The Presidential Treatment

The Obama administration makes big advances, faces tough challenges, in higher education policy

By Jon Marcus
WASHINGTON, D.C.

YOU'LL HAVE TO forgive them if the community college students, faculty and presidents looked star struck, squinting in the glare of the bright lights of the television news crews as Marine guards crisply showed them to their seats.

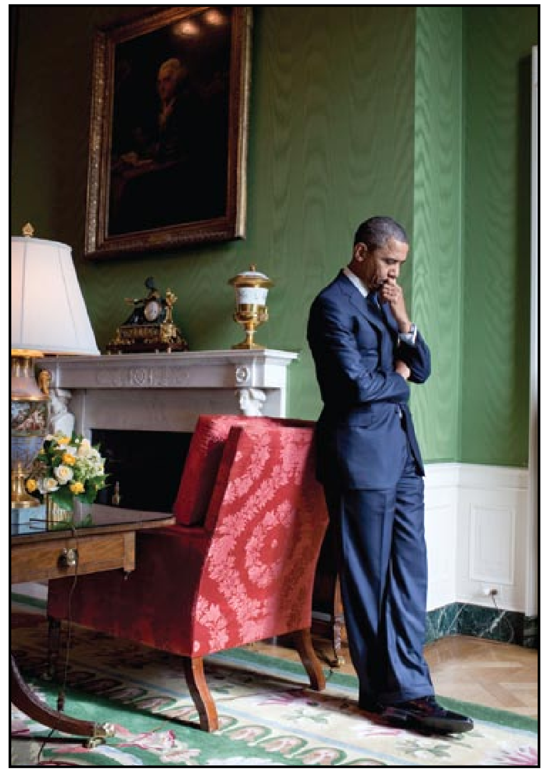
Dressed in their best, these 122 hand-picked representatives of higher education's most maligned, least influential sector were, after all, being ushered to the White House East Room, guests of the wife of the vice president of the United States, the chairman of the joint chiefs of staff, three cabinet secretaries, one congressman, the billionaire who co-chairs the nation's wealthiest foundation—and the leader of the free world.

As they waited restively beneath the crystal chandeliers, surrounded by gold draperies, and scrutinized by Gilbert Stuart's portrait of George Washington, they knew this was the most attention given to their colleges by any president since 1947, when a commission appointed by Harry Truman recommended so big an expansion that there would be a community college campus within easy driving distance of every American.

Barack Obama himself soon was telling them, after he bounded from a side door to the presidential podium, that they were "the unsung heroes of America's education system."

Heady stuff. But the community college leaders at this first-ever White House Summit on Community Colleges also knew that grand plans for $12 billion to help them increase their abysmal graduation rates had been sacrificed for the sake of passing healthcare reform, even then being gleefully disparaged by Republican candidates in the midterm elections as "Obamacare." They knew that this raised questions about the president's goal—called the American Graduation Initiative—of boosting the nation from tenth place in the world to first by 2020 in the proportion of young adults with university degrees. They knew that deep public and congressional antipathy toward federal government spending would certainly slow the momentum of impressive gains that had been made in postsecondary education (Obamacation?) during the administration's first two years. They knew that along with what billions had been approved for higher education were coming unrelenting calls for more accountability, that new rules meant to curb abuses in the fast-growing for-profit higher education sector were threatening to backfire on traditional nonprofit colleges. And they knew that massive increases in federal financial aid were already being sucked up by spiraling tuition charged by universities still reeling from state budget cuts and endowment losses.

Impressive gains have been made in postsecondary education during the Obama administration's first two years.



Pete Souza for the White House

President Barack Obama prepares to deliver remarks to community college leaders at the recent White House Summit on Community Colleges.

For all the value of the attention they were getting, for all they may have relished the unprecedented presidential praise, for all the glamour of a summit at the White House, everyone in the East Room knew that it was more or less a consolation prize.

"The administration came out of the gate strong with the 2020 goal, and then the wind went out of their sails when they traded the American Graduation Initiative for healthcare," said one Washington insider. "It feels like ever since then they've been grabbing on to whatever they can to show they're really serious about higher education."

The poorer prospects for progress in the next two years seem dimmer still because of the inevitable comparison with the enormous strides made so quickly in the previous two. Obama immediately elevated higher education to near the top of a crowded agenda—and spoke often and unusually personally about the value of his own further education and his wife's, which was less of a birthright than it had been for many of his predecessors. Huge amounts of money were appropriated for higher education, goals were set for raising graduation rates, and regulations were fine-tooled to protect students and encourage quality.

