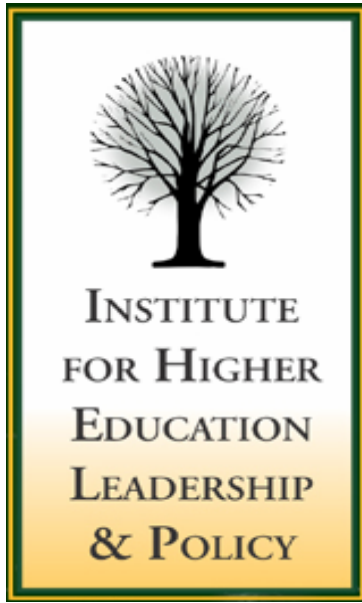


Policy Issue Report

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Facing Reality: California Needs a Statewide Agenda to Improve Higher Education Outcomes

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EXECUTIVE SUMMARY

California faces some major challenges in providing education beyond high school for its growing and diversifying population. The need for an educated populace and workforce is greater than ever before, yet California's record on a number of key indicators of educational performance is poor. Of particular concern are low degree and certificate completion rates and large gaps across racial/ethnic groups in education levels. Californians are accustomed to celebrating their public colleges and universities but a close look at data shows that celebration is unwarranted. Concerted policy attention is needed to the design, operation, and financing of our public higher education institutions if the state is to attain the levels of education needed to sustain a strong society and economy.

We studied seven other states that share California's high rates of growth and demographic change (Arizona, Florida, Georgia, North Carolina, Texas, Virginia, and Washington) to see what California can learn about how best to improve access to and success in postsecondary education. We examined how well each of these states has defined *what* needs to be done, *who* needs to do it, and *how* it will be accomplished. We found that each of these states is making greater progress than California on diagnosing what its challenges are and developing a statewide agenda for addressing those challenges. We found less success among these states in mobilizing key stakeholders to implement the state agenda, due mostly to the absence of effective structures and policies to sustain a statewide focus. Nevertheless, most of the states have stronger leadership around a statewide policy agenda than we see in California. We found a mixed record regarding states' progress on how to implement state agendas; we identified many interesting initiatives and activities aimed at increasing access, capacity, and success, but no examples of a comprehensive approach to financing state higher education in these states. Nevertheless, there are useful lessons for California in the activities underway in other states.

The good news is that California has much unused potential for pursuing a statewide agenda to improve its higher education performance, including many of the key elements of governance and policy capacity that other states lack. The challenge is for California's policymakers and education officials to apply these sources of *potential* capacity toward meeting the state's urgent educational needs.

We offer the following list of specific suggestions for what California's leaders must do to provide for the education levels necessary for social and economic prosperity:

1. Develop a statewide agenda and an accountability system;
2. Improve leadership capacity for higher education;
3. Develop a student tracking system and use it to learn what works;
4. Track program completion in the community colleges;
5. Fix community college transfer;
6. Develop a real financing plan that projects the costs of meeting state goals and proposes how to pay; and
7. Resist following other states down the road of privatizing higher education.

Introduction

California faces major challenges in providing education beyond high school for its diversifying population. The college-age population is expanding rapidly and a greater proportion of these young people must attend and complete college if the state is to attain the levels of education needed for social and economic vitality. Lawmakers have done little to plan for the capacity to educate this huge “tidal wave” of Californians sufficiently for the new century. Policy analysts, researchers, and other concerned parties have been sounding the alarm for years, but the call has gone largely unheeded. Californians’ pride in their colleges and universities unfortunately seems to translate to a complacency that has prevented attention to pressing statewide concerns.

The nonprofit *Campaign for College Opportunity* was recently formed to carry the message to lawmakers and all Californians that the next generation of college-age students must have the opportunity to attend college. The *Campaign* is concerned that access to higher education is being curtailed just at the point in the state’s history when the need for access is greatest. It hopes to raise awareness of the urgent need for action to avoid widening the gaps between the rich and poor and across racial/ethnic groups, and to produce an educated society that can meet the needs of today’s information economy. The *Campaign* contracted with our Institute to study what other high-growth states are doing to improve their capacity to produce the education levels their states need. Together with the *Campaign* we chose the seven states to review: Arizona, Florida, Georgia, North Carolina, Texas, Virginia, and Washington.

Part I of the report presents an analysis of comparative performance data. The data confirm that California has some significant shortcomings that need attention. Part II presents our study of the seven comparison states. We reviewed published information, examined state websites, and interviewed 35 individuals (see listing in Appendix C). We analyzed how well each of these states has defined *what* needs to be done, *who* needs to do it, and *how* it will be accomplished. In Part III we draw conclusions and provide a recommended “to do” list for California to move ahead on a statewide agenda for improving postsecondary outcomes in the state.

We are grateful to the *Campaign* for its support for this project. We hope the findings are useful, not only for the *Campaign*, but for others in the higher education policy community whom we hope will unite behind a renewed state effort. While the information on other states is intended to provide a context by which Californians can better understand our needs, it should not be viewed as comprehensive. The limited time available for this study did not allow us to talk to as many people, or learn as much about these other states, as we would like. Moreover, there are certainly valuable lessons to be learned from states other than the seven we studied. Nevertheless, we learned a lot and are grateful to all those who shared their thoughts with us.

I. Comparative Performance Data

In the new “knowledge economy,” both personal prosperity and the economic competitiveness of states are increasingly dependent on educational attainment. The number of jobs requiring at least some college education increased from 20 percent in the late 1950s to more than 50 percent in the late 1990s.¹ Recent estimates suggest that workers with a college education can expect to earn twice as much over their lifetime as those with only a high school diploma,² increasing not only their own standard of living but the tax receipts of state governments, and decreasing reliance on expensive health, social and correctional programs. State policymakers are therefore growing progressively more concerned with increasing access to and success in higher education as a means of fueling economic growth.

