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President Obama proposes to link student aid to new ratings of colleges

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WASHINGTON -- President Obama appears to be making good on his vow to propose a "shake-up" for higher education.

Early Thursday, he released [a plan](#) ^[1] that would:

- Create a new rating system for colleges in which they would be evaluated based on various outcomes (such as graduation rates and graduate earnings), on affordability and on access (measures such as the percentage of students receiving Pell Grants).
- Link student aid to these ratings, such that students who enroll at high performing colleges would receive larger Pell Grants and more favorable rates on student loans.
- Create a new program that would give colleges a "bonus" if they enroll large numbers of students eligible for Pell Grants.
- Toughen requirements on students receiving aid. For example, the president said that these rules might require completion of a certain percentage of classes to continue receiving aid.

In some ways, the plan has common elements with the "gainful employment" regulations over which the administration has fought with for-profit higher education. [An underlying goal](#) ^[2] both of those regulations and this plan is an attempt to judge colleges based on the "value" they provide to students and taxpayers, based on a mix of student outcomes. Gainful employment, aimed at vocational programs, focused exclusively on employment outcomes and debt; the president's plan for colleges generally would look at a broader mix of institutional and student outcomes, including access and affordability as well as employment outcomes.

The ratings on which colleges would be judged (and on which student aid policies would be based) would not compare all colleges across the board, but rather colleges "with similar missions."

The White House also said President Obama is "challenging" colleges to "adopt one or more" of practices he called "promising" to "offer breakthroughs on cost, quality or both." Among them: competency-based learning that moves away from seat time, course redesign (including massive open online courses), the use of technology for student services, and more efforts to recognize prior learning.

The fact sheet issued by the White House offered this rationale for the wide-ranging proposals: "The average tuition at a public four-year college has increased by more than 250 percent over the past three decades, while incomes for typical families grew by only 16

percent, according to College Board and Census data. Declining state funding has forced students to shoulder a bigger proportion of college costs; tuition has almost doubled as a share of public college revenues over the past 25 years from 25 percent to 47 percent. While a college education remains a worthwhile investment overall, the average borrower now graduates with over \$26,000 in debt. Only 58 percent of full-time students who began college in 2004 earned a four-year degree within six years. Loan default rates are rising, and too many young adults are burdened with debt as they seek to start a family, buy a home, launch a business, or save for retirement."

In the build-up to releasing the proposals, President Obama has frequently cited his personal experience with repaying student loans, and debt relief features prominently in the plan. The proposal calls for all students to be eligible for the existing option of capping student loan repayments at 10 percent of their income. (Currently only some students have this right.) And the administration vowed to encourage more borrowers to use this "pay as you earn" option.

The president's proposal -- mentioning such ideas as MOOCs, competency-based learning and others -- identifies the administration firmly with a series of reforms that have been building in recent years, reforms that have attracted considerable attention and also considerable skepticism from some in academe. Obama is proposing to spend \$260 million on a "First in the World" fund that would "test and evaluate innovative approaches to higher education." Further, the administration is promising to issue "regulatory waivers" for "high-quality, low-cost innovations in higher education, such as making it possible for students to get financial aid based on how much they learn, rather than the amount of time they spend in class."

The ideas in the plan are a mix of actions that the administration could take by itself and those that would require legislation. To date, there has been plenty of Republican enthusiasm (at least at the state level) for some of the ideas reflected in the proposal. But given Republican enthusiasm in Washington for not passing anything proposed by the president, it is unclear how much support the administration will find on the Hill.

The plan seems sure to attract criticism from many in higher education. In fact President Obama seemed to be setting the stage ^[3] for that when he issued a letter this week saying that elements of the plan "won't all be popular with everyone -- including some who've made higher education their business."

Indeed college leaders (particularly from private higher education) have objected the president's recent statements ^[4] about college costs being "out of control." And many liberal arts colleges leaders have criticized much more limited administration initiatives -- such as creating the College Scorecard ^[5] -- for oversimplifying the information on which students and families can make decisions on colleges costs. The College Scorecard has much of the information on which the Obama ratings would be based, but it would proposed purely for informational value, not (at least not stated) as a tool to change student aid policy.

The fact sheet released this morning appeared to reflect past concerns of public higher education leaders that some of the president's statements about tuition rates at their institutions didn't note the role of state appropriations in those increases. The fact sheet states: "About three-quarters of college students attend a community college or public university, and declining state funding has been the biggest reason for rising tuition at public institutions."

That statement comes in a section in which the president reiterates support for his proposed

\$1 billion "Race to the Top" competition for states. The funds would be used to encourage states to "paying for value as opposed to for enrollment or just seat time," encouraging the use of performance-based funding that has taken hold in states such as Indiana, Tennessee and Ohio. The proposal mentions a push to require states to maintain their funding for public higher education, although many college leaders would probably have preferred much stronger language.

While the proposal as a whole is full of implied or explicit criticism of higher education, the White House fact sheet includes a number of shout-outs to institutions with initiatives that the president applauds. Among the programs cited (with links to Inside Higher Ed articles about these efforts):

- [Austin Peay State University's Degree Compass](#), [6] which helps guide students to the courses in which they are most likely to succeed.
- [State University of New York's Open SUNY](#) [7] through which the university system is aiming to deliver courses to significantly expand degree completion and education for those who may not enroll on a campus.
- [Southern New Hampshire University](#) [8] for its competency-based learning options. (Also praised by the president in this regard are Western Governors University and the University of Wisconsin system.)
- [Arizona State University](#) [9] and its innovations in teaching algebra.
- [Carnegie Mellon University's Open Learning Initiative](#) [10] and its success using technology to teach a statistics course.

President Obama will be outlining his plan throughout a bus tour of colleges in upstate New York. He will speak today at the [State University of New York at Buffalo](#). [11]

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Links:

[1] <http://www.whitehouse.gov/the-press-office/2013/08/22/fact-sheet-president-s-plan-make-college-more-affordable-better-bargain->

[2] http://www.insidehighered.com/news/2011/06/13/explaining_the_true_significance_of_gainful_employment_rules

[3] <http://www.insidehighered.com/news/2013/08/21/obama-plan-college-costs-coming-week>

[4] <http://www.insidehighered.com/views/2013/08/12/open-letter-president-obama-college-costs>

[5] <http://www.insidehighered.com/news/2013/02/14/white-houses-new-scorecard-oversimplifies-institutions-liberal-arts-advocates-say>

[6] <http://www.insidehighered.com/news/2012/03/16/university-builds-course-recommendation-engine-steer-students-toward-completion>

[7] <http://www.insidehighered.com/news/2013/03/27/florida-and-new-york-look-centralize-and-expand-online-education>

[8] <http://www.insidehighered.com/news/2012/10/01/competency-based-education-may-get-boost>

[9] <http://www.insidehighered.com/news/2013/01/25/arizona-st-and-knewtons-grand-experiment-adaptive-learning>

[10] <http://www.insidehighered.com/news/2012/05/22/report-robots-stack-human-professors-teaching-intro-stats>

[11] http://www.buffalo.edu/home/feature_story/obama-speech.html