

California Competes

Higher Education for a Strong Economy

Statement of Robert Shireman Director, California Competes

Little Hoover Commission

Sacramento, California
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Mr. Chairman and members of the Commission, thank you for the opportunity to testify. My name is Robert Shireman and I serve as Director of California Competes: Higher Education for a Strong Economy (www.californiacompetes.org), an independent, nonpartisan, nonprofit project aimed at bolstering the state's postsecondary outcomes to foster vibrant communities and an engaged citizenry.¹ An alumnus of California schools from Kindergarten through graduate school, I previously served in both the Obama and Clinton Administrations, founded the Oakland-based Institute for College Access and Success as well as its Project on Student Debt, and led the James Irvine Foundation's California campus diversity initiative.

Last year at California Competes we recruited a Council of esteemed California business and civic leaders who represent the "demand" side of higher education. In other words, they are not the college presidents and faculty who lead and staff the colleges and universities that supply the educational needs; they are the community and business leaders who experience first-hand the importance of having a critical mass of well-educated Californians whose talent matches the demands of the 21st century. After 10-month review, the Council, chaired by Mayor Bob Foster of

¹ California Competes is a project of Rockefeller Philanthropy Advisors, Inc., and receives support from the College Access Foundation of California, the Rosalinde and Arthur Gilbert Foundation, the James Irvine Foundation, the William and Flora Hewlett Foundation, the Lumina Foundation, The Bill and Melinda Gates Foundation, and the Ford Foundation.

Long Beach, found that if current trends continue, California's higher education system will not produce the quality and quantity of college degrees needed for California to maintain its vitality and economic leadership. Our public and private colleges and universities will graduate more than three million students with bachelor's degrees and technical credentials between now and 2025; however, we will need more than five million to stay economically competitive thus leaving a gap of more than two million.

The Council's report, *The Road Ahead: Higher Education, California's Promise, and Our Future Economy*, finds that California could close the gap by tackling three challenges:

- **Improving the transition from high school to college.** It is well known that California has a significant high school dropout rate, ranking 36th among the states in terms of high school graduation. Even among those who do manage to complete high school, the college-going rate is low, with the state ranking 40th. This is surprising given the large, low-tuition community college system in California. If more students were to make progress in graduating from high school and transitioning to college, with more of them ready to undertake college-level work, roughly a third of the college degree attainment gap could be closed.
- **Closing the achievement gap in college.** Among all the states, California has the largest degree attainment gap separating White and Asian students from underrepresented minority students, ranking 50th in the nation in terms of degree attainment. Just over half of California's Whites have an associate's degree or higher compared to only 18 percent of Latinos, African Americans and American Indians, a gap of 33 percentage points. The degree attainment gap is 20 percentage points in the nation as a whole. If the gaps in enrollment and achievement were to be entirely closed, an additional 790,000 four-year

degrees would be produced in California, bringing us more than a third of the way toward the 2025 attainment goal.

- **Improving outcomes at community colleges.** We send a larger proportion of our high school graduates to community colleges than any other state, so it is essential that they help guide students and offer the courses they need so students can move on and open up seats to new high school graduates and adults. In terms of completion rates, our community colleges have a steep climb ahead of them, ranking 49th compared to other states. While comparative data is not perfect, there is no question that outcomes could be significantly improved. Elevating attainment rates for transfer, degrees and certificates at community colleges could address a third to half of the 2.3 million graduate gap that we have identified.

