College Giving Has Yet to Recover From Recession

Wealthy donors pledge lowest total in a decade

By Kathryn Masterson

Although the recession officially ended more than a year ago, private giving to colleges and other charities remained depressed in 2010, two surveys have found. After a steep drop-off in 2009, donations to higher education during the 2010 fiscal year rose just 0.5 percent, the annual Voluntary Support of Education Survey found. The report was released last week by the Council for Aid to Education. Adjusted for inflation, total giving actually declined slightly, a clear signal that the economic recovery that colleges have been hoping for has not yet arrived.

One reason might be that wealthy donors pulled back their charitable giving. The 54 most generous donors gave a total of $3.3 billion to all nonprofit organizations last year, the lowest total in a decade, according to a survey released this week by The Chronicle of Philanthropy. One bright spot for colleges: Nearly half of the 65 gifts of $5 million or more from that group went to higher education.

Over all, American colleges and universities raised $28 billion in 2010, the same amount they brought in during 2006, the VSE report said. While that finding is most likely a sobering one for institutions whose expenses and ambitions have grown since then, college leaders may take solace in the fact that fund raising did not decline further. Last year’s flat results followed a year that showed an 11.9 percent drop, the sharpest in the survey’s 50-year history.

The survey, which counts cash gifts and includes about 1,000 colleges, found that the percentage of alumni who gave continued to decline, dropping to a record low of 9.8 percent. The average alumni gift was also down.

A Professor’s Long Road Back

Shot in the head at a department meeting, Joseph Leahy is relearning his job

By Robin Wilson

Each time he goes to the biological-sciences department at the University of Alabama at Huntsville, Joseph G. Leahy walks by the conference room where one of his colleagues tried to kill him.

But the proximity holds no horrors for Mr. Leahy, an associate professor of microbiology. “It’s funny because it’s just a dark room,” he says of the place where Amy Bishop, then an assistant professor, is accused of opening fire during a faculty meeting last February—killing three of Mr. Leahy’s colleagues, shooting him in the head, and wounding two others. “It’s kind of a big nothing to me since right now, I don’t remember the events at all.”

More difficult for Mr. Leahy has been resuming his career. The bullet severed the optic nerve in his right eye before staggering his jaw and then lodging in his neck near his jugular vein. He credits his colleagues with helping to save his life by staunching the blood from his head with towels.

A Message on Campus: Charge On

Rebuilding the faculty: A message on campus captures the shattered biology department’s comeback. Page A7

Fast-Growing U. of Phoenix Calculates a More Careful Course

By Goldie Blumenthal

In the fall of 2009, after closing the books on yet another banner year of enrollment growth, and with its parent company’s stock climbing toward a five-year high of $90 per share, the University of Phoenix began to question fundamental pieces of the very formula that had fueled its years of success.

Even as its executives celebrated, recalls one, they were uneasy. A feeling was building “in the pit of everyone’s stomach: That felt too good.”

From that “moment of truth,” as that executive, Robert W. Wrubel now describes it, Phoenix quietly began what it calls a major change of direction.

Out of the public eye, North America’s largest private university not only put in motion an overhaul of what had come to be seen as its grow-at-any-cost admissions practices. It also ended a compensation schedule tied to enrollment, began a required orientation program for inexperienced students, and instituted a host of other reforms in marketing and nearly every other important facet of this 438,000-student institution.

The moves, orchestrated from its headquarters here, and from corporate outposts like San Francisco, where the university has assembled a team of Silicon Valley veterans and computer scientists to create a cutting-edge electronic course platform, are part of a top-down campaign led by a team of a half-dozen executives, all of whom have joined its $5-billion parent company within the past four years.

“We are investing in academics like no other higher-education company can,” says Joseph L. D’Amico, who as president of Apollo Group Inc. oversees the campaign it calls “Reinventing education, again.” The goal, he says, “is to take our business to a new level.”

Last month Apollo provided The Chronicle a behind-the-scenes (but by no means unfettered) 
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Fast-Growing U. of Phoenix Calculates a More Careful Course

Continued From Page A1

look at some of the new recruiting techniques, educational moves, and marketing tactics being used to reshape the University of Phoenix.

The timing of the changes, and no doubt the company’s willingness to share the details, is hardly coincidental. This most significant re-engineering of Phoenix in its 35-year-history comes as it and the sprawling $20-billion for-profit higher-education industry it helped to create face the greatest political, financial, and public-relations pressures of their existence. New laws that make the colleges more accountable for some students’ inability to repay their federal loans, intensifying scrutiny from news media and government on aggressive recruiting, growing legal activism on the part of dissatisfied former students, and collapsing stock prices are prompting the companies to shift gears on the problem-laden growth strategies that have fueled the industry for half a decade.

At Phoenix the biggest problem-laden strategy goes by the name of Axia College. This entry-level division, created in 2004, failed to graduate many of the thousands of under-prepared students it had relentlessly enrolled in mostly online programs, leaving them with student-loan debts they couldn’t pay.

“That grew very large very fast,” says Gregory W. Cappelli, formerly a stock analyst at the Credit Suisse investment bank, who closely follows the sector. “What makes it problem-laden is the cost in terms of the federal dollars they lose access to.”

While Phoenix had long made its name using its innovative scheduling and online technology to serve working adults, Axia catered to younger, less academically prepared students. The company set tuition for the two-year-degree program low enough that students could use federal loans—and if they were financially needy enough, Pell Grants—to cover most of their costs. Phoenix now gets nearly 90 percent of its revenue from those federal sources, the maximum allowed by law. That includes more than $1-billion in Pell Grants last year, the most of any university. Its rate of student-loan defaults has also risen markedly, largely among Axia students, which under the tougher laws enacted in 2008, put it closer to the point where it could lose access to federal student aid.

Apollo’s new three-week orientation program, along with efforts to better connect students with the university’s 600,000 alumni and a push to revive its corporate-education business (a move that could help it reduce its dependence on federal student-aid money), are all part of the change in course. The new direction, which it is pursuing even as it continues to furiously lobby and make campaign donations to lawmakers to beat back tougher federal rules, is designed to attract a different kind of student. “We don’t want to take their money if they’re not going to succeed,” says Mr. Cappelli.

The moves are taking a toll. In January, Apollo announced that the number of new students enrolling in the previous quarter had dropped by 42 percent from a year earlier. It predicted that the slowdown would very likely continue for at least a year. The news sent its already depressed stock price to $36, one of its lowest levels in five years. It remains to be seen whether investors stick with the company, and whether the “new” University of Phoenix, even with all of its marketing muscle, can hold its own against the many non-profit and for-profit colleges now competing for similar kinds of students.

Phoenix’s strategy is a risk, says Kevin Kinser, an associate professor of education at the State University of New York at Albany, who closely follows the sector. “What makes you profitable is getting new students in.”

The Call

Step onto one of the football-field-size floors of the University of Phoenix call center here—an airy room buzzing with a cacophony of conversations—and there’s no doubt that the university continues to put a lot of energy into selling its programs. Enrollment and retention still involve a vast, competitive, technologically sophisticated, 24-hour-a-day operation. Phoenix still relies on a force of more than 8,700 enrollment, finance, and academic counselors—about two-thirds of them in admissions—to attract and keep students and advise them on financial aid. (Although one-sixth Phoenix’s size, the for-profit American Public University says it has just 30 enrollment counselors.)

What’s changed is how Phoenix is selling. In September the university put in place a new compensation system for its enrollment and financial-aid counselors, eliminating any use of enrollment and retention goals in determining salaries. Requirements that enrollment advisers make 65 to 85 calls a day and put in four hours of “talk time” per shift have been replaced with customer-service training based on “emotional intelligence.” Apollo executives declined to share full details on the new techniques but say the change is meant to encourage behaviors that will allow the advisers to make personal connections with prospects, relying on techniques like asking open-ended questions and maintaining a dialogue.

Or, as Brett Mitnick, a reporter for the Chronicle of Higher Education, described it: “We’re now focused on compassionate, empathetic, and compassionate approaches.”

The university has put in place a new compensation system for its counselors. Instead of filling enrollment and retention goals, they now value “emotional intelligence.”