This interest in increasing the educational capital of state populations is occurring at a time of high growth in the college-age population, rapid demographic change and declining state revenues. Nationally, the college-age population is expected to increase by more than 16 percent between 2000 and 2015, with substantially higher growth rates among Blacks (18%), Latinos (56%) and Asians (64%) than among Whites (4%).³ A majority of this growth will be concentrated in a handful of states, with California leading the states in expecting an increase of more than 1.5 million young adults over that 15-year period (51%). The economic slump of the last several years led to a decline in state revenues of 2.4 percent between 2001 and 2003 (or 6% after adjusting for inflation).⁴ Declining state revenues along with increasing costs in other state-funded programs have led to substantial declines in the budgets of public higher education institutions in many states. Compounding this is policymaker reluctance, in many states, to fund higher education at historical levels without greater assurance of satisfactory performance and efficient operation. A major concern in this context is the squeezing out of students from selective institutions as more and more students apply, and resulting huge demands for spaces at community colleges, which are typically the least well-funded postsecondary sector.

An environment of high growth, rapid demographic change and severe fiscal constraints may bode poorly for the performance of higher education at precisely the time when state economic dependence on an educated workforce is increasing. This report examines measures of higher education performance in California and several other high growth states, and reviews the efforts in those states to address the challenges of providing higher education to their populations. Our purpose is to inform California policymakers about the state’s performance shortcomings, to suggest what can be learned from other states, and to offer recommendations about what California must do to better address its educational needs.

The states we selected for study are Arizona, Florida, Georgia, North Carolina, Texas, Virginia and Washington. These states are among the top quartile among all states in projected growth in the traditional college-age population. Table 1 shows the projected growth in high school

¹ Carnevale, A. & Fry, R. (2003). *Economics, demography and the future of higher education policy*. Princeton, NJ: Educational Testing Service.

² Day, J. C. & Newburger, E. C. (2002). *The big payoff: Educational attainment and synthetic estimates of work-life earnings*. Washington, DC: US Census Bureau.

³ Carnevale & Fry (2003). The college-age population is defined here as ages 18 to 24.

⁴ US Census Bureau, State Government Tax Collections available at www.census.gov/govs/www/statetax.html. Inflation adjustment based on the Consumer Price Index (CPI-U).

graduates in the selected states over the period 2002 to 2012, both for all graduates and among sub-populations traditionally underrepresented in higher education. With the exception of Washington, all the states are projected to see substantial increases in high school graduates, with resulting enrollment pressures on public colleges and universities. In addition, all the states (including Washington) will experience significant shifts in the demographic profile of their high school graduates, with substantially higher growth among Black and Latino students. The table also shows that a considerable share of the increased numbers of graduates will come from families with annual income of less than \$50,000, with California expecting the largest share of growth among this group. The high growth among lower income students, who will require financial assistance to attend college, and among students traditionally underrepresented in higher education, who will require additional supportive services to be successful, presents additional challenges to states already struggling to fund their public colleges and universities.

Table 1

Projected Change in the Annual Number of High School Graduates and the Share of Growth from among Low- and Moderate-Income Families, 2002 to 2012

	Change in Annual Number of Graduates	Change in Annual Number of Black and Latino Graduates	Percentage of Growth Projected to Occur among Students with Family Income <\$50,000
Arizona	16,068 (31.1%)	12,618 (88.1%)	48.0%
California	62,112 (17.4%)	60,269 (45.5%)	54.0%
Florida	27,673 (21.0%)	24,285 (58.1%)	53.8%
Georgia	16,536 (21.6%)	12,056 (50.1%)	33.9%
North Carolina	8,881 (12.7%)	11,259 (59.6%)	47.7%
Texas	35,856 (15.2%)	40,919 (39.1%)	40.8%
Virginia	8,882 (12.3%)	8,879 (48.6%)	30.0%
Washington	1,742 (2.8%)	4,681 (75.8%)	28.3%

Source: Western Interstate Commission on Higher Education (WICHE), *Knocking at the College Door: Projections of High School Graduates by State, Income and Race/Ethnicity, 1988-2018*.

With such high growth rates among underrepresented minority populations, these states stand to gain considerably by movement toward equalization of educational success, as shown in Table 2. California has by far the most to gain in state revenues by increasing educational attainment among minorities.

Table 2

Gains in State Income from Equalizing Education Opportunity for Minorities
(dollars in billions)

State	Gains	State	Gains
California	\$73	North Carolina	\$8
Texas	\$44	Virginia	\$7
Florida	\$17	Arizona	\$6
Georgia	\$12	Washington	\$2

Source: Educational Testing Service, *Economics, Demography and the Future of Higher Education Policy*

How does California measure up?

As higher education increasingly is seen as critical to state economic development and quality of life, calls for greater statewide attention to public higher education are intensifying. A number of national initiatives are aimed at producing information useful in designing more effective policies and programs in higher education. The bi-annual *Measuring Up* reports produced by the National Center for Public Policy and Higher Education⁵ and the website of the National Information Center for Higher Education Policymaking and Analysis⁶ are two examples. This section of the paper will use data from these and other sources to compare the performance of the selected states in the areas of college preparation, participation in postsecondary education, student success, affordability, public benefits, and higher education finance.

College Preparation

Possession of a high school diploma or its equivalent is a minimal measure of preparation for college.⁷ Table 3 shows the share of the college-age population in each state that holds a high school credential. The share ranges from a low of 81 percent in Arizona to a high of 89 percent in Washington. The share of 18 to 24 year olds with a high school credential in California increased from 83 percent in 2000 to 87 percent in 2002.

Table 3
Share of the College-Age Population with a
High School Credential

Washington	89%
Virginia	88%
California	87%
Georgia	85%
North Carolina	84%
Florida	84%
Texas	82%
Arizona	81%

Source: National Center for Public Policy and Higher Education, *Measuring Up 2004*

Student performance on standardized tests is another measure of college readiness. Figures 1 and 2 show the percent of 8th graders in each state scoring at or above “proficient” on the National Assessment of Educational Progress,⁸ a test given periodically to a representative sample of students. California students score at the bottom of our selected states, and below the national average, on both reading and math (tying Georgia for last in math). While smaller shares of low-income students are “proficient” in all the states, California again scores at (for reading) or near (for math) the bottom in the level of proficiency among its low-income students.

⁵ *Measuring Up* reports for 2000, 2002 and 2004 are available on the Center’s website at www.highereducation.org.

⁶ See www.higheredinfo.org.

⁷ Students without a high school credential can attend community colleges in many states, although they are generally required to complete a GED before being allowed to take college-level courses (not in California, where even students who have not finished high school can enroll in college-level courses at community colleges).