The Council points out that navigating toward a postsecondary degree goal is not useful if the credentials don't represent student advancement in knowledge, learning and skills in fields that fuel the state's economy. In other words: quality matters. Doubling class size might seem more efficient, but if it means that students are no longer getting feedback on written assignments and engaging in class discussions, graduates will finish with poorer analytical and critical thinking skills, severely undermining the value of the degree. Similarly, it may be cheaper to offer courses in hotel management than in engineering, but the state would not be well served by replacing all of our engineering degree programs with business programs in the interest of expanding enrollment and getting more graduates. Reform efforts without attention to the type and quality of those degrees are likely to have negative unintended consequences.² At the same time, faculty are often too quick

² An expert panel recently convened by the National Research Council emphasizes that promoting accountability for productivity "will be dangerous without a robust quality assurance mechanism." The experts plead with reformers to bring the issue of quality into attempts to promote access and completion. The assumption that the market will police quality, they warn, "is manifestly not the case for higher education. Colleges pursue strategies—larger classes or less costly instructors—that reduce costs per nominal output but could dilute quality." Measuring

to reject reforms by asserting that the changes will necessarily undermine quality. Administrators and faculty members at both public and private institutions need to be clearer about their standards for degrees and their methods of determining whether students actually meet those standards, so that the potentially promising innovations can be assessed. Public and private institutions also need to be open to studies of the employment and earnings of graduates of different programs to inform their own planning as well as to send feedback to policymakers.

It is fitting for the Little Hoover Commission to ask about California higher education policy because we will not get the educated citizens that are critical to our future here by taking a laissez-faire approach. The postsecondary education market can only operate effectively and fairly when government is playing a role in supporting, sustaining and publicizing the value and meaning of credentials. (Indeed, even before governments provided financing for higher education they created the market itself by determining what is required to call an entity a “college” or “university” and under what circumstances a degree or other educational credential can be issued.) Further, without public investment the system may not provide the opportunities for upward mobility or produce the types of credentials that are optimal for economic growth and vibrant communities. For these reasons, the Council’s report calls for the creation of a state Higher Education Investment Board with the independence, authority, and expertise to help Californians earn the degrees that will respond to their interests and aptitudes, and the needs of families, communities, and the economy.

Before I discuss the details of the Investment Board proposal, I would like to briefly discuss our work on community colleges, since it was the topic of your February report.

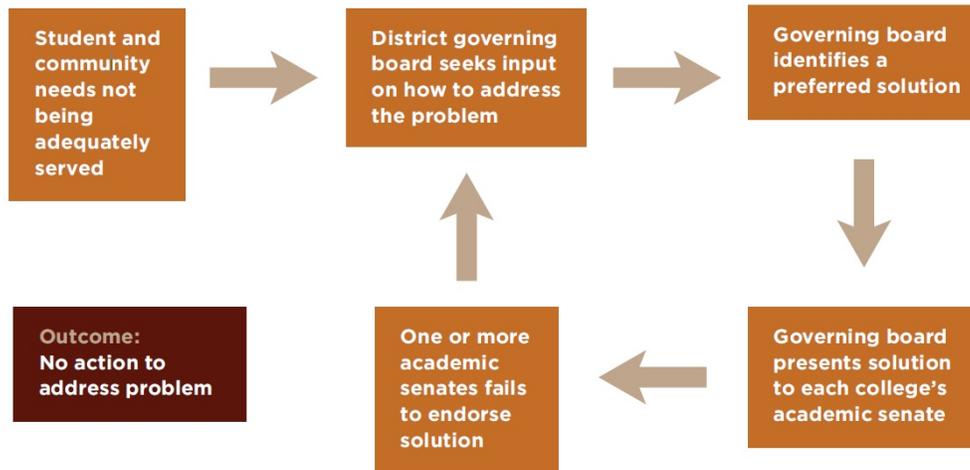
productivity without attention to quality would “add to the already problematic incentives to emphasize quantity over quality in higher education.” National Research Council (2012). *Improving Measurement of Productivity in Higher Education*. Panel on Measuring Higher Education Productivity: Conceptual Framework and Data Needs. Teresa A. Sullivan, Christopher Mackie, William F. Massy, and Esha Sinha, eds. Committee on National Statistics and Board on Testing and Assessment, Division of Behavioral and Social Sciences and Education. Washington, DC: The National Academies Press.