The university continues to put a lot of energy into selling its programs. Requirements that enrollment advisers make 65 to 85 calls a day and put in four hours of “talk time” per shift have been replaced with customer-service training based on “emotional intelligence.” Apollo executives declined to share full details on the new techniques but say the change is meant to encourage behaviors that will allow the advisers to make personal connections with prospects, relying on techniques like asking open-ended questions and maintaining a dialogue.

On, as Brett Mitnick, a reporter for the Chronicle of Higher Education, described it: “We’re now focused on compassionate, empathetic, and compassionate approaches.”

The re-engineering of the U. of Phoenix comes as it and the $20-billion for-profit higher-education industry it helped to create face substantial political, financial, and public-relations pressures.


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**NEWS** | **PUBLISHING**

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**As Borders Goes Bankrupt, Academic Presses Worry About Ways to Reach Readers**

**By Goldie Blumstyk**

The debt-ridden Borders bookstore chain filed for bankruptcy last month, saying it would close 30 percent of its retail stores and reinvent itself as a purveyor of e-book and nonbook options. Even though Borders isn’t a big source of sales for most university presses—and, like most publishers, they saw the bankruptcy coming—the news has unsetled them. It’s a reminder of just how much the book-distribution chain has changed, putting more pressure on presses to find new ways to get their books to readers.

University presses don’t stand to lose anything like the $41.1-million chain reportedly owes Penguin Group USA. But the failure of a large brick-and-mortar outlet does affect university presses with regional lists or books with crossover appeal—the kinds of books a chain is likely to stock. Those titles help support the more academic portions of the publishers’ lists.

The news also gives Amazon.com more power to call the shots at a time when the online retailer has already established itself as a major conduit for sales. But Kentucky publishes a lot of academic-press titles. “I sold our Kentuckiana books in downtown Louisville, Ky., before the state-sponsored Kentucky Craft Group USA. But the failure of Borders reportedly owes Penguin $41.1 million. Borders hasn’t been nearly as important a supply channel as Amazon over the past decade,” said Michael Hussey, director of sales and marketing at the University Press of Kentucky, told me. “We’ve worked with Borders longest, only about two years, but we’re becoming much more grass-roots.”

Mr. Hussey said Borders had provided a modest part of the press’s sales. But Kentucky publishes a lot of books on the state’s history and culture, and the chain had been a strong supporter of that part of the list. Its support helped maintain Kentucky’s scholarly publishing program of books that a general-interest bookseller tends not to carry.

“We’re going through the same transition the music industry went through,” said Mr. Hussey. “We’re going through the same changes, the book supply chain ‘is undergoing as much as the music industry went through’.”

Mr. Hussey noted the huge cost that never interacted with anybody, in some ways, and now we’re becoming much more grass-roots.”

The press has a number of titles devoted to the state’s famous liquor, including The Social History of Bourbon and The Kentucky Bourbon Cookbook. “There’s more money in bourbon than there is in books right now,” he said. “I sold our Kentucky Bourbon cookbook to a grill store in North Carolina.”

The press has also become a regular purveyor of e-book and nonbook retail stores and reinvent itself as a purveyor of e-book and nonbook options. Even though Borders once a week with investors, sometimes receiving a fee of $250 from an expert-network company called the General Learning Group as a “GLG Consultant.” The experts get paid, too, with commissions that pay handsomely—$40,000 a year for a week of 30-minute phone calls. “You know they’re going to go, but it’s shocking when it happens.”

No publisher likes to see a bookseller fail. “It’s still a bitter pill, and whether you’re doing 1 percent of your business with Borders or 5 percent, it’s painful,” said Richard Brown, director of Georgetown University Press and president of the Association of American University Presses. He also noted the human cost: “There will be thousands of people who no longer have jobs.”

I wondered whether Princeton University Press, whose list has strong crossover appeal, stood to lose much money. Peter J. Dougherty, the director, said he couldn’t say right now, but expected to have a better sense in the coming weeks. For now, uncertainty rules. Borders says it plans to reorganize, but no one knows what that will mean. “What will a reorganized Borders look like?” Mr. Dougherty asked. “There’s a lot of uncertainty and a lot of question marks. We just don’t know how it’s all going to shake out.”

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**Got the Inside Scoop on For-Profits? Investors Will Pay—and Handsomely**

**By Jennifer Howard**

Hot Type

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**The experts get paid, too, with commissions that pay handsomely—$40,000 a year for a week of 30-minute phone calls. “You know they’re going to go, but it’s shocking when it happens.”***

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**“You’ve got an industry that is so dependent on what the regulators do,”** says Dennis M. Cariole, a former deputy general counsel for the Education Department in the Bush and Obama administrations, who worked for a while with an expert-network company after leaving the government but no longer does. Mr. Hartle, senior vice president for government and public affairs at the American Council on Education, says the shifting climate appears to be spurring investors’ desire for information from him and others. The for-profit sector has done very well on Wall Street over the past few years, and “you’ve probably got a lot of people who jumped on the moving train,” he says. Now, following a year of growing public and government scrutiny, says Mr. Hartle, some investors are wondering if the train is “moving off onto a sidetrack.” (He says he doesn’t invest in any of the companies.)

Mr. Hartle speaks at least once a week with investors, sometimes receiving a fee of $250 from an expert-network company called the General Learning Group as a “GLG Consultant.” And sometimes without charge to people who call him.

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**Continued on Following Page**
Continued From Preceding Page

He says he sees no conflict between that work and his duties at ACE, where he is often the public face of the 1,600 campuses the organization represents. “I’m frankly not doing anything on the phone with them that I would not say to a reporter,” says Mr. Hartle, noting that ACE has permitted him to do the work as a private consultant.

Last summer Gerson also paid to fly him from Washington to San Francisco to meet with a group of more than a half-dozen investors. Mr. Hartle says he avoids gigs where clients are seeking information about particular companies and typically talks about topics such as the likelihood that Congress will block tougher federal regulations, or why the Education Department is taking so long to issue a final regulation.

Expert-network companies rely heavily on academics, particularly for clients that invest in information technology, biotechnology, and the pharmaceutical industries. Only a handful of the three-dozen expert-network companies known to serially companies featured at least three requests from clients “looking to gain insights into industry trends, market dynamics, and the competitive landscape of the industry.”

Mr. Gerson, the firm that hires Mr. Hartle, features at least three meetings in restaurants or similar locations with the expert of their choice, paying an additional fee per event. For some Webcasts, nonclients can also buy transcripts.

The services run as a two-way street, with expert-network companies sometimes offering up their experts in conference calls, and sometimes with clients posting requests to the network for an expert to answer their questions. Last month, for example, the Coleman network featured at least three requests from clients “looking for evidence to prove that, or people ‘who think the whole system is ripe for collapse’ and want to know the biggest vulnerabilities.

As a higher-education researcher in a field where colleagues “always gnash their teeth” over the scant attention being paid to their work, Mr. Kantrowitz says the interest of investors, as well as the notice his scholarship receives from news reporters and government officials, is a kick.

“‘This,’” he says, “is what having a relevant research topic looks like.”

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A PHENOMENON OF THE UNIVERSE EDUCATIONAL FOUNDATION, INC.

American College Testing

Mark Kantrowitz

suspects many are low-level analysts hired by investment funds, or private-equity firms, to scope out the landscape. And there’s no doubt about their interest: “It’s always about for-profits. It’s not about tenure or academic freedom.” Like Mr. Hartle, Mr. Tierney and Mr. Kantrowitz say they don’t in vest in the industry they study.

Mr. Kinser, an associate professor of education at the State University of New York at Albany who has worked for an expert-network company for about 18 months, says most of what he has provided to callers in three conference calls and a half dozen conversations with individuals is a perspective on the industry as a whole, how it fits into all of higher education, and his expectations about the impact of new regulations. “They wanted me to tell them who was a winner and who is a loser,” says Mr. Kinser. “That’s not what I do.”

Mr. Kinser is known for his deep understanding of Education Depart ment data, which he has used to highlight the poor rates of graduation at some of the college companies, and for having no personal financial interests in the sector (he too does not invest, because he studies it). He says the callers seem to come from two camps: those who think “all the regulations the government is proposing are bull” and want evidence to prove that, or people “who think the whole system is ripe for collapse” and want to know the biggest vulnerabilities.

