



# The Master Plan at 50: Greater Than the Sum of Its Parts— Coordinating Higher Education in California

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## EXECUTIVE SUMMARY

**Coordination Mechanisms Inadequate.** Coordination is necessary to guide public higher educational institutions toward 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.

California's approach to coordination over the past 50 years has been indirect, resting mostly on well-defined missions and eligibility pools to guide the development of higher education institutions. This approach worked well during several decades of expansion, producing arguably the greatest higher education system in the world. The effectiveness of this approach has declined over the last quarter century, however, and institutions have been left to pursue their separate interests with insufficient mechanisms to advance the state's priorities.

This decline in the effectiveness of coordination has resulted in suboptimal outcomes for the state. For example:

- Public universities have expanded programs that are not high priorities for the state while restricting undergraduate enrollment.
- Students experience ongoing difficulties transferring from two-year to four-year colleges.
- There is increased duplication of programs across segments, and evidence of growing institutional, local, and regional political influence at the expense of statewide planning.

At the same time, California is experiencing multiple budgetary, demographic, and economic challenges. These include a leveling off in the number of traditional college-age residents, an increase in the proportion of residents from groups that have historically been underrepresented in higher education, and a growing demand for educated and skilled workers. California has seen protracted budget crises in recent years, and the fiscal outlook remains poor, with a persistent structural deficit.

### LAO Recommendations

These challenges underscore the importance of aligning the performance of the state's higher education system with the state's needs. Several states provide valuable examples of effective coordination leading to improved outcomes for students and states. Drawing on some of these examples, we recommend several legislative actions to improve coordination of higher education in California:

- Adopt a clear public agenda for higher education, with specific statewide goals that can serve as the framework for an accountability system designed to align higher education performance with the state's needs.

- Strengthen several critical mechanisms of coordination, including funding formulas, delineated missions, eligibility standards and enrollment pools for each segment, articulation and transfer mechanisms, approval processes for new programs and sites, and accountability mechanisms.
- Reform the California Postsecondary Education Commission or replace it with a new coordinating body to help create higher education policy leadership for California.

We believe these strategies would enhance the Legislature's ability to target resources in ways that would improve the higher education system's performance in meeting the state's educational and workforce needs.

## INTRODUCTION

The 1960 *Master Plan for Higher Education in California*, which launched a major restructuring and expansion of the state’s higher education system, has served as a model for other states and countries. The plan’s promise of universal access to quality postsecondary educational opportunities at every level—certificates, associate degrees, baccalaureate degrees, and beyond—and its plan for accommodating enrollment demand through an integrated system of differentiated public and private institutions were visionary in the mid-twentieth century.

The Legislature’s first comprehensive review of the Master Plan in 1973, however, revealed concern about poor coordination and planning across California’s educational system. The report of the Joint Committee on the Master Plan described “a system dominated by segmental rivalries and poor planning and coordination,” and made a case for improvement. Later reviews arrived at similar conclusions. Although the Legislature has taken various steps to strengthen coordination of the higher education system, coordination problems have persisted.

As the state approaches the 50-year anniversary of the Master Plan, dissatisfaction with coordination of California’s higher education system is evident. In the past few legislative sessions, lawmakers have sought to address persistent problems in course articulation and student transfer across institutions, reduce the need for remediation at the college level, alter the balance of functions established by the Master Plan, set state goals for higher education, create a state-wide accountability framework, and eliminate the existing higher education coordinating body. These efforts highlight frustration with the present condition of statewide coordination, and lack of confidence in the ability of current mechanisms to address problems effectively. At the same time, they indicate recognition of the need for systemwide planning and problem solving, important components of effective coordination.

This report examines the need for a system-wide approach to planning and coordination of California’s system of higher education, and proposes strategies for improvement.

## COORDINATION—WHO NEEDS IT?

### Higher Education Coordination Defined

Higher education coordination involves structures and processes that guide public and private educational institutions toward collectively meeting state needs and realizing state goals. There are many possible coordination functions:

- **Planning**—monitoring demographic and economic trends, advising state policymakers on how to respond, and articulating state goals and objectives.
- **Advising on Resource Allocation**—advising policymakers on mission differentiation, program development, campus development, and budgeting.
- **Data Collection and Analysis**—assessing system performance in meeting state goals, and recommending policy solutions.
- **Collaboration and Innovation**—promoting articulation and transfer functions,

outreach, and college readiness efforts; supporting efforts to improve outcomes including productivity, student learning, and success of underrepresented groups; advancing partnerships with business, industry, and other constituencies; and providing incentives for intersegmental collaboration. (Course articulation is the formal recognition of specified courses at one institution to meet equivalent course and program requirements at another institution.)

**Coordination Mechanisms.** These functions can be met through active or passive mechanisms.

- Coordinating body, either advisory or regulatory.
- Budget process through which executive and legislative branches allocate resources.
- Legislative action to establish and/or fund new campuses and programs.
- Legislative action to address specific problems and issues.
- Contracts or other agreements between the state and institutions.
- Structural provisions in statute or the California Constitution specifying governance and missions of institutions and agencies.
- Funding formulas and policies with intrinsic incentives and disincentives.
- Existing statutes and regulations governing operation of colleges and universities.

## **THE WHOLE CAN BE GREATER— OR LESS—THAN THE SUM OF ITS PARTS**

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. Examples include:

- **A Smooth Intersegmental Pathway to Obtaining a Baccalaureate Degree**—robust preparation of students in the K-12 system, a solid base of general education and major preparation courses in community college, and focused upper-division coursework at senior institutions. Each segment performs its mission effectively, minimizing the need for overlap.
- **Regional Planning**—considering the educational needs in a region of the state and identifying how the community colleges, public university campuses, and private colleges and career schools in the region will contribute to meeting these needs.
- **Joint Degrees**—combining the strengths of more than one university without duplicating programs.

In contrast, if there is significant overlap of mission, duplication of effort, or lack of curricular alignment across segments, their combined efforts will be less valuable—and more expensive—to the state. Some evidence of this includes:



- Remedial courses required for students unprepared for college-level work due to lack of alignment between high school curricula and college expectations.
- Excess course units resulting from inconsistent course articulation between community colleges and universities, or lack of effective academic advising.
- Competition for specialized faculty among duplicative programs.
- Building new capacity in one part of the system while facilities are underutilized in another part.
- Separate data and accountability systems that do not allow policymakers to aggregate results.

## **THE ACTIONS OF THE SEGMENTS ARE INTERDEPENDENT**

Decisions at the individual higher education segments—and individual campuses within those segments—can directly affect the other segments and their campuses. For example, the universities' transfer and major requirements, and their approval or disapproval of courses for university credit toward general education and major requirements, have a direct impact on instruction (and counseling) at the community colleges.

Student admissions policies provide another clear example. In the 2009-10 application cycle, the University of California (UC) and California State University (CSU) attempted to hold steady or reduce enrollment at their campuses. The California Community Colleges (CCC) reported record enrollment demand, which they attributed in part to enrollment restrictions at the universi-

ties. In July 2009, CSU cancelled its spring 2010 admissions cycle, delaying the enrollment of many transfer-eligible community college students for a semester or more. Many of these students will remain at community colleges, taking excess courses for which they may not receive degree credit. More recently, San Diego State University announced its intention to increase the proportion of enrollment of out-of-area students in fall 2010, at the expense of local admissions. This decision has created new work for San Diego-area high school counselors and community college personnel, as they identify options for students who had expected to attend San Diego State.

In another example, the UC Regents' recent decision to redefine its freshman eligibility pool will have ramifications for CSU. Instead of accepting students from the top one-eighth of high school graduates based on grades and standardized test scores, the new eligibility framework allows UC campuses to draw students from an enrollment pool almost twice as large. As a result, UC may be able to draw in some of the students who under current rules would have only been eligible for CSU. This could alter CSU's student body, and could make it more difficult for CSU campuses to gauge how many students will accept their offers of admission.

## **INSTITUTIONAL INTERESTS CAN COMPETE WITH PUBLIC INTERESTS**

*Institutional Aspirations.* Institutions' governing boards and administrators have fiduciary responsibility to their own institutions. They are charged with maintaining and strengthening their respective systems, and naturally seek to increase their prestige and ranking among peer institutions. However, the measures they may use,

such as the *U.S. News and World Report* college rankings and National Institutes of Health ranking by research expenditures, do not necessarily align with the state's interests. They may lead an institution to compete with private universities for star researchers; to expand its research and graduate programs at the expense of undergraduate instruction; to become overly selective in student admissions; or to add law and other professional programs in an effort to heighten prestige and develop a strong alumni base—whether or not these activities are state priorities.