⁸ Also referred to as the “Nation’s Report Card”

Figure 1

Percent of 8th Graders at or above Proficient in Reading, 2003

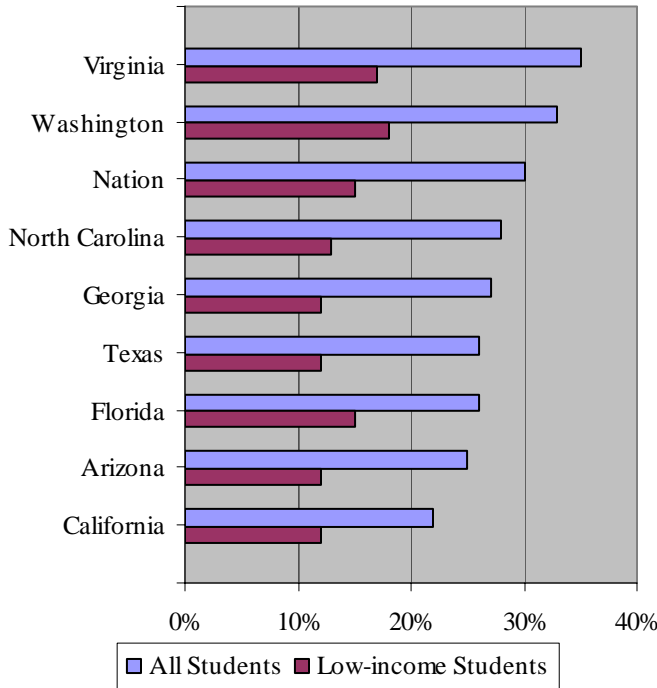
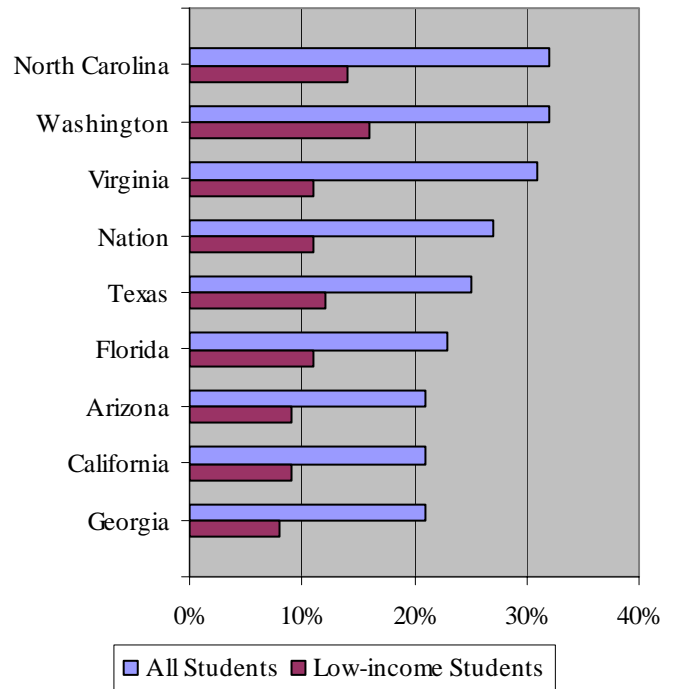


Figure 2

Percent of 8th Graders at or above Proficient in Math, 2003



Source: National Information Center for Higher Education Policymaking and Analysis

Affordability

California has long been committed to providing access to higher education at low cost to students, and the fees⁹ at its public universities have historically been among the lowest in the country. In the late 1990s, both the California State University (CSU) and the University of California (UC) imposed fees that were substantially lower than the average at all public universities with which the institutions compare themselves. In 1998-99, fees at the CSU were more than \$1,700 below the average charged by its 15 public comparison institutions, and fees at the UC were more than \$1,000 below the average charged by its four public comparison institutions.¹⁰ However, student fees at both CSU and UC have increased substantially in the last few years due to poor economic conditions, severe pressures on the state budget and resulting cuts to state funding for higher education institutions. Undergraduate student fees were raised by 10 percent in 2002-03, by 30 percent in 2003-04 and by 14 percent for 2004-05.

Table 4 shows the average undergraduate resident tuition and fees at public universities in 2003-04 for the selected states. California's average fees were higher than those in North Carolina, Georgia and Florida, and the one-year percentage increase was substantially greater than those in all other states except Arizona. Preliminary reports of increases in tuition and fees for 2004-05

⁹ California refers to the charges at its public higher education institutions as "student fees" rather than "tuition."

¹⁰ California Postsecondary Education Commission (2000). *Policy for progress: Reaffirming California higher education accessibility, affordability, and accountability into the 21st century*. Sacramento, CA: Author.

suggest that California’s increase of 14 percent is larger than those in all the selected states with the exception of Texas.¹¹

Table 4
Average Undergraduate Resident Tuition and Fees
at Public 4-Year Institutions, 2003-04

	Tuition/Fees	Change from 2002-03
Virginia	\$5,003	19.1%
Nation	\$4,688	13.9%
Washington	\$4,565	6.8%
Texas	\$3,879	5.6%
Arizona	\$3,598	39.0%
California	\$3,597	31.8%
North Carolina	\$3,279	19.6%
Georgia	\$3,263	10.7%
Florida	\$2,903	7.1%

Source: National Association of State Universities and
Land-Grant Colleges, *Student and Financial Aid
Charges 2003-04*

Tuition and fees are not the only cost of college attendance. Students and families must pay for room and board, books and supplies, transportation, and other incidental expenses. Figure 3 displays the average share of family income required to pay for college tuition, fees and room and board expenses at a public 4-year university in each state. Due largely to California’s higher cost of living, college expenses take up a higher share of average family income than in the other seven states. As shown in Figure 4, California does better than many states at providing need-based financial aid to low-income students through its Cal-Grant program. Among the selected states, only Washington provides a larger amount of need-based aid, when calculated as a share of federal aid received by the state’s low-income students through the Pell Grant program. Recent changes to the Cal-Grant program have expanded the amount of state aid provided to low-income students, leading to an improvement in California’s performance on this measure in relation to the other states.¹²

¹¹ The National Association of State Universities and Land-Grant Colleges’ tuition and fees survey for 2004-05 can be seen at http://www.nasulgc.org/Public%20Affairs/Tuition%202004-05/Tuition7_12_04.pdf. Information for Florida and North Carolina is not included, but see information on 2004-05 tuition/fees in Florida at <http://www.fldcu.org/planning/2003-04Fees.pdf> and in North Carolina at http://www.northcarolina.edu/content.php/bog/minutes/2004/bog_minutes3_19.htm

¹² Beginning in 2001-02, Cal-Grants became an entitlement to new high school graduates meeting specific financial need and academic requirements. In 2002-03, the state issued \$544.9 million in Cal-Grants, a 20% increase over 2000-01. The number of Cal-Grant awards to students increased by 24% over this two-year period, from less than 153,000 to 189,000. See “Facts at Your Fingertips” at <http://www.csac.ca.gov/doc.asp?ID=20>.