As a higher-education researcher in a field where colleagues “always gnash their teeth” over the scant attention being paid to their work, Mr. Kinser says the interest of investors, as well as the notice his scholarship is getting from news reporters and government officials, is a kick.

“This,” he says, “is what having a relevant research topic looks like.”
For-Profit Colleges Manage Defaults to Mask Problems, Analysis Indicates

3-year default rates on student loans are 5 times as high as 2-year rates at some colleges

By Goldie Blumenstyk and Alex Richards

IT IS NO SURPRISE that student-loan default rates go up the longer they’re tracked: Give borrowers more time, and more of them will default. But a Chronicle analysis has found that at hundreds of colleges, most of them for-profit, the three-year default rate is inordinately greater than the two-year rate, giving credence to concerns that certain colleges are aggressively using “default management” tools to mask problematic rates of default.

83% of colleges with the biggest jumps in 2-year to 3-year student-loan default rates are for-profits.

The Chronicle examined the three-year rate was at least 15 percentage points higher than the two-year rate, a substantial increase. Of those, 83 percent were for-profit colleges, including 27 institutions owned by Corinthian Colleges, 25 owned by ITT Educational Services, and 17 owned by Career Education Corporation. At five of Career Education’s Cordon Bleu culinary colleges, the two-year rates hovered at 5 percent or below and the three-year rates exceeded 24 percent.

Those three companies are among the most aggressively using “default management” tools to mask problematic rates of default.

Two companies in the U. of Wisconsin system debate changing the flagship’s status: A34

By Jack Stripling

They thought they were made for each other. Hearing today’s higher-education leaders opine about the heady days of the 1800s, when the Morrill Land-Grant Acts created many of the nation’s flagship public universities, is a bit like listening to some tired soul recall a once vibrant romance that has slowly soured. While major public research universities and state governments have always had their differences, observers say they’ve never seen the relationship between the two as strained as it is now.

And, in what is often the death knell for couples, several flagship presidents are now saying they think their campuses need some space.

At the heart of this story is Carolyn A. (Biddy) Martin, chancellor of the University of Wisconsin at Madison, who wants her flagship campus freed of many regulatory constraints and separated from the regional campuses that make up most of the state’s university system.

Hard times strain relations between big public research universities and their states

By Jack Stripling

The Valley Performing Arts Center is a hard-won jewel on the campus of California State U. at Northridge.

Much Ado About Building Costly Arts Centers

BY LAWRENCE BIOHILLER

It’s an irony: Shakespeare could write a play around: Officials of California State University at Northridge spent 10 years planning a $125-million performing-arts center and figuring out how to pay for it—securing more than $86-million in capital-projects money from the state and raising millions more from gifts and grants. They pleaded with donors and local politicians to make up shortfalls and promised anxious students that none of the money would come from their pockets. It wouldn’t be a surprise to hear that the project’s biggest backer, President Jolene M. Koster, had checked between the sofa cushions in her office for loose change.

Finally Northridge scheduled the opening gala for late January, only to have it take place just two weeks after Gov. Jerry Brown proposed slashing $1.4-billion from state support for higher education. This month Joan Rivers, Kiri Te Kanawa, Ed Asner, and Roseanne Cash are performing in the 1,700-seat main hall, and a student production of A Midsummer Night’s Dream is running in the black-box theater—while across the campus, students stage protests against fee increases and program cuts that the university says will be necessary because of the state’s revenue shortfall.

The Valley Performing Arts Center here isn’t the only one to make its debut amid recessionary

The Dissertation, Undone

Sometimes the only copy of a research paper that took years of effort is the one that the laptop thief got. A16

Zip It

In a few courses, secrecy prevails outside the classroom. A14

Get That Degree

Western Governors U. Indians wants college dropouts back. A12
Many For-Profits Are ‘Managing’ Defaults to Mask Problems, Data Suggest

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active in the political fight against tougher new federal rules that would limit or bar colleges with low rates of loan repayment by their students from participating in federal student-aid programs. Such aid is the lifeline of most for-profit and other tuition-dependent institutions.

The analysis showed that at 69 institutions, the difference between the two-year rate and the three-year rate was 20 percentage points or greater. At a dozen of those, the difference was greater than 25 percentage points, an increase that would have put two-thirds of them above the 40-percent threshold at which colleges will become ineligible to participate in federal student-aid programs when the new law goes into ef- fect, in 2014.

The college showing the big- gest gap was Professional Busi- ness College, a private nonprofit institution in New York City, where the difference between the two-year rate and the three-year rate was more than 30 percent age points. (For a sortable table of the degree-granting colleges The Chronicle analyzed, please go to chronicle.com.)

The findings raise questions about whether some colleges are offering comprehensive, objec- tive loan counseling to their students, or “conveniently placing people into options that are best for the schools, not for the borrowers,” says Deanne Loonin, director of the Student Loan Borrower Assistance Project at the National Consumer Law Center.

“I just don’t see how you would see these kinds of disparities in the two-year rate and the three-year rate if you were just demographics,” says Deborah Franklin Cochrans, who directs a program on financial aid at the Institute for College Access & Success, a group that advocates for tougher regulation of the sector. “It’s puzzling unless you assume the colleges were working hard to assure that their two-year rates reflected them in their best possible light.”

Higher Default Rates

Three-year default rates were inordinately greater than two-year rates at some colleges.

The Default Gap: How One Company Measures Up

After September 30, 2014, college’s student-loan default rates, now measured over two years, will be measured over three years. A college will lose federal aid if its three-year default rate is equal to or greater than 30% for three years, or if it is greater than 40% for a single year. Here’s how Corinthian Colleges would fare, based on recent data:

2-Year vs. 3-Year Default Rates

Average default rates for major higher-education companies

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<tr>
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<th>2-year</th>
<th>3-year</th>
<th>Percentage-point difference</th>
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<td>31.1%</td>
<td>19.0%</td>
</tr>
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<td>IT Educational Services</td>
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<td>24.8%</td>
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<td>DeVry</td>
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<td>All for-profit colleges</td>
<td>11.3%</td>
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Note: Institutions may include more than one campus.

The Chronicle of Higher Education
Continued From Page A6

Out of 124,500 former students, 121,100 have regular payment plans. But the percentage of those in default, at 1.8 percent, is the lowest the company has ever reported. Of the 3,400 borrowers who are in default, 1,600 are in one-year default, 1,500 are in two-year default, and 300 are in three-year default. The company says it has already begun new counseling programs to redress the problem, but it does not provide any explanation for the difference between the two-year rate for all of its institutions, which is 10.4 percent, and the three-year rate, which jumped more than 16 percentage points to 26.8 percent, or nearly 2,400 former students.

ITT declines to comment. Collectively its rate for two years was 12.3 percent; its three-year rate was 22.8 percent, or about 9,000 former students.

In terms of percentages, the giant University of Phoenix showed less of an increase than the for-profit sector as a whole: Phoenix’s two-year rate was 12.9 percent, and its three-year rate was 22.8 percent. A spokesman attributes that to the difficult economic conditions over the last several years.

Professional Business College, the nonprofit institution that showed the highest gap, says that it is “surprised and disappointed” by the statistics, and that it has already begun new counseling programs to redress the problem, even as it notes that the numbers involved are fairly small. The college had 79 students entering repayment status, and 33 of them defaulted.

NEWS | FOR-PROFIT EDUCATION

In an Era of Campus Cutbacks, Performing-Arts Centers Keep Going Up

Continued From Page A1

fallout. Multimillion-dollar venues, many of them financed largely by state money, are opening or planned at colleges across the country. Even though ticket sales and donations cover much of the operating cost, the centers prompt critics to talk about “edifice complexes” and “conspicuous consumption.”

The number of new facilities, at least, is conspicuous. In February, James Madison University opened its five-venue, $82 million Forbes Center for the Performing Arts. Smaller facilities have opened within the past year or so at George Mason University’s branch campus in Manassas, Va. ($46 million); Sam Houston State University ($38.5 million); and on Montgomery College’s campus in Silver Spring, Md. ($31 million).