These kinds of activities become problematic when there is poor alignment between the broader interests of the state and narrower institutional interests. For example, policymakers and analysts acknowledge the need for a larger proportion of the population to attain two-year and four-year degrees to support the state's economy. Yet, the universities currently are expanding graduate programs while attempting to restrain enrollment in undergraduate programs. New graduate and professional schools of medicine, law, nursing, public policy, and global health are currently underway or in the planning stages. This is one reason external mechanisms are needed—to steer institutions away from particular actions that diverge from the public interest.

**Internal Constituencies.** A related problem is that the priorities and values of some subgroups within higher education may conflict with those of the institutions and the state. For example, faculty control of the curriculum at the individual department level is a strong value in higher education that is sometimes at odds with efforts to establish clear and broadly applicable transfer pathways between two-year and four-year colleges. Just as the state seeks to develop mechanisms to align institutional priorities with those of the state, the

institutions must find ways to reconcile the priorities of their internal constituencies.

**External Influences.** Constituencies outside higher education also seek to influence decisions about higher education policy and budgets. In fact, one of the primary motivations for developing the 1960 Master Plan, in the words of an early legislative review, was to manage the “almost uncontrolled aspirations and proposals of local communities for local public campuses.” For example, a 1955 Senate bill that initially proposed one new four-year campus eventually grew to include 19 new campuses as it worked its way through committees and the full Senate. By laying out a plan for deliberate expansion of colleges and universities through 1975 based on documented needs by region, the Master Plan succeeded in stemming a flood of bills to establish new campuses.

Once the initial expansion mapped out in the Master Plan was complete, however, local political influences again overtook careful needs analysis in some major policy decisions such as where to locate new campuses. A recent report from the National Center for Public Policy and Higher Education cites the establishment of CSU Monterey Bay in 1994 and UC Merced in 1999 as examples. Both campuses were built in sparsely populated areas, far from the urban and suburban centers where projected growth of high school graduates was concentrated. Both are struggling to attract students several years after opening. Nearly half of their capacity remains unused, while campuses in other areas of the state are restricting admissions to reduce overcrowding and bring enrollment in line with budgets. The National Center report attributes the shift away from policy-driven growth, and toward local and regional political influence, to



the vacuum created by the absence of effective statewide planning.

These illustrations underscore the potential value of higher education coordination for the state. In its absence, there is greater likelihood of duplication and other inefficiencies, segmental actions with unintended consequences for other segments, and the subordination of the state's priorities to those of institutions and special interests. More importantly, without effective coordination, it is unlikely that the state's higher education needs will be met by the collective efforts of its public and private institutions.

## **BALANCING COORDINATION AND AUTONOMY**

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, ultimately harming the quality, efficiency, and integrity of the academic enterprise. Insufficient state influence, on the other hand, can result in inefficiency and lack of alignment with state interests. A key question for policymakers is: What is the right balance between institutional autonomy and state-level planning and coordination?

Some states are moving away from regulatory processes, such as program approval, in favor of outcome-based accountability systems. In these cases, institutions are held responsible for meeting state goals—such as increasing the number of graduates in high-priority disciplines and containing costs per degree—and are given the flexibility to determine how best to meet those goals. More broadly, many states that give public higher education the level of autonomy that UC and, to

a large extent, CSU enjoy, employ accountability systems to ensure that their universities act in the best interests of the state.

A prime example is Virginia, which in 2005 enacted an explicit *quid pro quo*—the state granted institutions greater autonomy in exchange for institutional commitments to meeting state goals, articulated in legislation. The legislation established a robust accountability system and directed that institutions failing to meet specified targets would lose the expanded autonomy and other benefits.

The initiative has begun to show results, most notably in the number of transfers from community colleges to four-year institutions, which doubled from 2005-06 to 2009-10.

California's approach has been different for each higher education segment. The state has granted considerable autonomy to UC, and allows the CSU limited autonomy. The community colleges are locally governed, but subject to more state regulatory and budget control than the universities. In most cases, however, the state has not required institutions to meet specified state goals.

In the next section, we review California's efforts to balance coordination with institutional autonomy, from the Master Plan to the present, and assess the current condition of higher education coordination in the state.

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## COORDINATION IN CALIFORNIA: A CHECKERED HISTORY

### MASTER PLAN REFLECTS POSTWAR VISION OF HIGHER EDUCATION LEADERS

**Master Plan Provisions.** The Master Plan was negotiated primarily among higher education leaders, who sought to preserve their autonomy at a time of growing public concerns about higher education. Clark Kerr, who as president of UC served as one of the chief negotiators, noted publicly that “we had to agree upon some system of coordination, because we not only wanted to have our own plan, we also wanted to keep it within our control.” In his memoirs, he described the development of the plan as, among other things, an attempt to escape state legislative domination. By developing an acceptable plan to coordinate themselves, higher education leaders avoided the creation of a strong, active coordinating body and greater legislative and executive branch oversight.

In addition to establishing several core principles and policies for California higher education, the Master Plan established structures and processes to guide the future development of higher education policy. It included specific recommendations about the structure, mission, and eligibility pool for each public segment, and laid out a plan for expansion of campuses. (Please see our November 2009 publication, *The Master Plan at 50: Assessing California’s Vision for Higher Education*, for a summary of the Master Plan report and the 1960 Donahoe Act that codified several of its recommendations.)

**Coordination in the Master Plan.** The Master Plan also called for creating a Coordinating Council with primarily an advisory role and little

formal authority. As originally recommended, the Coordinating Council was to be composed exclusively of representatives from the higher education segments—three each from the junior (community) colleges, state colleges, UC, and independent institutions. The Donohoe Act added to the council three public members appointed by the Governor, and subsequent legislation added more public representatives appointed by the Legislature. The Council was charged with advising the Governor and Legislature on higher education operating budget and capital outlay requests, interpreting functional differentiation among institutions, developing plans for the orderly growth of higher education, and making recommendations to the institutions’ governing boards on the need for and location of new facilities and programs. The Donohoe Act stated the Legislature’s intent that no new state college or university campuses would be authorized without the Council’s recommendation.

In effect, the Master Plan promoted coordination primarily through passive mechanisms rather than through regulatory oversight. It relied on the design of the system—including strict mission differentiation and defined eligibility pools—to prevent direct competition for students, minimize duplication of effort, preserve the quality of research and graduate programs, and encourage efficient allocation of resources to meet state needs.

### PASSIVE COORDINATION WORKED WELL IN CAPACITY-BUILDING PHASE

The passive coordination set in motion by the Master Plan functioned well initially. A 1966

report from the Coordinating Council, *The Master Plan Five Years Later*, reviewed the status of implementation of each of the Master Plan's 67 recommendations and found that, overall, implementation had progressed successfully. It noted that the participation of all the segments on the Coordinating Council, along with strong public representation, had produced workable solutions to higher education's problems.

In the ensuing decades, California's public colleges and universities provided high quality education at a relatively low cost, while absorbing enrollment growth far greater than originally projected. The community colleges provided broad access to higher education throughout the state; the state college system grew into the largest multicampus baccalaureate and master's degree-granting institution in the world; and UC maintained its preeminence as a research and doctoral institution. The California Master Plan and the resulting system of higher education became models studied and emulated around the world.

### **EFFECTIVENESS DECLINED AS ENROLLMENT LEVELED OFF**

In the early 1970s, periodic reviews of the implementation of the Master Plan began to document difficulties with the coordination function. Many of the concerns raised in these early studies persist today.

### **Poor Coordination Cited in Early 1970s**

In 1971, the Legislature established a Joint Committee on the Master Plan for Higher Education, which conducted a wide-ranging study of the present and future of higher education in California. Among other things, the report identified two major concerns with coordination:

- ***Insufficient Statewide Planning.*** The Joint Committee's study noted a need for improved planning at the state level as the basis for all other coordination efforts. According to the report: "After more than a decade under the celebrated Master Plan, California has no comprehensive state plan, no statewide planning process, and no comprehensive information system to provide policymakers with accurate and comparable data on programs, costs and flow of students." The report attributed the council's ineffectiveness primarily to its composition—namely its domination by the segments.
- ***Dominance by Segments Over State Policy.*** The absence of statewide planning had left the growth and development of higher education largely in the hands of the segments. Planning at the segments, according to the report, was primarily concerned with the interests and aspirations of each segment, rather than how each segment could best contribute to meeting the needs of the state. The Joint Committee found that the strict mission differentiation articulated in the Master Plan had allowed the segments to protect their individual functions at the expense of the overall system. The report also criticized uniform treatment of all campuses within a segment, noting that diversification within segments could promote a more effective allocation of resources. It did not make sense, the report argued, for every new UC campus to model itself on the most prestigious ones.