Figure 3
Percentage of Family Income Required
to Pay for College, 2003

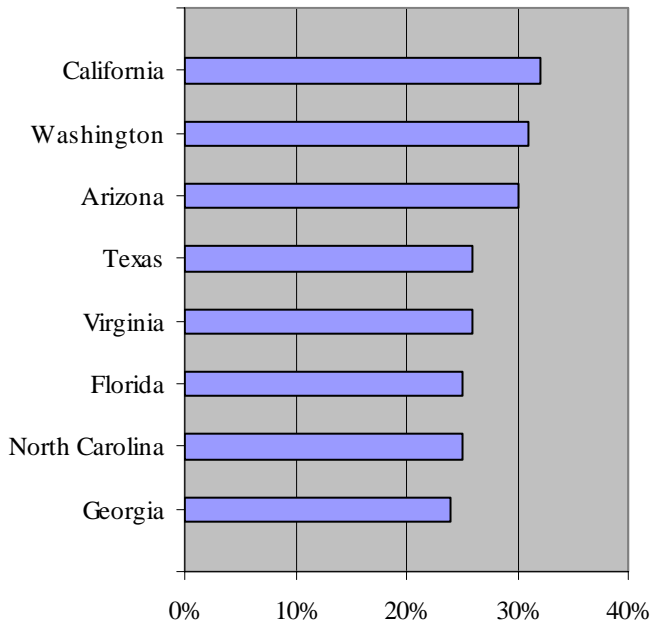
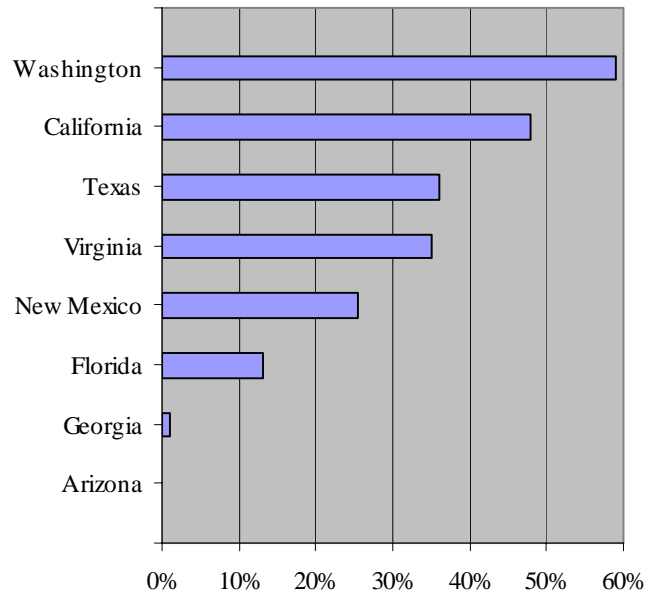


Figure 4
State Need-Based Aid as a Percent of
Federal Pell Grant Aid, 2003



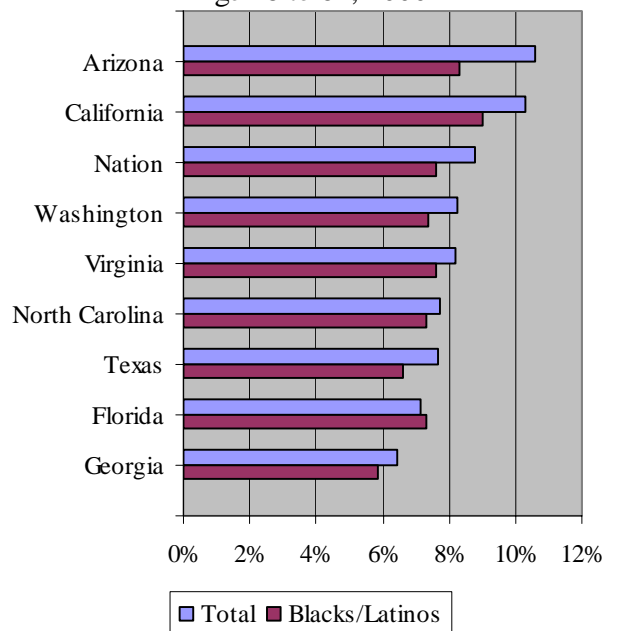
Source: National Center for Public Policy and Higher Education, *Measuring Up 2004*

Participation

Measures of participation represent the degree to which state residents have sufficient opportunities to enroll in postsecondary education. Figure 5 shows that California's total higher education enrollment represents a larger share of its adult population under age 65 than in all selected states but Arizona. The high scores on this measure for those two states are due largely to their very low-cost community colleges that attract substantial numbers of older, non-traditional students. In every state except Florida the participation rate of underrepresented minority populations is lower than that of all adults.