Community college leadership and accountability

Our Council members echoed your call for increased clarity around the mission of the community colleges, the need for governance reform, the imperative of fiscal reform, and an overhaul of how the colleges deliver basic skills education. They also supported the Student Success Task Force’s efforts to create a stronger advising system and aim resources toward completion and transfer. We are pleased that the legislature and the Board of Governors are beginning to take some steps to develop and implement the recommendations. It is a start, but only a start. And it would be a mistake to await more financial resources before considering further reforms. Indeed, the opposite is the case: resource challenges underscore the need to improve management so that every penny that is now in the system is used well.

One step the Board of Governors of the California Community Colleges could take immediately is to clarify accountability at the local district level. Our Council found that current

How local community colleges get stuck in endless meeting loops



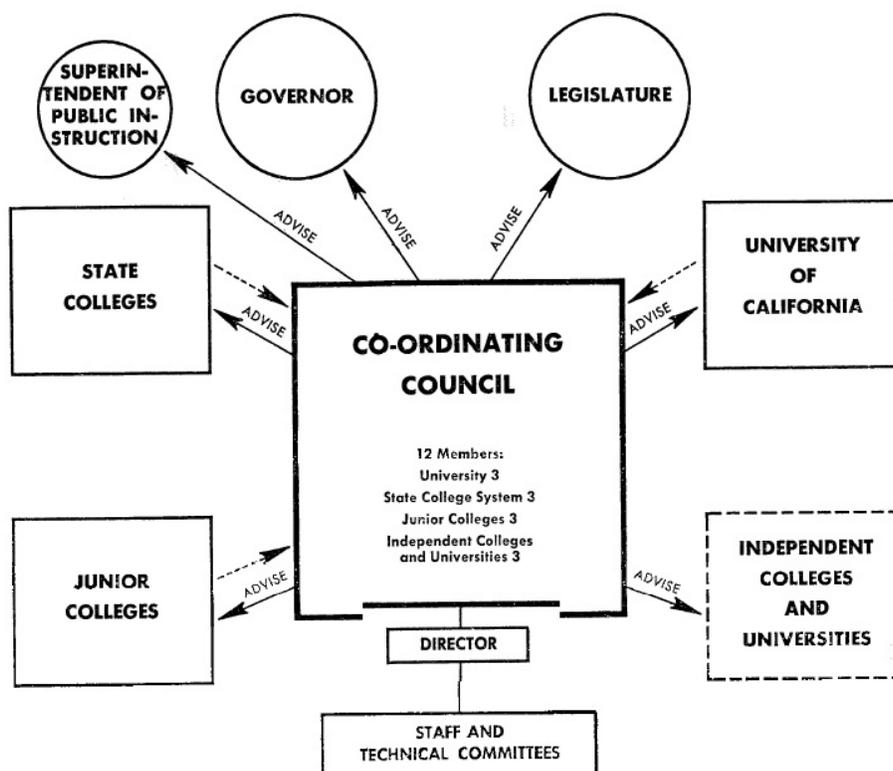
regulations undermine leadership at the local level, making it unclear who is ultimately responsible for the colleges’ actions – and, just as importantly in today’s climate, who is responsible for

irresponsible *inaction*. When the buck stops nowhere, as depicted in the graphic, it is a recipe for the dysfunction and crises that we are seeing in places like the City College of San Francisco right now.³ We invite the Little Hoover Commission and others to join us in seeking action from the Board of Governors to clarify district accountability before the stalemates, buck-passing, and leadership vacuums further threaten the availability and quality of postsecondary education available to already-vulnerable Californians. A draft proposal for altering current regulations is attached as Exhibit A.

Create a Higher Education Investment Board

Charting possible futures for postsecondary education requires a detailed understanding of the needs of the economy, the challenges faced by communities in different regions of the state, and the activities and capacity of all higher education providers, public and private. This type of detailed, expert analysis is essential for informing decisions by the Governor, the State Legislature, and the leaders of public and private postsecondary institutions. Prospective students also need this type of objective information as they consider where to enroll and what to study. The original 1960 Master Plan saw the importance of this leadership and coordination role, and proposed the creation of a high-functioning, dynamic, analytical agency that would be a central participant in the policy process, as is clear from the illustration taken directly from the Master Plan document. Yet despite some attempts, California has never really had a mechanism in place with the ongoing responsibility for holding all of us accountable—the public, higher education institutions, the business community and elected leaders—for addressing the state’s needs, plotting the potential futures, and grappling with the tough choices.

