

August 13, 2012

Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Dear Chairman Hancock and Members of the Commission:

Thank you for the opportunity to present my views on issues facing California's higher education system. I have organized my remarks around five topics specified by your staff. The key message I wish to convey is that the fiscal crisis disrupting our higher education system provides an opportunity to better align structures, policies, and practices to fit the state's needs in the 21st century. It would be unfortunate if that opportunity were squandered by instead working to restore the old system, unchanged, once this painful fiscal crisis has passed.

The Master Plan as a Guide for State Higher Education Policy. More than anything, the state Master Plan for Higher Education is a statement of values to which the state is committed. In simplified form, those values are affordability, access, and quality. These are important and enduring values, and we would do well to continue embracing them, even as we face budgetary, demographic, and other challenges.

Yet while the Master Plan serves as an important expression of core values, it is not a practical roadmap to guide the state's higher education policy. This is for three main reasons: First, California's higher education challenges in 1960 (when the Master Plan was adopted) were vastly different from today's. In 1960, policymakers were concerned with how to accommodate growing demand for college degrees. Today, they are challenged by how to increase demand for college degrees. In 1960, most college freshmen were prepared for collegiate work. Today, most students enter college with at least some remedial education needs. Then, college degrees were not required for most occupations. Today, about six in ten job openings require an associate's or baccalaureate degree. Of course, we can't blame the Master Plan for not anticipating today's needs. Recall that when it was adopted in 1960, its timeline—reflected in its full title—was only to 1975.

The second reason the Master Plan is an insufficient guide for higher education policy is because it lacks actionable targets. While it defines the size of eligibility pools for the segments, it does not set any expectations for how many of our citizens should be college educated, or what percentage of high school graduates should enroll in college, or which kinds of degrees and programs should be emphasized, or how financial aid programs should be structured.

Finally, our higher education system has deviated from several of the Master Plan's principles. For example, because of the Governor's veto of funding for California Postsecondary Education Commission (CPEC), the state no longer has a coordinating agency to oversee its

higher education system. As a result, the state no longer has a workable system for reviewing proposals for new programs and campuses, for maintaining and updating a statewide longitudinal data system, or for measuring whether the universities are adhering to their eligibility pool targets. As another example, the state's higher education system does not adhere to the Master Plan's call for tuition-free education. Moreover, the Master Plan's vaunted assignment of distinct missions to each of the three public segments has been eroded by mission creep—the University of California (UC) no longer is the sole granter of independent doctorates, the California State University (CSU) focuses considerable resources on remedial education, and some community colleges are awarding high school diplomas. In these and other ways, the structure of the state's higher education system has deviated in significant ways from that envisioned by the Master Plan.

Overall, the Master Plan is a helpful reminder of our commitment to quality, accessible, and affordable higher education. Yet policymakers will have to look elsewhere for guidance in confronting today's higher education challenges.

Role of Segments in Post-CPEC Era. I have been asked to comment on what role the segments should have in statewide planning and coordination of higher education after the demise of CPEC. Clearly, the segments have always played a critical role in statewide higher education planning—through the Intersegmental Coordinating Council, in developing their five-year facilities plans, in developing annual budget requests, and in other ways. The CPEC, however, was set up specifically to facilitate independent oversight of the state's higher education system. By definition, the segments are not able to replace that independent oversight. We have published a report on this very topic: *Improving Higher Education Oversight* (January 6, 2012). The report is available on our website at www.lao.ca.gov.

Developing a Public Agenda. Ideally, the state should have a public agenda for defining and addressing the state's higher education needs. At this time, however, California lacks a well-articulated and coordinated set of goals for higher education.

In an earlier publication released during the 50th anniversary of the Master Plan (*Greater Than the Sum of Its Parts—Coordinating Higher Education in California*, [January 2010]) we urged the development of a public agenda for higher education. Recognizing that adopting such an agenda requires broad stakeholder participation, we have not recommended any specific set of goals to be adopted. However, we did offer a sample public agenda to illustrate what such an exercise could produce. We have reproduced our sample public agenda in the Appendix to this letter. In general, we suggest that the state should adopt measurable goals in four key areas: (1) access and success, (2) affordability, (3) quality and cost containment, and (4) accountability.

In my view, the state should adopt a public agenda to set a course for the achievement of broad public goals. This is not necessarily the same thing as the sum of the goals of the higher education institutions. In fact, there can sometimes be conflict between institutional interests and state interests. For this reason, the state's public agenda should extend to creating incentives for the higher education segments to work toward the achievement of state goals.

Higher Education Funding. There's no doubt that state appropriations for higher education has declined in recent years. Perhaps of even greater concern, state funding for higher education

has become unpredictable and volatile. Final decisions on the state budget for higher education often are not made until only a few days before the start of the fiscal year, and even then the colleges and universities can be subjected to significant and unplanned unallocated cuts in the middle of the fiscal year. State funding reductions have been met with tuition increases, course reductions, and other responses that can complicate students' education plans. The current budget has institutionalized some of this unpredictability, with cuts as well as augmentations that may or may not materialize, depending on the outcome of the November elections, among other factors. The state's financial aid programs have not been spared either, with budget savings achieved by significant new changes to eligibility criteria and grant levels. For all of these reasons, it is understandable that higher education advocates seek "stable sources of funding" for higher education.