First came $100 billion in stimulus money to states for education, $23 billion of which went to higher education ($16.5 billion for additional financial aid and $6.6 billion to plug holes left by budget cuts).

The lower-than-low standing of the bonus-happy big financial institutions that helped force the need for that stimulus spending in the first place also helped the

Dennis Brack, Black Star, for CrossTalk

President Obama's goal—called the American Graduation Initiative—is to boost the nation from tenth place in the world to first by 2020 in the proportion of young adults with university degrees.

administration, in the middle of the healthcare frenzy, to accomplish what earlier administrations could not: eliminate billions of dollars in federal subsidies to banks for student loans in favor of lending the money directly. It was also crucial that—unlike the Clinton administration, which tried to do the same thing but invited opposition from higher education lobbyists and their friends in Congress by proposing that the savings go toward balancing the budget—the Obama team promised that the money would be funneled to the Pell grant program, which provides university tuition grants to students who fall within given income requirements, and which will be beefed up by $39 billion and indexed to inflation starting in 2013.

Obama made some other big advances too. He got a $2,500 tuition tax credit passed, and oversaw the implementation of a new GI Bill, signed by his predecessor, with the most generous terms since World War II. He vastly simplified the bafflingly complex Free Application for Federal Student Aid, or FAFSA, eliminating roughly a quarter of the questions and attracting 33 percent more applicants in just two years. Historically black colleges and universities got a $2.6 billion windfall from the savings freed up by the student-loan reform.

The president indisputably elevated the profile of those long-suffering community colleges, and announced his goal of raising graduation rates by 2020 to restore the nation's global primacy in the proportion of college-educated 25- to 34-year-olds. He secured a $2 billion earmark for the Labor Department to hand out over four years for career training by community colleges and other postsecondary institutions. And his Education Department started cracking down on practices such as incentive payments to student recruiters, with rules that were clearly aimed at for-profit colleges the General Accounting Office had caught misleading applicants.

Obama has placed higher education near the top of a crowded agenda. He has spoken often and unusually personally about the value of his own further education.

Even these accomplishments provoke some critics. The stimulus funds for higher education kept the lights on and avoided layoffs. But, unlike the Race to the Top program (under which $4 billion of federal stimulus money was awarded to primary and secondary schools in a competitive process to reward reform), the stimulus funds came with comparatively few strings, other than that states had to use them to provide the same level of funding they had in 2006. "That's a big string," said Martha Kanter, U.S. undersecretary of education for postsecondary, vocational and adult education, and federal student aid, and herself the former chancellor of a community college district.

One exasperated advocate for higher education reform argues that the stimulus grants effectively doubled, if only temporarily, federal spending on higher education, offering an unprecedented and likely not-to-be-repeated chance to push for greater productivity, curbs or downright caps on tuition, and operational efficiencies. "One place they had the money was the stimulus, and they didn't use it," he said. "Instead of using it to incentivize things, they just put the money out there and said, 'Spend it.'"

But others say that practical considerations made it all but impossible to create a stimulus-fueled Race to the Top in higher education—never mind that universities and colleges adamantly oppose the idea of any further federal involvement in their business. For one thing, said Ben Miller, a policy analyst at the Washington think tank Education Sector, there was great urgency. "In an ideal world you would have seen more strings attached" to the stimulus money, Miller said. "[But] there was such a need to get it done and out the door as quickly as possible that that would have been tough given the timeframe they were working with."

Nor does higher education track the sort of benchmarks readily available in the world of primary and secondary schools—whether K–12 students can read at grade level, for example, and how they do on tests—said Robert Zemsky, founding director of the University of Pennsylvania's Institute for Research on Higher Education. And without measures, it's impossible to set standards, something the people in Obama's Education Department were beginning to find out, to their frustration, as they worked on crafting new higher education regulations. Besides, Zemsky said, if you tie funding to results in higher education, universities can simply rig the

Dennis Brack, Black Star, for CrossTalk

The Obama administration has "demonstrated a willingness to impose more federal control than I think is necessarily desirable," says Terry Hartle, of the American Council on Education.

game in ways that public schools can't, by turning away at-risk applicants and lowering even legitimate barriers to graduation.