³ See Nanette Asimof, “City College of San Francisco on brink of closure,” *San Francisco Chronicle*, July 12, 2012. <http://www.sfgate.com/education/article/City-College-of-San-Francisco-on-brink-of-closure-3682955.php>.



The state has no shortage of intriguing policy recommendations from analysts and observers.

For example:

- The Public Policy Institute of California has suggested that California could better meet the needs of the workforce by expanding the size of the public four-year college systems so that they enroll a larger share of high school graduates.⁴
- An expert on the Master Plan has recommended the creation of a polytechnic system of colleges in California, combining some of our community colleges and state universities into a system more focused on engineering and technology.⁵

⁴ Hans Johnson, "Higher Education in California: New Goals for the Master Plan," PPIC, April 2010. <http://www.ppic.org/main/publication.asp?i=916>.

⁵ John Douglass, "Re-Imagining California Higher Education," U.C. Berkeley Center for Studies in Higher Education, October 2010. <http://cshe.berkeley.edu/publications/docs/ROPS.Douglass.RelmagingCalHE.10.25.10.pdf>

- A former president of the University of California recommends creating a new kind of hybrid institution that would more strongly link community colleges and four-year colleges.⁶
- Other experts suggest that state policy makers are failing to consider the current and potential role of nonprofit and for-profit institutions in addressing the state's needs.⁷
- An expert on community colleges recommends clearer pathways to technical credentials as a way to meet student interests and state needs, and to improve completion.⁸
- Students at the University of California developed a proposal to charge zero tuition when Californians enter college, but instead to tap a percentage of students' future income to cover the cost of providing the education.⁹

These questions and proposals cannot be appropriately considered by the various sectors themselves because they involve over-arching issues in which the sectors may have conflicting interests and/or strong attachments to the *status quo*.

Now, more than at any other time since 1960, California needs that expert leadership to help us all undertake the critical task of shepherding California higher education back to a place of preeminence. The Council's report recommends the creation of a Higher Education Investment Board, independent of the higher education segments, that would be responsible for recruiting the

⁶ Saul Geiser and Richard C. Atkinson, "Beyond the Master Plan: The Case for Restructuring Baccalaureate Education in California," U.C. Berkeley Center for Studies in Higher Education, November 2010.

<http://cshe.berkeley.edu/publications/publications.php?id=369>

⁷ William G. Tierney and Guilbert C. Hentschke, *Making It Happen: Increasing College Access and Participation in California Higher Education – The Role of Private Postsecondary Providers*, National University System Institute for Policy Research, 2011. http://cheпа.usc.edu/pdf/Making_It_Happen.pdf

⁸ *The Road Less Traveled*, Institute for Higher Education Leadership and Policy, 2010.

www.csus.edu/ihelp/PDFs/R_Road_Less_Traveled_02_11.pdf

⁹ See "Skip Tuition, Pay 5% of Salary Instead," *Forbes*, April 23, 2012.

<http://www.forbes.com/sites/jamesmarshallcrotty/2012/04/23/fix-uc-plan-ends-tuition-as-we-know-it-is-it-bloody-crazy-enough-to-actually-work/>.

leadership and staff who would carry out analyses and policy development with the Board's guidance. The Investment Board's planning responsibilities would include:

Projecting Needs: Assessing the state's current and future degree needs in postsecondary education training and education.

Identifying Gaps: Identifying incongruences between programs currently available and those that are demanded by the economy and by students, including adult students.

Developing Cost-Effective Strategies: Developing proposals for improving postsecondary outcomes that consider taxpayer costs, student costs, and quality.

Enhancing Accountability: Proposing accountability plans for publicly funded institutions, for consideration by the Governor and Legislature.