While California's adult participation rate is high, state residents often delay college attendance and therefore the economic and social benefits of higher education. Research on college completion suggests that students who follow the traditional college enrollment pattern of entering college immediately

Figure 5
Enrollment as a Percent of Population
Age 18 to 64, 2000



Source: National Center for Education Statistics *Digest of Education Statistics 2002* and US Census Bureau American FactFinder

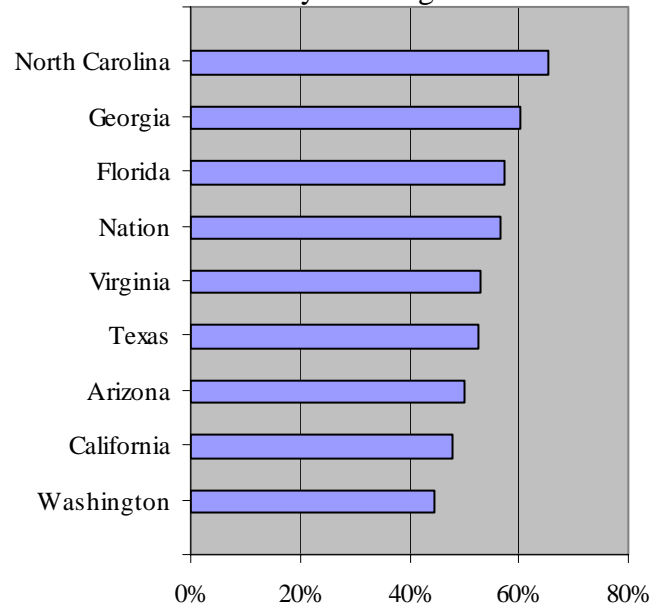
following high school are more likely to graduate.¹³ California's students are less likely to go directly to college after high school than in all the selected states except Washington, as shown in Figure 6. The consequence of this pattern is revealed in inferior student completion rates.

Student Success

Measures of student success indicate whether or not students are progressing toward and completing certificate and degree programs. Figure 7 displays the number of degrees and certificates awarded per 100 undergraduates enrolled in each state, separately for bachelor's degrees and for all levels of undergraduate degrees and certificates combined. The order of the states is somewhat different on the two measures, but California is at the bottom of the eight states on both. California's high enrollment rate, and particularly its large number of working-age adults enrolled part-time in the community colleges, likely accounts in part for its low performance on this measure of completion. Low community college transfer rates and poor articulation with the four-year institutions may also be factors.

Figure 8 shows the relative performance of the eight states on another measure of completion, the number of bachelor's degrees awarded per 100 high school graduates six years earlier. California's performance on this measure is above that of Texas and Georgia, but below the other five states and below the national average.

Figure 6
Percent of High School Graduates Going Directly to College

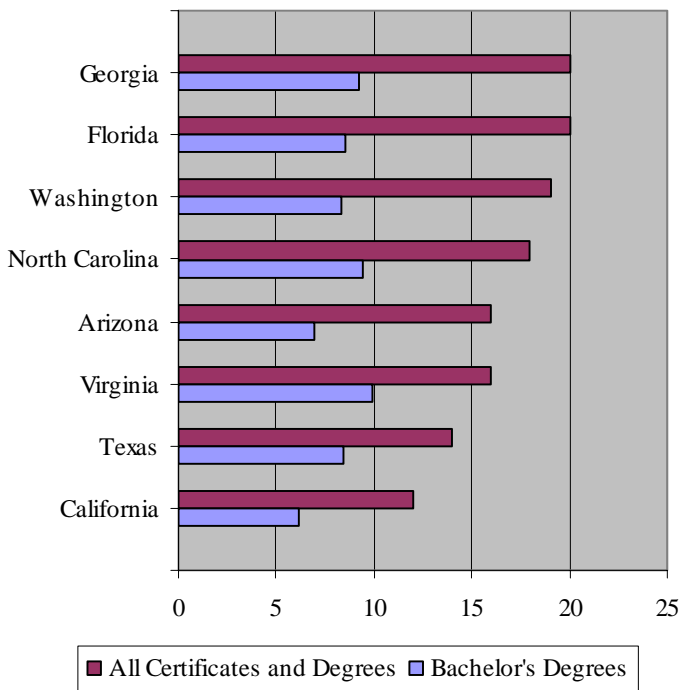


Source: National Information Center for Higher Education Policymaking and Analysis

¹³ Adelman, C. (1999). *Answers in the toolbox: Academic intensity, attendance patterns, and bachelor's degree attainment*. Washington, DC: US Department of Education.

Figure 7

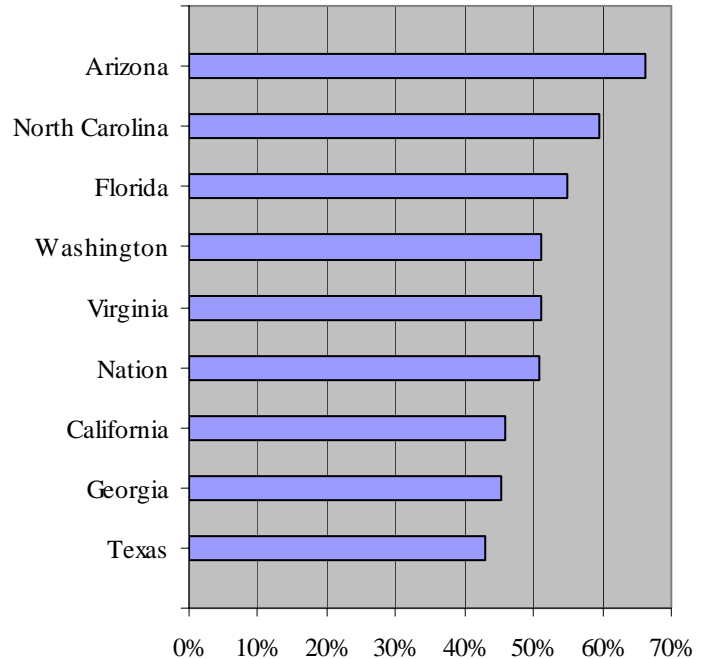
Degrees Awarded Per 100 Undergraduates, 2002



Source: National Information Center for Higher Education Policymaking and Analysis

Figure 8

Bachelor's Degrees Awarded as a Percent of High School Graduates Six Years Earlier, 2002



Source: National Center for Public Policy and Higher Education *Measuring Up 2004* and National Information Center for Higher Education Policymaking and Analysis

It should be noted that the data shown in Figure 8 do not represent a “graduation rate,” the calculation of which involves tracking a cohort of students over time to observe the share that graduate. The *Measuring Up* reports include a 6-year graduation rate comparison, and California performs well on that measure (in the top 10 of all 50 states). However, the rate calculation only includes first-time, full time students beginning their studies in four-year institutions. With California’s heavy reliance on community colleges for providing lower division instruction, this calculation primarily captures the success rate of the most well-prepared and financially stable students who can begin their studies full time at UC or CSU. Nearly 75 percent of all higher education enrollments in California are in the community colleges, considerably above the national average of less than 40 percent.¹⁴ Two-thirds of first-time freshmen under age 19 in California enroll in community colleges, and many of them do so with the intent to transfer and obtain a baccalaureate.¹⁵ Typical graduation rates do not include the outcomes of these students,

¹⁴ Enrollment figures for California based on the California Postsecondary Education Commission’s on-line data system (www.cpec.ca.gov); national average obtained from the National Center for Education Statistics, *Digest of Education Statistics, 2002*.