There was one more giant pot of money that the president could still divert to higher education: the massive subsidies, which the Congressional Budget Office projected to be worth some $87 billion over ten years, that went to banks providing student loans. And in spite of dogged lobbying by private lenders, the Democratic-controlled Congress added an amendment to the healthcare bill eliminating subsidies for banks and switching to direct-to-student loans. It was a big fourth-down higher education score for the Obama camp. But there was little-noticed angst and intrigue even with this.

For one thing, although they didn't oppose it, the alphabet soup of higher-education associations that ring Washington's Dupont Circle, including the American Council on Education and the National Association of Independent Colleges and Universities, did curiously little to help get student-loan reform across the goal line, even knowing that the billions in savings would be used for Pell grants—and even though such benefits as lower interest rates that lenders once offered university financial-aid officers to keep them on their side had long ago dried up. "If you look at the student-loan fight, you didn't see NAICU, you didn't see ACE heavily supporting something that was going to result in their members getting billions of additional dollars," Miller said.

It was an important turning point. That's because the higher education associations, which had largely welcomed Obama, the Democratic Congress, their higher education platforms, and the huge amounts of money they were likely to receive, were starting to grow worried that the president envisioned a greater federal regulatory role, including by attaching exactly the kind of new conditions to the money generated by the student-loan reform that it hadn't required in exchange for the stimulus funding. "There were some concerns with some of the administration's policy proposals, in terms of expanding the state role in higher education, and that somewhat diminished our willingness to provide an open-ended endorsement," said Terry Hartle, senior vice president for government and public affairs at ACE.

Another problem was that the projected return to the government from cutting subsidies turned out to have been vastly overestimated. Many universities had already voluntarily switched to direct lending, which meant their students' loans were no longer federally subsidized. That helped diminish the expected savings to $46 billion over ten years instead of the predicted $87 billion. Most of the total ($39 billion) went, as promised, to the Pell grant program—allowing for an impressive doubling of the amount available to be divided among the growing number of income-eligible students, and enough to raise the individual maximum grants themselves by the inflation rate for four years beginning in 2013—but not immediately, or for ten years, as originally intended. That was partly because the projections had been so overly optimistic and partly because more than a third of the Pell grant money ended up going to cover previous years' shortfalls caused by burgeoning demand for aid from students and their families struggling to pay persistent hikes in college fees in the midst of the recession.

After taking 35 years to grow to $13 billion in 2007, when there were 12 million applicants and five million recipients, the cost of Pell grants will have mushroomed to an estimated $35 billion by next year, when there will be an estimated 19 million applicants and nine million recipients. That's more money than the budgets of eight cabinet-level government agencies. The runaway upsurge in the cost of Pell grants has been propelled in part by those tuition increases—7.9 percent for public and 4.5 percent for private universities and colleges this year, according to the College Board, during a time when other consumer prices actually fell by one percent, and family income grew by only one percent. Only 24 states used any of their stimulus money to keep tuition down.

Dennis Brack, Black Star, for CrossTalk

"Taxpayers are entitled to ask legitimate questions about what they're getting for their money," says Harris Miller, president of the Association of Private Sector Colleges and Universities.

Obama also pledged to commit $12 billion of the loan-subsidy savings over ten years to help community colleges meet his goal of boosting graduation rates with more online learning, business partnerships and worksite education, plus facility improvements. But that amount kept dropping, too, to $10 billion in the House bill and $2 billion in the final legislation. The balance went to offset some of the cost of the healthcare bill. The $2 billion that was left for higher education would still be destined for community colleges, but not for the purpose of increasing access or completion rates. It would go to job training, especially for mid-career workers and workers whose jobs had been exported. And it would be spread out over four years, in a program run not by the Education Department, but by the Department of Labor.

The Obama administration accomplished what earlier administrations could not: They eliminated billions of dollars in federal subsidies to banks for student loans in favor of lending the money directly.

It was at a community college in Michigan that Obama had announced his American Graduation Initiative to increase the proportion of 25- to 34-year-olds with associate's degrees or higher, from 38 percent to more than half, restoring the nation from ninth (or tenth, depending on the source of the statistics) to first in that measure by 2020. The number of jobs requiring at least an associate's degree is growing twice as fast as the number of jobs that don't, and the Center on Education and the Workforce at Georgetown University estimates that, if current trends continue, the United States will fall short of meeting

Dennis Brack, Black Star, for CrossTalk

Education Secretary Arne Duncan has emphasized greater federal oversight, something that both for-profit and nonprofit institutions dislike about the Obama administration's higher education strategy.

the demand for college- and university-educated workers by at least three million as soon as 2018. Meeting the goal of the president's graduation initiative would require graduating an additional eight million students by the end of this decade, an increase of four percent, according to the National Center for Higher Education Management Systems.

