"I'll come out of school with an average of \$16,000 in debt per year. It's certainly a big amount, but...you only go to college once."

—Thomas Dillon

Dillon, who is from Warwick, Rhode Island, chose to enroll at the University of Connecticut School of Pharmacy, instead of the much less expensive College of Pharmacy at the University of Rhode Island, because he liked the program and the way the school treated him. Dillon was unable to get an appointment with the Rhode Island dean, but UConn set up a visit with a current student and with a dean before he made his final choice.

That "made me feel comfortable," Dillon said. "That is important to me because I would be there six years and I need to get good grades." Although the programs at the two schools are comparable, he added, the University of Connecticut has a new state-of-the-art pharmacy and biology building.

UConn's personal interest in him reminded Dillon of why he had become interested in being a pharmacist in the first place. As a child with epilepsy, he found that his local pharmacist not only took care of his medical needs but also was concerned about his overall well-being. "On top of knowing what (medicine) I was taking, and how it was affecting me, she knew all about my life, like if I had a baseball game, and how I did," he said. "So she really was an integral part of my life."

In high school, when Dillon was trying to figure out what to do

with his life, he discovered that he liked math and science and that he liked helping people. "Having that person who was there for me when I was little and going through a hard time made me think being a pharmacist would be a good career," he said.

The decision to attend the University of Connecticut, instead of his home state pharmacy school, is costing Dillon thousands of dollars in additional out-of-state tuition and fees each year. Total charges for an out-of-state undergraduate year at UConn, including tuition and fees, room and board and other expenses, are \$28,120, according to the university's website. The University of Rhode Island would have cost less than half that amount. If Dillon is accepted into the UConn pharmacy program after his first two years, he faces a sharp increase in tuition—from \$18,600 for the first four years to \$29,178 in the fifth and sixth years.

Dillon works part-time at a pharmacy near his home town, but most of the cost of his education, except for the \$12,000 a year from his parents, is being financed by loans.

Last year, his freshman year at the University of Connecticut, Dillon borrowed \$24,375 in federally guaranteed loans that were co-signed by his parents. These included a \$20,000 Sallie Mae loan, through the Bank of America, at a 6.1 percent interest rate, and \$4,375 in an unsubsidized federal Stafford loan at 4.7 percent. This year he borrowed \$25,000 from American Education Services, at 7.6 percent, and took another unsubsidized Stafford loan of \$6,125, at 4.7 percent.

Unsubsidized Stafford loans are not awarded on need, although they do take into account parental income in determining the loan amount granted. Interest is charged from the time the loan is disbursed until it is paid in full. Interest accrues while the student is still in school and is added to the principal amount of the loan. That means Dillon will have to pay more than he anticipates—the principal plus whatever interest he has not paid off. Dillon's parents are paying the interest on his freshman year Stafford loan, but they are letting the interest accumulate on the sophomore year loan.

Congress recently voted to raise interest rates July 1 on new Stafford loans to a fixed 6.8 percent. Before, they had a variable rate as low as the 4.7 percent that Dillon secured. The interest rate increase is one of the changes in student loan legislation that are expected to generate about \$13 billion in new revenue and is part of an effort to reduce the federal budget deficit by about \$40 billion. However, critics charge that too much of the burden will fall on student borrowers.

"I'll come out of school with an average of \$16,000 in debt per year," Dillon said. "It's certainly a big amount, but I thought the school I went to would be more important than what the debt was. You only go to college once, and you want the best experience and the best grades. I thought UConn would be better able to do that for me than URI." His parents encouraged him to think through the decision and its consequences carefully, reminding him they would pay \$12,000 a year, regardless of his choice.

Dillon is not the only family member with college debt. His father, Thomas, a manager at a software technology company, still is paying off his own loans from returning to school to get a law degree. Sister Rachel, 18, soon will enter college to study special education, and sisters Rebecca, 15, and Olivia, 13, are not far behind. Dillon's mother,

been mostly limited to birthday cash and the occasional bailout on her \$40 monthly cell phone bill. As a result, Kirkland has been on her own to finance college and almost all of her other expenses.

She admits a weakness for clothes, and jokes that she has enough of them that she can go for more than a month without doing laundry. "I know my limit," she said. "But I'm in fashion merchandising, so I try not to buy really cheap clothes because I know they won't last." But Kirkland insisted she's not extravagant, pointing out that she doesn't have a car and relies on public transportation at home, and rides from friends at school—always contributing toward the gas, she added. But being without a car, plus going to school most summers, has had a down side: Kirkland says she simply hasn't been able to work any off-campus jobs.

For her student orientation and ambassadorial jobs the university pays Kirkland the Missouri minimum wage of \$5.50 an hour, but because the work is irregular, she ran into "a rough period" a year or so ago when her expenses outran her income. She put the difference on her credit card, on which she now owes \$1,300. She is just now starting to work the balance down.

Kirkland limited her college search to Missouri's state schools. She chose Southeast because it offered the major she wanted and was only two hours from home. "I didn't know a lot about college

or paying for college," she said. As for the cost of Southeast, she said, "I don't think it's that expensive."

It isn't, compared with many public universities in other states. But against a backdrop of state budget cuts, the average has been mounting. This year, tuition, room and board and fees at Southeast total \$5,240 a semester for a typical undergraduate taking 15 credit hours. That's an increase of 18 percent from \$4,428 when Kirkland was a freshman, and that does not include books and miscellaneous expenses. She was angry at first about the cost increases, but she came to understand "the university has to maintain things." Still, with her free room and board this year, and with almost all of her other bills covered by financial aid, she is far better off financially than in her freshman year, when her aid package came up about \$3,000 short.

Kirkland was not sure how much all her loans added up to—not unusual for a student, said Karen Walker, Southeast's director of financial aid. When Joh-Anna sat down with Walker and learned that the total was already nudging \$25,000, she didn't visibly flinch. Later, though, she confessed to being surprised. "I thought I had borrowed significantly less money than that, but I think it's great compared to some students who leave school with \$40,000 or \$50,000 in loans," she said.



DANA SMITH, BLACK STAR FOR CROSSTALK

Sheila, works for Brown University's alumni magazine.

At the end of this year Dillon will enter UConn's four-year combined bachelor's/doctoral pharmacy program if his grades are good enough. He needs an overall grade point average of 3.0, with at least 3.5 in all required math and science classes. Right now, Dillon's grade point average is slightly below 3.0, but he is confident he will make the cut.

In fact, he appears to be confident about most things. He has already figured out his loan repayment schedule, after graduation in 2010: After deducting the \$12,000 in annual assistance from his parents, Dillon figures he will owe about \$98,000 and that he can pay this off in ten years.

Ever the planner, Dillon has a back-up scenario should he decide to go into another branch of pharmacy instead of becoming a pharmacist. Pharmacy is a broad major, he explained, and other options include becoming part of a drug research team at a pharmaceutical company or going into the business end of pharmaceuticals.

He will know in May whether his grades are good enough to enter the pharmacist program. If admitted, he will have four more years of intense study, including nine internship rotations in different types of pharmacies.

"I'm gung ho right now to become an over-the-counter pharmacist in a drug store," he said. "But I'm also interested in doing research and being involved in how drugs are made, or being a manager in the business end of a big manufacturing company."