All of these were planned before the recession started. But even with the economy sputtering and gloom prevailing, legislative budget committees, new arts venues are in the works at institutions as diverse as Hagerstown Community College, in Maryland; the University of Texas’s Permian Basin campus; and the State University of New York at Potsdam.

With colleges everywhere raising tuition and cutting programs, such projects have some people questioning administrative priorities.

“Edifice complexes,” says Richard Vedder, a professor of economics at Ohio University who is director of the Center for College Affordability and Productivity. “They present events that have some tie to artistic expression, and that’s part of what universities do.”

But when you start adding up personnel costs, heating and air conditioning, and depreciation, he says, “the real problem is, we simply can’t afford this stuff.” Even though arts venues may not “be soaking it to kids directly, there are no free lunches.”

A Glint of Theaters?

Some of the arts projects have been particularly controversial on

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Presidents Defend Their Pay as Public Colleges Slash Budgets

BY JACK STRIPLING AND ANDREA FULLER

I f there’s a sure lesson from the econom-ic recession, it’s that perception matters. When Wall Street bankers took tax-payer bailouts and then made off with big bo-nuses, they were vilified. Moral outrage ensued when chief executives of the Big Three automakers flew into Washington on private jets to ask for a government rescue.

Indeed, America’s anemic economy en-sures that people at the top of the heap, in-cluding some public-university presidents, will often have targets on their backs, par-ticularly if they are asking for more state or federal support.

The highest-paid public-college execu-tives, who receive compensation packages in the high six figures and more, walk a diffi-cult political tightrope. They must at once ar-gue that their state budgets have been cut to the bone and need to be restored, while at the same time acknowledging their rarefied per-sonal financial circumstances in states where layoffs, program closures, and pay reductions have been all too common. In making that case, presidents and the trustees who set their salaries have for years argued that, irrespec-tive of economic conditions, those presiden-tial pay levels are fair, necessary, and per-formance-driven. While that case appears to have been effectively made in many states, some higher-education officials and compen-sation experts say a prolonged budget crisis could hamstring the wealthiest presidents as they argue that their institutions are deserving of increasingly scarce public resources.

Bob Graham, a former U.S. senator who helped shape Florida’s higher-education sys-tem when he was governor, said he viewed Continued on Page A10

Supercomputers Let Up on Speed

WITH BIG MONEY AND COMPETITIVENESS AT STAKE, SMARTER—NOT FASTER—DESIGNS MAY BE WINNERS

BY JEFFREY R. YOUNG

For Blue Waters, a supercomputer to be housed here at the U. of Illinois at Urbana-Cham-paign, quickness is not of the essence.

CHAMPAIGN, ILL.

The warehouse-sized supercomputer under construction here at the Uni-versity of Illinois at Urbana-Cham-paign comes with a price tag of nearly half a billion dollars, making it one of the most expensive supercomputers ever devoted to academic research. And yet, when engineers turn on the machine this year, it very likely won’t be the fastest computer in the world. And its designers don’t care.

“We’re not looking to be on the Top 500 list,” says Thom Dunning, who leads the computer’s development as head of the university’s National Center for Supercom-puting Applications. Rather than hit a peak sprint speed measured by the Top 500, the most widely used supercomputer ranking, he wants to build a distance runner, capable, for example, of powering through intricate simulations of a tornado that can predict where a storm might strike.

Flat-out speed, for a long time the measure of a supercomputer’s worth, may be going out of style. A recent report from an influential federal panel recommended more emphasis on software and alterna-tive designs rather than computational Ferrari’s. Still, fast computers attract top faculty—and federal money. “Every con-

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Colleges Scramble to Avoid Violating Federal-Aid Limit

FOR-PROFITS’ TACTICS TO COMPLY WITH 90/10 RULE RAISE QUESTIONS

BY GOLDIE BLUMENTHAL

Corinthian Colleges Inc.’s decision this winter to raise tuition at dozens of its Everest, Heald, and Wyo-Tech campuses by an average of 12 percent, knowing that most of its students would have to go even further into debt, had nothing to do with rising costs or any improvements it was making in the curricula.

With many of its students already receiving the maximum in federal grants and loans, the company said it was raising its prices to create a financial gap that students would have to cover with private loans or other funds be-sides those from the federal student-aid pro-grams.

Corinthian’s move is just one of the lat-est—and some say one of the most cynical—strategies that some for-profit colleges are us-ing to avoid violating the so-called 90/10 rule, so they can remain eligible for the billions of dollars in federal student aid that have fueled their growth. The rule requires them to re-ceive at least 10 percent of their revenue from other sources.

“They are making loans, just like the sub-prime lenders did, that they know their stu-dents will not be able to repay,” said Pauline Abernathy, vice president of the Institute for College Access & Success.

Corinthian’s decision to comply with the 90/10 rule in this manner, said Ms. Abernah- thy, even as it acknowledges that the compa-ny-sponsored loan program most of its stu-dents will use has a default rate of more than 50 percent, is “the height of cynicism.”

The 90/10 rule is also driving activities at other college companies. In recent months, Education Management Corporation, par-tent company of the Art Institutes, South University, and Brown Mackie College, an-nounced it would increase its recruiting of Continued on Page A6

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EYEING EFFICIENCIES OF SCALE, PUBLIC AND PRIVATE COLLEGES IN “BROKER” STATES ARE TEAMING UP TO JOIN THE GROWING RUSH TO RECRUIT FROM ABROAD. A23

POLITICS AND ACADMIC FREEDOM COLLIDE IN WISCONSIN. A25

M.I.T. STUDENTS IMPROVE IN A LEADERSHIP COURSE. A30
For-Profits Scramble as Limits on Federal Student Aid Draw Near

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Foreign students. Kaplan University and the University of Phoenix created new colleges of “professional studies” so they could count more of their nontraditional-educational revenues as part of the 10 percent side of the calculation, and Career Education Corporation has been up marketing for a chain of restaurants called Technique, tied to its Cordon Bleu culinary schools, all in the service of bolstering non-Title IV as employer-sponsored tuition plans. If the colleges exceed the 90-percent mark for two consecutive years, they lose access to federal student aid.

Have increased by $2,000 in 2008. Congress agreed to temporarily allow colleges to count that additional amount of Title IV as part of the 10 percent rather than the 90. That measure will expire at the end of June.

Along with Corinthian, many other for-profit colleges are lobbying furiously to get the temporary measure extended (along with another provision, which authorizes favorable treatment for college-issued loans and will expire in June 2012), or to get the 90/10 law gutted altogether. Corinthian’s tuition hikes are an explicit part of that lobbying fight. The company said it would reverse the increase if Congress changes the law. It maintains, as its CEO, Jack D. Massimino, recently told investors, that the price increase was “not something we want to do, it’s something we have to do.” He added that because so many of Corinthian’s students are financially needy and qualify for the maximum in federal student aid.

The gambit has drawn attention and criticism, not only from the consumer-advocacy sector but also from at least one Wall Street analyst, Ariel Sokol of UBS, who in a message to investors called it “perhaps the most counterproductive public negotiating tactic that we’ve ever witnessed.”

In an interview, Sokol was even more scornful. Corinthian officials announced the tuition increase “as if they are somehow the victims,” he said. But the company knowingly pursued this kind of growth strategy. The levels of student aid have risen, he noted, but the 90/10 rule has been around for many years. “It’s not as if it happened by surprise,” and now, “students are being burdened with debt that they can’t repay,” he said. For the company, “that’s not a viable long-term strategy.”

The cause championed by Corinthian and others faces an uncertain political fate. The for-profit college industry maintains strong support in the Republican-controlled U.S. House of Representatives as well as among some Democrats, like Rep. Robert E. Andrews of New Jersey, who has been working with the Association of Private Sector Colleges and Universities, the industry trade group, on an alternative to the 90/10 rule. Some Senate Democrats, along with student advocates, meanwhile, want to strengthen 90/10.