Community colleges, where only one in four students now earns a degree within three years, are "the lynchpin" of this plan, Kanter told reporters in a conference call the night before the White House summit. They would have to turn out an additional five million graduates by 2020. This at a time when, in addition to their chronic problems with completion, community colleges in 32 states were struggling just to get by on flat or lower budgets, and when their full-time enrollments had ballooned by 24 percent in the two years from fall 2007 to fall 2009. A survey of community colleges by the Education Policy Center at the University of Alabama found that most were in no financial condition to meet the graduation goals.

Yet as crowded and cash-strapped as they are, the community colleges seemed as ambivalent about that lost $12 billion as their university counterparts on Dupont Circle had been about the savings generated by the student-loan reforms, and on the same grounds: because the government, for the first time, wanted to attach significant conditions to the money. To get it, they would have to set and meet graduation, job-placement, and other goals reviewed and approved by bureaucrats in Washington.

The president elevated the profile of the community colleges, and announced his goal of raising graduation rates by 2020 to restore the nation's global primacy in college education.

"We're not even that close to Dupont Circle, and you could hear the crying and screaming from here" as the reality of the tradeoffs sank in, said Harris Miller, president of the Association of Private Sector Colleges and Universities, which represents the for-profit schools that have become community colleges' biggest competition.

Miller's members were beginning to feel their own pain.

Prodded by consumer advocates, high student-loan default rates, and allegations of fraud, the administration was proposing regulations clearly aimed at cracking down on for-profit universities in ways the previous administration had not. Among those doing the prodding: traditional nonprofit universities and their associations.

Private, for-profit schools, after all, now account for nearly a quarter of all Pell spending, or $4.3 billion last year alone—and students who attend them borrow billions more per year to pay for tuition. But two years into repayment, nearly 12 percent of those students have defaulted on their loans, three times the rate at nonprofit private institutions, and double the proportion at public universities and colleges. (The for-profits argue that their default rate is disproportionately high because they serve a lower-income market already struggling to make ends meet. According to Harris Miller, three-quarters of their students are financially independent of their parents, and nearly half of them have children.)

Undercover investigators from the General Accounting Office, posing as prospective applicants to 15 for-profit colleges, found that all 15 gave them deceptive information, and four encouraged downright fraud to help the applicant qualify for federal financial aid. Some of the purported students, the investigators say, were urged to falsify financial information. Others got exaggerated estimates of what they could expect to earn after they had graduated, or misleading information about the cost of courses, and were pressured into signing contracts. An investigator who inquired about a certificate program in massage therapy was told the $14,000 fee was a good value when, in fact, a nearby community college charged only $520.

The Florida Attorney General's Office also has announced that it is looking into alleged misrepresentation by for-profit universities. Previous investigations found that some for-profit institutions were enrolling grossly unqualified students for the sake of getting access to their federal financial aid.

Long experienced in Washington politics as a senator's aide, a House committee staffer, and a candidate for Congress from Virginia, Miller deftly seized on Obama's graduation plan and positioned the for-profit universities as part of the solution. With ten percent of total enrollment, or 2.3 million students, the for-profits said, they were there to help. "The president is very much singing our song," Miller said. "We are in violent agreement that there is this huge population of underserved students and that they need a higher education, in terms of their personal growth and fulfillment, and for our country's sake to be globally competitive."

The administration wasn't biting. Education Department officials started work early in Obama's term on 14 regulations to control abuses. Several were clearly aimed at the for-profits. One, the "gainful-employment" rule, proposed to measure the loan debt of students in vocationally oriented programs as a proportion of their estimated annual income. Programs with a debt-to-income rate that is too high would lose their eligibility for federal financial aid, effectively shutting them down. Another regulation prohibits bonuses or other incentives for student recruiters or admissions officers based on how many students they sign up or how much financial aid they bring in. The Education Department gave itself more clout to ban deceptive marketing and advertising, and institutions will have to disclose their graduation and job-placement rates and students' median debt.

The for-profit sector fired back with guns blazing. Although they were also forcefully opposed to the incentive-compensation regulation, their principal target was the gainful-employment rule. They said it would require huge amounts of paperwork and would discourage institutions from starting new programs. They said that was counterproductive at a time when unemployment is so high and so many Americans need more, and not less, vocational and career training. They said the Education Department couldn't possibly review the estimated 53,000 programs nationwide that would be affected. Besides, they and others said, the cutoffs seem arbitrary: What's a fair ratio of debt to income, and who gets to decide?