Regional planning was also nearly nonexistent, according to the report. The Joint Committee made the case for campuses to be responsive to local needs, and segments to cooperate within each region. It recommended the creation of regional councils throughout the state, composed of community representatives and representatives of each institution within the region. The councils would: assess demand for postsecondary education in each region and survey the availability of public and private resources to meet that demand; find methods for effectively utilizing or increasing educational resources; and encourage the development of policies and procedures for cross-registration of students and sharing of faculty and facilities.

**Creation of CPEC.** Based on its assessment of higher education, the Joint Committee recommended replacing the Coordinating Council with a commission that would have an expanded statewide planning function and a majority of public members. The Joint Committee's report emphasized that the effectiveness of a coordinating body depends upon the quality of its advice rather than its power to govern. It acknowledged, however, that coordination requires mechanisms that constrain institutional actions that would be inconsistent with the interests of overall state policy. The report cautioned that, if a coordinating body does not effectively carry out its responsibilities, it creates a gap that must be filled by the Governor and Legislature.

In response to the report, the Legislature reconstituted the Coordinating Council as the California Postsecondary Education Commission (CPEC) in 1973, with increased responsibility for planning and a majority of public members. The new CPEC was granted modest additional authority, including the ability to require the

segments to submit certain information, and to advise the Legislature and Governor on issues related to governance, operation, and financing of higher education.

### **Concerns Echoed Over Next Three Decades**

The replacement of the Coordinating Council with the new CPEC did not resolve all of the problems identified by the Joint Committee, and created some new weaknesses in intersegmental coordination. Legislative studies of the Master Plan in 1987, 1989, and 2002; a white paper commissioned by the Legislature in 2003; and a series of Assembly hearings in 2005 shared many common themes. Some of the key findings regarding statewide coordination are summarized below.

#### ***Broad and Incompatible Roles for CPEC.***

Many studies have called for clarifying, prioritizing or paring down the multiple duties assigned to CPEC, and matching its responsibilities to its resources. Additionally, several have identified an intrinsic conflict between CPEC's coordination and advocacy responsibilities, and its role as an independent fiscal and policy watchdog.

***Inadequate Planning.*** Although CPEC was given a stronger planning mandate in 1973, later studies reported that important public policy decisions were still being made on an *ad hoc* basis. The reports cited selection of new campus sites, patterns of growth in enrollment, and development of new instructional programs as examples of decision made without systematic planning. The CPEC's planning efforts were hampered by the absence of clear state goals for higher education, and by lack of formal authority to approve long range plans and capital outlay requests, conduct economic and workforce planning, con-

trol costs, and ensure segmental accountability. The CPEC also lacked adequate student tracking data to conduct rigorous evaluation, research, and policy analysis.

**Mission Creep.** Studies also identified a need to revisit the missions of the public higher education segments. Over the decades following approval of the Master Plan, for example, tensions emerged among the segments regarding the scope of research at CSU, expanded demand for functions other than baccalaureate transfer (such as remediation, English language instruction, and workforce preparation) at the community colleges, and evolving graduate education requirements in practical fields such as education and nursing.

**Atrophy of Transfer Function.** Perhaps the most consistent theme in studies from the 1970s through the mid-2000s is a decline in transfers from the community colleges to the public universities. The community colleges developed and maintained strong transfer programs from 1960 to 1975. Many students who were eligible for direct entry to UC and CSU, as well as those who did not meet university eligibility criteria, chose to enroll in community colleges. This enabled the universities to achieve the Master Plan target that at least 60 percent of undergraduate students at the four-year institutions have upper division (junior and senior) status.

When the number of high school graduates leveled off and then declined in the late 1970s, the universities were faced with declining overall enrollment and revenues. To increase enrollment, they began to attract more high school graduates directly as freshmen. This resulted in lower enrollment and fewer resources at the community colleges. Partly in response, many community colleges sought to attract more students—by

adding courses in recreation and leisure activities, continuing education, workforce preparation, and remedial education—further diluting their transfer functions. The passage of Proposition 13 in 1978 resulted in funding reductions, and the colleges responded by reducing course offerings, counseling, and testing services.

By the mid-1980s, the transfer pathway to the baccalaureate had diminished measurably. The majority of students who enroll in community colleges with apparent intent to transfer to a baccalaureate institution do not succeed in doing so. There is no consensus about how to measure *intent to transfer*. Studies have used students' stated intentions on enrollment forms or their course-taking patterns as proxies for intent to transfer. Most studies have found low transfer rates for these students. One study from the Public Policy Institute of California and another from the CSU Institute for Higher Education Leadership and Policy pegged the transfer rate at 26 percent, and a CPEC study found that about 22 percent of students who took transferable courses for credit eventually transferred to a CSU or UC campus.

**Need for Comprehensive Data System.** As early as the 1971 Joint Committee report, reviews of California's higher education system have lamented the lack of a comprehensive information system with program, cost, and student data. Reports have highlighted the need for accurate and comparable data to improve the state's capacity for policy analysis, inform budget decisions, and strengthen accountability.

## ATTEMPTS TO IMPROVE COORDINATION

**The Education Round Table.** In response to early concerns about intersegmental cooperation under the reconstituted CPEC, the segments formed in 1979 a voluntary association, the

California Education Round Table, which remains in existence today. The Round Table includes the Superintendent of Public Instruction, the chief executives of each of the public segments, the chair of the Association of Independent California Colleges and Universities, and the director of CPEC. A staff arm, the Intersegmental Coordinating Committee, supports the Round Table members to improve operational linkages across the segments. As might be expected, the Round Table takes on issues upon which all of its members agree, and avoids those on which there is substantive disagreement among the sectors.

**Regional Collaboratives.** In several regions of the state, educational leaders have formed voluntary organizations to advance common interests related to student preparation, enrollment, and achievement. The Education Round Table conducted a survey of these efforts in 2007, and identified more than two dozen regional higher education consortia with participation from multiple educational segments and community partners. Some have overlapping membership. There are five different organizations, for example, serving the Central Valley, with somewhat different geographic or topical emphases. Many of the consortia were started with federal, state, or private grant funds. The Round Table survey documented significant improvements in educational outcomes from these efforts, such as increases in college-going rates, university eligibility, financial aid eligibility, and reductions in the proportion of students needing remediation at the college level. One consortium negotiated a transfer associates degree that would be awarded by 12 community colleges and accepted for full lower division credit by 13 public and private colleges and universities. The degree was not implemented for reasons outside of the consor-

tium's control, but this achievement illustrates the potential for regional collaboration. Like the Round Table efforts, however, the regional consortia offer voluntary collaboration on mutual interests, rather than true coordination in the broader interests of the state or region.

**Recent CPEC Reform Efforts.** Since 2002, at least a dozen bills have sought to eliminate CPEC or restructure it by replacing or changing the membership of the commission, altering the appointment process for commissioners, and modifying the commission's responsibilities. Governor Gray Davis' May Revision budget proposal for 2002-03 sought to eliminate nearly all funding for CPEC. In 2005, Governor Arnold Schwarzenegger supported a California Performance Review (CPR) proposal to eliminate CPEC and merge its functions into an executive office. In 2008, Senate amendments to the proposed budget would have begun a phase-out of the organization over three years, but the amendments were rejected in conference committee. More recently, the Governor's 2009-10 budget proposal echoed the 2005 CPR recommendation to eliminate CPEC and transfer its functions into the executive branch. Lack of consensus on these proposals has prevented any fundamental changes to CPEC, while repeated budget reductions—totaling more than 60 percent of its General Fund budget since 2001-02 adjusted for inflation—have further eroded its capacity. For 2009-10, CPEC has an operations budget of \$2.2 million (\$1.8 million from the General Fund) and 20.8 personnel-years.

**Articulation and Transfer.** The Legislature attempted to improve articulation and transfer processes in 2004 with the approval of (1) Chapter 737, Statutes of 2004 (SB 1415, Brulte), aimed at establishing a common course

numbering system across all higher education segments, and (2) Chapter 743, Statutes of 2004 (SB 1785, Scott), requiring CSU to establish statewide and campus-specific course requirements for transfer students in the largest majors. The common course numbering system has been abandoned, and CSU recently suspended new

work on statewide transfer patterns. The heads of the three public higher education segments convened a task force in 2009 to increase the number of community college students transferring to the universities, but the task force's preliminary report, citing limited resources, recommends very modest efforts in the short term.

## LAO ASSESSMENT OF COORDINATION ISSUES TODAY

Systemic problems identified in report after report over the last four decades—lack of statewide planning, poor articulation of courses among institutions, low community college transfer rates, lack of comprehensive data for planning and accountability, mission creep, and concerns about the effectiveness of the coordinating body—persist today. In addition, there is growing concern about poor degree completion rates, particularly in the context of recent reports projecting a shortage of college graduates for California's workforce. This section provides our assessment of structural and policy barriers to overcoming these problems and improving higher education coordination in California.