Although he describes himself as conservative, Dillon expressed concern about the debt that today's students must take on to get a college education. On the website studentdebtalert.org, he wrote, "To get ahead in life and have a great job, in this day and age, it is mostly a requirement to go to college, but by doing this students start out ten steps behind. Tuition costs loom over students and their decisions for years before and after their graduation. Students should come out of college as new members of society without being put so far behind from the start." ♦

Also, while admitting to being "a little nervous" about them, Kirkland did not have any idea what her monthly loan payments might be after graduation. Walker did the calculations. Given annual interest rates of five percent on the Perkins, 5.3 percent on the two Staffords (with 4.7 percent already accruing on the unsubsidized Stafford), she figured Kirkland would owe between \$248 and \$266 a month for ten years. Kirkland was unfazed. "I don't think that's a lot to pay when I've invested in my education," she said.

Post-graduation grace periods of nine months on the Perkins loan and six months on the Staffords before her repayments begin may be just enough time for Kirkland to realize her dream of moving to Florida with a friend, finding an apartment to share and getting a job.

As for the loans, "I'm not planning on not paying them back," she said. "I might not be able to have a cell phone, and I have no problem using public transportation," she added, realizing that a car probably will be as much out of the question as ever. "I pretty much know I'm going to be able to have the basic things."

But first there is one last semester to get through and pay for. Kirkland thinks she can save some money by moving off campus. Otherwise, she will apply for all possible financial aid and "take it as it comes." ♦

(from page 5)

won't be very great."

The legislation is kinder to lenders than it is to students partly due to the efforts of Ohio Republican John Boehner, who steered the bill through Congress in his role as chairman of the House Education and the Workforce Committee. Boehner since has risen to be majority leader of the House of Representatives.

"The lenders have a very good friend in John Boehner," Mark Kantrowitz said.

At the annual meeting of the Consumer Bankers Association last December, Boehner told the assembled lenders, "Know that I have all of you in my two trusted hands," *The Chronicle of Higher Education* reported.

A *Chronicle* investigation found that Boehner's political action committee received \$172,000 in contributions from lenders and loan consolidators during the 2003-04 election cycle. More than \$100,000 of that came from Sallie Mae, which once was a

Many low-income students are unwilling to take on large debt burdens and consequently do not seek education beyond high school.

government-sponsored enterprise but now is a highly successful private, for-profit company that both makes and guarantees student loans and also owns a loan default collection agency, among many other enterprises.

With a sales force of 400 and a powerful Washington lobby, Sallie Mae dominates the student loan industry. Its net income increased from \$465 million in 2000 to \$1.9 billion four years later, according to a *Fortune* magazine article last December. Al Lord, former Sallie Mae CEO, was paid \$225 million in salary and stock options from 1999 to 2004, the magazine also reported.

Sallie Mae now is attempting to buy the loan portfolios of some non-profit state agencies, which critics say will result in poorer service and higher rates for students. As it is, "students are entering

the economy a slave to Sallie Mae," Joshua Chaisson, a student at the University of Southern Maine, recently complained at a hearing of the Secretary of Education's Commission on Higher Education.

Representative Boehner has denied that he has been influenced by campaign contributions from the student loan industry. And Sallie Mae lobbyist Tom Joyce told the *Chronicle of Higher Education*, "We are interested in supporting candidates on both sides of the aisle who understand the importance of the federal student loan program."

However, Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers, told the *Chronicle*, "One can't help but see Sallie Mae's imprint on the substance of the legislation that Mr. Boehner's committee has produced."

It seems to be hard to lose money in the student loan business. Loans from banks and other lenders are guaranteed by state agencies (like California's EdFund) or other guarantors. If a student defaults on the loan, the guarantor pays off the loan, and the federal government reimburses the lender or the guarantor for at least 97 percent of the loss and also guarantees a certain rate of return.

"This is a classic example of corporate welfare," said Richard W. Black, associate vice chancellor for admissions and enrollment at UC Berkeley. "Lenders pocket the interest and collect from the feds if the loan is defaulted. It's well-structured corporate welfare."

But there is no equivalent welfare system for student borrowers, their parents and others who pay the bills.

Average debt for undergraduates has more than doubled in the last decade, according to the Project on Student Debt. For graduates of four-year public institutions, average debt levels have risen to \$18,000, accounting for inflation. For graduates of four-year private schools average debt levels are more than \$20,000.

Sixty percent of graduate and professional students borrow, with an average cumulative debt of \$37,067, according to the *findaid.org* website. Average debt ranges from \$26,895, for those seeking master's degrees, to \$113,661 for medical students.

The Project on Student Debt also reported that 25 percent of graduating seniors in 2004 owed at least \$25,000, and many owed \$40,000 or more. The College Board reported that higher-cost private loans increased from ten percent of total borrowing to 18 percent in the last six years, as undergraduates reached the \$23,000 maximum allowed for Stafford loans.

"In the student loan industry's own estimate, 39 percent of student borrowers have an unmanageable debt burden after college," Anya Kamenetz, author of "Generation Debt: Why Now is a Terrible Time to be Young," wrote in a *Christian Science Monitor* op-ed article. That figure includes 55 percent of African Americans and 58 percent of Hispanics.

As Pamela Burdman points out in an article on page 11, many low-income students, especially among minorities, immigrants and first-generation students, are unwilling to take on such large debt burdens and consequently do not seek education beyond high school.

"The loan programs were originally intended to increase college participation by lower-income groups but have ended up benefiting the middle class," said Becky Timmons, of the American Council on Education.

"The original idea was that (federal) grants would pay for access, and loans would provide choice," said Brett Lief, of the National Council of Higher Education Loan Programs. "But 30 years later, loans are being used for both access and choice, and that's not good. What we need is a more substantial grants program."

A few well-endowed elite colleges and universities recently have announced that they will pay tuition, room and board for students from families with incomes below \$50,000. However, such programs will assist only a tiny fraction of the student population.

The Pell grant, for low-income students, has remained at \$4,050 for five years. That is enough to pay tuition and mandatory fees at most two-year community colleges but is insufficient to finance an education at even the least expensive four-year institutions. During the 2004 election campaign, George Bush praised Pell grants and said he would increase them to \$4,500, but his budget did not include the money to do so.

"At a time when more students are eligible and needy, administration officials could have used the surplus to increase the Pell grant maximum," said Cynthia A. Littlefield, director of federal relations at the Association of Jesuit Colleges and Universities. "But they chose not to."

More than 20 percent of student borrowers drop out, Lawrence Gladieux and Laura Perna found in a study published last May by the National Center for Public Policy and Higher Education (which also publishes *National CrossTalk*).

Of all the students who began postsecondary education in the 1995-96 academic year, 23 percent were no longer enrolled in 2001. "That is, more than 350,000 beginning freshmen were left with no certificate or degree, and a debt to repay," Gladieux and Perna wrote.

All of this makes little sense to those who worry about America's ability to compete in a global economy.

Nationally syndicated columnist Neal Peirce recently noted that one day after Bush, in his January State of the Union address, called for a \$5.9 billion American Competitiveness Initiative, to strengthen the country's math, science and engineering capabilities, the House of Representatives voted to make the biggest cut ever in the student loan programs.

With tuitions rising and students forced to assume staggering debt burdens to pay for college, "What's the real hope for a scientifically advanced America?" Peirce asked.

Many in the higher education community were disheartened by the decision to seek budget savings by cutting the student loan programs and by the lack of substantive debate in Congress.

"The basic issues, the issues that should have been raised, were just glossed over," Gladieux said. "How much debt is too much? What should be done about students who really shouldn't be borrowing at all or are borrowing way too much? There is a lot of money to be made off these programs, so there isn't much incentive for change." ♦

Sallie Mae dominates the student loan industry. Once a government-sponsored enterprise, it is now is a highly successful private, for-profit company with a powerful Washington lobby.