Education Department rule-makers responded by proposing a complicated formula under which the debt would not be allowed to exceed eight percent of expected earnings, based on a ten-year repayment schedule. Five percent of programs were projected to fail that test. Another suggestion is that a university or college might be required to prove that there is a "reasonable relationship" between the cost of a program and the added amount a graduate can expect to earn with a relevant degree or certificate.

The for-profits promise a court battle on due-process grounds if the gainful-employment regulation is approved, and have spent $3 million since the beginning of the year alone on lobbying to help make sure it isn't, according to the independent, nonpartisan Center for Responsive Politics. (Federal lobbying on education overall rose to a record $106 million in 2008 and topped $100 million last year. From January through October of 2010, NAICU spent $223,000 on federal lobbying, ACE $150,639, and the Association of Public and Land-grant Universities $250,000; but the Apollo Group alone, parent of the University of Phoenix, spent $337,000, Career Education Corporation $460,000, and the Washington Post Company, owner of Kaplan, spent $420,000.)

Some 91,000 comments on the gainful-employment measure were submitted to the *Federal Register*, by far a record response to any Education Department proposal. On the other side, a coalition of 30 consumer, student and civil-rights groups lined up to say the gainful-employment guidelines don't go far enough. Shares of for-profit education companies have slumped since the Apollo Group, citing "regulatory and other scrutiny," forecast a decline in new enrollment at the University of Phoenix. Overwhelmed, the Education Department postponed a decision on the gainful-employment rule, though all the other regulations moved forward and will take effect July 1, 2011.

"We'll continue to do battle with the administration on this," said Harris Miller. "The divergence comes in terms of how one determines what is or is not a quality institution, and whether Washington or the consumer should make that decision."

The runaway upsurge in the cost of Pell grants has been propelled in part by tuition increases—7.9 percent for public universities and colleges this year.

Even Margaret Spellings, education secretary for George W. Bush, weighed in. "At a time when the administration should be focused on job creation and strategies to prepare today's students for tomorrow's jobs, it is targeting private-sector higher education providers that serve about three million students a year," Spellings wrote in a *Washington Post* op-ed. "The result could be more jobs lost and fewer Americans getting the education they need to secure good jobs."

Spellings lauded Obama's graduation initiative, his support for community colleges, and the increase in Pell grants, which Bush raised, too. But she blasted the end of federally subsidized private lending, saying it robbed consumers of choice, and said the crackdown on for-profit schools would disproportionately hurt low-income and minority students. The president's good start had "quickly faltered," Spellings wrote. "The Obama administration's tendency to spend more money and support aggressive government solutions began to get the better of it." (Spellings, who now runs her own political consulting firm, declined to be interviewed.)

Meanwhile, a funny thing had happened on the way to the rule-making process. Conventional nonprofit universities, among the for-profits' most consistent critics, realized the regulations would affect them, too. It turned out that 40,000 of the 53,000 programs that fell under the gainful-employment proposal, for example, were at traditional nonprofits, and while most of those were likely not endangered, all would now be under closer federal control. Among other quandaries this presented, if a student started at a for-profit institution and transferred to a nonprofit university, the total of his or her loans

By the Numbers
Higher education in Obama's first two years

Amount of stimulus money that went to higher education: $23 billion
Projected ten-year savings from eliminating student-loan subsidies: $87 billion
Actual savings: $46 billion
Amount of this that was supposed to go to community colleges: $12 billion
Amount that actually did: $2 billion
Amount that went to Pell grants: $39 billion
Number of applicants for Pell grants in 2007: 12 million
Number of recipients: 5 million
Amount dispensed: $13 billion
Expected number of applicants next year: 19 million
Expected number of recipients: 9 million
Estimated amount to be dispensed: $35 billion
Increase this year in public-university tuition: 7.9 percent
Increase this year in private-university tuition: 4.5 percent
Inflation rate: -.4 percent
Current proportion of 25- to 34-year-olds with a postsecondary degree: 38 percent
Obama's goal: 60 percent by 2020
Number of states whose community college budgets were down or flat this year: 32
Two-year increase in community college enrollment: 24 percent
Private, for-profit share of total postsecondary enrollment: 10 percent
Share of Pell grants that now go to students at private, for-profit schools: 24 percent
Questions eliminated from the Free Application for Federal Student Aid (FAFSA): 22 (more than 20 percent)
Increase in FAFSA applications filed since then: 33 percent

Sources: U.S. Department of Education, American Association of Community Colleges, Congressional Budget Office

Dennis Brack, Black Star, for CrossTalk

"Jobs in today's economy require more than just vocational training," says Debra Humphreys, vice president of the American Association of Colleges and Universities, which advocates for the liberal arts.

would count against the nonprofit's debt-to-income ratio. The nonprofit universities and colleges were so worried about this that they got rule-makers to revise the measure in order to avoid it.