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higher education, but does not provide specific goals that can form the basis of a statewide public agenda. Several bills, including most recently

Senate Bill 1331 (Alpert) in 2004, Senate Bill 325 (Scott) in 2007, Assembly Bill 218 (Portantino) in 2009, and Senate Bill 775 (Liu) in 2009 have sought to establish state goals, objectives, and targets for higher education, but to date, no such legislation has been enacted.

***No Basis for Statewide Planning and Resource Allocation.*** Goal setting at the state level is a necessary first step for coordinated efforts to address problems and improve outcomes in the state's higher education system. Goals guide program and policy choices, and decisions about resource allocation. In years of budget

growth, they influence how new funds are invested. In years of budget contraction, they influence which programs are protected, and which may be reduced or eliminated. In the absence of

### CALIFORNIA LACKS STATEWIDE GOALS FOR HIGHER EDUCATION

***No Specific Goals.*** The Master Plan established several principles and broad goals for



state goals, these decisions are made by institutions, based on their priorities. Such has been the case in California over the last decade, when

“...California, which set the gold standard for higher education planning in 1960, now stands alone among sizeable states in its lack of established goals, a statewide plan, and an accountability system for higher education.”

funding increases for higher education have been (with few exceptions) broad and general, and budget reductions have been almost entirely unallocated—leaving it to the institutions to determine how to spend or absorb them. It is no wonder then that California’s higher education segments pursue their own goals and objectives. The absence of statewide goals creates a vacuum for the institutions to fill.

Nearly all states have adopted specific statewide goals for their higher education systems, and most have developed strategic plans based on these goals. For example, Ohio’s strategic plan sets three goals to improve the state’s educational attainment:

- Graduate more students (measured by total degrees awarded).
- Keep graduates in Ohio (measured by percent of graduates living in Ohio three years after graduation).
- Attract more talent to Ohio (measured by number of degree holders age 22-64

entering the state minus number leaving the state each year).

While the higher education system is not directly responsible for performance on all of these goals, they provide the broader context for the system’s contributions.

**No Foundation for Accountability.** Goal setting is also a necessary precursor for a meaningful system of accountability for higher education. In our discussion of coordination mechanisms following this section, we address the state’s lack of accountability measures. Statewide goals are at the center of any state accountability system for higher education. The performance measures, performance targets, incentives, and policy responses that are part of most accountability systems are all derived from the state’s specific goals.

California, which set the gold standard for higher education planning in 1960, now stands alone among sizeable states in its lack of established goals, a statewide plan, and an accountability system for higher education.

## **COORDINATION MECHANISMS ARE INADEQUATE**

As discussed below, California’s tools for coordination, including passive mechanisms (such as the mission and eligibility pool definitions for the segments, funding formulas, and other statewide policies) and active ones (such as approval processes for new programs and facilities, state resource allocation methods, and CPEC itself), are inadequate to achieve effective coordination of higher education.

### **Mission Differentiation Has Deteriorated**

Differentiation of functions is the primary instrument in the Master Plan for restricting un-

necessary duplication among the higher education segments. In recent years, the three public segments have expanded their functions, resulting in greater overlap among them. In some cases, they were able to act unilaterally because of weak coordinating mechanisms. In other cases, they secured approval from the Legislature and Governor, even though their actions appear to breach this core Master Plan principle.

Some of the expansion efforts have been driven by external parties. For example, the American Association of Colleges of Nursing (AACN) has acted to move the current level of preparation necessary for advanced nursing practice from the master's degree to the doctorate level by 2015, and the CSU has responded by seeking authority to offer a doctorate in nursing.

**Independent Actions of Segments.** In 2009, UC unilaterally changed its admissions policy, which simultaneously shrank the pool of high school graduates who are guaranteed eligibility to the university and greatly expanded the pool of students who are considered for admission. One result of this change is that UC's eligibility pool is less well defined, and has greater overlap with CSU's eligibility pool.

The segments can also make more subtle policy changes without legislative approval. In response to budget reductions in 2008-09 and 2009-10, the universities reduced freshman enrollment. In doing so, they altered the balance of undergraduate and graduate students in the public universities, with no explicit public discussion of the policy implications.

**Actions With State Approval.** In 2005, the Legislature granted CSU's request for authority to offer doctoral degrees in education—arguably blurring, rather than reaffirming, strict mission differentiation. As noted above, CSU is seeking

authority to offer doctoral degrees in nursing in response to the AACN action, and has asserted a need for professional doctorates in audiology and physical therapy. Likewise, some community colleges have sought authority to offer baccalaureate degrees. At the other end of the spectrum, some community colleges are offering high school credentials for students who did not pass the high school exit exam

As discussed earlier, the development of a new UC campus at Merced, using primarily a regional rationale, is another example of mission creep. The CSU system has traditionally served regional needs, whereas UC campuses have drawn students from across the state.

A longtime CSU campus president and historian of the CSU system has observed that “The concept of differentiation of functions is what makes California public higher education a cohesive whole rather than a heterogeneous mixture of institutions pursuing a variety of goals and wishes.”

To the extent this is true, the segments' recent activities are nudging California's system away from cohesiveness and toward pursuit of institutional aims.

“...the segments' recent activities are nudging California's system away from cohesiveness and toward pursuit of institutional aims.”

### **Funding Mechanisms Not Linked to Priorities**

The allocation of discretionary funds is one of the key ways the state expresses priorities

among programs and services. Within a given service, such as higher education, funding can also create incentives to align institutional performance with state needs.

***Funding Has Been Driven by Governors.***

Over the past two decades, most incremental funding for California’s universities has largely been driven by Governor’s proposals based on compacts or agreements between the universities and governors. Under these agreements, the Governor promised to seek a specified level of funding in exchange for the segments’ commitment to specified goals. Although the Legislature did not endorse these agreements, it often approved the amount of funding proposed by the Governor. We see four main shortcomings to this approach: (1) the compacts have not involved the Legislature, and as a result have lacked broad commitment and continuity, (2) funding has supported the *status quo* through base increases and enrollment funding, instead of desired practices or outcomes, (3) it has not been a comprehensive approach, as it excluded the community colleges, which enroll the majority of postsecondary students in the state, and (4) it has not included any meaningful accountability mechanism. Furthermore, the compacts have been quickly abandoned in times of fiscal stress, in favor of unallocated budget reductions.

***Funding Policies Not Used Effectively.***

Over the years, the state has granted considerable autonomy to UC and CSU in operating

their systems. Likewise, CCC’s local governance structure diminishes direct state involvement in college decision making. All three segments, however, continue to receive the majority of their core instructional funding from the state. As a result, the budget remains a potentially powerful tool for state policymakers in higher education. In our view, the state has failed to use this tool effectively.

A 2007 study by the CSU Institute for

Higher Education Leadership and Policy documented the extent to which some state policies inadvertently create barriers to student success. For example, enrollment-based funding encourages campuses to maximize enrollment, even if students are unprepared for courses and have little chance of succeeding. Because the state rewards enrollment instead of completion, it is not surprising the enrollment levels are much higher than course completion or program completion levels.

Furthermore, California continues to provide enrollment funding based on an overall

marginal cost rate at the universities, not distinguishing between high- and low-cost programs, or, more importantly, high- and low-priority programs. (In recent years, the state has failed to provide enrollment funding altogether due to budget shortfalls.) Other states have developed sophisticated funding formulas based on the documented costs of various types of instructional programs and students, and provided

“...Because the state rewards enrollment instead of completion, it is not surprising the enrollment levels are much higher than course completion or program completion levels.”

well-targeted funding to support state priorities. In addition, several states are employing performance-based funding to motivate institutions to achieve desired outcomes, such as successful program completion, rather than inputs, such as enrollment. We provide examples of these practices later in this report.

### **No State Approval Required For New Programs**

In many states, new program approval is an important coordination mechanism. State coordinating boards have used approval authority to prevent the creation of new programs that are not aligned with state priorities and to control program proliferation—for example, by requiring institutions to phase out lower priority programs before creating new ones. In California, CPEC’s role in program approval is advisory only, and institutions do not always follow the commission’s program recommendations. Likewise, although CPEC approval is required for new institutions and campuses of public higher education, many off-campus instructional sites can be established without external approval. In most cases, new programs and sites that institutions create require long-term support from state resources, whether through funding augmentations or reallocation of state funds from other priorities within institutions.

### **No Accountability for Results**

Earlier in this report, we indicated that some states have moved away from regulatory control in higher education in favor of outcome-based accountability systems. California has neither imposed effective regulatory control nor held its public institutions accountable for meeting state goals, as illustrated by efforts to facilitate community college transfers.

