

AGENDA

JOINT HEARING ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE & ASSEMBLY HIGHER EDUCATION COMMITTEE

Assembly Member Susan Bonilla, Chair
Assembly Member Marty Block, Chair

WEDNESDAY, FEBRUARY 22, 2012
STATE CAPITOL - ROOM 126
2:00 PM

IMPROVING HIGHER EDUCATION OVERSIGHT & GOVERNANCE

1. WELCOME & HEARING PURPOSE

2. OVERVIEW ON THE LEGISLATIVE ANALYST'S REPORT: *IMPROVING HIGHER EDUCATION OVERSIGHT*
STEVE BOILARD, HIGHER EDUCATION DIRECTOR
LEGISLATIVE ANALYST'S OFFICE

3. RECAP & PERSPECTIVE OF CALIFORNIA'S FORMER COORDINATING BOARD
KAREN HUMPHREY, FORMER EXECUTIVE DIRECTOR
CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

4. WHAT HAVE OTHER STATES DONE IN SETTING A HIGHER EDUCATION PUBLIC AGENDA THROUGH COORDINATING BOARDS?
DR. GORDON K. DAVIES, SENIOR ADVISER
LUMINA FOUNDATION PROJECT, PRODUCTIVITY GRANT INITIATIVE, AND MILLER CENTER OF PUBLIC AFFAIRS AT THE UNIVERSITY OF VIRGINIA

5. PUBLIC COMMENT

In the Pursuit of a Higher Education Coordinating & Oversight Structure

BACKGROUND AND HISTORY OF CALIFORNIA'S COORDINATING BOARD

Master Plan. The 1960 Master Plan for Higher Education (Master Plan) called for the creation of the Coordinating Council for Higher Education to serve as an advisory body for postsecondary education. As envisioned by the Master Plan, the Coordinating Council's main functions would be to provide fiscal and policy advice to the Governor and the Legislature regarding Postsecondary education issues, to monitor public institutions, and to ensure comprehensive statewide planning for higher education and effective use of resources. The state adopted this Master Plan recommendation and established the Coordinating Council for Higher Education in 1960.

Creation of CPEC. In 1973, the Legislature's Joint Committee on Higher Education reviewed the 1960 Master Plan and recommended strengthening California's higher education plan. AB 770 (Vasconcellos), Chapter 1187, Statutes of 1973, replaced the Coordinating Council for Higher Education with the California Postsecondary Education Commission (CPEC) and made it responsible for the planning and coordination of postsecondary education. The commission was charged with providing analysis, advice, and recommendations to the Legislature and the Governor on statewide policy and funding priorities for postsecondary education. In making changes to the Coordinating Council, Chapter 1187 required that a majority of the commission members be from the general public rather than from the segments and increased the commission's responsibilities. Subsequent legislation has added to and modified CPEC's statutory responsibilities over time.

Functions Prioritized. In 2008, recognizing that CPEC could not perform all of the functions and tasks assigned to it, the Legislature adopted statutory language prioritizing four functions: 1) reviewing and assessing proposals for new public campuses and facilities; 2) reviewing and assessing proposals to create new programs at the public higher education segments; 3) serving as the designated state educational agency to carry out federal education programs; and, 4) collecting and managing higher education data. Missing from this list are other duties generally considered central to oversight, including planning, evaluating effectiveness, and participating in the executive and legislative budget processes.

The Elimination of CPEC. The Legislature rejected the Governor's May Revise proposal to eliminate CPEC and approved supplemental reporting language requesting that the Legislative Analyst's Office provide recommendations to reassess the structure and duties of the state's higher education coordinating board. However, the Governor vetoed funding for CPEC in the 2011-12 budget (\$1.8 million), citing the agency's ineffectiveness in higher education oversight. In his veto message, the Governor acknowledged the well-established need for coordinating and guiding state higher education policy and requested that stakeholders explore alternative ways these functions could be fulfilled.

The commission shut down in fall 2011, transferring the federal grant program to the California Department of Education (CDE) and extensive data resources to the California Community Colleges (CCC) Chancellor's Office, but the Administration did not transfer the associated funding and personnel. In the 2012-13 budget, the Administration is proposing to use an estimated \$850,000 General Fund for close out costs accrued in the current year.

What Data Resources Did CPEC Have? The commission compiled two main categories of higher education data:

1. **Individual Student Records.** CPEC maintained individual student records from each of the public segments dating back to 1992-93 for the Community Colleges and 2000 for UC and CSU, and was able to link data across the segments using unique student identifiers. Information contained in these records includes high school of origin, postsecondary enrollment history, program of study, transfers, completions, degrees awarded, and demographic information.
2. **Aggregate Data From Other Public Sources.** CPEC also collected publicly available data sets from federal sources including CDE, Census Bureau, Bureau of Labor Statistics, the state Employment Development Department, and other sources.

ISSUES OF IMMEDIATE CONCERN

Legal Concerns on Authority & Access over Data Resources. Under federal privacy laws, each segment is permitted access only to its own student data and should not have access to individually identified student records from other segments.

Federal privacy officials agree that this arrangement could comply with federal privacy laws if the CCC were determined to be a statewide education authority with assigned responsibility for data collection and program evaluation. Such designation would likely require a statutory change to provide the necessary authority.

In addition to the legal questions, there is a significant policy issue concerning the control of inter-segmental data. Under the current arrangement, each segment considers that it has sole control over access to its own student records. This means that there is a potential conflict of interest in relying on the segments for permission to study their performance and that of their students.