OTHER VOICES



Fear of Borrowing

Debt aversion is a barrier to college access, especially for low-income students

By Pamela Burdman

I DIDN'T LEARN about interest rates and loan terms during high school, and neither did most students I know. And yet, when it comes to one of the most important decisions of their lives—where, when, and whether to attend college—students are expected magically to have this information at their fingertips. That's because for many students, deciding to attend college involves borrowing, a step most are ill-prepared to take. If they are exposed to student loans during high school, it is typically part of a dry description at a financial aid night or a visit from a local college admissions officer.

The nuances of interest rates, loan terms and repayment options are rarely explained, but even less common is any discussion of the tradeoffs implicit in student loans: Is it advantageous to finish school in four years, even if it means large payments after graduating (or worse, if the student doesn't complete college at all)? With loans increasingly dominating aid packages, a student's attitude toward borrowing may determine whether she enrolls full-time or part-time, selects a two-year or four-year institution, or attends college at all. Yet often students and families are left to their own to mull these critical questions.

These questions are being considered amidst increasing anxiety about paying for college, with media headlines both echoing and feeding the fears. Even financial aid officers are not immune. "We now have a kid in college," said one aid officer in an interview. "Despite what I do, when he started school last year, I started worrying." If an expert well-versed in the nuances of tuition and aid policies can't help worrying, how would a low-income parent with

no experience borrowing, or an immigrant student whose parents speak no English, become comfortable with the idea of student loans?

Not very easily, I found out, after conducting a series of interviews with students and counselors last year for The Project on Student Debt, a non-profit advocacy group. The conclusions were summed up in a report called "The Student Debt Dilemma: Debt Aversion as a Barrier to College Access." In the interviews it became clear that though loans are a cornerstone of federal financial

aid policy, many students don't view them as a worthwhile option, and some don't consider them under the rubric of financial aid at all.

Take Demetria Jackson, 28, who spent eight years at the University of the District of Columbia before earning her degree last year in criminal justice. "In my first two years, I got financial aid," said Jackson. "The last two years, I had to take out loans. It was my last resort. I was trying to avoid it; that's why it took me so long. I always heard so many horror stories about having to pay the loans back. It's just a hassle being in debt your first couple of years, trying to get your career going."

While attending high school in Hartford Connecticut, Alicia Bray had a similar attitude toward borrowing. "I was very set on not being in debt coming out of college, just because of financial issues in my family," she said. "I saw my uncles and aunts having financial problems, and I didn't want that." Though Bray's grades would enable her to attend some of the finest private institutions, her plan was to stay at home and attend a public university. Princeton University's no-loan program changed that, by enabling her to attend a top-ranked school without having to borrow.

Princeton and a few other institutions have eliminated loans for the lowest-income students, making up the difference in grants. But few students who fear borrowing have the option of attending one of these schools.

Though Bray found a way out of the debt dilemma, and Jackson managed to graduate eventually, an unknown number of students end up pursuing money-saving strategies that may reduce their chance of graduation: choosing lower-cost institutions, enrolling part-time, or delaying college. Even less clear is how many students give up educational aspirations altogether in order to avoid debt.

Though discussions about spiraling student debt frequently focus on students with large debt loads, students whose educational careers are stymied or curtailed because of loan aversion may be an equally serious concern. If students who are struggling to repay loans are the visible face of the debt crisis, the loan-averse students are its invisible face.

About two-thirds of students now graduate with loans, and their average debt grew more than 50 percent over the past decade, even when accounting for inflation. For graduates of four-year *public* institutions, average debt levels have risen to \$18,000. As interest rates rise for the first time in years, auguring higher payments for today's borrowers, the barriers to borrowing are only likely to increase.

To be sure, loans have created invaluable opportunities for millions of students who have attended college, repaid their loans, and gone on to productive lives and careers. But at least some evidence, empirical and anecdotal, suggests that the very students who can least afford to attend college are also the least likely to consider borrowing. Available research suggests that students who avoid borrowing tend to be low-income, minority, immigrant, first-generation students, or some combination of these. If equalizing access to higher education is the goal of financial aid programs, this evidence is a troubling indication of a potential Achilles heel in the programs.

Students whose families don't have experience with credit, which tend to be lower-income families who don't own their homes, are less likely to be comfortable borrowing, say counselors. Susan Bonoff, a counselor at North Hollywood High School in Los Angeles, sees such attitudes about loans daily among her students, many of whom are low-income Mexican immigrants. "It's something they're pretty intimidated about. It's just a fear of the unknown and a fear of what the future holds. The parents don't want more bills and they don't want to see their kids starting off adulthood in debt. When you say schools cost thousands of dollars, that's just a mind-boggling number. There are no role models to say, 'When I went to college, I got a good job and paid off my loan in five years.'"

The last comprehensive study of attitudes of population sub-groups toward borrowing for college was conducted more than 15 years ago, using Federal Reserve data that is now 23 years old. In that examination, researcher Tom Mortenson found that women, Hispanics, low-income individuals, and those with less education were less inclined to borrow. All of these groups (with the exception of women) are still disadvantaged in terms of college attainment.

In a recent National Postsecondary Student Aid Study, parental education levels appeared to be one of the strongest predictors of borrowing behavior. Of students whose parents did not complete high school, 12.59 percent worked full-time and took no loans. Only 5.74 percent of those whose parents had graduate degrees fell into that category. Clearly a higher level of education would make parents more familiar with the nuances of student loans, but it also is one of the best ways to acquaint them with the benefits of borrowing.

Other recent evidence also points to the conclusion that the prevalence of loans is influencing the decisions of low-income and minority students. A study by economists at Princeton University found that a college's elimination of loans from financial aid packages for low-income students had a "statistically discernable effect" on the yield rate of minority applicants. The researchers speculated that the differences "may be due to greater uncertainty among minorities about the future returns to college education, and hence ability to repay loans."

Borrowers from low-income backgrounds are more likely to see loan repayment as a major burden, reports the Nellie Mae Corporation, a student loan provider, in the results of its 2002 National Student Loan Survey. "Black, Hispanic, and Asian American debtors are all more likely than their white counterparts to feel burdened by their debt," reported Nellie Mae, even when controlling for income level and other factors. "The difference is strongest for Hispanics, but is also statistically significant for African Americans," the study said, noting that "African American borrowers express greater perception of burden, even with lower debt-to-income ratios, and less satisfaction that the benefits of borrowing were worth it."

Perhaps the 2002 survey's most interesting finding was that increased borrowing in recent years placed the greatest burden on students from low-income families. These students were the most likely to say that debt caused them to delay returning to school or to change their choice of institution. That finding, according to Nellie Mae, was a change from earlier studies, which did not find a significant attitude difference between low-income students and other students.

The survey also found that among students who did not graduate, low-income students were much more likely than others to cite loans as the reason. "If the perception of the borrowers in repayment are reliable, the increase in borrowing over the past five years appears to have had its most serious impact on students from low-income families," the authors concluded.

Counselors may need additional training to help students sort through decisions about paying for college. But where to strike the balance in discussing loans is not an easy matter. Counselors and financial aid officers are understandably ambivalent. They often view financial decisions as personal matters rooted in family traditions, and may understandably feel reluctant to push students in any particular direction. And even if they do want to encourage a student to consider a loan, they realize that a decision against borrowing can be perfectly rational, particularly for students who are not well-prepared for college.

"There are many reasons why it may be unwise for students to borrow the maximum al-

It is unclear how many students give up educational aspirations altogether in order to avoid debt.

For many students, deciding to attend college involves borrowing, a step most are ill-prepared to take.