California has adopted several laws in attempts to streamline the transfer process over the past 20 years. These have required or requested the segments (including the private institutions) to make transfer a central priority, develop transfer agreement programs, adopt a common core curriculum in general education for transfer students, implement common course numbering, and standardize prerequisites for high-demand majors across university campuses. Through these laws, California has regulated the transfer process, but has not held the institutions accountable for results. The transfer process remains complex and difficult for students to navigate, and transfer rates have remained flat for decades. This stands in stark contrast to the example we provided from Virginia, where the universities doubled the number of students transferring from community colleges in a period of a few years under a system of greater institutional autonomy with meaningful accountability for results.

### **Authority of Coordinating Body Is Limited**

The role of CPEC with respect to the higher education segments, the Legislature, and the Governor is primarily advisory. An advisory role can be effective in guiding state policy if policy-makers are involved in major higher education policy decisions and give weight to the advice provided. Otherwise, more formal structures—such as greater approval authority for the coordinating body or a more formal legislative approval process—may be required to provide checks and balances to institutional influence.

### **State Lacks Comprehensive Higher Education Data**

Data is a vital tool for coordination. Information about the students, courses, costs, and outcomes of higher education should inform goal-setting, planning, resource allocation, and accountability. The Legislature strengthened CPEC's authority to collect individual student data from the public segments with Chapter 916, Statutes of 1999 (AB 1570, Villaraigosa). Following enactment of this law, it took six years for the segments to provide individual student data to CPEC. The data the segments provided to CPEC is valuable, but not comprehensive—it lacks key information such as course enrollment and completions, remedial course-taking, and socioeconomic status, and cannot be matched with K-12 student data. It is technically possible to match records in CPEC's data bank with employment records from the Employment Development Department to provide useful measures of the contribution of educational programs to meeting workforce needs. Yet, the state has not developed the policies and procedures that would permit data sharing between these agencies. The commission has not conducted extensive analyses with student data, in part due to resource constraints, and has not made the data available to outside researchers for further analyses that could support policy development.

### **CALIFORNIA LACKS EFFECTIVE STATEWIDE POLICY LEADERSHIP**

#### **Segments Have Disproportionate Influence**

The higher education segments maintain active government relations offices in Sacramento to promote their legislative interests. They also

make extensive use of alumni, student, faculty, and staff networks for legislative advocacy. In addition, faculty and staff organizations maintain a significant lobbying presence in Sacramento.

The higher education segments are also well represented in CPEC. Currently, 5 of 16 commissioners represent the education segments (including the independent colleges and the Board of Education), and two more are students from the segments. Together, these constituencies are only one vote short of comprising half the commission. In most states, higher education institutions have much smaller representation on their higher education coordinating boards or none at all. In addition, the segmental representatives in CPEC are supported by institutional staff who can devote more time and attention to commission matters than most public members can. As a result, the segments' influence is likely disproportional to their numbers.

#### **CPEC's Influence Has Been Limited**

The Legislature and the segments have not turned to CPEC for policy leadership in recent years. The following examples illustrate CPEC's marginalization in several policy discussions.

- Recent accountability bills passed by the Legislature (but vetoed by the Governor) would have assigned CPEC a limited data collection role with no meaningful analytical responsibility. Similarly, a workgroup on education data governance mandated by the Legislature in 2008 excluded CPEC, even though CPEC is currently the only state agency with extensive intersegmental education data. In most states, the higher education coordinating board leads accountability systems.

- The CPEC was not central to legislative discussions about a significant change in UC's admissions policy in late 2008 and early 2009, despite specific statutory responsibility for advising the Legislature on proposed changes to eligibility pools.
- A recent intersegmental transfer initiative announced by the three public higher education segments does not involve CPEC.

**A Demand Problem?** In some cases, CPEC has taken strong positions on important policy issues, but the segments and the Legislature have not always adopted its recommendations. For example, CPEC recommended against developing a law school at UC Irvine, and raised concerns about granting CSU the authority to offer doctoral degrees in education, but both of those initiatives advanced.

Several national experts have suggested that there is little demand for strong leadership in California from an organization like CPEC. The higher education segments prefer to work directly with policymakers to influence events, and policymakers have been amenable to this arrangement. Furthermore, the state's reputation from the past success of California's higher education system may engender complacency. Both

of these factors have diminished enthusiasm for independent policy advice.

Additionally, CPEC's publications sometimes lack specific policy recommendations, or offer recommendations that do not address the political realities of issues. For example, in a series of reports on affordability published from 2006 to 2008, the commission urged California policymakers to increase their investment in higher education, but did not suggest any cost savings, revenue increases, or other ways to fund the additional investment. In these cases, the commission's reports are not as helpful as they could be to policymakers.

### **Lack of Continuity Hinders Legislative Leadership**

Changes in membership of legislative committees (due to changes in appointments as well as turnover in legislative seats) reduce the state's institutional knowledge base and policy continuity. This may contribute to the difficulty of implementing long-term reforms and increased influence of the segments and other stakeholder groups.

In the next section, we present examples of more effective coordination in other states, with some lessons for California. Following that, we offer recommendations to strengthen California's higher education coordination mechanisms.

## **HOW BETTER COORDINATION COULD IMPROVE OUTCOMES: LESSONS FROM OTHER STATES**

All states have some form of higher education planning and coordination entity. A couple of states rely on their university systems for these functions, and the rest are about evenly divided between those with consolidated *governing*

boards (with legal and management control of higher education institutions) and those with *coordinating* boards. Most coordinating boards have regulatory authority over functions such as planning, academic program review, campus and

facility review, budgetary processes, accountability systems, and mission definition. They provide policy analysis and policy leadership, and some oversee financial aid and other programmatic functions.

Few states come close to matching California in size and diversity of population, or magnitude and organization of public higher education. However, several states face similar challenges in higher education, and their experiences can provide lessons for California.

### **POLICY LEADERSHIP IN ILLINOIS**

The Illinois Board of Higher Education is considered by policy experts to have achieved among the best balance of institutional autonomy and state priorities, especially during the 1990s. The board has a record of accomplishment in defining the important policy issues facing higher education, pushing the universities to act like a system, and serving as a strong advocate *and* critic of higher education in budget and policy discussions.

The Illinois board includes ten public members appointed by the Governor and confirmed by the Senate, three institutional representatives appointed by the Governor, two students, and two ex-officio members. The board is responsible for statewide planning and policy development; administers federal and state grant programs related to the board's priorities; approves all new programs of instruction, research, and public service for public colleges and universities; conducts periodic review of existing programs; and maintains a comprehensive information system with data on students, faculty, and institutional expenditures.

In the early 1990s, the Illinois board established the Priorities, Quality, Productivity (PQP)

initiative to strengthen program review, improve management tools, and create a tough process for making choices and setting priorities. The program review process was based on statewide studies to establish capacity needs and priorities for each discipline. Institutions conducted their academic program reviews in the context of these studies, and coordinated their submissions so that all programs in the state in a particular discipline, such as history, were reviewed in the same year. This allowed the state board to consider the programs collectively, from a statewide perspective. The program redirected hundreds of millions of dollars by eliminating lower-value activities and reinvesting in higher-value activities in just the first three years. Colleges discontinued hundreds of small or low-priority programs and academic units (departments, schools, and colleges, research and public service centers, and institutes), and streamlined administrative functions. They redirected resources to areas such as improving undergraduate education, enhancing salary competitiveness, improving minority student achievement, reducing deferred maintenance backlogs, and enhancing library support. The PQP initiative is no longer active—it gave way to different projects under new board leadership—but it provides one of the clearest examples of effective statewide coordination balancing institutional autonomy with state priorities.

Illinois has also developed extensive data on instructional costs by level of instruction (undergraduate and graduate) and discipline, using a uniform cost accounting system for all institutions. Several other states, including Washington and Texas, have developed similar information. These data allow them to compare how resources are used across programs and institutions, and to determine per-student costs for setting tuition



and fees, and funding enrollment based on the mix of disciplines and instructional levels at each institution. This information could be used to guide investments in higher education programs, and to identify opportunities to reduce costs and increase return on investment.

### **ACCOUNTABILITY FOR RESULTS IN TEXAS**

The Texas Higher Education Coordinating Board has been successful in defining the state's higher education challenges and engaging business, political, and education leaders and constituencies in developing solutions. The Governor appoints all nine members of the board, none of whom may be employed in education or serve on a college board of trustees. The coordinating board has a number of advisory boards that do include institutional representatives. The coordinating board has approval authority for all degree programs and off-campus activities at public universities and community and technical colleges. It develops funding formulas for higher education for use by the Governor and legislative budget committees in recommending appropriation levels. The board approves most new construction and renovation at public institutions, and adopts standards for the operation of community colleges.