"Be careful what you ask for," Harris Miller joked. "You might get it."

Kanter defends the regulations as consumer protections. "We've made great strides on the access side, but we have a lot more to accomplish to ensure that students are earning that first-class education that is a hallmark of America," she said. "Higher education will always be suspicious of anything the federal government does, and certainly there are legitimate concerns. But we've got to measure progress."

What nonprofits and for-profits dislike equally about Obama's higher education strategy is its shift toward greater federal oversight of what they do. That's at the heart of tension that has wilted the initial enthusiasm for the new president from the same university associations that worked to stifle calls for more accountability in higher education, including a national student database, by the Commission on the Future of Higher Education, known as the Spellings Commission, during Bush's term. While they welcome the boost in Pell grant funding and other strategies of the new administration, said Hartle, "That doesn't mean we automatically love everything they do. They also have demonstrated a willingness to impose more federal control than I think is necessarily desirable."

Harris Miller is less nuanced about the way he thinks nonprofit universities have grown to regard Obama: "While Bush was in the White House and Spellings was in the White House, they thought, 'Jeez, if we can just wait these people out and hold on until the Democrats get back in, all this pressure will disappear," said Miller, whose own sector was—justifiably, as it turned out—under no such illusion. "But, no, Barack Obama shows up, and (Education Secretary) Arne Duncan shows up, and they're of the same mindset, and the governors are of the same mindset," that American higher education, as the global stakes increase, should be held accountable for its results.

In this regard, the universities aren't up against only the president. Legislators, governors, and tuition-paying students and their parents, too, want more accountability, in a growing movement unlikely to be discouraged by endless stalling. "That pressure's not going away," said Alisa Federico Cunningham, vice president of research and programs at the Institute for Higher Education Policy. "Higher education has not yet totally adjusted to the fact that the country—the taxpayers, the parents, everybody—has decided that a little bit of luster has faded from the higher education system," said Harris Miller. "The way to regain that luster and credibility is not to pound the table and say, 'We've been around for 800 years and we know best,' but to accept the idea that, because you do have so much money involved, that taxpayers are entitled to ask legitimate questions about what they're getting for their money."

A few universities and university associations are already voluntarily publishing some outcomes information to avoid being forced to do it. "They're trying to head off any federal intrusion in this area by self-policing," said Donald Heller, director of the Center for the Study of Higher Education at Pennsylvania State University. "They're going to fight tooth and nail to avoid the federal government telling them what information they have to make available. It's a 350-year tradition of autonomy they don't want to give up. The public institutions say they're already heavily controlled and regulated by their states, and that it's in the best interest of their students for them to make those decisions, not for the federal government to do it."

But the Obama administration already is doing it, with new rules covering the definition of a credit hour that puts the government not only on the campus, but in the classroom. It's another Bush initiative the universities had hoped would go away, and another example of a rule aimed at for-profit universities that has spilled over into the nonprofit sector. And it follows yet more bad press, this time about the accreditation of a for-profit online school called American InterContinental University, by the Higher Learning Commission of the North Central Association of Colleges and Schools, in spite of questions about the value of an unusually large number of credits awarded for unusually short courses. That prompted House Education Committee Chairman George Miller to demand a standard definition of a credit hour to ensure that students and taxpayers get their money's worth. The Education Department has since responded by proposing that one credit hour should be equal to at least one hour of instruction plus two hours of preparation per week, though institutions would be left to determine what "reasonably approximates" that measure.

"They're almost starting to take the next step—that the government tells the educators how to educate," said William Zumeta, a professor of public affairs and education at the University of Washington and president of the Association for the Study of Higher

"We've got our work cut out for us," says Martha Kanter, U.S. undersecretary of education. "Like everyone in this country, we have to do more with less."