About two-thirds of students now graduate with loans, and their average debt grew more than 50 percent over the past decade.

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lowed,” wrote Susan P. Choy in “Characteristics of Student Borrowers 1999-2000,” a National Center for Education Statistics report. “Students’ ability to repay their loans after they leave school depends on their being able to obtain a well-paying job, which depends in part on economic conditions when they finish their education. The uncertainties surrounding the ability to meet repayment obligations are a particular problem for students whose academic success is uncertain or whose families lack the resources to help them financially if they have difficulty repaying their loans.”

Even some of the most thoughtful efforts to get information to students illustrate the challenge of developing general guidelines for students’ diverse array of circumstances. Ohio State University offers a “debt management” link on its website, where students are advised to keep debt payments below five percent of expected salary. The site provides budget planning worksheets, and a chart with four colored zones. Students are advised to avoid the red “danger” zone of over ten percent. And they can see a list of graduates’ typical starting salaries—ranging from \$22,000 at the College of Social Work to \$47,500 at the College of Pharmacy. It is valuable information, but few students are clear enough about their career objectives to be able to use it.

What’s more, this information reaches students after they have made the critical decision

A decision against borrowing can be perfectly rational, particularly for students who are not well-prepared for college.

of whether to attend college or not. More resources and more creativity need to be devoted to integrating financial issues into high school counseling and college outreach programs to ensure that more students understand loans as an option.

Another obvious approach to mitigating debt aversion is to make more grant money available. Programs that eliminate loans for the lowest-income students have been tried successfully at Princeton and other elite institutions. And public flagship institutions, including the University of Virginia and the University of North Carolina,

have emulated these programs. Research suggests that the role of grants in promoting student success is most pronounced in the first year or two of college. According to a Government Accountability Office study, an additional \$1,000 grant reduced students’ dropout rate by 23 percent in the first year and by eight percent in the second year. But the grant-loan mix cannot be addressed by a handful of colleges: It requires both state and federal commitments to expanding need-based grant programs.

Lastly, redesigned loan programs could help make borrowing both more attractive and more efficient, and relieve the undue burden faced by lower-income students. As outlined in a recent white paper by the Project on Student Debt, new repayment policies could help address debt aversion by ensuring manageable payment burdens for borrowers with low post-college earnings and finite repayment obligations, so students know that eventually they will be able to carry on with their lives debt-free. ♦

Pamela Burdman, a former higher education reporter, is currently a program officer at the William and Flora Hewlett Foundation, which supports numerous higher education programs, including The Project on Student Debt.



Funding Public Higher Education

A brief overview of the fiscal landscape facing the states

By Brian Stenson

AS THE ROLLER COASTER of state fiscal health begins another cycle, public higher education appears to be well-positioned to recover some of the ground it lost during recent years. At a minimum, the growing attention paid to global competition challenging America for science and technology prominence should spur policymakers to invest more heavily in higher education. And there are signs that some states are doing so. However, there are many challenges ahead for state governments, and it will not be easy for higher education leaders to make significant headway.

Tax collections surged in almost every state as the national economy rebounded in 2005. The Rockefeller Institute of Government tracks state tax collections, which are the best indicators of fiscal health. Its latest report, covering October through December of 2005 (the second quarter of fiscal year 2005-06 for most states), shows that state tax collections were strong, if less so than the prior quarter. When compared to the same period in 2004, tax collections grew 7.6 percent. This growth rate was the second fastest increase for that quarter since at least 1991.

The increase was broad-based in at least two respects. First, all three major taxes registered impressive increases compared to the third quarter in 2004. Collections from the corporate income tax rose an eye-popping 24.8 percent. This was the ninth straight quarter of double-digit growth for that tax source.

Moreover, strong tax collection performance was recorded in almost every state; only

two saw an absolute decline from the prior year. Eighteen states enjoyed double-digit tax collection growth, led by Alaska’s 74.7 percent. States in the southwest saw the greatest gains (average growth was 15 percent), while the Great Lakes states had the lowest (a still-respectable 4.2 percent, particularly given their slower-growing populations).

State tax collections are affected by actions taken to increase or decrease taxes, an important variable also tracked by the Rockefeller Institute. Collections in the October-December quarter were reduced by tax cuts enacted by the states. Although the dollar amount was small (\$65 million in net tax reductions), their existence alone is significant. This was the second consecutive quarter of net tax cuts, and the prior quarter (July-September) was the first period since 2001 in which tax collections showed a net decline because of legislated tax actions.

This strength in tax collections is leading many states to project budget surpluses in the 2005-06 fiscal year. And projections for 2006-07 and subsequent years show a distinct improvement from the multi-year outlook of a few years ago.

While the evidence suggests that states are at the beginning of a period of revenue growth, both history and other budget factors indicate that higher education advocates should not expect a windfall of taxpayer support in the coming years.

The history of funding support for public higher education is relatively straightforward. Data from the U.S. census show that higher education spending by the states has not only held its own vis-à-vis other elements of the state budgets, it has actually grown slightly. Whereas direct spending on higher education in 1995 accounted for 13.8 percent of total general expenditures, this figure was 14.3 percent in 2004.

Total spending on higher education appears to have been maintained during the recent fiscal crisis: Spending growth averaged 6.6 percent per year from 1995 through 2001, and 5.2 percent from 2001 through 2004. Of course, in times of budget stress, fiscal policymakers are quite willing to reduce public support for programs where an alternative revenue stream, such as tuition, is available to support existing services, thereby preserving limited tax dollars for areas without such alternative revenue sources.

Thus, as reported by the Illinois State University’s *Grapevine*, from 1995 through 2001, state tax appropriations for higher education averaged just below six percent growth per year, but from 2001 through 2004, state support grew by less than one tenth of one percent annually.

Just as important is that states face a variety of other budget pressures. These may well undermine the ability of state budget planners to invest substantial amounts of new funding in public colleges and universities. These pressures range from perennial issues such as tax cuts and Medicaid to newer challenges such as post-retirement benefits that leave even seasoned fiscal analysts wondering.

The recent recession and the period immediately following it ravaged state revenues. In general, the states held the line as best they could on most spending programs. But to balance their budgets, states were forced to take other actions.

They enacted modest tax increases. The Rockefeller Institute’s regular survey of tax collections indicates that 2003 saw the most concentrated tax increases. Eighteen states raised taxes by a total of \$6.8 billion, which represented approximately 1.4 percent of all state tax revenues.

They raised fees and charges. For example, according to the Washington Higher Education Coordinating Board, the average tuition rate jumped by more than 30 percent between 2001 and 2004.

They drew down budget reserves and found one-shot resources. In the fiscal crisis following the 2001 terrorist attacks, New York, for instance, balanced its 2002-03 budget with \$6.3 billion in nonrecurring actions, including the use of “rainy day” funds.

We now expect states will act to reverse some of those actions. The Rockefeller Institute’s preliminary review of the larger states’ proposed budgets indicates that cutting taxes and replenishing reserves is a priority of the governors. For example:

- Arizona Governor Janet Napolitano proposed cuts targeted to specific purposes (such as encouraging business spending on research and development), which in total would cost about \$100 million in the first year.
- Connecticut Governor M. Jodi Rell’s budget would repeal the state property tax on automobiles and the corporate tax surcharge and phase out the estate tax. The plan would cost \$295 million in 2006-07.
- Maryland Governor Robert Ehrlich, Jr. recommended a reduction in the estate tax and several other targeted cuts.
- Massachusetts Governor Mitt Romney would cut the top rate on the income tax in two steps, reducing revenue in 2006-07 by \$132 million, growing to \$488 million in the next year.
- New York Governor George Pataki proposed a multi-year plan to reduce the personal income tax, the corporate income tax, and the estate tax, and to provide school property tax relief. The plan would reduce tax collections by \$844 million in the first year and by \$3.3 billion in the third year.
- Pennsylvania Governor Edward Rendell recommended \$221 million in business tax reductions.