About ten years ago, the Texas board conducted a comprehensive demographic study of the state to identify gaps in higher education participation, success, quality, and research funding relative to other states. Through a participatory statewide consultation process, the board set specific performance targets for enrollment and degree completion by region and by racial and ethnic group, and for other measures related to quality and research. The board is responsible for accountability reporting based on those mea-

asures. The "Closing the Gaps" effort resulted in several new initiatives to increase college preparation, affordability, participation, and success, and the state has been recording steady progress toward most of its targets.

### **PERFORMANCE-BASED FUNDING IN OHIO**

In 2008, Ohio restructured public higher education to improve coordination, reduce inefficient competition, and better align the state's investment with the state's needs. Ohio unified its numerous colleges and universities under a new University System of Ohio, and developed a ten-year strategic plan for the system with a sharp focus on three goals: graduating more students from college, keeping more graduates in Ohio, and attracting more degree holders to the state. The state's Chancellor and Board of Regents undertook these efforts in response to several legislative and gubernatorial directives aimed at restoring the state's economic health following decades of decline in the previously dominant manufacturing sector.

The Ohio Board of Regents is the coordinating board for higher education. It includes nine members appointed by the Governor and two ex-officio representatives of the state Legislature. The Governor also appoints the Chancellor, who leads the professional staff of the agency, with the advice and consent of the Senate. The Chancellor is a member of the Governor's cabinet. The board has authority to approve or disapprove programs at public and private colleges, and diploma schools of nursing, in the state. The board also reviews institutional requests for state support and makes recommendations on a consolidated budget for higher education.

Under the new umbrella structure and strategic plan, the state imposed greater mission dif-

ferentiation; granted institutions flexibility to set tuition, as long as they provide for financial aid; increased opportunities for dual enrollment of high school students and recapture of high school dropouts; created a comprehensive unified data system; developed programs to increase the success of underrepresented groups; and initiated continuous improvement processes focused on efficiency and costs. The plan includes baseline information about the condition of education in Ohio, and 20 “measurements of success” to track progress toward goals (see Figure 1).

Ohio is now working to change how its colleges and universities receive funding. It is moving away from funding based on enrollment, towards a performance-based funding structure. The new structure, with different formulas for flagship campuses, regional campuses, and community colleges, rewards steps toward success (such as course completion and community college transfer) and degree completion. The outcomes valued in this structure relate directly to the measurements of success in Ohio’s strategic plan. Following an extensive consultation

**Figure 1**

### **The University System of Ohio Accountability Measures**

#### **Access**

- Total post-secondary enrollment
- Total Science, Technology, Engineering, and Mathematics degrees awarded
- Total enrollees age 25 and older
- Total degrees awarded to first generation college students
- Percent of total degrees awarded to Black and Hispanic students

#### **Quality**

- Improvement in actual graduation rate over expected graduation rate (2007 as baseline)
- Measuring the system’s reputation: Number of first time enrollees in the top 20 percent SAT/ACT (at University Main Campuses)
- Percent of facilities in satisfactory condition or needing only minor rehabilitation
- Total size of endowments and foundations per full-time equivalent (FTE)
- Federally financed research spending per capita—national rank

#### **Affordability and Efficiency**

- Average out of pocket cost
- Tuition and fees of a combined associate and bachelor’s degree offered on a community college or university regional campus—national rank
- State funding per FTE—relationship to the national average
- Percent of first time enrollees below age 21 with equivalent of one semester or more of college credit earned during high school
- Percent of bachelor’s degree recipients with at least one year of credit from community college

#### **Economic Leadership**

- Industrially financed research spending per capita—national rank
- Globalization measure: Total international students/Ohio students studying abroad annually
- Invention disclosures filed + university start ups attracting more than \$1,000,000
- Business satisfaction—measured through survey
- Number of students engaged in internships and co-ops

Source: University System of Ohio.

process, the move to performance funding has received broad support from college faculty and administrators, despite some concerns about implementation details.

## DRIVING IMPROVEMENT WITH DATA IN FLORIDA AND WASHINGTON

### Florida's Statewide K-20 Longitudinal Data System

Florida has one of the nation's most comprehensive and mature longitudinal student data systems. Its single database for K-20 education is linked with the Florida Board of Governors, Independent Colleges and Universities of Florida, Department of Children and Families, Agency for Workforce Innovation, Department of Juvenile Justice, and Department of Corrections, as well as national data sources such as the National Student Clearinghouse, College Board, ACT, and Federal Employment Data Exchange System. Six examples illustrate how state policymakers and educational institutions use comprehensive data to inform their decisions and improve outcomes.

- **Workforce Estimating.** State officials use labor statistics in combination with enrollment, completion, and placement data from the integrated education data system to provide the Legislature with semi-annual information regarding the supply and demand for certain kinds of jobs in Florida's economy. The data are used to target vocational and academic disciplines for special funding, financial aid, or other attention.
- **Student Flow Model.** Using data from the integrated systems, analysts developed a student flow model that allowed

policymakers to test a theoretical intervention to improve student transition to, and retention in, postsecondary education, and see projected results based on the current K-20 pipeline. This work formed the basis for a legislative agenda to improve outcomes.

- **High School Feedback.** Florida offers an annual online feedback report to all high schools in the state providing information about their students' SAT, ACT, and college placement test results; entrance into postsecondary education; and ultimate success in postsecondary education.
- **Accountability.** The legislature enacted an accountability law in 2002 establishing performance funding based on progress toward four statewide educational goals. The funding scheme accounts for up to 10 percent of the annual legislative appropriation for each education sector—K-12, workforce education, adult education, community colleges, and universities. The community colleges have reported that their campuses have eliminated many less-productive programs and streamlined others—increasing the number of graduates and placements while reducing overall full-time equivalent enrollment—to qualify for the performance-based funding.
- **Teacher Pipeline.** Researchers track the progress of teacher education students through their degree programs and into classrooms or other employment venues to identify program initiatives that are particularly successful in training teach-

ers, placing and retaining them in the classroom, and helping them succeed with respect to student learning.

- ***Institutional Initiatives.*** The statewide data are available to educational institutions in Florida for research into student access, retention, and success. The Florida Division of Community Colleges has used the data to compare outcomes at individual community colleges (graduation, transfer, and still-enrolled rates of student cohorts) with those of their peers in the state and nationally and to analyze specific subgroups of students on the basis of student characteristics or course-taking patterns. One recent study examined the impact of taking a student life skills course on student success. The study showed that taking this course significantly increased students' success and retention rates, regardless of student characteristics. These results have caused several institutions to require that entering students enroll in the course.

Florida's public education sectors, from pre-kindergarten to postsecondary, are under a single governing structure, the state Board of Education, which is appointed by the Governor. In 2001, several existing statewide boards and commissions related to postsecondary education, including the State University System Board of Regents, the State Board of Community Colleges, the State Board of Independent Colleges and Universities, the State Board of Non-Public Career Education, and the Postsecondary Education Planning Commission, were repealed and, in most cases, their duties transferred to the state Board of Education. The state's comprehensive education data system

is managed by a division of the state's Department of Education, under the purview of the board. The unified structure no doubt facilitates information sharing across institutional boundaries, but the statewide data system predates the consolidation. Florida has had integrated education and workforce data for over 20 years through interagency agreements among multiple educational and other entities.

As shown in Florida, the development and maintenance of a comprehensive, longitudinal education data system requires substantial resources. Additionally, the capacity to use information from such systems to inform state policy requires investment in skilled researchers and policy analysts, as well as willingness to share data with external researchers.

### **Washington's Education Research and Data Center**

In 2006, policymakers in the state of Washington adopted ten long-range goals for their education system, and directed key coordinating bodies to develop indicators and create a longitudinal student data system that could track progress toward achieving these goals. (The nearby text box highlights the goals pertaining to postsecondary education.) The state's Office of Financial Management established the Education Research and Data Center in 2007, in partnership with the Higher Education Coordinating Board, Board for Community and Technical Colleges, four-year institutions of higher education, and the Superintendent of Public Instruction. Since then, the center has completed a per-student higher education funding study, published a compendium of key education indicators, contributed to enrollment projections, and added a longitudinal component to the state's higher education enrollment system.

The center now has the capacity to answer questions such as:

- How are high school course-taking patterns related to remedial course taking in college?
- What are retention and completion rates and time to degree, and are these different for students entering from high school and community college transfers?
- What are the workforce outcomes for individuals who complete various education and training programs? For those who do not finish?

Policymakers have determined that these are important questions to answer to improve

their ability to target education investments and improve student success and system productivity. In the future, the center may add partnerships with early learning centers and social services agencies.