Education. "It rubs against the traditional grain of institutional autonomy." Hartle said ACE members' objection to the credit definition "is simply that when it comes to postsecondary education, one size doesn't fit all, and the federal government has no choice but to impose fairly generalized regulations on all institutions, whether it's a welding school or a research university. The issue is not that the federal government shouldn't make sure its money is well spent and impose appropriate regulations. When any industry is getting nearly $150 billion a year in federal support, some reasonable federal regulation and oversight has to be expected. The challenge is to find the right balance and not insist on a uniform set of outcome measures for all institutions."

Balanced or not—and whether or not universities expected it from the Obama camp—more regulation is all but certain, most observers say. "The role the federal government has to play in all of this is always tenuous," said Education Sector's Ben Miller. "You don't want them to be getting heavily involved in curriculum matters. But you do want them to create an incentive for colleges and states to keep their tuition affordable and make sure students are graduating with credible degrees. As it stands now, the federal government is the rich uncle who hands out the money for financial aid, but after you get the money you do whatever you want with it." As for the continuing resistance from universities and colleges to greater regulation, Miller said: "Any time you've been operating for a long period of time without much oversight, there's going to be a great deal of pushback. They don't really want people to take a closer look."

And higher education has been pushing back, opposing provisions of Obama's proposal for a $2.5 billion Race to the Top-like College Access and Completion Fund, which would have been awarded to states that promised to improve their graduation rates. Private, nonprofit universities in particular chafed at the idea of outsiders setting goals for them to meet. In the end, the plan was dropped in favor of a $750 million boost to the existing College Access Challenge Grants, designed to increase the number of university-enrolled low-income students. Universities didn't like the president's idea of diverting federal Perkins loans to schools that held down their tuition. That failed, too. And they helped thwart a plan to lower the charitable tax deduction for the rich, which would have raised $318 billion over ten years but also might have cost them contributions.

As unemployment has become Obama's single most persistent political problem, universities have also grown uncomfortable with what they say is his administration's narrowing focus on higher education as a means of training Americans for work. In October, with the midterm election looming, the president announced a public-private partnership linking community colleges with companies including McDonald's and the Gap to improve job training. And while he and other high-ranking government officials refer to the colleges' educational missions, too, it is often second to the idea that they should help match classroom skills more closely to workplace needs.

"Getting Americans back to work is America's great challenge," Jill Biden, a community college instructor and the wife of Vice President Joe Biden, told community college leaders at the White House summit. "And community colleges are critically important to preparing graduates for those jobs." Community colleges, the president chimed in, "aren't just the key to the future of their students. They're also one of the keys to the future of our country."

John Troha, Black Star, for CrossTalk

Robert Zemsky, of the University of Pennsylvania's Institute for Research on Higher Education, says that if funding is tied to results in higher education, universities can simply rig the game by lowering barriers to graduation.

But higher education isn't solely about job training, said Debra Humphreys, vice president of the American Association of Colleges and Universities, which advocates for the liberal arts. "Even if you stay on the economic front, if you're talking only about the role that higher education is playing to prepare more and more students for a changing workplace, there's a lack of understanding of how jobs in today's economy require more than just vocational training. People have in their minds a very 20th-century idea of the economy. What I think is emerging in the 21st-century economy is that students actually need a broader set of skills and abilities that are provided not just by narrow training but by the broader college learning that America has traditionally excelled at."

What Obama could do better, Humphreys said, "is to help the public see the difference between narrow training and real college. We have to create ladders of opportunity so students, no matter where they start, have a base of learning that will allow them to come back into the system and continue to build their portfolios of skills. And at the moment it's a bit too muddled about what the Obama administration is trying to advance. Without these distinctions being clear, too much emphasis could go toward training programs that won't really prepare students for long-term success."

Meeting the goal of the president's American Graduation Initiative would require graduating an additional eight million students by the end of the decade.

With prospects bleak for much new funding in the next two years, speaking out may be the most effective thing Obama can do now to keep his higher education strategy on track, according to Washington observers. "Not everything takes money," said Zumeta. "Talk does help."

"We've got our work cut out for us," Kanter conceded. "Like everyone in this country, we have to do more with less," she said, adding that the president has "painted a picture of a call to action. We have helped bring to the forefront the need for Americans to go to college and complete college. We have a lot of challenges in the funding of that, and a lot of starts and stops, but the country understands we have a lot of reforms under way."

