

Executive Summary

After years of budget cuts, California is beginning to re-invest in public higher education institutions. While a recovering economy and added revenues generated through Proposition 30 have allowed new budget allocations, the Governor and Legislature have recognized that California cannot fund higher education as it has in the past. To a large degree, however, funding reforms proposed thus far have been piecemeal in nature. Even more troubling, these reforms have not been guided by an overarching new vision for higher education. Nor have they acknowledged what many experts in the field, educators, employers and students have long known – that previous models of California public higher education do not meet the new challenges, opportunities and responsibilities the state faces.

This is a pivotal moment for California public higher education. We are in a unique position to fundamentally change higher education in a way that builds on the values of access, affordability and quality and supports a thriving and resilient economy that provides broad economic and social benefits for future generations. California's leaders must use this opportunity to reframe spending decisions in terms of what the state wants to achieve, both for its students and for the state as a whole, and what investments will best produce those results.

Governor Edmund G. Brown Jr. has set the table for a broader discussion of the future of California's higher education and the state's role in it. In meetings with the Regents of the University of California and the Trustees of the California State University this year, he has challenged these institutions to reassess how they achieve their mission and made plain that old funding models neither serve the state nor its citizens, present and future, nor reflect California's long term fiscal reality. The Legislature and Governor in 2013 enacted discrete reforms. The fiscal 2013-14 Budget Act included the middle-class scholarship initiative proposed by Assembly Speaker John Pérez that aims to blunt the impact of sharp tuition increases on access.

Through the budget process, the Brown administration has increased higher education spending and, importantly, introduced a set of outcome indicators, and has required CSU and UC to provide information about student and institutional performance. These data sets will be valuable for establishing benchmarks for where the state stands in its higher

education performance, and providing a starting point for an informed policy discussion on what it wants to achieve and how to get there. This follows a set of reforms introduced in 2012 for California's community colleges through the Student Success Act aimed at improving outcomes for community college students, who account for more than 70 percent of the state's undergraduates.

The challenge facing the state is enormous. By some measures, California must increase the annual number of graduates it produces by 40 percent to maintain a healthy modern economy. Achieving this goal would be transformative, and would once again make California higher education a model for the world. Success, however, depends on creating a new, reliable, consistent, realistic and responsible form of financing that ensures accountability, and makes the most out of fewer resources.

The Little Hoover Commission held three hearings during 2012 and 2013 to better understand the higher education challenges facing California as it adapts to a post-recession economy. Its work in this area continues

AB 94 Performance Measures

AB 94 outlines the following performance measures for the University of California and California State University systems:

- Number of CCC transfer students enrolled annually
- Percentage of transfer students as proportion of undergraduate population
- Number of low-income students enrolled annually
- Percentage of low-income students as proportion of total student population
- Number of degree completions annually in total, and for freshman entrants; transfer students; graduate students; and, low-income students
- Percentage of first-year undergraduates with sufficient course credits by end of first year enrollment to indicate degree completion in four years
- Total amount of funds received for all students from the state general fund, system-wide tuition and fees, and nonresident tuition and other student fees, divided by number of degrees awarded in same year; separately, same for undergraduates
- Average number of course credits accumulated by students at time they complete degrees, disaggregated by freshman entrants and transfers
- Number of degree completions in STEM fields, disaggregated by undergraduate, graduate and low-income students

The bill also requires UC to report the system-wide four-year graduation rate for each cohort of entering freshmen and two-year graduation rate for transfer students, and requires CSU to report the system-wide four- and six-year graduation rates for each cohort of entering freshmen and two- and three-year graduation rate for transfer students.

the inquiry the Commission began in 2011 into California's community college system and builds on the recommendations it submitted to the Governor and Legislature in February 2012.