In addition to its planning and coordination responsibilities, the Board would absorb the functions currently carried out by the California Student Aid Commission (CSAC). Delivery of most state scholarship funds would be decentralized, freeing substantial staff resources for a critically important CSAC function: facilitating outreach to disadvantaged students about their postsecondary opportunities and their options for covering costs. This function of the Higher education Investment Board is critical to providing the agency with the "teeth" that the previous entity, the California Postsecondary Education Commission, did not have.

Policymakers, students and educators need independent information, analysis and accountability to fill this pressing gap in degree outcomes. No entity in California currently carries out these responsibilities, allowing higher education to drift and decay, and leaving students with inadequate information for planning their own futures.

Structure, stature, and leadership

The benefit of developing a specific rather than a general recommendation is that it makes the proposal real and forces answers to the more difficult questions about how to move forward. The disadvantage is that it can result in arguments over the details, preventing action on the overarching issue and continuing a clearly-inferior *status quo* that most agree is worse than any of the potential alternatives. (Indeed, these kinds of stalemates seem to be the cause of many if not most of California's problems). Below I will describe the thinking behind the details of our proposal. But I want to emphasize that the state needs high-level leadership to sort out its options and recommend approaches to tough issues. History and experience in California and in other states and countries demonstrate that leadership can emerge and develop in many different ways. The structure adopted for an Investment Board can increase our likelihood of getting the leadership that we need, but it in no way guarantees it.

The entity we need should be an advocate for education, but not part of the educational establishment in a way that prevents honest analysis of potential major changes. The Board should be composed of eminent community and business leaders who bring strategic acumen and credibility to the Board's work, giving both direction and ample latitude to the expert staff. The entity needs to be insulated from short-term politics, but not so disconnected from the gubernatorial and legislative decision-making process that its analyses are routinely ignored. In that regard, it needs to have some authority, but should not be "in charge" of higher education. Think of it as offering destinations and routes to system leaders and to the legislature and governor, but not driving.

The Council's report proposes that the Investment Board be created as a public benefit corporation—a legislatively created nonprofit corporation with governmental responsibility and

accountability but insulated from short-term political shifts.¹⁰ It could be funded by charging each higher education institution operating in California—public and private—a small fee, similar to the financing mechanism used successfully by the Bureau for Private Postsecondary Education. This method of financing provides some stability and is less likely to invite legislative micromanaging in the annual budget process.

While our Council did not finalize recommendations regarding the appointment of the Investment Board, our background paper suggests seven members, with seven-year terms (one expiring each year), renewable: three appointed by the Governor and confirmed by the Senate; one each appointed by the Assembly Speaker and the Senate Rules Committee; and two additional members selected by the five gubernatorial and legislatively appointed members. Boards need the right mix of expertise among their members, and these latter two positions, selected by the board itself, allow it to fill in the gaps. The board members may not hold official positions or be employed by institutions of higher education. The executive officer would be appointed by and serve at the pleasure of the Board, with other staff positions hired by the executive officer.

Student leaders and representatives of the higher education sectors should be involved in the Investment Board's activities through advisory mechanisms. All of the voting members of the Board should be accountable to the systems potential future students, its current students, and to the broader and long-term needs of the people of the state.

There has been some objection to the Investment Board taking over the responsibility for Cal Grants and student outreach, essentially incorporating CSAC. Yet there are plenty of examples of government entities that are responsible for collecting and analyzing data *and* effectively administering a program. Labor agencies analyze data while administering unemployment insurance.

¹⁰ Public benefit corporations are often created to manage infrastructure such as utilities and transportation. Examples include some regional transportation agencies, such as the LA County MTA, and the California Independent System Operator that oversees the electricity grid.

Health agencies run programs while analyzing the medical infrastructure. The state scholarship program would provide the Investment Board with an oar in the budget process and a hook into the public and private colleges. While there is a hazard that the Investment Board would become excessively focused on its administrative duties, it is more important to avoid the opposite problem we experienced with CPEC, an entity that could be ignored and manipulated by the segments because it had no real role. In this respect, the 1960 Master Plan study group erred in believing that a coordinating agency's "effectiveness and its influence...will flow from its mastery of the problems of higher education." Expertise matters, but ideas won't get the analysis and consideration they deserve if institutions can ignore requests for information and there is no natural route for proposals to enter the policy making process.