¹⁵ In an earlier report on transfer rates, we reported that nearly 40% of first-time freshmen in community colleges indicate a desire to transfer to a four-year institution in pursuit of a bachelor’s degree [Wassmer, R., Moore, C. &

and overestimate California’s success in relation to other states in producing bachelor’s degree graduates.

As another measure of student success, the website of the National Information Center for Higher Education Policymaking and Analysis includes a measure assessing the “throughput” of each state, or the number of students successfully navigating the traditional “student pipeline” through high school graduation, college entry and college completion. Table 5 shows, for every 100 9th graders, the number that graduate from high school, go directly to college, return for their second year of college, and graduate within 150 percent of the program time (6 years for bachelor’s and 3 years for associate). In California, 19 of every 100 9th graders make it through this pipeline, slightly above the figure for the nation as a whole. However, the baccalaureate graduation rate used in the final step of the “pipeline” calculation suffers from the same limitation discussed in the previous paragraph, and likely overestimates California’s success.¹⁶

Table 5
Student Pipeline – Transition and Completion Rates from High School to College

For every 100 9th Graders:	Number that Graduate from High School	Number that Directly Enter College	Number Still Enrolled their Sophomore Year	Number Graduating within 150% Time
Virginia	74	41	31	22
North Carolina	60	41	29	19
California	70	37	25	19
Nation	68	40	27	18
Arizona	69	35	22	17
Washington	68	30	22	15
Florida	53	32	24	14
Texas	64	35	22	13
Georgia	56	34	24	13

Source: National Information Center for Higher Education Policymaking and Analysis

As noted earlier in Table 1, the selected states are experiencing substantial growth in the number of high school graduates among underrepresented minority populations. Table 6 measures how well the states are doing at getting these students to persist through the education pipeline. California is ranked last in the drop-off in representation of African Americans and Latinos from their representation in the high school age population to their share of degree completers, not only among the selected states but among all 50 states.

Shulock, N. (2002). *California community college transfer rates: Policy implications and a future research agenda*. Sacramento, CA: Senate Office of Research]. This figure reflected all first-time college entrants (i.e., including older, part-time students), not just recent high school graduates. The share of students intending to transfer in pursuit of the BA may be higher among the younger “traditional” college students.

¹⁶ The success of community college entrants is reflected in the “throughput” measure, but only their success in obtaining the Associate’s degree, not in transferring to senior institutions – a primary route to the bachelor’s degree in California.

Table 6
Percent that is African American/Latino at Various Stages of Education

	% of 18-year olds	% of High School Graduates	% of First-Time Freshmen	% of Degree Completers	Total Drop-off
Washington	14%	10%	8%	7%	- 7%
Virginia	29%	26%	24%	19%	- 11%
North Carolina	33%	28%	25%	21%	- 12%
Florida	41%	36%	34%	27%	- 14%
Georgia	41%	34%	31%	27%	- 14%
Nation	30%	24%	21%	14%	- 16%
Arizona	37%	30%	25%	19%	- 18%
Texas	51%	45%	35%	31%	- 21%
California	48%	40%	31%	25%	- 23%

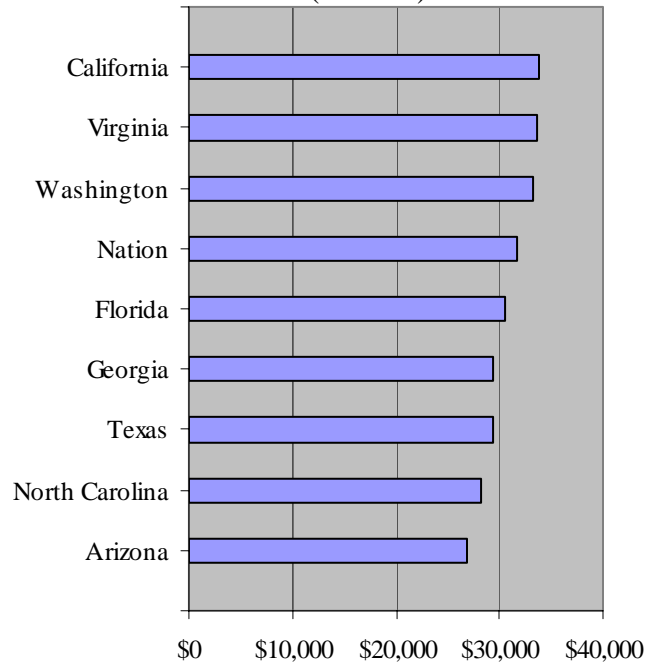
Source: National Information Center for Higher Education Policymaking and Analysis. Data for 2000.

Benefits

States experience a variety of civic and economic benefits from having a highly educated population. Due to the substantial economic returns to education, personal income, and therefore state tax receipts, are generally higher in states with highly educated populations. Figure 9 shows the per capita income of the eight states. California, Virginia and Washington all have per-capita incomes between \$33,000 and \$34,000, as compared to the national figure of \$31,632. The other five states have per capita incomes below the national figure.

Table 7 displays the share of the population ages 25 and older that has a bachelor’s degree or higher in each of the eight states, for the total population and for several racial/ethnic categories. Virginia has the highest educational attainment levels of the selected states, with 34 percent of adults age 25 and older having at least a bachelor’s degree. The lowest level of educational attainment among this group of states is found in North Carolina, where 24 percent of adults 25 and older have at least a baccalaureate degree.

