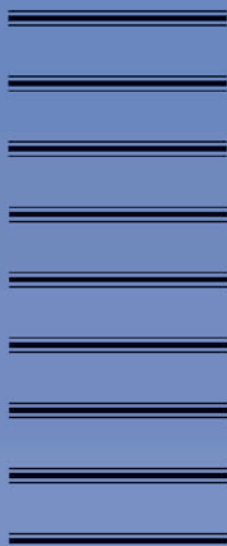


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Student Loan Scandals and Shifts in Higher Education Funding

Over the past two months, major scandals have emerged involving student loan companies and colleges and universities. Government officials, at the state and federal levels, have been investigating bribes made by private loan companies to colleges and universities, conflicts of interest involving loan companies and university student aid officials who own stock in “preferred lenders” at their institutions, charges that some officials in the US Department of Education own stock in loan companies that they are supposed to be regulating, and high salaries and excessive interest rates in the student loan “industry.”

It serves the public good for these issues to be fully investigated and aired. The House Education and Labor Committee held hearings on these issues. State attorneys general, most especially in New York, Illinois, and Missouri, have been investigating particular patterns of abuse. Congress has requested, and the Secretary of Education has agreed, to bar loan companies from using its databases for marketing loans. Further legislation is pending to exercise greater control of relationships among private lenders, higher education institutions, and government officials.

While the exposure of shoddy and potentially illegal practices that take advantage of students and their families is necessary and valuable, it is crucial to recognize that the student loan scandals have been a product of a broad historical shift of how higher education is funded. Increasingly, costs have been shifting from state and federal funding of students and institutions of higher education to students and their families paying more and going into higher levels of debt. A few facts reveal the extent of the change toward privatizing the financial responsibility for higher education.

A study by State Higher Education Officers (SHEEO) demonstrated that in 1981 net tuition was about 22 percent of total education revenues. By 2005, net tuition accounted for about 37 percent of total education revenues. In constant 2005 dollars, state and local support accounted per full-time student was \$5,833 compared to \$7,121 in 2001. There was a decline of \$1,288 in government support per full-time student over this four-year period. A study prepared in 2006 for the Western Interstate Commission for Higher Education found that tuition in some states skyrocketed between 2000 and 2004: In Massachusetts, tuition increased by 72%, in Colorado by 32%, in Virginia by 53%, and in Missouri by 56% as a result of steep declines in state support.

Federal funding of higher education shows a drastic shift away from direct grants to loans. College Board analysts have demonstrated that the fastest growing segment of student aid has been private student loans. Half of student aid, for example, came in the form of subsidized and unsubsidized loans from the federal government. From 1993-94 to 2003-04, the number of borrowers under Parent Loans for Undergraduates (PLUS) more than doubled, increasing from 310,000 to

Student Loan Scandals Con't

735,000. The average loan parents were assuming increased over this decade to \$8,839, an increase of 54 percent in constant dollars. The market for PLUS loans, which are provided by private lenders, has had a dramatic increase, making the student loan business an \$85 billion industry. At the same time, the value of the Pell Grant has deteriorated dramatically. In 1981, the Pell Grant covered 35% of charges at four-year public institutions. By 2004, this declined to 23% of charges at four-year public institutions.

As Robert Kuttner pointed out in an April 21 article in the Boston Globe, changing the sources of loans from government agencies to private for-profit lenders has generated economic and

political interests that strengthen ties among politicians and lenders. In the 2004 and 2006 elections, Sallie Mae donated at least \$877,000 to the election campaigns of President Bush and candidates of the then majority party. Representative John Boehner's PAC received \$122,470 while he was chairing the committee with jurisdiction over higher education in the House of Representatives.

The shift in funding from government sources to for-profit lenders provides fertile ground for conflicts of interest, increasing costs, and, ultimately, corruption of higher education officials at colleges and universities and in government.

Assessment and Standardized Testing in Texas

Assessment was one of the major issues to emerge from A Challenge to Leadership, the report prepared by a commission appointed by Secretary of Education Spellings. Chaired by Charles Miller, former Chancellor of the University of Texas under then Governor George Bush, the commission report claimed that lack of transparency, accountability, and comparability characterized much of higher education. In order to deal with this issue, the commission recommended that clear measures of goals and achievement should be established and enforced. In response, the AAUP and other higher education advocates have argued that the commission's recommendation would lead to standardized testing and greater uniformity in undergraduate education. Higher education would, as a result, become more centralized and homogenized, weakening the role of the faculty, heightening the power of centralized authorities, and undermining academic freedom.