Senators Thomas R. Carper of Delaware, Richard Durbin of Illinois, and Tom Harkin of Iowa have all recently said they might push to count revenues from the GI Bill and military-assistance programs as part of the 90 percent. Military recruiting has been a growing focus for many of the colleges. Twenty for-profit companies received a combined $521.1-million in veterans and U.S. Defense Department benefits in 2010.

According to a report by the Senate education committee. The for-profit sector as a whole has received more than a third of the benefits paid out under the new GI Bill, even though it enrolls only about 10 percent of all military students.

The National Consumer Law Center, which has been critical of the ways colleges have “gamed” 90/10, is pushing for other changes, including Congress to toughen rules for treatment of revenues generated through loans like Corinthian’s, which it said colleges were using as “loss leaders” that keep

The 90/10 rule has created untold numbers of millionaires … on the backs of those who can least afford it.

Phoenix and many other colleges have also been revving up their lobbying in California’s and other state legislatures, to help preserve the availability of state grants for students who attend for-profit colleges. Student aid that states provide also counts in the 10. Thirty-one states provide such aid, according to the most recent data, but, as in California, some programs are under fire because of tight budgets, lawmakers’ concerns over the colleges’ profits, and now, “students are being burdened with the federal dollars flowing.” Colleges “make unaffordable loans as a way of filling up the 10-percent category with vapor revenues derived from loans that will never be repaid,” the center’s Deanne Loonin, a staff attorney, wrote in a report in January. Under the temporary provision, only a portion of the revenues generated through the college-sponsored loans can count in the 10 percent. Still, the center said that rather than extend that measure beyond 2012, Congress should end it now.

The 90/10 rule has created untold numbers of millionaires … on the backs of those who can least afford it.

DECLARATIONS OF INTEREST: none
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A Year After Bank-Based Lending’s Demise, Shrunken Industry Redefines Itself

By Derek Quizon

At least two major national banks, Key Bank and Citibank, have stopped lending money for education and plan to exit the federal student-lending business. The Congressional Budget Office had estimated that the government would save about $87-billion, which would otherwise have gone to the banks in the form of subsidies and administrative fees, over a period of about nine years. The Obama administration said those savings would help pay for increases in Pell Grants, which were expanded last year.

The major student-loan companies started focusing more on providing what’s known as “gap funding”—private loans to help pay costs left uncovered by a student’s federal loans and other financial aid, says John Dean, a lobbyist for the Consumer Bankers Association. The shift meant that the companies were significantly scaling back their student-lending programs, offering smaller loans to fewer students. Sallie Mae, the largest lender under the FFEL program, is laying off 2,500 employees this year, a reduction of 30 percent of its work force.

Joe DePaulo, the company’s executive vice president, says Sallie Mae is still heavily dependent on the federal government and is looking to buy loan portfolios from lenders that were crippled by the credit crisis and the new law’s changes. According to a Congressional Research Service report, Sallie Mae has four years left on a contract with the Education Department to service millions of federal loans and faces “very little competition” in that portion of the industry.

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Big Pharma Finds a Home on Campus

As drug companies scale back spending on R&D, academic research takes on financial risk

By Goldie Blumenstyk

Jeffrey Conn left a full professorship for a job in Big Pharma 11 years ago because he saw no path in academia to turn his novel idea for treating Parkinson’s disease into an actual drug. Now he and a corps of scientists are closing in on a molecule that could bring relief to the millions suffering with the condition’s debilitating tremors and paralysis. But the screening, testing, formulating, and reformulating that brought Mr. Conn’s team to this point didn’t happen in a lab at a multinational pharmaceutical company—he left his job at Merck & Company after just three years—not at a venture-capital-backed biotech firm. It’s advancing in the laboratories of Vanderbilt University, one of a growing number of universities that has attracted top researchers from pharmaceutical companies.

P. Jeffrey Conn co-directs Vanderbilt U.’s Center for Neuroscience Drug Discovery, which has attracted top researchers from pharmaceutical companies.

A Recruiter Offers the Humanities, and Second Chances

By Eric Hoover

A Recruiter Offers the Humanities, and Second Chances

By David Glenn

Discipline by Discipline, Accreditors Multiply

Despite debate over its cost, specialization thrives

By David Glenn

Two decades ago, some of higher education’s most-prominent leaders waged war against specialized accreditation. Robert H. Atwell, who was president of the American Council on Education, believed that accreditors that assessed the quality of programs in particular disciplines were more trouble than they were worth: They sapped administrators’ energy with fees, site visits, and long lists of requirements that did little to improve the quality of education. (He made exceptions for fields that trained students to save lives.) When he served on the board of the Council on Postsecondary Accreditation, he voted against virtually every specialized accreditor that applied for membership. John V. Lombardi, who was president of the University of Florida, told The New York Times in 1998 that specialized accreditors “blackmail” college presidents by demanding unwarranted resources.

For better or worse, the mood has changed. Specialized accreditors are proliferating. The Association of Specialized and Professional Accreditors has 61 members, up from 46 a decade ago. Some provosts say they would like their programs to apply for as many specialized accreditations as they can, even though the fees for an initial accreditation can run past $25,000.

Several forces have driven that shift. Some...
Academe Takes On Risks of Drug Research

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ties now taking on the high-stakes work of drug discovery.

This academic pursuit of new medicines, fueled at Vanderbilt and several other institutions by big-dollar research collaborations with pharmaceutical companies like Johnson & Johnson, Pfizer, AstraZeneca, and Gilead Sciences, has put research universities at the heart of what one AstraZeneca executive calls “a new economy of drug discovery,” one that shifts some of the responsibility, along with some financial peril, away from industry and onto academe.

Converging financial realities drive the shift. Drugs like Lipitor, Plavix, and Gleevec, collectively worth hundreds of billions in annual sales, will lose their patient protection between now and 2015. The pharmaceutical industry, which has laid off thousands of researchers during the past several years of mergers and consolidation, is scrambling for new medicines to fill its sales funnel.

The biotech industry, once a major source of new drugs for Big Pharma, is being squeezed by its own financial pressures.

Universities, meanwhile, realize that they need alternatives to the federal government for research support. And they face growing pressure from politicians and patient groups to demonstrate that the billions in philanthropic and taxpayer dollars flowing into their labs can produce cures.

“All of this is either a perfect storm or a new opportunity,” says John Reul, director of global alliance management at AstraZeneca, who oversees its 18-month-old, seven-figure collaboration with the University of Pennsylvania, where neuroscience researchers are trying to develop a drug to treat Alzheimer’s disease.

The new activity raises many new ethical and practical questions, and not only the obvious ones concerning the increasing potential for conflicts of interest. Are universities any more likely than the drug companies to succeed in finding useful new drugs? If the financial risks of drug discovery have become too great for giant multinational companies, is it really practical and timely for universities to take on this work? Are universities delving into drug discovery with unrealistic expectations of a big payday? And more broadly, will having universities, with their public mission, more integrally involved in drug discovery make it any more likely that new drugs are affordable to people in the developing world, or for that matter, even here in the United States?

Proponents of this new role for universities say involving top-flight academics more directly in the drug-discovery process could result in more innovative and more effective drugs. And as university researchers shepherd a molecule scientifically beyond the earliest stages of its path to becoming a drug, they can also make it more valuable when it comes time for the institution to license it to a company.

But enticing academic research with the pharmaceutical industry has its own special risks, notes Susan Solomon, who heads a nonprofit stem-cell bank in New York City.

The “new economy of drug discovery” shifts responsibility, and financial risk, away from industry and onto academe.

that works with many university scientists. The companies’ research priorities can shift quickly due to competitive and financial pressures. And sometimes a research group’s rights to its own findings and data can get tied up if the company drops the project or plays it down in favor of a more promising one. “If they change their mind and they don’t want your thing, you’re stuck,” Ms. Solomon says.

And even relationships that do produce new medicines pose the potential for problems, note some drug-industry skeptics. Donald W. Light, who has written critically about the companies, warns that unless universities are careful, they could find themselves similarly vulnerable. “Full partners in a system that leads to 85 percent of all new drugs being little or no better” than the existing one, or worse, helping to create drugs that he says too often come onto the market without adequate testing for side effects. “If universities are setting out to maximize profits on discoveries,” says Mr. Light, “then like companies, they become corporatized and become more likely to emphasize benefits and downplay harms” of new drugs.