Some of these same governors, along with others, are including in their budgets deposits to their state’s rainy day funds, which were drawn down during the early years of the decade. For example, Governor Ehrlich proposes to deposit \$1.4 billion to Maryland’s budget reserve, and New York’s Governor Pataki proposes to apply New York’s \$2 billion current-year surplus to a reserve for use in the 2007-08 and 2008-09 budgets.

Virtually every discussion of state budget trends starts with Medicaid, the health care program for low-income Americans. State budgets have strained to finance Medicaid

Tax collections surged in almost every state as the national economy rebounded in 2005.

spending growth boosted by rising costs for prescription drugs and an expanded use of long-term care. More recently, a number of factors, notably slower spending growth for drugs and the recent implementation of the Medicare Part D drug benefit, and state and local efforts to curb Medicaid spending for nursing home care, have helped slow the overall rate of growth for Medicaid.

The Rockefeller Institute's preliminary review of the budgets of the larger states indicates that few governors are proposing sweeping Medicaid cutbacks for 2006-07. But according to a recent article in the journal *Health Affairs*, the pace of Medicaid spending will increase again in 2007 to 8.5 percent—spending growth will average 8.6 percent annually until 2015. This rate of spending growth can be expected to exceed the growth in tax collections and economic performance in most states by several percentage points. As a result, Medicaid spending will continue to exert significant pressure on state budgets.

Federal budget planners are again attempting to curb Medicaid spending. The reconciliation budget bill for 2006 includes a multi-year agenda of Medicaid cuts. And George Bush's 2007 budget recommends sharp—some say draconian—cuts in most programs of domestic spending. Although Congress has exhibited little appetite in recent years for such sharp reductions, the federal government has budget pressures of its own.

Growing calls to reform the tax code make it difficult to believe this can be done in a way that is budget neutral, meaning that spending may have to be cut to balance the budget effects of changes to unpopular current features such as the alternative minimum tax. The costs of the post-hurricane rebuilding effort and the war in Iraq add to the pressure to cut spending and thereby avoid further exacerbating the federal budget deficit problem.

Although everyone can readily grasp the fiscal impact of new spending to rebuild New Orleans, some new demands on state budgets are far more arcane. Much attention has been focused recently on private sector pension troubles, but the public pension systems have their own challenges. Public pensions typically are managed through a pension system that uses actuarial techniques to estimate future payment obligations; contributions and investment earnings are intended to match these obligations. Thus, during the stock market's boom years of the 1990s, earnings led pension managers and state officials to reduce contribution rates and grant new benefits. When the market correction was over by 2003, the asset value of the pension systems had dropped sharply.

A new report by Standard and Poor's finds that compared to 2000, when pension system assets matched their long-term liabilities, assets in 2004 equaled only 84 percent of liabilities. The funding gap of \$284 billion will have to be made up over a period of years through increased contributions by employers and through investment earnings. As a point of comparison, according to Standard and Poor's, this unfunded liability is almost exactly equal to the total amount of state government tax-supported debt, and in many states is far larger than the outstanding debt.

Another retiree benefit, health insurance coverage, may well become the next hot issue in state fiscal quarters. For years, almost all states financed the costs of these benefits from their annual operating budgets without setting aside any reserves for obligations they have incurred, but don't yet need to pay. These deferred costs are expected to grow rapidly as baby boomers reach retirement age, health care costs continue to surge, and life spans lengthen.

Now, the Government Accounting Standards Board (GASB) has issued guidelines requiring that states start to disclose this hidden cost in their financial statements. As the new GASB disclosure requirement does not become effective until 2007-08, no comprehensive accounting is available of the magnitude of this unfunded liability. However, Maryland estimates its liability at \$23 billion, compared to its \$30 billion budget.

Bringing to light the practice of granting benefits that are deferred until retirement may encourage states to be more open about their budgets. And to the extent it leads policymakers to set aside reserves to offset these liabilities, fewer resources will be available for current services; New York City Mayor Michael Bloomberg has proposed setting aside \$2 billion between now and the end of 2006-07 as a reserve against these future obligations.

This brief scan of the fiscal landscape facing the states indicates that budget planners will have no shortage of budget challenges, even as tax revenues are soaring. Although higher education leaders should be able to make a strong case that additional public support is warranted, they are bucking a long-term trend and stiff competition from other budget areas. ♦

Brian Stenson is deputy director of the Rockefeller Institute of Government, and former vice chancellor for finance and business for the State University of New York.

LETTER TO THE EDITOR

State Capacity for Higher Education

I recently read the piece prepared by the Center entitled "The Need for State Leadership" in the July 2005 Special Supplement to *National CrossTalk*. I think this sums it up well for policy-makers who work in this area – or who should be working in this area.

I have to admit that the quote on page 3A put it over the top for me: "The public interest is more than the sum of the interests of individual institutions." No truer words ever were spoken. But no thought ever was more violated by policymakers, especially legislators.

Lloyd Jackson
Former West Virginia State Senator



College Student Literacy

New report provides compelling evidence that America's students are not measuring up

By Emerson J. Elliott

IN A RECENT ASSESSMENT of literacy, the performance of America's college students was alarmingly poor. Although they did test better in some categories than other adults in the population with similar levels of education, sizable percentages were unable to carry out relatively simple reading comprehension tasks or make basic calculations.

"The Literacy of America's College Students," a new report from the American Institutes for Research (AIR), describes these results, which were derived from an assessment of a nationally representative sample of graduating students in two-year and four-year colleges and universities.

The college assessment used the same instrument as the National Center for Education Statistics' 2003 "National Assessment of Adult Literacy (NAAL)." That makes it possible to compare college graduates with both the whole U.S. adult population and the two- and four-year graduates within the U.S. adult population. NAAL and AIR measure three dimensions of literacy skills: prose literacy (the ability to use information from continuous texts such as editorials, news stories, brochures and instructional materials); document literacy (the ability to use information from discontinuous texts in various formats, such as

job applications, payroll forms, transportation schedules and maps); and quantitative literacy (the knowledge and skills to identify and perform computations, alone or sequentially, using numbers in printed materials. This would include balancing a checkbook, figuring out a tip, completing an order form, or determining the interest on a loan).

These are skills that Americans require in order to function in everyday life, and the test items are facsimiles of text, documents, forms, or calculations that one encounters frequently.

Many of the reports' findings are not surprising. The average prose, document and quantitative

literacy of graduating students in two- and four-year colleges was significantly higher than the average literacy of adults in the nation. Graduating students, on average, outperformed the average of two- and four-year graduates in the adult population, through age 64, on prose and document literacy, but were no better in quantitative literacy. The most difficult test items for both two- and four-year students were quantitative.

The literacy of graduating students from both two-year and four-year institutions whose parents completed college or attended graduate school was significantly higher than that of students whose parents stopped their education after completing a GED or graduating from high school. Sadly, and consistent with findings from the National Assessment of Educational Progress and other data, AIR found a significant gap between performances of the majority population and African American, Hispanic and Asian/Pacific Islander populations in America.

The nation could celebrate some of the findings. For example, there was no gap found in literacy between men and women completing their programs. This contrasts with the adult population as a whole, in which women score higher than men on prose literacy, and men outscore women on quantitative literacy. The study also found evidence that students in four-year colleges who first attended school with a non-English-speaking background or a background in both English and another language, score higher in average literacy than do adults in the nation who spoke only English before starting school.