According to a report by Leo Welch,

President of the Illinois AAUP published in the Spring 2007 issue of Illinois Academe, the worst-case scenario is unfolding in Charles Miller's home state of Texas. Texas Governor Rick Perry has called for increased financial support for higher education coupled with testing requirements for graduating seniors. While the results of the testing would not determine whether individual students would graduate, they would be used to allocate funds to state supported institutions.

Tests for major fields would be administered in fifteen undergraduate majors and MBA programs. In fields where the Educational Testing Service (ETS) has tests, ETS tests would be used. In fields where there are no ETS tests, there would have to be tests established.

Texas faculty have been critical of tying the funding of higher education to standardized testing. Charles Zucker, Executive Director of the Texas Faculty Association stated: "I'd give a flunking grade to the testing proposal. There is

AAUP Voice

Gerry Turkel, Editor

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Assessment Con't

widespread consensus in Texas that all of the K-12 standardized testing that we have done has not really worked. We've had massive amounts of teaching to the test going on, and now that there is a consensus that has failed, the governor wants to institute the same plan for higher education."

The effort to tie assessment to standardized testing and to funding of higher education institutions in Texas is extreme and highly politicized. Governor Perry has pressured legislators, university regents, and chancellors

and presidents across Texas to urge their support. Secretary Spellings has sought to implement her commission's proposals on assessment by demands on accreditation agencies.

While there is widespread agreement in the academic community that we should strive for greater clarity in our goals for undergraduate education and develop innovative methods of instruction for realizing them, this must be accompanied by a strong rejection of standardized testing, standardized curricula, and a diminished role for the faculty.

AAUP Student Award Winners for 2007

Kristen L. Geaman, History, minor in Medieval History

Kristen L. Geaman of Findlay, Ohio, is the winner of a \$2,000 AAUP Student Award for graduate study. Kristen has an outstanding 3.99 cumulative gpa. She will graduate with an Honors Degree with Distinction, and plans to obtain a Ph.D. in medieval European history. She has been accepted into doctoral programs at Ohio State, the University of Washington, and the University of Southern California. Ms. Geaman has been active in undergraduate research for two years on Richard, younger brother of Henry III of England, and the influence of his three wives, which will also be the topic of her senior thesis. She has an excellent facility in Latin, making possible her use of unprinted sources in several British libraries. As one faculty member stated, Kristen is known for her "very imaginative nature, her independence, and especially her willingness to undertake challenging work." Kristen has numerous awards and scholarships, has participated in four conferences, and has been quite active in service projects with the Red Ribbon (AIDS awareness) project, Phi Alpha Theta, Students Acting for Gender Equality (SAGE), Haven, the Little Sisters of the Poor, and as a tutor in the Academic Enrichment Center. Kristen plans to be a university professor in medieval history.



Jason A. Peiffer, Plant Sciences, with minors in Biochemistry and Biochemical Engineering


Jason A. Peiffer of Allentown, Pa, is the winner of a \$2,000 AAUP Student Award for graduate study. Jason has a 3.52 cumulative gpa. He will graduate with an Honors Degree with Distinction, and is writing a senior thesis on isolation of genes as expressed in a single floral organ (crocus). Jason has been active in research for four years at the Delaware Biotechnical Institute, supported by funding from the National Science Foundation in a grant that Jason wrote. As a faculty member stated, he has an "excellent work ethic" and a "natural curiosity that is quite well suited for a career in science." He has many awards and scholarships, including the USDA Scholar Award, the Crossan Award, and the UD Science and Technology Scholarship. He has also attended or presented at six conferences. Jason has also been active in service activities as an Ag Ambassador, vice-president of Alpha Zeta, logistics co-chair of Ag Day, and as a volunteer in Louisiana clearing hurricane debris. He plans to complete his Ph.D. in Plant Genetics at either Yale, Cornell, or Iowa State University in preparation to be a university professor of plant sciences.



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Thanks, Bob!

Bob Taggart, shown in the picture with James Peiffer, has served on the AAUP Student Awards Committee since its inception in 1997 and as chair for the past seven years. Bob is retiring from the University of Delaware after thirty-seven years in the School of Education. Under Bob's leadership of the committee, the award increased from \$1,000 to \$2,000 and from one to two students. In leaving the committee, Bob said "it has been glorious for me and my committee members to see the outstanding seniors we have at our fine university in many fields of study who are already solid scholars and will attend the best graduate schools in the world." Joan Couch, in the Department of Health and Exercise Science, will be chairing the committee next year. We thank Bob for all of his work for the AAUP and wish him all the best for the future.

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