Therefore, questions regarding data access will need to be resolved this year if the data warehouse is to be kept current. Before their closure, CPEC was able to complete its annual update of student data in fall 2011. The next update is due in fall 2012, and will require that the state grant the necessary authority to CCC, CDE, or another entity to use personally identifiable information to perform this update or any other studies that involve using student identifiers across segments.

COORDINATION – WHY DOES IT MATTER?

Coordination is necessary to guide public higher education institutions towards collectively meeting *state needs*. Coordination does not always require active direction by a state agency. Instead, it can work less directly through incentives, funding models, accountability systems, and other mechanisms.

A coordinated approach can help policy-makers consider the higher education system as a whole, and develop policies and budgets that maximize the system's value to the state. If the segments' activities are complementary and they operate as an integrated system in which each part adds value that is unique to its role, then their combined efforts may add up to more than what the institutions could achieve independently.

State-level planning and coordination, by definition reduces the autonomy of individual higher education institutions and segments. Too much regulatory control can tie the hands of higher education leaders and hamper their ability to respond to changing circumstances. Insufficient state influence, on the other hand, can result in inefficiency and lack of alignment of state interests. A key question for policymakers is: *What is the right balance between institutional autonomy and state-level planning and coordination?*

RECENT LEGISLATIVE EFFORTS

Recent Actions taken by the Legislature. California has begun the deliberative process on several fronts, most recently, in 2010, the Legislature's Joint Committee on the Master Plan for Higher Education held a series of hearings examining higher education at the 50th anniversary of the Master Plan. The Legislature adopted the Joint Committee's report calling for state goals in ACR 184 (Ruskin), Chapter 163, Statutes of 2010. Below are other legislative efforts to improve oversight:

- **Assembly Bill 2 (Portantino, 2011)** would establish a new accountability framework for achieving prescribed educational and economic goals.
- **Senate Bill 721 (Lowenthal, 2011)** would establish state goals for higher education and require the Legislative Analyst's Office to convene a working group to develop the appropriate metrics to monitor progress towards the achievement of the state goals.
- **Senate Bill 885 (Simitian, 2011)** would encourage the design and implementation of a high-quality, comprehensive, and longitudinal preschool through higher education (P–20) statewide data system that meets specified goals.

RECAP: WHY CALIFORNIA NEEDS A COORDINATION & OVERSIGHT STRUCTURE

California's Approach. For more than 50 years, the Master Plan has been looked at as the primary expression of the state's vision for higher education. Its emphasis on *access*, *affordability*, and *quality* are well known and invoked widely in policy discussions. However, these principles, compelling as they may be, are insufficient to guide policymakers in the 21st century.

At the same time, California is experiencing multiple budgetary, demographic, and economic challenges, which underscores the importance of aligning the performance of state's higher education system with the **state's needs**.

While the public segments have stepped in to assume some roles previously performed by CPEC, there are concerns about how institutional and public interests will be balanced.

Then there's the Governor's 2012-13 budget proposals to reform the higher education funding model across the segments, and commit to a new long-term funding agreement (from 2013-14 through 2015-16) based on the segments achieving the Administration's as-yet-undefined priorities. The Governor's proposals, although commendable for providing a good opportunity to move forward the Legislature's accountability efforts, would reduce the Legislature's discretion in allocating resources and potentially remove legislative oversight of the segments' state-related capital projects.

Given that the state lacks an entity to collect data from the segments to track their outcomes, as well as any defined set of mutually agreed upon goals for the state and its higher education system, these issues raise the following questions:

- What is the Legislature's role, in the absence of CPEC?
- Which is the appropriate entity to oversee and maintain CPEC's database?
- What role should the Legislature play, if any, in determining the outcomes and the metrics used to measure performance of the segments?
- Does Legislature want to provide the higher education segments with greater funding flexibility at this time, as proposed by the Governor?

LAO RECOMMENDATIONS

The State Was Advised but Unable to Redefine CPEC's Mission & Responsibility. In the LAO's report, dated January 2003, "*CPEC: A Review of Its Mission And Responsibilities*," the LAO identified a mismatch between CPEC's statutory responsibilities and its budgeted resources. The LAO recommended that the Legislature assign highest priority to CPEC's data management functions. They further noted a tension between the other two main areas of responsibility (coordination and analysis). The LAO recommended that the Legislature (1) define a clear and concise

mission for CPEC that addressed this tension, (2) align CPEC's statutory responsibilities to its mission, and, (3) eliminate lower priority activities.

The Legislature Approved Supplemental Report Language Seeking Recommendations on the Structure of a Higher Education Coordinating Body.

The LAO's January 6, 2012 report entitled, "*Improving Higher Education Oversight*" focused on the need for oversight that enables policymakers and others to monitor how efficiently and effectively the postsecondary system is serving the state's needs, and make changes to improve its performance. The specific recommendations of that report to the Legislature include:

1. Define the state's postsecondary education needs, by setting state goals.
2. Use performance results to inform policy and budget decisions.
3. Establish an independent oversight body with limited and clear responsibilities.

Noting the difficulty of creating a new public organization in the current fiscal environment, the LAO offered a number of short-term measures to strengthen oversight in the interim:

1. Amending statute to ensure pertinent data remains available to policymakers and researchers.
2. Increasing direct legislative oversight and limiting new long-term funding commitments until an effective oversight structure is in place to support the Legislature's decision-making.
3. Monitoring segments' allocation decisions, including investments in new programs and other major program changes, until mechanisms are in place for outcome review.

Conclusion. It is critical that the state takes on the tasks of (1) adopting a clear public agenda with specific goals, (2) strengthening mechanisms of coordination, and, (3) establishing a strong coordinating agency with a clear directive. These strategies will enhance the Legislature's ability to target limited resources in ways that would improve the higher education system's performance in meeting the state's educational and workforce needs.