However, volatility of state funding is not strictly a higher education issue. Volatility begins with state revenues overall, and the effects are felt throughout state government. Any effort to stabilize state funding for higher education without addressing the underlying problems with state revenue volatility simply shifts—and amplifies—that volatility for the remainder of the state budget. A better approach would be to address the underlying volatility of the state revenue stream. How to achieve that is of course beyond the scope of my testimony.

At the same time, I am concerned that efforts to "stabilize" higher education funding are founded on a misguided, but well-intentioned, desire to return the higher education enterprise to the way it was before it was disrupted by the recent financial crises. That approach is misguided because the status quo ante had many shortcomings, and trying to restore it squanders an opportunity for systemic improvement created by the recent disruptions.

A few examples illustrate why it does not make sense to reverse all the effects of the recent budget crisis: Faced with recent budget reductions, UC has discovered ways to save hundreds of millions of dollars by streamlining and restructuring certain administrative functions. Why should money be sought to reestablish the old practices? Similarly, CSU has closed some programs that it determined to be duplicative or under enrolled. It also has worked to create graduation incentives for its "super seniors"—students who spend many more than four or five years on campus without a clear direction for attaining a degree. Why should those incentives, and the cost savings they have achieved, be reversed? Budget reductions have also helped to curtail some questionable admissions policies. For example, one CSU campus, seeking to boost enrollment, was admitting freshman into classes where over 40 percent of students did not meet minimum CSU standards. Now that the budget crisis has constrained the number of funded seats that are available to CSU, this campus has been forced to significantly reduce the number of unqualified students taking up slots. Why should the state restore funding for those unqualified students? As a final example, community colleges have undertaken a difficult process of modifying policies to increase the success of their students. Among those efforts is a limit of 110 units of coursework for students who do not pay fees. (This represents close to four years of full-time enrollment.) Why should future funding be provided to restore subsidized coursework beyond 110 units?

You could argue that new funding for the segments would not be used to undo these savings efforts, but rather to invest in new and better services. But that is exactly my point: Any new

augmentations should be provided only for specific enhancements or improvements—not merely to “restore” programs to their earlier (and often inefficient) ways.

More broadly, the state should better integrate its approach to funding the higher education segments with policies related to student tuition charges and financial aid for needy students. For too long these three areas—appropriations, tuition, and financial aid—have been dealt with separately, with little effort to ensure they work together as a cohesive and sensible system. When there is an opportunity to again make substantial investments in higher education, it will be important to align those appropriations with thoughtful and coordinated policies related to student tuition and financial aid.

In the questions provided to me by your staff, I was asked whether performance and accountability metrics should help guide state funding decisions. I would not argue for a complicated funding mechanism that involves state policymakers in the minutiae of higher education decision making. I do think, however, it would make sense for the state to track a limited number of performance metrics in order to see how well the higher education system is producing outcomes of importance to the state. Such information would be helpful to policymakers in identifying where state investments are working well and where they are less effective.

The state’s goals for its higher education system should be set by the Legislature and the Governor. Agencies such as the now-defunct CPEC, this commission, and the LAO, as well as the segments themselves and other groups, can certainly play a critical role in suggesting goals. Ultimately, however, it is the responsibility of state policymakers to determine the state’s goals for its higher education system.

New Learning Models. There has been much discussion about the emergence of online instruction as an education delivery model. Certainly, distance education raises many questions about instructional quality, cost, and accountability (including the need to control cheating). (We discuss distance education at some length in our October 25, 2010, publication, *Using Distance Education to Increase College Access and Efficiency*.) I think the question is not whether distance education is a viable model to be adopted; it is already well under way. Many, if not most, courses are now “blended,” with at least some online component in addition to face-to-face instruction. Meanwhile, an increasing number of courses, and even some degree programs, are entirely online. There are important pedagogical issues that are raised by the expansion of distance education. But rather than focusing exclusively on the pluses and minuses of this particular instructional model, I think the broader question should be: How can we deliver quality education that meets the state’s needs, whatever the mode of delivery? The traditional model for delivering education, while effective in many contexts, has limitations and shortcomings that may be mitigated by both subtle and radical changes.

For example, given shifting student attendance patterns, it increasingly makes sense to move toward a year-round education model that utilizes the summer session as a full-service academic term. Similarly, increased course availability during weekends and evenings can increase both scheduling options for students and the capacity of existing facilities to serve students. Another approach for addressing instructional delivery that shows great promise is prior learning

assessment. Here, students are assessed to measure learning that they may already have achieved through self-directed study, work experiences, or other means. Students can be awarded credit for that learning and/or could have certain course requirements waived, thus saving both the student and the institution time and money. Other instructional delivery models that are worth exploring include three-year baccalaureate programs for certain disciplines, and cohort programs where students remain with a group of fellow students—a “learning community”—from class to class.

California’s higher education system—like those of other states—has been disrupted by the current fiscal crisis. While this has meant painful difficulties for students and their families, as well as for faculty and staff on campus, it also presents a welcome opportunity to better align the system with the state’s current needs and to adopt modern best practices related to instruction and learning. The commission can help move policymakers and institutions toward the implementation of such changes.

Sincerely,

Steve Boilard
Managing Principal Analyst, Education