Figure 9
Per Capita Personal Income
2003 (estimate)



Source: Bureau of Economic Analysis

All the states have tremendous disparities in the educational attainment levels of their population by race/ethnicity as shown in Figure 10. The disparity in educational attainment between the white population and Latinos is particularly high in California, where the share of the non-Hispanic white adult population that has at least a bachelor’s degree is 30 percentage points higher than the corresponding share in the Latino population. The situation is not much better in

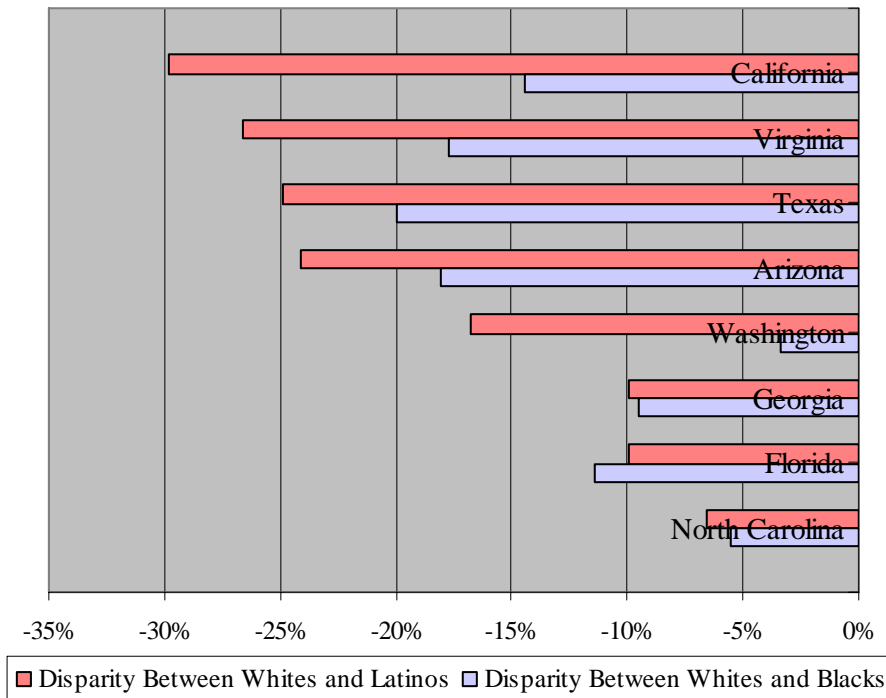
Virginia, Texas and Arizona.¹⁷ With the exception of Florida, the educational disparity between the white and black adult populations in these states is somewhat smaller but still substantial.

Table 7
Percent of Population
Age 25+ with BA or Higher, 2003

	Total	Whites	Blacks	Latinos
Virginia	34.2	37.0	19.3	10.4
California	29.8	38.1	23.7	8.3
Washington	28.8	29.7	26.3	12.9
Arizona	26.0	31.8	13.7	7.7
Florida	25.8	28.6	17.2	18.7
Georgia	25.0	26.9	17.4	17.0
Texas	24.7	34.2	14.2	9.3
North Carolina	23.8	25.3	19.8	18.7

Source: US Census Bureau, Current Population Survey, March 2003, Table 14: Educational Attainment of People 18 Years and Over, by Age, Sex, Race, and Hispanic Origin, for the 25 Largest States

Figure 10
Disparities in the Share of the Population Age 25+ with a Bachelor's Degree or Higher



¹⁷ It should be noted that the scale of the problem is considerably larger in California and Texas, where Latinos represent 32% of the population, and in Arizona, where the Latino share of the population is 24%, than in Virginia where only 4% of the population is Latino. Figures based on 2000 Census, American FactFinder.

State Support for Higher Education

State budgets have been under considerable pressure since the recession of 2001-02 and the subsequent slow economic recovery. State appropriations for higher education declined between 2002 and 2004 by nearly 10 percent in California as compared to declines of six percent in Texas, four percent in Washington, three percent in Arizona, and two percent in Georgia.¹⁸ Only Virginia made a larger cut to higher education, at nearly 18 percent. Higher education spending was flat in North Carolina and actually increased by five percent in Florida over the same two-year period (Florida cut spending by 2.8% between 2002 and 2003, but then increased it in 2004).

There are several ways to compare expenditures for higher education across states. Figure 11 shows state appropriations for higher education per capita for 2004, with California's appropriations of \$241 per capita falling second among this set of states after North Carolina, with appropriations of \$291 per capita. The level of appropriations per full-time equivalent (FTE) student is perhaps the most common means of comparing funding. Figure 12 shows both state appropriations and total funding (including tuition revenue) per FTES. California ranks

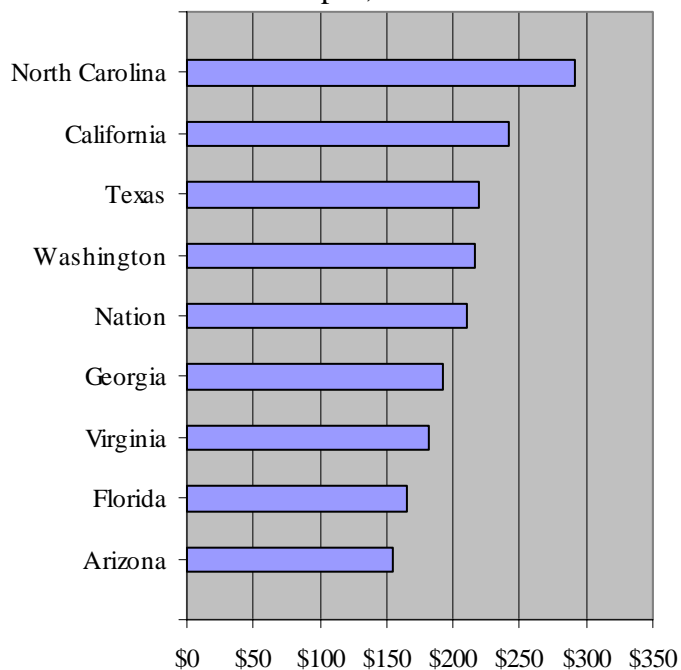
third among the eight states on appropriations, spending \$6,439 per FTES as compared to the national average of \$5,823. However, California ranks sixth among the eight states on total funding, with institutions receiving \$7,398 per FTES as compared to a national average of \$8,694. California's moderate student fees in the 4-year institutions, and its exceptionally low community college fees, account for the lower total funding per student.