Big Investment, Big Payoff?

Across the country, academic researchers are taking on a role that was once the purview of the research divisions of Big Pharma and the biotech industry. Only a few, however, are careful, he says, to keep up if the company drops the project or plays it down in favor of a more promising one.

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Continued From Preceding Page

er, have gone as far as Vanderbilt has in developing in-house expertise and facilities. Since the late 1990s, Vanderbilt has invested about $30-million of its own money to develop the scientific infrastructure and recruit the personnel that now make possible the work of the program that Mr. Conn co-directs, the Center for Neuroscience Drug Discovery. It aims to develop drugs to treat autism and schizophrenia as well as Parkinson’s. The full-time equivalent of 100 researchers and technicians work with the kind of equipment for screening, synthesizing, and purifying compounds that until recently would have been found only in drug-industry settings.

Several top scientists from pharmaceutical companies have joined Mr. Conn, including the co-director, Craig Lindsley, also formerly of Merck, and J. Scott Daniels, a recent émigré from Pfizer who oversees pharmacokineticians, the science of how molecules interact in the body, a mainstay of any commercial drug-development program.

The Vanderbilt researchers are pursuing experimental approaches that “were considered ‘not druggable’ by industry,” says Mr. Conn, who is a professor of pharmacology. They are following it up with scientific work that advances ideas farther along the development pipeline than has traditionally been the case for academic labs—not quite developing the pills that a company will eventually sell but, as Mr. Conn describes it, developing a knowledge base for a “druggable” molecule. “It’s not just finding a target, it’s finding a drug,” says Michael Cleare, Penn’s associate vice provost for research and executive director of its Center for Technology Transfer. "These programs would have never survived in another setting," says Mr. Conn.

At Vanderbilt, researchers are pursuing approaches that were considered “not druggable” by industry.

At Yale, the intensity of the interactions between commercial and academic science is what's new.

At Yale, researchers from the company and the university select which projects will receive in-house research and development. Now it’s “investing in the best science wherever it may be,” says the company’s Mr. Reid. “It’s a way of sharing risk.”

In addition to the sponsorship support, the collaboration includes potential payments of up to $15-million to Penn if the researchers hit agreed-upon milestones toward the development of a drug. It also includes an unusually flexible license that promises royalties to the university if a drug based on the researchers’ work ever goes on the market, even if the product itself isn’t a Penn invention. AstraZeneca is expected to announce similar collaborations with other universities by this fall.

Penn calls its AstraZeneca relationship an “integrated partnership,” differentiating this style of university-industry collaboration from prior models that weren’t as outcome-focused. A giant deal between Gilead Sciences and Yale University for developing cancer-fighting therapies, which guarantees at least $40-million in research support to Yale researchers over the next four years and as much as $100-million if the arrangements run for 10 years, also is designed to result in jointly developed drugs.

“Turned the intensity of the interactions” between researchers from the company and the university is what’s new, says Jon Soderstrom, managing director of Yale’s Office of Cooperative Research. A committee of Yale and Gilead scientists choose which projects will receive support. Then the academics work with corporate scientists on selecting targets and assessing the results. The intellectual-property terms of the Yale deal are not public.

“They’re All Desperate”

Before now, pharmaceutical companies felt that they were just “throwing money over the wall” when dealing with universities, says Regis B. Kelly, a molecular biologist and a former executive vice chancellor at the University of California at San Francisco. But now they’re all desperate,” he says, and they expect payoffs from their research sponsorships.

UCSF, which has given birth to dozens of successful biotech and drug companies (a former top executive at Genentech is the chancellor) has been a magnet for the pharmaceutical-industry partnerships. It has two drug-discovery sponsorships with Sanofi-Aventis, plus an agreement with Bayer HealthCare to encourage future collaborations with minimal red tape.

In 2010, UCSF was also the first to land a partnership with Pfizer—worth up to $85-million over five years—under a new collaborative program that matches company scientists with academic researchers to create new medicines.

Pfizer, which dubs the model “science outside our walls,” has since announced two additional Centers for Therapeutic Innovation, one involving major research universities in New York City and the other for universities in Boston. For researchers in these programs, Pfizer grants access to some of its proprietary scientific technology to speed the development of drugs, and liberal terms for intellectual property and rights to publish results of research.

Another pharmaceutical giant, Eli Lilly and Company, has taken a different tack. Having identified its own goals for treating Alzheimer’s, diabetes, cancer, and osteoporosis, it invites academic and commercial researchers to submit compounds to the company for screening as possible drug candidates. If the molecule shows promise, Lilly has the first right to negotiate a research sponsorship or license to develop it.

In the two years that the program has been under way, researchers at more than 200 institutions, in 26 countries, have submitted over 30,000 compounds for evaluation. Lilly has struck one deal, with researchers from the University of Notre Dame, for a molecule that shows promise in starving tumors of vital blood flow.

Professional investors are also looking to get in on the trend, in some cases offering financing and scientific advice to university researchers to help them advance...
potential drug discoveries before trying to license them to pharmaceutical companies.

One such group, a new venture called BioPontis Alliance, promises to evaluate and “pressure test” potential drug candidates from its partner universities with the help of experts recruited ad hoc, and to provide financing for those that show commercial potential. The chief executive, Richard A. Basile, says its model is more suitable to academic-based drug discovery than the typical, riskier approach, in which venture-capital firms finance start-up companies based on early-stage ideas. With BioPontis’s approach—financing projects, not companies—“we can kill a technology early” and move on, he says.

Penn, North Carolina, and five other universities have signed nonexclusive agreements with the alliance, which has yet to conclude its first-round fund raising.

A Long Horizon

Vanderbilt’s Center for Neuroscience Drug Discovery began as a one-man operation under Mr. Conn, who joined the faculty in 2003. (He got his Ph.D. there in 1996.) Now it boasts an annual budget of nearly $18-million and is outgrowing its prime home, in three medical-research buildings. About $11-million of its budget comes from the National Institutes of Health, up from about $4-million in 2006—a reflection of the federal government’s growing willingness to support this kind of translational research in drug discovery.

Most of the rest of the financing comes from foundation grants and industry sponsorships. In 2009 the Johnson & Johnson subsidiary Janssen Pharmaceuticals announced a three-year, $10-million sponsorship to develop schizophrenia drugs—a deal that could yield an additional $100-million in milestone payments to Vanderbilt if the work succeeds. The center also has a license with a smaller company, Sea-Side Therapeutics, which supports its work on an autism drug. Terms of that deal are not yet public.

Vanderbilt’s work on a Parkinson’s drug, which involves regulating neurotransmitter activity in ways that may be more effective than the traditional focus on dopamine, is financed with $4.4-million from the Michael J. Fox Foundation. Vanderbilt hasn’t yet licensed that drug.

While no one at the university denies the desire for a financial windfall from the drug-discovery program, officials insist that the most significant opportunity the center provides is a venue to pursue novel ideas. “These programs would have never survived in another setting,” says Mr. Conn.

For example, a Big Pharma company would have never invested in such an unvalidated approach for treating Parkinson’s, he says. (Indeed, Merck didn’t do so when he was there.) And “a venture investor wants something to happen in the first year,” Mr. Conn says. “I’ve been here eight years, and we’re just now” close to final results with the molecules that he and colleagues will soon put forth as drug candidates for human clinical trials in treating the disease.

The Vanderbilt center counts other measures of success as well. Since 2007 its researchers have filed for more than 100 patents and published more than 140 scholarly papers based on their work. Although the center uses industry processes to advance its work, including high-tech studies that assess how its compounds react in test tubes and in live animals, it doesn’t operate like a commercial-contract research organization.

“We’re still making basic-science discoveries. … We’re still doing what scientists in academe do.”

Given the times, it’s those collaborations, along with other drug-discovery efforts arising from academe, that will be much in demand. And as Mr. Kelly, of UCSF, contends, it’s not just the ailing drug industry that stands to gain. Higher education, not to mention society at large, could benefit, too. After all, governments and benefactors don’t give tax money and donations to universities “because they love our beautiful papers,” says Mr. Kelly. “If the universities don’t do it, who’s going to?”