The study found no significant differences in some comparisons. There were no differences in average literacy of students graduating from private or public four-year colleges; none between full-time and part-time students; and none among students attending one, two, or three or more institutions.

Differences did appear in other comparisons, however. There were higher average prose literacy scores in selective four-year colleges than in nonselective ones (but not in document or quantitative literacy). Students who took remedial courses, and especially those who took both English and math remedial classes, consistently performed less well than those who did not take remedial classes.

While average prose, document and quantitative literacy were similar across most academic majors in four-year colleges, math, science and engineering students scored higher on all three literacy scales. And among students in four-year colleges and universities, document literacy scores were 20 points higher for students who indicated a "high" degree of analytic emphasis in their coursework compared with their peers in classes with a "low" emphasis.

What do these new data tell us?

continued next page

Only 23 percent of two-year students, and 38 percent of four-year students, were found to be performing at the "proficient" level in prose literacy.

from preceding page

Earlier in my career I had the responsibility on frequent occasions to release statistics from the National Assessment of Educational Progress. Helping reporters, the public and policymakers interpret test results is challenging. The contents of assessments are usually not well known by the public or policymakers, or even by educators in the field. So reported scores often seem to be just random numbers, although presumably a higher number is better than a lower one. But are America's students "measuring up?" Measuring up to what?

I'll explore four complementary perspectives from which to address these questions. Together these four different perspectives offer a composite view of what the AIR results mean.

• A National Research Council Perspective

In preparing to release results from the 2003 assessments, NCES asked the National Research Council (NRC) to recommend a set of performance levels that could be used in reporting the 2003 results and that could also be applied to the similar 1992 national literacy assessment results, in order to make comparisons across years. The NRC developed descriptions of performance levels intended to correspond to "policy-relevant" categories of adults. It convened panels of experts to determine where, along the scale, each level would end and the next begin—a "bookmark" process.

NCES defines literacy as the ability to use printed and written information to function in society, to achieve one's goals, and to develop one's knowledge and potential. The NRC elaborated on this around the prose, document and quantitative tasks in the assessment, and created the following descriptions of performance levels:

"Below basic" literacy is the lowest level, extending from nonliteracy in English to ability to locate easily identifiable information, follow written instructions, and perform simple quantitative operations in concrete and familiar situations.

"Basic" literacy indicates an ability to understand information in short, commonplace prose and documents, locate easily identifiable quantitative information and solve simple problems.

"Intermediate" literacy indicates an ability to understand moderately dense and less commonplace prose, summarize and make inferences, and solve problems when the arithmetic operation is not specified. Most college students performed at this level.

"Proficient" literacy indicates an ability to read lengthy, complex abstract prose, make complex inferences, integrate and analyze multiple pieces of document information, and use quantitative information to solve multi-step problems not easily inferred.

While the description of "proficient" literacy seems to be a closer characterization of a student who is doing college-level work, the proportion of students performing at this level seems inconsistent with that assumption. Only 23 percent of two-year students, and 38 percent of four-year students, were found to be performing at this level in prose literacy. The numbers were even lower in quantitative literacy: 18 percent of two-year students, and 34 percent of four-year students.

By comparison, fully 65 percent of two-year students, and 56 percent of four-year students, were found to be performing at the "intermediate" level in prose literacy.

• A Media Perspective

Through the wonders of Google, dozens of news articles and media broadcasts reporting on the AIR study have come to my attention. Perhaps a third of these reports originated from a single AP story from which listeners and readers learned that the assessment concerned literacy for real-life, everyday skills, and that large percentages of graduating college students could not interpret a table about exercise and blood pressure, understand the arguments of newspaper editorials, compare credit card offers with different interest rates and annual fees, or summarize results of a survey about parental involvement in school.

This became fodder for numerous editorials and commentaries expressing alarm and disgust: The findings are appalling; with all the money spent on college, this shouldn't happen; there is a long way to go; these skills should be mastered by the fifth grade; action must be taken to reverse this trend; the national implications are dire.

Finding fault was a common thread: Parents and high schools are not adequately preparing students for college; we don't value education the way we once did; academia fails by refusing to set meaningful standards for entry.

And several commentators tried to wave the results away: It is not a university's role to teach students how to read a map; these skills don't correspond to a particular college course; modern electronics supplant the need to figure tips, map routes, and calculate fuel economy; and the survey only dealt with students' on-the-spot abilities, not their potential learning skills.

Depending on the location and source, the public certainly heard, saw or read a number of viewpoints about the significance of the AIR study. Compared with many reports on the National Assessment of Educational Progress, all the reporting provided superior information about the purpose of the assessment and the nature of tasks the test takers were asked to perform.

The specific tasks on the American Institutes for Research assessment are just not all that difficult. Seen in that light, these results represent a shameful and indefensible performance for graduating college students.

• A "College-Learning" Assessment Perspective

The AIR study is an assessment of literacy, and it does not address general intellectual skills that college students are expected to master. Different types of measures would be required to do that. Last fall, the National Center for Public Policy and Higher Education (which also publishes *National CrossTalk*) released "Measuring Up on College-Level Learning," a report by Margaret Miller and Peter Ewell describing the results of a four-year demonstration project that measured cumulative college-level learning at the state level. Five states agreed to participate in this effort, which was designed to create measures of "educational capital" in a state and evaluate how higher education systems are performing in relation to state goals.

The demonstration project was built around three key components. First, information was drawn from existing tests for licensure (e.g., nursing, physical therapy or teaching) and graduate admissions (GRE, MCAT) that many college students take on graduation. These served as indicators of readiness for advanced training or practice. Second, the 1992 National Adult Literacy Survey results were used as an indicator of literacy levels for the adult population of the entire state. And third, tests measuring general intellectual skills were administered, including the ACT WorkKeys assessments at two-year institutions, and the RAND Collegiate Learning Assessment (CLA) at four-year institutions.

WorkKeys assessments examine what students are able to do with what they know. For example, students might be asked to extract information from documents and instructions, or to prepare an original essay for a business context. The CLA is an attempt to create a college-level assessment of problem solving, critical thinking and communication skills of baccalaureate completers, although it does not measure expertise in an academic content major. Test takers might be asked to draw scientific conclusions from a body of evidence in biology, or to examine historical conclusions based on original documents. A written essay is a part of the assessment.

As noted, a literacy measure was included in the College-Level Learning project, but only as one indicator of the education resources achieved by a state's adult population—not of what is currently being learned by graduating college students. The AIR study does not incorporate anything like the CLA or WorkKeys, nor does it ask for a written essay, so some might think it can easily be dismissed as irrelevant for evaluating college learning.

• A Test-Item Perspective

I believe that such a dismissal of the AIR study would be ill-considered. In the last of these triangulations to interpret the findings, I want to look more closely at some of the items on the test. The first example requires the test taker to read a bulletin of some 450 words, titled, "Too many black adults die from the effects of high blood pressure." The test question posed is, "According to the brochure, why is it difficult for people to know if they have high blood pressure?" The answer must be written, and basic responses such as "symptoms are not usually present" or "high blood pressure is silent"—both mentioned in the article—are acceptable. More than 95 percent of all college graduates answered correctly, compared with just 74 percent of all adults.

A more demanding reading sample, in the form of a newspaper article printed in three columns, contains about 650 words. In this case only 27 percent of graduating four-year students, and 24 percent of two-year students, were able to locate a specific piece of information in the article, compared with 16 percent of all adults. While this was among the more difficult items on the assessment, the task should not be at all uncommon for any student who is doing college-level work, or even discussing an article with friends.