**Community and Technical College Student Data System.** In addition to the statewide data center, Washington’s Board for Community and Technical Colleges has a strong record of using its student data system for applied research. Two examples illustrate the potential to use comprehensive data to improve student outcomes:

- **Tipping Point.** One Washington study of nearly 35,000 adult working-age students—most of whom entered the colleges through the English as a second language (ESL), adult basic education

## WASHINGTON’S STRATEGIC MASTER PLAN GOALS

The Strategic Master Plan adopted by the 2008 Washington Legislature calls for:

- Increasing degree and certificate attainment by more than 40 percent annually by 2018.
- Promoting economic growth and innovation by focusing on the skills and knowledge needed for prosperity in the 21st century.
- Emphasizing accountability for results throughout the higher education system.

When the Legislature approved the strategic plan, it directed the Higher Education Coordinating Board to develop a ten-year action plan to guide policy and funding decisions through 2018. The Legislature asked for an action plan that specifies:

- How the plan’s degree goals will align with state workforce needs in the next decade.
- How the higher education system will match system and program capacity with changing state workforce needs.
- How much the plan will cost to implement.
- What the higher education system will do to increase access, enrollment, and student success.

(ABE), or GED-preparation programs—documented a tipping point. Students had a significant earnings advantage if they completed at least one year’s worth of college-credit courses and earned a certificate or degree. The study, however, found that relatively few students reached this tipping point. Many did not transition from ESL and ABE to postsecondary education and training because the community and technical colleges did not have strong coordination among their three mission areas (basic skills, workforce, and transfer), and the state did not have policies that encourage colleges to align their mission areas in a way that facilitates transition of students from basic skills into workforce or transfer programs. This research helped persuade the Governor, Legislature, and Workforce Education and Training Board to support a new training model, Integrated Basic Education and Skills Training (I-BEST), designed to bring low-skill adults to the tipping point. In ten pilot projects, I-BEST students earned five times more college credits and were 15 times more likely to complete workforce training than were traditional ESL students. The program has expanded to

all 34 community and technical colleges, with enhanced funding from the state. The state also developed a new financial aid program for low-income adults based on the board’s research.

- **Momentum Points.** Building on research at the system level, the state board has developed a way to measure and reward continuous improvement in student achievement at the colleges. Measures represent incremental gains, or momentum points, toward college success and achievement of certificates, degrees, and apprenticeships. These momentum points include advancing through ABE or ESL; completing pre-college English and math; earning the first, fifteenth, and thirtieth college-level credits; completing college math or computation courses; and earning a certificate backed by at least one year of college-level credit, or a degree, or apprenticeship award. The measurement and reward system is in the early stages of implementation. Over the next few years, the system will be used to track student achievement, help colleges plan improvement strategies, and document best practices that colleges can share with each other.

## RECOMMENDATIONS

The examples in the previous section illustrate how effective coordination can improve higher education outcomes for students and states. In this section, we recommend ways to improve coordination in California to better align the performance of the higher education system with the state’s needs. To that end, we recommend

- (1) setting a clear public agenda for higher education,
- (2) strengthening coordination mechanisms, and
- (3) rebuilding the state’s capacity for policy leadership, through CPEC or an alternative structure. We offer several strategies to improve CPEC’s effectiveness under the third recommendation. Our recommendations are summarized in Figure 2.

## SET A CLEAR PUBLIC AGENDA FOR HIGHER EDUCATION

We recommend that the Legislature adopt a clear public agenda for higher education, with specific statewide goals that can serve as the framework for an accountability system designed to align higher education performance with the state’s needs.

Earlier in this report, we discussed the central role of higher education goals for planning and coordination activities. We also noted some of the consequences of California’s lack of goals. The states highlighted in this report have used clear state goals and priorities to focus higher education systems on serving the public interest. Illinois’ PQP initiative focused attention on a well-defined agenda of setting priorities, improving quality, and increasing productivity. Texas’ Close the Gaps initiative set specific performance targets for postsecondary completion, quality,

and research. In fact, the budget for the higher education coordinating board is organized according to the Close the Gaps goals and performance measures in the state’s appropriation act. Ohio, Florida, and Washington all establish state goals for higher education, with performance measures and various degrees of performance funding. More generally, states with effective higher education coordination have clear priorities and a small number of well-defined goals for their higher education systems. In contrast, California has broad goals, as expressed in the Master Plan and subsequent reports and legislation, but no comprehensive articulation of specific and measurable objectives.

We recommend that the Legislature work with the administration and others to adopt a clear public agenda for higher education, with specific and focused goals for higher education. Two bills passed by the Legislature in recent

years sought to accomplish this, but were vetoed by the Governor. In his veto messages, the Governor cited the need for stronger accountability measures (“incentives or consequences that would modify behavior to meet any policy objectives”) in the bills. We agree that meaningful accountability is needed, and suggest that articulating specific goals is an important first step. A more nuanced negotiation of accountability measures could follow

**Figure 2**

### Summary of Recommendations

#### Set a Clear Public Agenda for Higher Education

- Set specific statewide goals (see sample goals)
- Use goals as framework for an accountability system

#### Strengthen Coordination Mechanisms

- Align funding formulas with state goals
- Simplify articulation and transfer processes
- Improve oversight for major policy decisions
- Reform program approval process
- Consider regional coordination

#### Rebuild State’s Capacity for Policy Leadership

- Maintain coordinating board’s independence from executive and legislative branches and increase its independence from higher education segments
- Revise appointment process for the coordinating board
- Assign clear responsibility for shepherding the public agenda
- Create a more comprehensive statewide student data resource with enhanced research and analysis capabilities



enactment of legislation establishing goals for the state's higher education system.

In Figure 3, we provide a sample public agenda for California that builds on Master Plan principles. This example is offered as an illustration—development of a state's public agenda should involve formal deliberation by policymakers and broad stakeholder participation.

### **STRENGTHEN COORDINATION MECHANISMS**

We recommend that the Legislature strengthen several critical mechanisms of coordination—including funding formulas; articulation and transfer processes; oversight for major policy decisions such as those affecting institutional missions, eligibility standards, and new programs; and regional coordination.

California's approach to coordination—incorporating primarily passive mechanisms such as differential missions and admissions pools, as well as several active mechanisms such as a coordinating body and annual budget process—is well suited to our large and segmented higher education system. Several of the mechanisms, however, should be strengthened to provide more effective coordination.

### **Align Funding Mechanisms With State Goals**

Funding should be better aligned with state goals. Specific mechanisms would depend on the state's articulation of goals, as previously noted. Examples might include changing census dates for counting enrollment to be funded, or providing differential funding by academic discipline and instructional level. More fundamentally, this could include performance funding, such as providing incentives to institutions that

improve overall student persistence and completion or increase on-time graduation rates.

While we recommend the state adopt funding formulas that reflect its priorities, it is difficult to develop robust funding formulas. They must be designed carefully, with extensive participation from institutions and other stakeholders to promote the right outcomes, minimize unintended consequences, and ensure sustainability. They should be modeled to test potential results for individual institutions and overall funding under various scenarios.

### **Simplify Articulation and Transfer Processes**

In our 2006 report, *Promoting Access to Higher Education: A Review of the State's Transfer Process*, we recommended streamlining UC's general education course requirements so that they would be consistent across all UC campuses, and streamlining UC and CSU pre-major course requirements to achieve consistency within each university segment. Although CSU has made some progress in bringing partial uniformity to pre-major requirements, substantial variation still exists across campuses, and our recommendations remain applicable.

### **Improve Oversight for Major Policy Decisions**

**Mission and Enrollment Pools.** We have provided examples of institutional actions that have weakened mission differentiation and changed eligibility standards, in some cases with little or no legislative involvement. Because differentiation of functions and enrollment pools is at the core of California's higher education system design, any significant changes to these elements should require significant involvement from state

**Figure 3****Sample Public Agenda for Higher Education in California****Mission**

The purpose of the higher education system in California is to align the knowledge and skills of the adult population with the civic and workforce needs of the state of California.

**Master Plan Principles**

- **Access to higher education for all adults who could benefit from postsecondary instruction** with community colleges serving as the main entryway for the majority of undergraduates.
- **Affordability** through general support to public institutions and financial aid for students attending public and private colleges.
- **High quality** and cost containment through orderly growth, differentiation of functions, and coordination.

**Priority Goals****Access and Success**

1. Increase awareness of and student preparation for the demands of postsecondary education.
2. Achieve measurable value-added student learning outcomes.
3. Increase rates of program completion, transfer, licensure and certification, and job placement.

**Affordability**

4. Adopt and maintain a fee policy that defines the share of educational costs that students pay.
5. Maintain financial aid so that all students are financially able to attend higher education.