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Atlanta Colleges Strive to Outrun the Recession

Region’s 11-percent unemployment means layoffs and scholarship cuts

By Lawrence Biemiller

DUNWOODY, GA.

“THE ECONOMY blows!” That’s Ariel Stitt’s take. She lays her textbook flat on a table in the crowded student center at Georgia Perimeter College’s campus here and then continues: “The HOPE Scholarship got cut, so a lot of students got their HOPE taken away, or got a traumatic cut. One of my best friends’ parents’ house was foreclosed, so they moved back to New York. And gas prices—OMG! I used to have an SUV, and I could spend $240 to $260 a month on gas.”

“Now I have to take Marta”—that’s the Metropolitan Atlanta Rapid Transit Authority—to get to school. I walk to the bus, take that to a train, take that train to another train, then another bus, then I walk here.”

Ms. Stitt lives with her family and works part time as a server at a Mellow Mushroom pizza restaurant. She’s an international-business major at Georgia Perimeter, a two-year college with four campuses on Atlanta’s outskirts (the “Perimeter” of the name is Interstate 285, which encircles the city). But her catalog of recession-related woes would sound familiar to almost any college student in the region: Unemployment here hovers around 11 percent, about two points higher than the national average, and foreclosure signs dot suburban streets and cul-de-sacs.

Visits to three local institutions—Agnes Scott College, Georgia State University, and Perimeter—turn up students who say they’re spending more hours at part-time jobs and less money on themselves. Faculty members say they haven’t gotten raises but are glad they still have jobs. Administrators say they’ve had to resort to furloughs or even layoffs to keep budgets balanced. And everyone is worried that the recession won’t end anytime soon.

A few tables away from Ms. Stitt sits Asmir Vehabovic, who says he’d be at Georgia Tech studying computer science if the economy were better, instead of working full time in customer service for Publix Super Markets and taking classes here. Daniela Doque, who works full time as an emergency medical technician, says she just enrolled this semester as a full-time nursing student—a feat she’s managing by taking classes part time.

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Fulbright Program Looks Forward Despite Budget Uncertainties

> Scholars in Northern Ireland and Sierra Leone discuss their research; a scholar from Kabul goes home. A13
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Colleges Vie for Tech Tract in the Big Apple

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To encourage bidders, the city is offering up to a $100-million toward capital costs and some prime real estate—including a tree-lined, 10-acre site on Roosevelt Island with magnificent views of the Manhattan skyline. The competition has spawned proposals for nearly $2-billion in new construction over the next 30 years for a commercially focused campus that boosters say has the potential to reshape the academic and business terrain of one of the world’s most important cities. The buildings are offering space for as many as 2,000 tech-focused graduate students—about 20 percent more than the city has in those fields today—and an influx of academic programs in new media, “smart cities” technologies, and other futuristic fields.

A foothold in New York City, still arguably the world capital of finance and philanthropy, could also reshape the institution—or institutions—that win.

And even with the uncertainties of a worldwide economic crisis in the air, those who are thinking big say that the yearning for innovation, and the world financial community’s continued interest in providing the wherewithal are taking their shot.

“Over the next five years,” he says, “this scene is not going to be impacted by academic research.”

“Over the next five years,” he says, “this scene is not going to be impacted by academic research.”

“We just keep reminding ourselves this is about doing something that New York needs,” says Daniel P. Huttenlocher, Cornell’s dean of computing and information science. A familiar face on the university bus that makes 21 round trips a week between the Cornell Club, on East 44th Street, and the main campus in Ithaca, in rural upstate New York, Mr. Huttenlocher has racked up more than 250 meetings with alumni, business leaders, and others in the city over the past four months. (Cornell’s president, provost, and dean of engineering have all been active, too.) The meetings have helped Cornell decide which degree programs best match the city and, Mr. Huttenlocher allows, have generated some “buzz on the ground” as well. Last week, Cornell announced that the Technion-Israel Institute of Technology had joined its bid, with plans for a Technion-Cornell Innovation Institute, a 50-50 dual-degree-granting collaboration to which the two institutions would contribute faculty and undertake joint research.

Stanford, too, is coming on strong, capitalizing on its stature as the engine of hundreds of Silicon Valley successes. It grabbed headlines with bold descriptions of its plans for a $2-billion campus (and $1-million just to prepare the bid and is using its handsome stanford.edu/nyc Web site to remind decision makers of the more than 700,000 people now employed by companies founded by Stanford faculty and alumni.

It also has the ideal spokesman in its president, John L. Hennessy. Mr. Hennessy, who himself started a company, MIPS Technologies, as a young professor at Stanford, has used recent meetings with journalists in New York City and White House officials in Washington to highlight how his university can help with the competitive pressures America faces.

As he stated in a CNBC interview, “We want the next major innovation center to be built in the U.S. of A., and from Stanford’s viewpoint, New York is the place to do this.”

Bids are due by October 28. City officials say they’ll make a decision by the end of this year.

Besides Stanford and Cornell, at least two other major proposals are expected. One is from Columbia University, for what it calls a Data Sciences Institute, and the other is from a New York University-led consortium of companies and five universities: Carnegie Mellon University; the City University of New York; and a group comprised of Aalto University, Massachusetts Institute of Technology, and University College London.

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Correction

An article about how some law schools are drawing questions about the reliability of their job-placement data (The Chronicle, October 21) referred incorrectly to the location of John Marshall Law School. There are two law schools with that name, and the one in the article is in Atlanta, not Chicago.

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New York; the Universities of Toronto and of Warwick, in England; and the University of Toronto; the University of Warwick, in England; and IIT Bombay, in India, among them Purdue University, Stevens Institute of Technology, Rensselaer Polytechnic Institute, and the Korea Advanced Institute of Science and Technology. Others, like Warwick, IIT-Mumbai, and Toronto, were part of, or have since joined, the NYU consortium.

“What the City Needs?” Mr. Bloomberg made his own formidable fortune as a technology innovator, and with close ties to higher education (he’s chaired Cornell’s board), already with a medical school in Manhattan and a strong alumni base in the region, sees the New York City Tech Campus as the fulfillment of a long-held dream to extend its technology and business expertise well beyond its borders. Both Stanford and Cornell hired big public relations firms and top city lobbyists (Stanford’s chose the mayor’s most recent campaign) to help them manage their messaging. Stanford drew the spotlight two weeks ago by announcing a partnership with the City University of New York that would allow it to open its tech campus in the fall of 2012 with a cadre of professors based at CUNY’s City College campus. The relationship is bound to win Stanford some points with CUNY’s growing legion of political supporters.

New York Mayor Michael Bloomberg’s administration is offering land and up to $100-million for a “game changing,” science-focused academic venture to develop and commercialize new technologies that will diversify the city’s economy. The finalists won’t be known until after the proposals are due, on October 28, but four major bidders have emerged.

**Stanford U.**

Proposing what could potentially be a 1.9 million-square-foot campus on a site near the southern tip of Roosevelt Island for 2,000 professors and researchers, as well as housing, parks, and a public square, Stanford has made a big-name endorsement (Yahoo’s co-founder Jerry Yang and the investor Stanley Druckenmiller for Stanford; Irwin M. Jacobs, a co-founder of Qualcomm, and Abby Joseph Cohen, a partner at Goldman Sachs, for Cornell); grass-roots petitions and other online efforts on Twitter, Facebook, and You-Tube (most from Cornell alumni and students); and orchestrated media tours by university leaders (landing Mr. Hennessey those four minutes and 45 seconds of featured interview time in September on CNBC, a cable channel favored by Wall Streeters and other business leaders).

Stanford, considered a front-runner for its Silicon Valley cachet and the strength of its balance sheet, has never before considered so big an academic investment outside of its Palo Alto, Calif., home. The university says Stanford-NYC is a test for a new multicum-pus model for research universities and, as Mr. Hennessey has described it, a chance for it to tackle important scholarly challenges in an urban environment “like no other in the U.S.”

The campus would also present new ave nues for its professors and graduate students to connect with the financial sector and creative industries like publishing, that aren’t major players in Silicon Valley.

