



# SACRAMENTO STATE

## Institute for Higher Education Leadership & Policy

Testimony to Little Hoover Commission  
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This submission addresses the questions that were provided to me by Stuart Drown, Executive Director of the Little Hoover Commission, in three areas: mission, governance, and finance.

### **Competing Missions**

#### *Is the Master Plan sufficient for setting an agenda for our community college system?*

No, the Master Plan is not sufficient for setting an agenda for *any* of California's higher education segments. The main shortcoming of the Master Plan, when it comes to agenda setting, is that it does not effectively address goal-setting and coordination across the three segments - the University of California, the California State University, and the California Community Colleges. The clear segmentation of higher education into three institutions with distinct missions has been a strength of the Master Plan but has become its most serious weakness. Over the decades since its adoption, the plan has served well to avoid the competition and mission creep that has beset higher education in many states. But more recently it has precluded the kind of planning in which leading states are engaging to improve the performance of their systems. Under the Master Plan, state policymakers - including governors of both parties - have persisted in addressing policy (to the extent they have addressed it at all) one segment at a time. Mostly these decisions involve whether and by how much budgets and fees go up or down, and are addressed separately for each segment. Here are just some of the vital statewide policy questions that are going unaddressed (not even being asked):

- How many Californians have postsecondary degrees at each level in relation to what the state aspires to, for the education levels of its populace?
- What should each institution's role be in getting us to the level of educational attainment that we want? (Note that this requires questioning the apparently set-in-stone one-eighth-one-third-one hundred percent eligibility standards of the Master Plan.)
- To what extent can and should the private nonprofit and for-profit sectors contribute capacity for serving Californians?
- What is the need to bring the under-educated adult population back into the postsecondary education system, i.e., adults without a college degree?
- How should the state subsidy of postsecondary education be distributed across the various segments in order to maintain affordability and reach the desired goals for educational attainment, research productivity, and other priorities such as degree production in STEM fields? (Note that this is a very different question from by how much fees should go up or down at each institution each year.)

- Might new types of institutions - other than one of the three types we now have - help the state achieve its goals more efficiently?

We must not delude ourselves: we may have world-class institutions but we do not have a world-class postsecondary education system, if “system” is understood as a set of institutions that work collectively and efficiently to meet the needs of students and all Californians. California is 40<sup>th</sup> in the rate of high school graduates going directly to college, 47<sup>th</sup> in the number of degrees and certificates awarded in relation to enrollment, and is falling precipitously in its ranking in the percent of its population with college degrees, as it is failing to educate young generations of Californians to the level of older generations. Serious gaps across racial/ethnic groups are present for nearly every measure of performance.

The Master Plan has not encouraged the state to think systemically. Unlike many other states, we have no strategic plan for higher education, no goals, only rudimentary understanding of the performance problems we face, and no systemic strategies for educating Californians in today's environment of technological change and fiscal challenge. California lags most states in key measures of performance and has no framework or process in place to start climbing back up to a position of strength.

Looking specifically at the community colleges, the Master Plan provides no guidance for the student success agenda that has come to dominate community colleges across the country. Rather, it constrains reform efforts through its provision for free college education for all who can benefit - with no guidance for how the state might set priorities among the various missions and various subgroups of prospective students now competing for space in the colleges and how it might equitably charge non-needy students for a portion of their educational costs.

In short, the Master Plan was developed to meet the challenges that California faced in the second half of the 20th Century and is unhelpful for adapting to today's challenges. Rather than continue the periodic, unhelpful review of the Master Plan, California needs to develop what other states are calling *public agendas* for higher education, aimed at setting goals and priorities *across* the higher education systems and outlining strategies for achieving them.

***How successfully are California’s community college students progressing toward and completing their goals, within the various missions? How do these rates compare to other states?***

The success rates of community colleges across the country are low - sparking the focus on increasing student success across the nation, and somewhat belatedly here in California. Two cautions are important, however, in any attempt to address this question. First, community colleges, as open access institutions, are enrolling growing numbers of under-prepared students - many of whom are seriously under-prepared. These institutions cannot be expected to deliver completion rates that match those of institutions that can select their student bodies. Completion rates of well-prepared students who attend community colleges are not the principal problem that is driving the success agenda. With the focus on under-prepared students, reform efforts across the country are aimed at developmental education, i.e., remedial education, because research

here and elsewhere reveals that students are getting stuck in remedial sequences, with only small fractions transitioning to and completing college programs.