Obama and his team now have an opportunity to use their

Dennis Brack, Black Star, for CrossTalk

"College leaders are recognizing the need for significant change," says Jamie Merisotis, president of the Lumina Foundation for Education.

bully pulpit to make increased graduation rates a truly national agenda, instead of a federal one, by reaching out to states, according to a Beltway insider.

That's already happening. Many states have started to set goals for graduation rates, and tied some public university funding to outcomes rather than enrollment. The Southern Regional Education Board has called for 16 southern states to raise the proportion of their populations with postsecondary credentials to 60 percent by 2025.

But without the money the administration hoped to put behind it, Obama's goal of restoring the nation to first in the world in 25- to 34-year-olds with postsecondary degrees will be difficult to achieve. "It just won't happen on a national level," Ben Miller said. "All the exciting stuff about best online practices and trying to get states to set up actual plans to improve completion—all the money for that really disappeared. Had things worked out the way they wanted, it would have gotten more than just attention. They could have been more game changers with higher education than they've been."

Nor is there likely any money left to come. "Given the growing concern about the federal budget deficit, the likelihood is that there will be enormous pressures on federal spending," Hartle said. "We are entering a period when budget will define policy." Even some of the gains of the president's first two years are at risk, many fear. They worry that the $2,500 tuition tax credit will be allowed to lapse by a belt-tightening Congress, that the Republicans who control the House will balk at any additional spending, and that Pell grants will be frozen even as tuition continues to go up. (Said Hartle: "Anybody who looks at the Pell grants has to think, if Congress does decide to cut the budget deficit, they will look at this program and say, 'Why has it expanded so quickly, and what can we do about it?'")

Zemsky, who served on the Spellings Commission, thinks the money pouring into Pell grants is misplaced anyway. "Right amount, wrong target," he said. He thinks those billions should be diverted to middle schools, helping higher education by improving the preparation of its applicants. "Spending more and more on Pell grants does two things: It just increases the flow of funds higher education is extraordinarily successful in soaking up by increasing tuition, and it encourages people who aren't ready for college to go anyway," Zemsky said. He also proposes that Obama organize a U.S. version of the multi-stage Bologna Process, which standardized academic degrees in Europe, helping smooth the credit-transfer process that so often frustrates students into abandoning their educations. "These are the kinds of places where the battle is being lost, and I don't see anything in the graduation initiative that even begins to address them," Zemsky said.

Foundations have, though. They've stepped into the funding breach more forcefully than during previous administrations, pushing higher education to change by wielding tens of millions of dollars in competitive grants. "The amount of money those groups are going to be able to provide is way less than what the federal government could, but it's not chump change either," Ben Miller said. The model was the influence during the healthcare debates of the Robert Wood Johnson Foundation and others, said Jamie Merisotis, president of the Indianapolis-based Lumina Foundation for Education, which focuses on increasing postsecondary enrollment and completion. "Because what a lot of us do is so closely aligned with what the president chose to identify as the administration's higher education goals, it turns out there's a lot of opportunity for collaboration," Merisotis said.

Melinda Gates, co-chairman of the Bill & Melinda Gates Foundation, which is also working on improving postsecondary completion, said, "We see ourselves as a tiny piece of the pie. We're here to be catalysts to help that change. That's how we view our work." After all, as Merisotis put it, "Philanthropy has the capacity to do what government historically did, which is more of the analytic work, more of the support for innovation."

That innovation might be happening more slowly than the president would like. "College leaders are recognizing the need for significant change, although I don't see the evidence yet that they've figured out how to get from there to here," Merisotis said. "I think that the hunker-down-and-wait-it-out mentality, which we even saw at the beginning of this economic crisis, is transforming into a commitment to think the unthinkable. There's a recognition that change needs to happen. But there's also clearly a gulf between thinking the unthinkable and taking the action to do it."

Private, for-profit schools now account for nearly a quarter of all Pell grant spending, or $4.3 billion last year alone—and students borrow billions more per year to pay their tuition.

Obama is as serious as ever, he insisted to his audience in the East Room.

In the 19th century, Obama said, America bankrolled public schools and land-grant colleges; in the 20th, the country invested in the GI Bill and math and science education. "But in recent years, we've failed to live up to this legacy, especially in higher education," he added.

"That not only represents a huge waste of potential; in the global marketplace it represents a threat to our position as the world's leading economy. To use an expression familiar to those of you from the midwest: You don't eat your seed corn. We can't accept less investment in our young people if our country is going to move forward." ◆

Jon Marcus is a writer based in Boston who covers higher education in the U.S. for the (UK) *Times Higher Education* magazine.