Over the course of this study, the Commission found the following problems:

- Californians are not adequately served by the current system.
- California has only recently set goals for public higher education, but it has not developed an overall strategy for attaining them.
- California is projected to face a shortfall by 2025 of one million students with four-year degrees and more than 2.3 million with degrees, certificates and diplomas needed to meet the state's workforce requirements. Enrollments at California's higher education institutions have not kept pace with population growth and tens of thousands of qualified California students are unable to attend public colleges every year.
- Insufficient classes, and in some cases, reported course bottlenecks, contribute to low completion rates at community colleges and four-year completion rates at CSU.
- Not enough Californians are getting to college. Many of those who attend community colleges and California State University campuses are unprepared when they arrive and take too long to attain a certificate or degree.
- Despite efforts to speed transfers and streamline the process, it still remains difficult to transfer course and unit credit within and among segments, forcing students to repeat work, which delays their progress. In the past, students who took prescribed courses at community colleges and performed well were guaranteed admission to the University of California or California State University. This is no longer true.
- The state has finite resources for higher education. The state has to figure out a way to achieve better outcomes for more students without adding more money.
- Online education is emerging as an important technology, and one that holds great promise of increasing access to higher education and the potential to lower costs. Failure to adapt

could put existing state institutions at a competitive and cost disadvantage. The Commission recognizes that there have been limited online offerings in the past, but not at the scale that will be necessary to address the burgeoning needs of the expanding technologically-savvy student body. It appears as though California is moving substantially slower than it should to integrate online because of faculty opposition and/or general inertia.

The Commission offers these recommendations to address these problems and to frame the broader public discussion that the state needs to build a new vision for California higher education.

Recommendations

Recommendation 1: The Governor and the Legislature should direct the development of a New Master Plan for California Higher Education. The New Master Plan should lay out goals and a public agenda for higher education aimed at the needs of students and the needs of the state as a whole to increase the number of Californians with higher education.

These goals should include:

- Substantially increasing the number of students who complete higher education courses with degrees, certificates or diplomas who can meet the state's future workforce needs.
 - ✓ Reducing the average time to degree for full time students, particularly at community colleges and state universities.
 - ✓ Increasing the participation and completion rates of students from disadvantaged backgrounds.
 - ✓ Guaranteeing that college is affordable for all qualified California students.
 - ✓ Ensuring that the degrees offered by public education institutions align with the state's economic and civic needs.

- Integrating online learning into degree programs to reduce bottlenecks, increase access to high-demand courses that fill up quickly and, where possible, lower costs.
 - ✓ Developing online classes that can be awarded unit and content credit in all institutions in all segments.

- ✓ Working with existing institutions to develop four-year online degrees.
- ❑ Improving efficiency to make greatest use of limited resources to produce high quality education and to maintain affordability across segments.

Recommendation 2: The Governor and the Legislature, in drafting the New Master Plan, should draw from students, alumni, civic organizations, local governments and business and economic development groups, as well as from the higher education institutions themselves.

Recommendation 3: The Governor and Legislature should encourage the drafters to think responsibly about how higher education is structured, and through the New Master Plan process, re-examine the rationale for how the three-tier system is currently organized and to explore greater campus-level specialization in all segments.

Recommendation 4: To encourage enrollment in higher education, improve higher education completion and reduce costs of remedial courses, the Legislature should provide incentives for districts and colleges to collaborate and expand counseling and outreach to middle schools and high schools in areas that have both state college campuses and community college districts.

Recommendation 5: Link a portion of funding to progress in achieving targeted goals.

Recommendation 6: The Governor and the Legislature should create an oversight body with the authority, or give the Department of Finance the authority, to obtain financial, workload and outcomes data from all institutions of California public higher education and require coordination among segments on data collection and transfer policies.

Recommendation 7: To improve transparency and public understanding of how its resources are used, the University of California should standardize its budgeting systems across campuses as well as standardize its measures for faculty workload and educational outcomes and post this data in a form that can be assessed and analyzed by the public.

Recommendation 8: The Legislature should provide incentives for developing high-demand introductory courses and bottleneck courses, such as prerequisite courses, that can be transferred for both content and unit credit to all campuses at all three segments of California's public higher education system.

Recommendation 9: The Legislature should provide incentives for developing online courses for high-demand introductory courses, bottleneck prerequisite courses and remedial courses that demonstrate effective learning. To qualify, the course must be able to be awarded course and unit credit, at a minimum, at all California community colleges, or all California state universities, or all campuses of the University of California. Better yet would be courses that would be awarded credit at any campuses of all three segments. Courses could be designed by private or nonprofit entities according to college and university criteria.

Recommendation 10: The Legislature should develop incentives for the creation of a student-focused Internet portal that aggregates individual student records into master transcripts of classes they have taken at different institutions. The Legislature should require that sufficient privacy measures be incorporated into the portal and that California's higher education institutions cooperate in the release of individual student data.