The second caution is that it is not easy to make valid and useful comparisons with other states. Reflecting an historic low national priority around community colleges, the federal data system that reports graduation rates (IPEDS) is sorely inadequate for reporting and comparing community college outcomes. Graduation rates are reported only for first-time, full-time students - who represent a very small portion of the community college student body. States devise their own methods to monitor progress and completion but these methods are generally not comparable across states because states adopt different definitions of "degree-seeking" which determine the denominator in any completion rate computation and may also count completions differently, in terms of what they count as a transfer or what kinds of certificates they count. An additional complication is that states have different policies for transfer that affect whether students who successfully transfer also earn associate degrees.

One measure that a leading higher education research group, called NCHEMS, has used to compare the productivity of states' community college systems is the number of certificates and degrees awarded in a given year divided by the number of students enrolled. This ratio measure does not track the success of individual students over time. It is a cross-sectional measure of output divided by input. On this measure, California is 46<sup>th</sup>, with a ratio of just over half that of the average of the ten leading states. This tells us that, compared to other states, far fewer enrolled students are earning certificates and degrees.

Our institute has generally chosen to avoid comparisons with other states and to develop a credible definition of completion for California's community colleges. We have issued two recent reports that show student progress and completion in the California Community Colleges - *Steps to Success* (2009) and *Divided We Fail* (2010). Both can be found at our website: <http://www.csus.edu/ihelp/pages/publications.html>. Both reports document the shares of an entering student cohort that reached important intermediate milestones as well as the share that completed certificates, associate degrees, and/or that transferred to a university. The second report highlights the gaps across racial/ethnic groups in progress and success measures. The 2010 report uses more recent data. It documents the following about student progress and completion within six years of enrolling:

- 56% of degree/certificate-seekers returned the second year after initially enrolling
- 40% earned at least 30 college-level credits (excluding remedial credits)
- 5% earned a certificate
- 11% earned an associate degree
- 12% transferred to the UC or CSU
- 11% transferred out-of-state or to a California private for-profit or non-profit institution
- 31% achieved any completion, i.e., a certificate, associate degree, and/or transfer

We have no way to compare these findings to other states, but every state with which we are familiar has declared the need to improve community college completion rates.

We note that the Community College Chancellor's Office reports much higher rates of student success than we do because they use a much smaller denominator to represent those students who are seeking a credential. We use a definition suggested by a noted national expert - if a student enrolls in more than 6 credits (which generally means more than two classes) in the first year we presume that student is intending to earn a certificate or degree as opposed to enrolling for personal enrichment or to pick up a class or two for job advancement. The Chancellor's Office uses a more restrictive definition - counting only students who have successfully completed 12 units *and* attempted English, math, or another threshold course required for a credential. By our definition, about 60% of incoming students in a given year are seeking a college credential. By their definition, only about 40% of incoming students are seeking a credential. We believe their definition excludes students who enrolled to earn a credential but dropped out before completing 12 units and attempting the threshold course.

If only 40% of all incoming students are truly seeking a college degree or certificate, as the system's success measure assumes, this should suggest a serious reexamination of the mission of the colleges at a time when the state needs so many more individuals to hold college credentials.

*In view of comparisons, are we asking too much of our system?*

We are not asking too much of our system with one exception. Three core missions of the colleges are vital for state and appropriate for the system: basic skills (remedial), transfer, and career technical education (CTE). A fourth mission - personal enrichment - has to be viewed as a much lower priority in today's constrained fiscal environment and with the urgent need to increase educational attainment levels of Californians. By our measure, 19% of students enrolling for the first time in the 2003-04 academic year did so in order to take courses for personal interest unrelated to any credential objective or job advancement. These students notably take classes in physical education, fine arts, and languages but take other courses as well. As access to our colleges is being rationed by the shrinking availability of class sections relative to enrollment demand, we should not expect (perhaps not allow) the colleges to provide life-long learning to their communities with the same taxpayer subsidy that supports those students who seek a college credential.