The Higher Education Investment Board proposal is a right solution at the right time. I would ask any detractors to put forward their own proposals rather than simply object to this one. Perhaps a useful way for the governor and legislative leaders to think about this problem is to ask, "What kind of person would we want to lead this entity? What kind of staffing and expertise should it have? What should the relationship be to the governor, to the legislature, to higher education systems? To attract and retain that leadership and staffing, what type of structure and financing system is needed?"

Other issues

The letter inviting my testimony raised a number of questions, some of which I answer above. Below are comments and resources on some of the remaining items.

Is the Higher Education Investment Board a replacement for CPEC, but with real authority? Yes.

Should a new policy plan continue to embrace the delineation of the segments as outlined in the 1960 Master Plan? This is precisely the type of question that an Investment Board should be considering. My view is that the delineation has been important, but the landscape has changed and some of the lines may need to be redrawn.

Can online education maintain the university's standards while offering efficiencies and, possibly, cost savings? Whatever the means of delivery, in order to get more learning at the same or lower cost we need more clarity about the intended learning outcomes.¹¹

Should performance and accountability metrics be a guiding force in funding decisions? It depends how it is done. Done well, it can be a useful way to allow for innovation in the delivery of teaching and learning, leading to a better educational experience for more of our disadvantaged students. Done poorly, it can reward institutions for shutting out needy students. Because any formula can have unintended consequences, I think it is best for the system to allow for nuance and judgment by the system head, using finance as part of the suite of management tools, rather than applying a formula by legislation. Again, this is a good topic for a Higher Education Investment Board.

¹¹ See my testimony to CSAC about accountability and online education:
http://californiacompetes.org/news_and_events/csac-testimony/.

Are there steps the Governor and Legislature could take to establish a stable source of funding for higher education in California – one that allows students, families and the university to properly plan for the future? The number one issue is the structure of state finance, which relies excessively on unstable income tax revenue. This is a problem that reaches much more broadly than higher education but is the most important answer to the question. Specific to higher education, the state could be doing more to maximize the federal financial aid funds that come into the state, and to help Californians identify their best pathways—academically and financially—to a quality credential.

Conclusion

The 1960 Master Plan was a landmark document, laying out in great detail the anticipated increases in the state population, the resulting demand for higher education, the attention needed to particular regions, and the need to train the faculty who would be working in the growing public colleges and universities. The clarification of functions of the different segments and the recommendations for finance helped to fuel what is still viewed as one of the most successful public investments in human infrastructure in history. The Master Plan did not anticipate everything, though. Its analysis assumed that the proportion of the adult population who would want a college degree would remain roughly constant, with demand being fueled primarily by migration to California and the coming-of-age of the baby boom generation. It did not anticipate the collapse of wages for those with only a high school diploma, and it did not account for the doubling in proportion of women seeking a degree, now surpassing the rate for men. In other words, California higher education is now even more vital for young people entering adulthood, and it is serving far more students and a larger proportion of the population than the Master Plan ever anticipated.

Higher education policy in California has been drifting, and the state's future is in peril as a result. I encourage the Little Hoover Commission to help press the Governor and the Legislature to develop goals and leadership that can reestablish California as a leader in higher education.

Exhibit A

Sample revisions to Cal. Admin. Code tit. 5, § 51200 and § 51203

§ 53200. Definitions.

For the purpose of this Subchapter:

(a) “Faculty” means those employees of a community college district who are employed in positions that are not designated as supervisory or management for the purposes of Article 5 (commencing with Section 3540) of Chapter 10.7 of Division 4 of Title 1 of the Government Code, and for which minimum qualifications for hire are specified by the Board of Governors.