“We like to think we’re a great university, but to be honest, one never moves forward with standing still,” says James D. Plummer, Stan ford’s dean of engineering and a key architect of the university’s proposal.

**Cornell, already with a medical school in Manhattan and a strong alumni base,”**

**Columbia U.**

Proposing a university-industry consortium, focused on the energy, water, and transportation challenges of great cities of the world, the Center for Urban Science and Pro gress, to occupy a vacant, square-block building at an F train stop in Brooklyn, near its NYU-Poly engineering campus. Partners include CUNY; Carnegie Mellon University; the University of Toronto; the University of Warwick, in England; and IIT Mumbai, plus Cisco, Consolidated Edison, IBM, IDEO, National Grid, Siemens, and Verizon.

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Creating Silicon Valley was a fantastic challenge. "Will that recipe cook New York City ingredients?"

Columbia U. is already expanding its campus at this site on West 125th Street, and would build a data-sciences institute here if chosen.

Three words to describe the Board of Trustees at the Johns Hopkins University, he sees the campus as a catalyst for the city’s economic future.

That was clearly the message he delivered this month at a "Tech MeetUp" talk in Greenwich Village. The event drew hundreds of young, fashionably dressed-down members of the city’s start-up scene, and they responded with rousing cheers as he championed the proposed campus as a tool for raising New York’s tech profile, declaring, "We can’t sit here and let Silicon Valley be bigger than us."

Still, for all the applause, the campus may not be what New York City needs today. Alexis Tryon and Scott Carleton, both in their early 20s, founded a company, Artisic, that uses the Internet to connect emerging artists to buyers or renters of art. Artisic is "desperate for developers and en-
gineers," Ms. Tryon said before going on stage at the event. But, she added, a "really well-done continuing-ed program" would serve her company just fine. Mr. Carleton said they’d be "willing to talk to high-school kids if they could code."

David Tisch, managing director of TechStars, a start-up incubator in Manhattan, says the deep-science ideas that made Silicon Valley flourish aren’t what energizes the New York scene now. "New York’s angle is different," he says. The city’s homegrown tech companies, like Foursquare, capitalize on things like population and density. "Over the next five years," says Mr. Tisch, "this scene is not going to be impacted by academic re-
search."

While several of the bidders say they’re hoping to get started within a year in tem-
porary locations, Bloomberg-administration officials say they recognize that the applied-
sciences campus is really a bet for the fu-
ture.

Yet, as others have noted, a lot of what fu-
edled Silicon Valley successes for the past 50 years—including a culture of unusually po-
rorous interaction between academic and in-
dustry research scientists and a sustained gusher of federal research money, inspired, backed by, the cold war—are not as easily reproduced amid today’s political and eco-
nomic realities.

“There are lots of reasons that Silicon Val-
ley developed that can’t be replicated in the 21st century,” says Gina Neff, an associate professor of communication at the Univer-

Even Woody Powell, a leading innovation-
cluster expert at Stanford who wants to see a win, recognizes the obstacles.

The “horizontal networks” that connect professors and industry “are extraordinary-
ly strong” in Silicon Valley, says Mr. Pow-
ell, a professor of education and sociology.

And many of Silicon Valley’s biggest thrives be-
cause the industrial scientists were far from their East Coast corporate headquarters. “It was a lot less supervised,” he says, which encouraged experimental collaboration. Plus, he says, in Silicon Valley, it doesn’t take long to learn the likeliest late-night sushi spot where programmers congregate, or which wine bar to frequent to bump into venture capitalists. Translating that ambience to New York, “is a fantastic challenge,” says Mr. Powell. “Will that recipe cook New York City ingredients?”

Stanford’s academic culture, famously in-
dustry-friendly, is a crucial piece of that. So is MIT’s. New York’s universities say that they, too, work well with companies, but that their contributions aren’t as often recognized, because New York’s economy is so large that their efforts don’t register as much.

Whatever the case, the Bloomberg admin-
istration is clearly looking for an academic venture that will rev the city’s commercial-
ization metabolism.

Mr. Powell, who has already agreed to teach for a period at Stanford’s New York campus, should Stanford win, says success would be “vastly easier” for a university that’s done it before.

Stanford hasn’t announced the academic specialties it plans for New York but says they will include things like entrepreneurial education, sustainable urban systems, and fi-
nancial math and engineering.

Its faculty didn’t embrace the New York idea initially, concerned that a smaller cam-
pus 3,000 miles away would be too detached from the academic culture of the university. But many have warmed to it, even since the university sought their ideas for academic and research programs, in a memorandum from Mr. Hennessy himself.

Stanford’s leaders have also assured the faculty that the proposal envisions “one uni-
versity with two campuses,” and that New
York wouldn’t drain resources from Palo Alto. One way the university will do that will be through a reliance on distance learning, with only 100 full-time faculty positions per-
manently based in New York.

But that, too, has raised some concerns, says William J. Dally, a professor of com-
puter science at Stanford who chairs a fac-
ulty advisory committee for the New York campus. Keeping departments and academ-
ic programs vibrant through a telepresence, he says, is “one of the hurdles we need to overcome.”

Cornell is planning a campus of compa-
rable size, with a New York-based faculty of at least 250, including professors from the Technion, plus corporate research scientists. That’s equivalent to establishing an institu-
tion the size of its current engineering col-
lege. It would be focused initially on three hubs of study, affecting health, interactive commerce and media, and the “built envi-
ronment.”

A Win for NYC

Along with information on the contenders’ academic offerings and research prowess, New York will judge them on the number of patents they’ve won, the number of compa-
nies and local jobs they’ve created, and mat-
ters like how their tenure and other policies encourage faculty-industry ties. Stanford, very likely the only university in the country that can command as much as $2,000 sim-
ply for a tour of its technology-transfer office, will have a competitive advantage, it is worth it to them to make that investment here."

no doubt will have the edge on that front. It counts the founders of Google, Cisco, Sun Microsystems, and dozens of other compa-
nies among its faculty and alumni. Cornell hopes its new partnership with the Technion, whose graduates lead 59 of the 121 Israeli companies on the Nasdaq, will help it even the field.

Given the costs (even outside of New York, $100-million doesn’t go very far when it comes to building top-flight academic com-
plexes), the city is also looking for a bidder who can carry it off.

Online petitions and Twitter traffic in and of themselves don’t count for much, but “to the extent that tweets calibrate to alumni sup-
pport,” and alumni support translates to con-
tributions, it can help, says Robert K. Steel, New York City’s deputy mayor for economic development. "We talk about your ability to support your ambition.”

Neither Stanford nor Cornell has publicly laid out how it would finance a new campus. Stanford’s $19.5-billion endowment is nearly four times the size of Cornell’s, but both have strong records in fund raising, and the Tech-

ion’s added donor connections could help Cornell. Each would probably rely heavily on gifts, and on the tax-exempt borrowing options the city has offered, to help pay for the construction. “It’s a big lift for any uni-
iversity,” says Cornell’s dean of engineering, Lance Collins.

Mayor Bloomberg will make the final call, and despite talk that he’s already decided he wants Stanford, city officials insist the compet-
itors will be judged on the merits of their bids.

Aside from CUNY’s role in both Stan-
ford’s and NYU’s bids, only the wealthiest private universities are contending from the United States. They are the kinds of institu-
tions that have rebounded most quickly from the economic crisis that still grips most of the rest of higher education. Still, says M. Peter McPherson, president of the Association of Public and Land-Grant Universities and a former chairman of New York-based Dow Jones Inc., it’s a remarkable opportunity for all of higher education and for the country. “Another big operator builds instead of de-
tracts,” he says.

Research universities are in demand all around the world, particularly in develop-
ning regions like China and the Middle East. Apart from some very valuable real estate, New York is offering a lot less upfront than those places are. Given all that, Seth W. Pin-
sky, president of the New York City Eco-
nomic Development Corporation, says the interest of several of the world’s major uni-
versities is also a heartening vote of confi-
dence in New York City.

“What they are all implicitly saying is that they believe the future is here in New York,” he says, “and for their own competi-
tive advantage, it is worth it to them to make that investment here.”

MARK ABRAMSON FOR THE CHRONICLE