In view of the low completion rates, relative to the needs of the state, we must find ways for the colleges to deliver on the three core missions while improving rates of student success. Drawing from national research and experience, **I am convinced that the most promising, and achievable, route to increase student success is to change the basic paradigm of the colleges from that of providing access to courses to providing access to programs.** Students in our community colleges do not declare a major program of study. The colleges generally do not organize their instructional programs - transfer and CTE - around a coherent set of programmatic offerings with a sequence of classes that students can plan for as they progress through a roadmap of program requirements. Efforts to accommodate budget cuts are framed around what classes can be cut, given faculty status, cost, and availability. Student class choices are all too often planned around what courses fit their schedules. If students were required to declare a program of study (i.e., a major) by a set time, and colleges reconceived their role as enrolling students in programs and facilitating their progression through program sequences, there could

be large productivity gains for students and the colleges. Students would avoid wasting time and money on classes they don't need or want and those classes would be available for students who do need them. Colleges could optimize the class schedule around a set of programs and not waste their resources attempting to educate students in courses that the students neither need nor want or providing enrichment courses to individuals who could pay the full cost of the courses or access those courses through other providers.

## **Shared Governance Structure**

***Has the governance structure of the community college system evolved sufficiently to meet the missions? In what ways does the governance structure advance or hold back the system's ability to improve student outcomes?***

No. There have been at least two significant changes in the higher education environment that have exposed some of the shortcomings of the decentralized and shared governance system for the community colleges. **First**, as the knowledge economy has emerged and postsecondary education has become more important for broad sectors of the population in order to sustain the state's competitiveness, the inability of the community colleges to readily develop statewide solutions has become a major problem and likely contributes to the state's declining position relative to other states. The colleges adhere first and foremost to their local identity and to the legitimate goal to serve their local communities. Yet more and more issues call for statewide solutions. Two prime examples include college readiness and transfer.

On the former, major efforts are occurring across the country to align high school and college standards to address the nation's huge problem of under-prepared college students. A touchstone of these reform efforts is the need for higher education to clearly communicate to high schools what it takes to be college ready. Yet with its decentralized approach to assessment, placement, and prerequisites for college-level study, the California community colleges send, in effect, 112 different messages to high schools about college readiness. Some efforts are taking place across the system to reduce the amount of variation in assessment and placement policies but these efforts confront serious barriers. The state Chancellor's Office does not have the authority to adopt a statewide assessment/placement regimen and if the legislature passed a law requiring it, the Department of Finance would recommend a veto on the basis that it would incur state-mandated local costs, because the colleges exist as local education agencies (LEAs) under state law. Most states have already moved dramatically in ways that our governance system makes difficult, if not impossible, adopting a standard assessment instrument, common "cut scores," and mandatory placement in remedial courses for those who score below college level.

The second example, transfer, illustrates not only the challenges of having 112 different sets of academic policies but also that of negotiating major state-level policy changes when the largest postsecondary sector is not a system but a confederation represented in policy discussions by a Chancellor's Office that lacks authority and acts only when consensus is reached across the colleges and stakeholder groups. The new legislation (SB 1440, Chapter 428, Statutes of 2010) strives for statewide consistency in this key area but was decades in the making and still only authorizes each of the 112 colleges to develop a set of associate degrees for transfer. So while

the system is hoping to get standardization across the colleges, it is *possible* that each college could develop its own version of, say, an associate degree for transfer in Economics. If that happened, the goal to achieve statewide patterns to promote timely and efficient transfer would be thwarted.

The *second* major change in the postsecondary environment that exposes governance inadequacies is the need for higher education institutions to adapt to rapidly changing environments. The CCC is seriously challenged in this regard by the decentralized governance system of 112 locally elected boards, shared governance across stakeholder groups that has come to give virtual veto power to individual stakeholders, a state Chancellor's Office that is inadequately funded, staffed, and authorized to govern the hugely important enterprise, and a state culture under which the legislature and governor micromanage the colleges to a degree unworthy of its stature as a system of postsecondary education. The number of laws, rules, and regulations constraining the actions of the colleges and the system is off-the-charts in comparison even to other state community college systems. Moreover, such micromanagement is antithetical to modern day public management principles by which institutions should be held accountable for outcomes, not inputs and rule-following.