A document literacy question displays survey data indicating the percentage of parents and teachers at elementary, junior high and high school levels who agreed with such statements as, "Our school does a good job of encouraging parental involvement in educational areas." The respondent was asked, "Seventy-eight percent of what specific group agree that their school does a good job of encouraging parental involvement in educational areas?" They needed to find "78" along the "teacher" row, in the "junior high" column. Seventy-four percent of four-year college students and 65 percent of two-year college students answered correctly, compared with only 36 percent of all adults.

To my thinking, these examples are the most compelling evidence that college performance is alarmingly poor. It is true that the examples are not what is taught in college literature or history, biology or mathematics. But the tasks that respondents are asked to perform should be commonplace for college students. An English reading assignment, a history time chart, an accounting data table, observations of events for a physics lab, calculations in any mathematics class—all are opportunities to practice and perfect the skills called for in the AIR assessment.

Seen in that light, these results represent a shameful and indefensible performance for graduating college students.

To sum up, although the AIR study of graduating college student literacy is not an assessment of general education skills that students gain from college experiences, it is not easily dismissed. The skills it asks test takers to demonstrate are practical everyday capabilities, and all college students should be well versed in them. The media have accurately portrayed results from the study, raising questions, and—in the nuances of opinion pieces—providing an ample range of views about their meaning. Most view the results of the study with alarm.

Finally, the specific tasks on the assessment are just not all that difficult. As a nation we would expect that nearly all college students should be able to perform in the upper levels of this assessment. That they did not—wherever the cause lies—is a disgrace. ♦

Emerson J. Elliott is a retired U.S. Commissioner of Education Statistics. He served on the advisory panels for the AIR report, and for "Measuring Up on College-Level Learning."

MARYLAND

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included an additional \$17.2 million in a supplemental budget, thereby freezing tuition at current levels for full-time, in-state students.

Other factors helped to account for the swing in USM's financial fortunes—the state has a budget surplus of more than \$1 billion this year, and Governor Ehrlich is

The University System of Maryland streamlined some administrative procedures to provide more money for academic priorities.

running for re-election. But the university system's efforts to become more efficient and more effective turned the governor "180 degrees. He saw how serious this effort was," Chancellor William E. "Brit" Kirwan told a group at the American Council on Education's annual meeting in Los Angeles in February. "The governor and the General Assembly are at war in our state. But one thing they agree on is higher education. So we're in this sweet spot. How long we can stay there, I don't know."

Ehrlich wanted quality and efficiency in Maryland higher education, in the midst of what his chief of staff, James C. DiPaula, called a "near crisis situation" when he took office. The state was facing a potential \$2 billion deficit when Ehrlich became governor in 2003. "The regents took that challenge and ran with it," DiPaula said.

Maryland by the Numbers

The University System of Maryland includes ten campuses, two research centers and the mostly online University College. The flagship is the University of Maryland, College Park.

Enrollment (fall 2005): 73,977 full-time and part-time undergraduates; 27,133 full-time and part-time graduate and professional students. University College's stateside enrollment is 19,000 full-time and part-time undergraduates and 8,429 full-time and part-time graduate students.

Faculty (fall 2005): 5,312 full-time, of whom 3,654 are tenured or tenure track; 4,052 part-time.

Undergraduate race and ethnicity (fall 2005): White, 53 percent; African American, 25.8 percent; Asian, 7.9 percent; foreign, 2.1 percent; Hispanic, 3.8 percent; American Indian, 0.4 percent; and other or unknown, 7 percent.

Annual tuition and mandatory fees for full-time undergraduates in fiscal year 2006 range from \$4,714 at Coppin State University to \$8,520 at University of Maryland, Baltimore County.

State support: \$808.7 million in fiscal year 2006, out of a total systemwide budget of \$3.43 billion.

In Maryland, the governor determines the budget, and the legislature can only decrease, not increase, his proposals unless it finds a source of revenue to pay for budget additions, said Joseph Vivona, USM's chief operating officer. "You succeed in this state by having good relationships with the governor and the legislature. You don't win by criticizing the governor."

Susan Woda, a former student member of the Board of Regents who is writing her doctoral dissertation on the creation of the system, said, "A lot of people in higher education want to paint Ehrlich as the devil, but he has done what every governor has done in similar circumstances. When he ran, he said he had been left with some tough decisions. He said, 'If you won't do it, I'm going to cut you.' Kirwan knew that it was important to see where Ehrlich was coming from and then give him what he wants."

Kirwan and the regents streamlined some administrative procedures to provide more money for academic priorities. For example, the system leveraged its buying power by purchasing electricity as a group, not campus-by-campus, with savings estimated at ten to 15 percent, or \$5 million over the three year life of the contract. Another \$5 million will be saved over five years through a new agreement with Microsoft. Kirwan and the regents also required each campus in the system to identify one percent in additional savings that could be realized over the last two fiscal years. And they agreed to enroll an additional 940 students without additional state money in the 2005 fiscal year.

USM increased its faculty teaching load by ten percent, always a difficult step for any university or system of universities. "There was tremendous hostility in legislatures across the country, whose members think that faculty teach two or three hours a week and then go off on our boats or whatever," said Stephanie Gibson, professor of communications design at the University of Baltimore and a member of the Council of University System Faculty. The changes were "a response by the regents to try to address that."

"We spent many hours at the regents' meetings explaining that there was more to the workload than teaching," said Martha Siegel, who has taught mathematics at Towson University for 30 years and heads the systemwide faculty council.

The ten percent workload increase, which began to be implemented last year, does not apply to individual faculty members but to every academic department, systemwide. Typically, faculty workload includes teaching, preparation, advising, serving on committees, research and other activities. Faculty at research institutions (the flagship campus at College Park and the University of Maryland, Baltimore County) are expected to spend half of their time on instruction—that is, five or six three-credit classes a year—and

the other half on research and public service.

At "comprehensive" institutions such as Towson, located just northeast of the Baltimore city line, faculty are expected to expend two-thirds of their effort on instruction (seven or eight three-credit classes a year) and the remaining time on research and public service. The regents said that by this fiscal year (2006), faculty at each institution should be halfway toward those goals.

While faculty workloads were very heavy at some campuses (for example, Coppin State University, in West Baltimore), others had fallen below the new requirements. Towson, under pressure to hire more faculty because of rapid enrollment growth, was offering lighter teaching loads to attract new people.

After Robert Caret returned to Towson as its president in 2003 (he had been at the school for 21 years before becoming president of San Jose State University), he imposed the tighter workload standards, in effect taking back what the faculty thought it had been given. "I said that we can't be a campus of 20,000 and be a small liberal arts college," Caret said. So lighter teaching loads would be granted only to faculty members

Governor Ehrlich has doubled need-based aid since taking office, this year putting \$87 million into that pot.

whose research productivity warranted them.

"The faculty was not happy at all" with the ten percent workload increase, Martha Siegel said. The feeling was that the system should increase the number of tenure-track faculty, since they do most of the advising and committee work. Instead, the system was hiring less expensive part-time and adjunct faculty. Siegel also pointed out



University System of Maryland faculty members were "not happy at all" with a recent ten percent workload increase, says Martha Siegel, who heads the systemwide faculty council.

that professors who once taught classes with 20 students now might have 35 students but still received credit for just one teaching unit.

"Workload is the biggest issue on my campus," Stephanie Gibson said. "It's partly because the pay isn't always commensurate with time and effort expended, but it's also that there's just so much work. The number of administrative tasks that we're asked to do seems to increase exponentially every year."