**Quality and Cost Containment**

6. Provide educational programs whose content, quality, and costs are aligned with state needs.
7. Reduce cost per completion in each public segment.

**Accountability**

*Although the Master Plan does not include accountability, policymakers have come to recognize it as necessary for achieving priority goals.*

8. Expand statewide longitudinal data collection and analysis to inform state policy decisions.
9. Align policies and funding mechanisms with priority state goals.

policymakers. We recommend that changes to institutional mission and significant changes to eligibility and selection criteria undergo legislative review. We further recommend that the Legislature periodically review the missions and enrollment practices of each segment to determine whether any refinement is necessary. Where necessary, the Legislature should pass legislation defining or adjusting the system's parameters to improve its alignment with the state's needs.

***New Program Approval.*** In another report in this series, we evaluate the existing review and approval process for new academic programs, and make several recommendations for improvement. These recommendations are designed to better connect growth in programs to state needs, and include (1) periodically measuring supply and demand in certain fields; (2) reversing the current order of events—first identify statewide demands and priorities, and then solicit proposals from campuses; (3) focusing review on the largest proposals; (4) requiring state coordinating board concurrence for proposals to move forward; and (5) requiring legislative approval for larger proposals, or separate budget items for new schools and major programs.

### **Consider Regional Coordination**

Policymakers may also wish to consider new models for active coordination. In some areas of California, postsecondary institutions have been working together with K-12, workforce, and economic development officials to coordinate educational services at a regional level. These efforts have shown promise in improving outcomes for students and institutions. They have relied on local leadership and shared interests, but may provide a constructive model for active coordination.

Resolving persistent problems in articulation and transfer has proved difficult on a statewide level; it could be more feasible on a regional level. Winning agreement on lower division requirements for business majors among the three CSU campuses and one UC campus (and, ideally, several private college campuses) in the Central Valley should be easier than negotiating among the 32 public and numerous private universities in the state. The Legislature could require the public universities and community colleges within each region of the state to agree on all lower division requirements for high-demand majors, for example. The California Economic Strategy Panel has defined nine regions for the state that may serve as a starting point for higher education regions.

Statewide goals for higher education could also be disaggregated into regional goals. Large regional disparities in family income, educational attainment, college readiness, postsecondary participation, financial need, and other factors are masked by statewide averages. The Legislature could establish regional goals, as subsets of the statewide goals, that could be used for targeted planning, coordination, and accountability at the regional level.

### **REBUILD STATE'S CAPACITY FOR POLICY LEADERSHIP**

We recommend the Legislature reform CPEC or replace it with a new coordinating body to help create higher education policy leadership for California. We offer the following strategies to increase the effectiveness of an active coordinating body:

- Maintain its independence from the executive and legislative branches, and in-

crease its independence from the higher education segments.

- Develop a more concentrated governing board appointment process.
- Assign clear responsibility for shepherding the public agenda, with an expanded role in resource allocation decisions and support commensurate with responsibilities.
- Create a more comprehensive statewide student data resource, with enhanced research and analysis capabilities.

We believe there are several critical coordinating functions that are necessary to protect the state's investment in higher education, and that at least some of these are best performed by an independent policy body. The Legislature could reform CPEC so that it can become an effective policy body, or eliminate it and create a new organization to advance its higher education agenda at the state level.

### **Increase Independence**

Several reform efforts in recent years sought to place CPEC's functions under executive control. In our view, the interests of the state are best served when the Governor and Legislature can base their policy decisions on rigorous, unbiased analysis supported by thorough research and accurate data provided by an independent entity that is responsive, but not beholden to either branch of government. If higher education policy analysis were conducted in an agency under executive control, the Legislature could reasonably be concerned about partisan or ideological bias. Likewise, a policy body in the executive hierarchy would not be free to critically appraise the administration's budget and policy proposals,

further diminishing its usefulness to the Legislature. For these reasons, we recommend that the independent commission structure be retained for CPEC or a successor organization.

A related issue is domination of CPEC by the higher education institutions, as discussed earlier in this report. Between the public and independent segments, the Board of Education, and college students, educational institutions are only one vote short of comprising half the commission. Of the five states highlighted in this report, four (Texas, Ohio, Florida, and Washington) have no coordinating board positions designated for higher education institutions. In Illinois, 3 of 15 positions are institution governing board representatives. Several states have separate, high-level advisory boards for the heads of the higher education systems or institutions to contribute to the deliberations of the coordinating board. (California also has a statutory advisory committee at the staff level to inform the work of the commission.) We recommend the Legislature eliminate or reduce the representation of institutions on the state's coordinating board, perhaps permitting one or two representatives of the California Education Round Table to serve on the commission, or elevating the role of the existing statutory advisory committee with respect to the commission.

### **Revise Commission Appointment Process**

The quality of the governing board is critical to the effectiveness of the coordinating agency. For CPEC, the commission appointment process is distributed among seven appointing authorities—the Governor, the Assembly Speaker, the Chair of the Senate Rules Committee, the Governing Boards of the three public higher educa-

tion segments, and the State Board of Education. Despite statutory direction that the appointing authorities confer with each other, this distributed process can lead to problems. For example, it can engender the perception that members owe their allegiance to their specific constituencies—either the institutional segments they represent or the individuals who appointed them. This tends to result in policy recommendations that devolve to the lowest common denominator that can achieve a majority, generally preserving the status quo and precluding bold actions.

To improve California’s ability to develop and maintain an effective governing board for higher education coordination, we recommend that appointment authority for members of the board be more concentrated and that the state establish qualifications for board positions that can help ensure members will have the experience and skills to guide higher education policy. With fewer institutional representatives, clear qualifications and more concentrated appointments, the coordinating board is more likely to achieve effective balance and cohesion.

### **Focus Responsibilities and Resources On Shepherding Public Agenda**

We recommend the Legislature assign clear responsibility to the coordinating board for shepherding the public agenda, with an expanded role in resource allocation decisions and support commensurate with responsibilities. This would require a clear public agenda established by policymakers; a focus on a limited set of state goals and objectives; and financial, policy, and staff resources to perform the necessary planning and coordination duties.

Strategies to focus the coordinating board’s responsibility could include giving it an expanded advisory role in executive and legislative resource allocation processes, increasing its formal authority to approve new academic programs and facilities with significant out-year budgetary or policy impacts, and assigning to it a central role in an accountability system based on the state’s policy agenda. All other activities should support these functions (for example, its role as data repository would be instrumental in carrying out these responsibilities), or relate directly and explicitly to the state’s higher education agenda.

### **Develop Comprehensive Statewide Data Resource**

We recommend the Legislature create a comprehensive statewide student data resource for higher education, with enhanced research and analysis capabilities and linkages to other state systems.

California is making progress in developing its educational data systems. The Department of Education has established longitudinal K-12 student achievement and teacher data systems, and recent legislation (Chapter 561, Statutes of 2008 [SB 1298, Simitian]) lays the groundwork to link these systems to child care, higher education, health, welfare, juvenile justice, corrections, and employment agency data. Several challenges remain, however. There are gaps in statewide higher education data as described in this report, and missing linkages with other data sources that would enable researchers to evaluate the longer-term outcomes of educational programs. As California continues to develop its education data systems, it will be important to ensure that the statewide higher education data reported by the institutions is of sufficient detail and specific-

ity to inform higher education policy and finance decisions. We recommend the Legislature expand the authority of the coordinating body to require data from the public higher education segments, including data on course enrollments, student financial status, and remedial course taking. We also recommend the Legislature consider limited reporting requirements for non-public institutions as a condition of participation in state financial aid programs. Data that would permit the state to track the progress of students who

move between the public and nonpublic sectors, for example, or to evaluate the effectiveness of Cal Grants at private institutions, could help to inform policy decisions.

Establishing a solid foundation of data that can be used for policy analysis will be an important step. Transforming the raw data into useful information, however, will require (1) providing greater analytical resources at the state level, or (2) making the data available to researchers who can conduct analyses and publish results.

## CONCLUSION

While California's mostly passive mechanisms for coordinating its higher education system worked well during the Master Plan period of rapid expansion, their effectiveness has declined markedly in recent decades. California is now facing real challenges to access, affordability, and productivity in higher education, at a time when experts predict a great shortage of

college educated workers over the next fifteen years. In this report, we have identified several strategies for improving the coordination of the state's system of higher education. We believe these strategies will enhance policymakers' ability to target resources in ways that will improve the system's performance in meeting the state's educational and workforce needs.

### LAO Publications

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This report was prepared by Judy Heiman and reviewed by Steve Boilard. The Legislative Analyst's Office (LAO) is a nonpartisan office which provides fiscal and policy information and advice to the Legislature.

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