Leading states are moving much faster than California to identify and respond to performance challenges in community colleges. Sadly, the leading foundations that are investing millions of dollars across the nation to improve community college student success have been very wary of investing much in California in large part because they are unconvinced that the system is able to act quickly and meaningfully to change. Leaders of the national student success agenda believe that at this point there is sufficient knowledge about what works to improve outcomes, but that the major impediment is the lack of political will to act on the knowledge. In the CCC the impediment may be as much the inability to act, given the complexity of governance, as the lack of will to act.

***What are the benefits and consequences of maintaining a shared governance structure to oversee and administer the state's community colleges? Would consolidation of layers make sense?***

The California community colleges have two types of shared governance – shared across stakeholder groups and shared across state/local government.

Shared governance across stakeholder groups in any postsecondary system has the benefit of ensuring that system policies and practices are as informed and legitimate as possible. This is institutionalized across most of higher education by means of academic senates with responsibility for academic policies. Broader shared governance involving more stakeholders, as practiced in the CCC, would have added benefits in an institutional context in which the organizational leadership has decision-making authority. In the CCC shared governance has come to mean that the system rarely acts without unanimous consent across all stakeholder groups.

I am not certain that shared governance across layers (i.e., local governing boards and the statewide Board of Governors and state Chancellor's Office) holds any clear benefit over other models. There are other models, ranging from having no system to pull together a state's community colleges (e.g., Arizona) to a system that oversees community and state colleges (e.g., Minnesota), to a community college system with a state chancellor and board directly responsible for governing the colleges (i.e., no local governing boards). I am not aware of any research that demonstrates the effectiveness of one model over the other.

Within the existing shared governance model in California, I would think there might be opportunities for consolidation of colleges and/or districts. Some colleges are extremely small and face challenges in offering the access *to programs* that students need to be more successful. I think it could also be beneficial to explore specialization by which not every college would attempt to offer remedial and transfer and CTE programs. There are trade-offs to such an approach, certainly, but some states have established technology centers or institutes that specialize in preparing students for STEM fields and/or in entry-level careers and do not recruit or purport to serve students who are pursuing more general studies.

Whether it is advisable or feasible to make structural changes to governance, it seems inarguable that the state Chancellor's Office needs to be granted far more capacity and authority to lead the largest system of postsecondary education in the country.

***Are there statewide tools that could be put in place to improve the system's ability to track, measure, and ultimately improve student outcomes? What are some of the barriers within the current governance structure?***

Yes – tools that would encourage consistency across colleges in data definition and data collection would help the system improve its ability to track, measure, and improve student outcomes. Barriers to using these tools include lack of central authority and the existence of policies that preclude standard data definitions.

The system does a reasonably good job of collecting systemwide data for its management information system as a resource for improving outcomes. But lacking authority over the locally governed colleges, the Chancellor's Office in many cases can only *request* that colleges provide certain data. This limits their ability to perform comprehensive studies of student success. Some key data are of limited use because of the inability of the system to impose statewide definitions and standards. For example, there are no common course identifiers for student success courses or courses that are part of learning communities, thwarting efforts to study the impact of these potential reform strategies.

The area of remedial education provides an example of how policy impedes the system's ability to track and improve outcomes. There is currently no system policy to ensure that all entering students are assessed for college readiness and are enrolled in remedial courses if they are determined to lack proficiency in reading, writing, or mathematics. This means that it is not possible for researchers to identify "remedial" students, monitor their progress, and assess the impact of various strategies for improving their success. As another example, there is no system

policy that students declare a major program of study – a circumstance that precludes any comprehensive tracking of student outcomes by programs. Such analyses, if they could be done, could help the colleges set priorities for program improvement and for possible program elimination if certain programs are not meeting student and community needs.

