Rates on federal student loans double; Missouri leaders see ‘burden’

By Matthew Hibbard

More than 7 million university students, including thousands in Missouri, could now pay twice as much in interest for new subsidized federal Stafford loans. The Senate failed to act late last week and lawmakers left Washington D.C. for the July 4 recess, forcing rates to jump Monday to 6.8 percent from 3.4 percent.

The hike on the loans, which make up about a quarter of all direct federal borrowing, would cost the average student about $2,600, according to the U.S. Congress Joint Economic Committee.

The increase will impact those who take out a loan this year, not those who already have loans.

The increase would cost students at the University of Missouri-Columbia a total of $8.5 million for one year, according to an estimate provided by Nick Prewett, director of student financial aid at the university.

He said during the 2011-2012 school year, 10,491 Mizzou undergraduates took out subsidized loans for a total of $42.8 million in aid.

Missouri State Treasurer Clint Zweifel said it’s unfortunate that lawmakers are polarizing such an important issue. He said the key to providing affordable higher education to students is providing access to borrowing at a low cost.

James Myers, director of financial aid at Webster University, said in a statement that for many students there, the rate hike could be an extra burden.

“Students should realize that they have a voice and should advocate for their future by ensuring that their representatives understand the impact this interest rate increase will have on them,” he said.

He said Webster’s financial aid office is committed to working with students to figure out how they can borrow wisely and borrow only the amount they need.

About 90 percent of Webster’s undergraduate students receive some type of Title IV funding, Webster officials said.
Leanne Cardwell, assistant commissioner for student loans at the Missouri Department of Higher Education, said in fiscal year 2012, about 160,000 Missouri students borrowed subsidized Stafford loans. She believes that there is still time for Congress to fix the increase.

Congress could restore lower rates when it returns after the July 4 holiday. Senate Democrats and a White House spokesman have vowed to address the issue then by temporarily extending the 3.4 percent rate.
Who is hit hardest by Nixon's budget freeze?

Under the $400 million state budget freeze announced by Gov. Jay Nixon on Friday, education spending would take the biggest cut.

The University of Missouri System would receive $15.8 million less than lawmakers approved in May, which would be nearly $8 million less than what they received last year, PoliticMo reports. Two- and four-year institutions would have a total cut of $17 million compared to what they received last year.

Other areas that will face the biggest cuts as part of the budget freeze would be repairs to state buildings such as the Capitol and Medicaid provider rates.

Nixon cited his fear that lawmakers would override his veto of House Bill 256 and that the bill's tax plan would cripple state revenue as cause for the budget freeze. Since Friday's announcement, Republicans have voiced opposition to Nixon's plan.
Funding formula

Not a good idea for higher ed

By Henry J. Waters III

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No MU mention

For years, certain legislators in Jefferson City have waxed on about the virtues of a mathematical funding formula that would take much of the guesswork and political rancor from the process of allotting money to colleges and universities. Outside observers like this writer are tempted to agree, noticing the advantages on paper of a plan that systematically would take into account all the variables that plague politicians striving to make public budget decisions.

How nice it would be if legislators could go down a checklist assigning various factors to each institutional request, resulting in an empirical assignment free of the usual politically selfish decisions made by lawmakers.

How nice, indeed, but how wrongheaded in the view of one of our most highly esteemed educators, Charles McClain, a former college president and Missouri commissioner of higher education who wrote on the subject in these pages yesterday.

In succinct fashion, McClain explained the virtues of the current system, in which college administrators and governing boards submit requests to the Coordinating Board for Higher Education before final determination in the state budget process by the governor and legislature.

McClain says no formula can substitute satisfactorily for the decentralized advantages of the current system. His argument is well worth attention from anyone interested in this subject.

Perhaps McClain's view is strengthened by his own experience in the higher education funding trenches. As president of Northeast Missouri State University in Kirksville, now Truman State University, he reformed the institution with such palpable success legislators rewarded his efforts with extraordinary appropriations benefits. In my eternal observation of state budget-making, I can't remember any other time when a particular higher education institution, and a smallish one at that, received such political favoritism.
As past commissioner, McClain has confidence in the role and effect of the coordinating board. The question always has been whether the board and commissioner are effective in crafting a well-considered state budget for higher education. McClain's description of why it is at least well-conceived is persuasive.

Much of the potential effect of any element in Missouri's system of funding higher education is mitigated by the overall paucity of state funding. When the legislature is engaged in cutting back rather than enhancing appropriations, advisories how to allocate money are largely empty.

Many have dreamed of basic changes, not least a reduction in the number of regional institutions set up originally for geopolitical rather than educational reasons. For those same geopolitical reasons, attempts to reduce the number always run on the rocks.

So, McClain convinces me not to strain my already overtaxed powers of analysis on development of a higher education funding formula. Not only is it a questionable way to proceed, as he explains, but no formula is likely to gain consensus favor. It's the geopolitics, stupid.
Letter to the Editor: Award to PR firm sullies reputation of Mizzou's journalism school

They can call it whatever name they want, but the laughable, not laudable, "The Power of True" motto adopted by FleishmanHillard turns words on their ear. If corporations who hire obfuscating flack public relations outfits, euphemistically phrased as "strategic communications," like FleishmanHillard played by the expected rules of high ethical standards and sold high-quality products and services, as always claimed, PR firms would be distinguished by being extinct marketing species.

Their sole purpose for existence is to paint rosy pictures, beg for forgiveness of tainted products and blatant transgressions, and clean up the spilled milk and rotten eggs the corporations laid on the trusting public consumer. Most advertising emphasizes half-truths wrapped in sparkling pictures and captivating prose poetry with the principal intent to be less than fully transparent. And consumers are not so naive as to be led by the nose as the ubiquitous "nines," the $19.99 pricing schemes by marketers strongly suggests. None of what this PR bunch do in any form could be called journalism.

If pretentious con artists like FleishmanHillard are journalists, then no newspaper would hire novice reporters from a journalism school.

The University of Missouri School of Journalism has sullied its reputation by likewise awarding itself the 2013 Honor Medal for Distinguished Sycophant Service. Looking for big corporate donations? What were they thinking?

Laurence C. Day • Ladue