This is not to say that pay isn't a faculty concern. "Salaries are my biggest issue," said Dennis Coates, an economics professor representing UM-Baltimore County on the faculty council. "At my institution, in my department, there's nobody who makes the average salary at the institutions we consider our peers," like the State University of New York at Binghamton.

In an effort to move students toward earlier degree completion, the system now requires them to earn at least 12 credits outside the traditional classroom—through

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Both enrollment and state financial support have risen sharply since Stanley Battle became president of Coppin State University, in West Baltimore, in 2003.

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online courses, study abroad programs, internships or Advanced Placement credits. Because capacity on some UM campuses is limited, first-time freshmen sometimes enroll in the spring instead of the fall. They are encouraged to earn at least 12 credits before arriving on campus, either through USM's largely online University College or at a Maryland community college.

In the early '90s, said Chancellor William E. "Brit" Kirwan, "90 percent of our aid had a need component. Now that's only about 60 percent."

The Maryland system expects an enrollment increase of 20 percent by the end of this decade, hence the urgency to save money, increase faculty productivity and encourage students to graduate sooner. Not only is Maryland experiencing the "baby boom echo" but more students are preparing themselves for postsecondary education, Kirwan said in an interview. Towson University and Salisbury State, across the Chesapeake Bay on Maryland's Eastern Shore, will absorb much of the new growth. Towson, with a current enrollment of 17,867, is expected to add another 3,000 by 2010, and 4,300 more by 2015.

For the first time ever, Governor Ehrlich included money in this year's budget for enrollment growth, allowing the system to accept almost 3,400 additional students. "We had said that we would take 700 students over the next three years without any additional money, but beyond that the state would have to provide more support," Kirwan said. "I cannot overstate the importance of that 'but.' Maryland has never funded enrollment growth. As a result, there was no incentive for campuses



Susan Woda, a former student member of the Board of Regents, says the university system now receives more state money because its "effectiveness and efficiency" campaign has won support from Governor Robert Ehrlich, Jr.

to grow." USM made this a centerpiece of its budget request this year, and the governor and the General Assembly agreed. Going forward, Maryland will recognize and fund enrollment growth, the chancellor said, although he added, "It's not written into law."

"We are very conscious of the fact that we have a surge of students coming and we need to prepare for them," said Regent Cliff Kendall. Re-examining the budget "gave everybody a chance to think differently" about how the system was going to do that.

As president of UM-College Park from 1988 to 1998, Kirwan was opposed to creating the system, fearing too much centralization. But he lost that argument, and the new system was knit together from four University of Maryland institutions (College Park, UM-Baltimore, the University of Baltimore and UM-Baltimore County) and six former state colleges (Frostburg State, Salisbury State, Towson State and three historically black schools—Bowie State, Coppin State and UM-Eastern Shore). There are also two research centers, two education centers and University College, which offers distance education courses, largely but not entirely online.

Over time, major changes were made, and now "it's a different system, one of the most decentralized systems in the states," Kirwan said. "There is an appropriate degree of autonomy vested in the presidents. I don't think there is a perfect way to organize higher education. If there were, we would have all done that."

Kirwan feels strongly about the urgency of increasing student financial aid, and he has been backed by the regents and the governor. American universities have been shifting to financial aid based more on merit than on need, the chancellor said, as they sought to improve the quality of their students. That was in part to look better in the influential *U.S. News & World Report* ratings, which Kirwan thinks "quite frankly, have done enormous harm to higher education." In the early '90s, Kirwan added, "90 percent of our aid had a need component. Now that's only about 60 percent."

In June 2004, Kirwan appointed a financial aid task force of legislators and business people, with Nancy Kopp, the state treasurer, as chair. "The guiding principle was providing affordable access to higher education for all qualified students and securing ample state support to enable us to achieve that end," the chancellor said. The task force urged that more of the money raised through tuition increases be directed toward decreasing undergraduate student loan debt and to helping those students with the greatest need.

The students worst off economically are graduating with 25 percent more debt than other students, Kirwan said. "That's not the way it's supposed to work. It's a powerful disincentive

for going to college if you're going to come out with all this debt. We have to step back and look at what's good for society. It is that we provide access to students of economically disadvantaged backgrounds because higher education has become the primary means to move up the economic ladder and enjoy a better life."

USM has set as a goal that by 2009, the lowest-income students must graduate with 25 percent less debt. Toward that end, Governor Ehrlich has doubled need-based aid since taking office, this year putting \$87 million into that pot.

As Maryland looks ahead, tuition increases are likely to remain a touchy subject. State Senator Patrick J. Hogan, vice chairman of the budget and taxation committee and sponsor of the legislation freezing this year's increase, said the current budget surplus is a one-time event, because costs of Medicaid and K-12 education are going up and deficits loom.

"These are students and their families who've gotten 20 to 35 percent (tuition) increases in the last couple of years," Hogan said. "I fully respect the regents' role to set tuition based on projected revenue," he added, but said that the one-year freeze was necessary because "it is only fair to do this for students, to give them a break."

In addition to spending more for operating expenses and for student aid, Ehrlich provided more money this year for the state's historically black campuses.

For example, state funding for Coppin State increased by \$9.4 million—45 percent—to \$30.1 million, enabling the campus to improve its public safety and maintenance services, and to support its recent 11.1 percent enrollment increase. The school now has 4,300 students and could reach 6,000 students by 2015, said President Stanley Battle. Coppin also broke ground last year for a \$57 million health and human services building, providing classrooms, labs and offices for its nursing, counseling, social work and criminal justice programs.

His campus had been "woefully underfunded," said Battle, who became Coppin's president in 2003 after serving as vice chancellor for student and multicultural affairs at the University of Wisconsin-Milwaukee. "The governor made a commitment to help the university," he said. "That was courageous. I'm pretty sure I wouldn't have come otherwise."

But shortly after Battle arrived at Coppin, the campus faced cuts, along with the rest of the system. "I was not going to lay anybody off. For a new president, that was not going to look good," he said. So everyone on campus, Battle included, took from four to 11 furlough days without pay, for a savings of more than \$300,000. "The regents recognized what we did," he said. Evidently so did the governor.

Reflecting on USM's "effectiveness and efficiency" effort, Kirwan said his motivation and that of the Board of Regents was



As chancellor of the University System of Maryland since 2002, William E. "Brit" Kirwan has led efforts to cut costs, increase the faculty workload and provide more student financial aid.

the sense that although higher education is "still valued as something good for a person—to enter and achieve a degree—it is considered a private benefit." Higher education had begun to lose the public goodwill, he explained. "Because of this decline, we didn't have a lot of support in legislatures," he said. "Higher education took a beating in the first couple years of this decade. The public thought we had begun to turn our back on the neediest."

Higher education had been unwilling "to recognize the way the rest of the world operates," Kirwan added. "[We] had been unwilling to take a serious look at our operations and to take steps to control costs." In order to restore the support higher edu-

The Maryland system expects an enrollment increase of 20 percent by the end of this decade, hence the urgency to save money, increase faculty productivity and encourage students to graduate sooner.

cation had enjoyed in the past, Kirwan became convinced that it would be necessary to address the two critical issues of costs and student aid. So the university restructured its budget submission—aligning it very carefully with state priorities such as enrollment growth and workforce development. And the effort has paid off, winning more support from the governor and legislature.

Kay Mills, a former Los Angeles Times editorial writer, is the author of "Changing Channels: The Civil Rights Case that Transformed Television" (University Press of Mississippi, 2004).