(b) “Academic senate,” “faculty council,” and “faculty senate” means an organization formed in accordance with the provisions of this Subchapter whose primary function, as the representative of the faculty, is to make recommendations to the administration of a college and to the governing board of a district with respect to academic and professional matters. For purposes of this Subchapter, reference to the term “academic senate” also constitutes reference to “faculty council” or “faculty senate.”

(c) “Academic and professional matters” means the following policy development and implementation matters:

- (1) curriculum, including establishing prerequisites and placing courses within disciplines;
- (2) degree and certificate requirements;
- (3) grading policies;
- (4) educational program development;
- (5) standards or policies regarding student preparation and success;
- (6) district and college governance structures, as related to faculty roles;

(7) faculty roles and involvement in accreditation processes, including self-study and annual reports;

(8) policies for faculty professional development activities;

(9) processes for program review;

(10) processes for institutional planning and budget development; and

(11) other academic and professional matters as are mutually agreed upon between the governing board and the academic senate.

(d) "Consult collegially" means that ~~the district governing board shall develop policies on academic and professional matters through either or both of the following methods, according to its own discretion:~~

~~(1) relying primarily upon the advice and judgment of the academic senate; or~~

~~(2) agreeing that the district governing board, or such representatives as it may designate, and the representatives of the academic senate shall have the obligation to reach mutual agreement by written resolution, regulation, or policy of the governing board effectuating such recommendations.~~

(1) Faculty shall be provided an opportunity to participate in the formulation and development of district and college policies and procedures relating to academic and professional matters.

(2) Academic senates shall have the primary responsibility for making recommendations in the areas of curriculum and academic standards.

(3) Except in unforeseeable, emergency situations, the governing board shall not take action on an academic or professional matter until it has provided faculty with an opportunity to participate in the formulation of the policy or procedure or the joint development of recommendations regarding the action.

(4) Governing board procedures shall ensure that at the district and college levels, recommendations and positions developed by faculty are given every reasonable consideration.

§ 53203. Powers.

(a) The governing board of a community college district shall adopt policies for appropriate delegation of authority and responsibility to its college and/or district academic senate. Among other matters, said policies, at a minimum, shall provide that the governing board or its designees will consult collegially with the academic senate when adopting policies and procedures on

academic and professional matters. This requirement to consult collegially shall not limit other rights and responsibilities of the academic senate which are specifically provided in statute or other Board of Governors regulations.

(b) In adopting the policies and procedures described in Subsection (a), the governing board or its designees shall consult collegially with representatives of the academic senate.

(c) While in the process of consulting collegially, the academic senate shall retain the right to meet with or to appear before the governing board with respect to the views, recommendations, or proposals of the senate. In addition, after consultation with the administration of the college and/or district, the academic senate may present its views and recommendations to the governing board.

~~(d) The governing board of a district shall adopt procedures for responding to recommendations of the academic senate that incorporate the following:~~

~~(1) in instances where the governing board elects to rely primarily upon the advice and judgment of the academic senate, the recommendations of the senate will normally be accepted, and only in exceptional circumstances and for compelling reasons will the recommendations not be accepted. If a recommendation is not accepted, the governing board or its designee, upon request of the academic senate, shall promptly communicate its reasons in writing to the academic senate.~~

~~(2) in instances where the governing board elects to provide for mutual agreement with the academic senate, and agreement has not been reached, existing policy shall remain in effect unless continuing with such policy exposes the district to legal liability or causes substantial fiscal hardship. In cases where there is no existing policy, or in cases where the exposure to legal liability or substantial fiscal hardship requires existing policy to be changed, the governing board may act, after a good faith effort to reach agreement, only for compelling legal, fiscal, or organizational reasons.~~

(e) An academic senate may assume such responsibilities and perform such functions as may be delegated to it by the governing board of the district pursuant to Subsection (a).

(f) The appointment of faculty members to serve on college or district committees, task forces, or other groups dealing with academic and professional matters, shall be made, after consultation with the chief executive officer or his or her designee, by the academic senate. Notwithstanding this Subsection, the collective bargaining representative may seek to appoint faculty members to committees, task forces, or other groups.