## **Complex Finance System**

*How do the state's fiscal policies help or hinder colleges' ability to help students reach key milestones, including completion?*

The state's fiscal policies for its community colleges create incentives for enrolling students but provide no fiscal incentives for colleges to invest in the success of their students. The best known set of fiscal incentives for enrolling students is the basic allocation formula which distributes funds based on enrollment in the 3<sup>rd</sup> week of each semester. After that early point in the term, colleges have no fiscal incentive to provide the necessary attention and support services to prevent students from dropping classes or dropping out altogether. The weakness inherent in the formula is of increasing concern as more and more entering students are underprepared academically and socially to succeed in college and require much more than access to classes in order to be successful. Across the country, states are deciding that they can no longer afford to invest in enrollment absent success and many are adjusting their funding formulas to build in some incentives for progress and completion *in addition to* the incentives to enroll students.

But the disincentives for success extend beyond the basic formula to just about every aspect of community college finance. In a 2007 report, *Invest in Success*, our Institute documented how policies regarding categorical programs, restrictions on the use of funds by colleges, student fees, and financial aid all contain disincentives for student success. Most categorical programs, for example, allocate funds for whatever their special purpose at least in part based on enrollment in the college and/or in the special program. Funding is generally not contingent on actual receipt of special services and certainly not based on the results of these special programs.

Disincentives for student success also exist in a plethora of rules and regulations about how colleges must or must not spend their local resources. The best known of these is the "50% law" under which districts must spend at least 50 percent of their operating budgets on instructors' salaries and benefits each fiscal year. This rule imposes a one-size-fits-all limitation on investment in counselors, tutors, financial aid advisors, librarians, and all manner of support service personnel who are important to serving today's students. The Education Code, Title 5, and the budget bill are replete with constraints that can prevent individual colleges from using their funds to help students succeed. As colleges are increasingly held accountable for student success, it would help if they were given more flexibility in the use of scarce resources.

Fee policies provide a final example of unfortunate incentives. The Board of Governor's fee waiver program imposes no requirements on students to make forward academic progress. A student can drop courses, fail courses, and/or take courses unrelated to any program goal or degree and continue to pay no fees. The very low fees paid by students who don't get a waiver also can discourage student success, as students face low costs of dropping, failing, or repeating



courses. The low fees can also encourage students to enroll in courses without careful forethought, which can shut out students who need and want the courses.

***In what ways could the state better align fiscal policies with the community college system's goals to increase student success? Can the college system better align its resources to drive success in its various missions?***

Providing colleges more flexibility in *how* they use their funds while holding them accountable for results is one way to encourage better alignment of resource use with desired outcomes. This includes eliminating and/or consolidating categorical programs. Categoricals prevent efficient resource use by erecting artificial silos between institutional units. They prevent colleges from pooling resources around institutional priorities for student success and they entail high administrative costs for complying with individual program reporting requirements.

A funding formula should be designed that better aligns incentives with desired outcomes. This should not be done by creating yet another categorical program that offers bonus funding on top of base funding for colleges that meet some performance targets. Rather, it should be done by revising the basic allocation formula. This is a conceptual change in what the state is, in effect, funding its colleges to do. Now, through the basic allocation formula, the state is funding colleges to enroll students for three weeks. Alternatively, the state should fund colleges to enroll students in classes, to help students complete those classes, to help them progress through an academic program, and to help them earn a college credential. This requires a well thought out change to the elements of the funding formula. Because performance funding has been done poorly in the past, many stakeholders assume that it is a bad idea that will create incentives worse than those we have. This reaction overlooks a major breakthrough in performance funding and fails to give credit to those who might design a new formula for being able to do it thoughtfully.

The breakthrough in performance funding for community colleges is the notion of funding colleges for student *progression* as well as for ultimate completion outcomes. The Washington State Community and Technical College System pioneered a progression point system by which colleges earn points for helping students advance from wherever they begin through key milestones that have been documented by researchers to help students build momentum toward completion. This model goes far toward relieving concerns that performance funding disadvantages colleges that serve underprepared students, because such colleges would be rewarded, for example, for moving a student up one level within a remedial sequence regardless of how low they began. (Washington is a good model for *defining* “performance” in a reasonable and equitable way but not for how to *reward* performance, as they have set aside less than 1% of funds in a categorical program – thereby not redefining the mission of the college around performance as I believe is necessary.) This progression model, combined with a weighted formula that gives colleges added incentive to graduate under-prepared or disadvantaged students (however one chooses to define it) offers great promise for a state funding formula that is far better aligned with the goal of increasing student success.