Summary

Californians are conditioned to boast about their colleges and universities. But the data shown above suggest that boasting is unwarranted from the perspective of statewide performance. What California often celebrates is the status of the institutions that serve the best-prepared students and high college *participation* – many adults take advantage of the low-cost, open-access community colleges. However, the direct college-going rate of the state's high school graduates lags behind many other

Figure 11

State Appropriations for Higher Education Per Capita, 2004



Source: Center for the Study of Education Policy, Grapevine reports

¹⁸ Based on data from the Center for the Study of Education Policy's Grapevine database of state tax support for higher education, available at <http://coe.ilstu.edu/grapevine/Welcome.htm>. Declines based on actual dollar figures, not adjusted for inflation. The data for FY 2004 may not reflect mid-year adjustments.

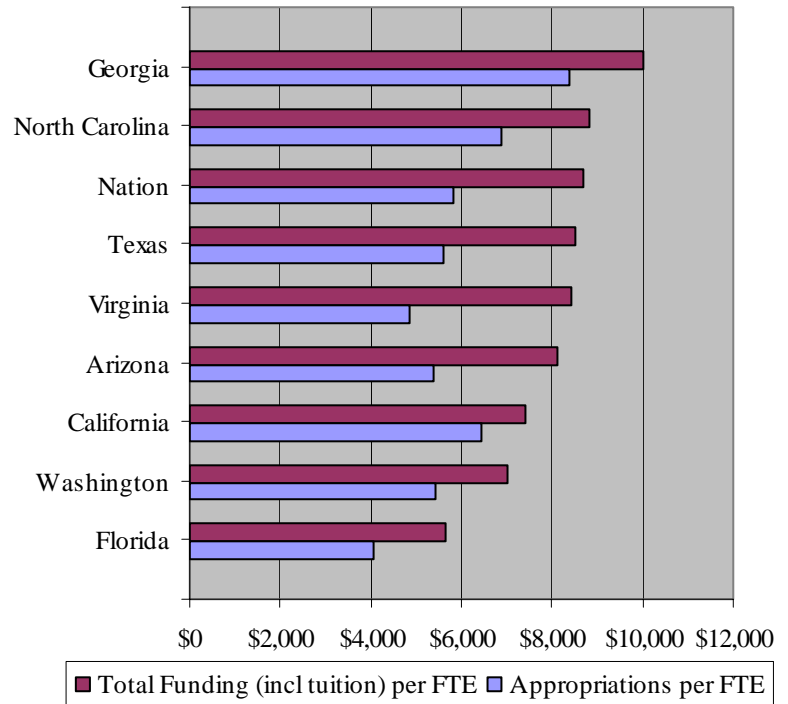
states. With the research on degree completion demonstrating that students are more likely to complete a degree when they enroll immediately after high school, policies encouraging “traditional” college attendance patterns¹⁹ could benefit both students and the state due to the greater economic and social returns achieved through earlier college enrollment and completion.²⁰

The real problem is completion. While the state performs well on graduation rate comparisons, these rates represent the “graduation rate of those most likely to graduate” more so than in other states because of California’s greater reliance on community colleges and the transfer function. Degree completion in relation to enrollment and to the number of high school graduates is more problematic.

Particularly troubling, in view of the demographic trends in the state, is the disproportionate under-representation of African Americans and Latinos among those who complete degrees and certificates. Increasing the educational attainment of the Latino population is imperative in California. The state’s working-age population²¹ will be 36 percent Latino by 2010, and nearly half Latino 10 years later.²² The state will not be able to maintain its high-technology, knowledge-based economy without improving the rates of high school graduation, college attendance and degree attainment among Latinos. Given the dependence of our state’s economy on knowledge workers, we should be producing certificates and degrees at rates well above national averages instead of struggling to stay out of the basement.

While in-state fees are still below national averages, recent substantial increases have moved California closer to levels charged in other states and thereby limited the “easy” answer to financing the improved outcomes that are needed. Concerted policy attention is needed to the

Figure 12
State Appropriations and Total Funding per FTES, 2003



Source: State Higher Education Executive Officers, *State Higher Education Finance FY 2003*

¹⁹ Other “traditional” patterns shown to improve completion rates include attending full-time, working less than 20 hours per week, and enrolling continuously (no stop-outs). See, for example, Adelman, C. (1999); Ashby, C. M. (2003). *College completion: Additional efforts could help education with its completion goals*. Washington, DC: General Accounting Office; and Fry, R. (2002). *Latinos in higher education: Many enroll, too few graduate*. Washington, DC: The Pew Hispanic Center.

²⁰ Monks, J. (1997). The impact of college timing on earnings. *Economics of Education Review*, 419-423.

²¹ Defined here as ages 25-64

²² California Department of Finance (2004). *Race/ethnic population with age-sex detail, 2000-2050*. Available at http://www.dof.ca.gov/html/Demograp/DRU_datafiles/Race/RaceData_2000-2050.htm.

design and operation of our public higher education institutions as well as to their financing, if the state is to achieve the improvement in the educational attainment of its people that is needed to sustain a healthy civic and economic life.

II. A Review of How Well Other States are Meeting their Challenges

In this section we look to these seven comparison states to see what California might learn about how to address the compelling challenges brought about by high rates of growth and demographic change in the college age population, the changing educational needs of the workforce, and declining public support for financing higher education. While each state has unique aspects to its situation, there is sufficient commonality to warrant this comparative look.

We have structured this section around three aspects of a state's approach that are critical for effective state policy responses: how well have states defined *what* needs to be done, *who* needs to do it, and *how* it will be accomplished? We discuss each of these in turn, with examples from states as appropriate and a summary of the progress and obstacles in meeting these three conditions. Our thematic presentation disperses information about each state throughout the following pages. For those who may be interested in an integrated picture of a few states, Appendix A presents a profile of three of the states (Texas, Washington, and North Carolina) we judge to be doing as good a job as any at laying out and addressing a statewide agenda.

(1) What's it all about: is there consensus on a statewide agenda for improving educational outcomes in the state?

Higher education policy analysts and researchers have presented convincing evidence in recent years that states need to shift their historical focus on building institutional capacity to a new focus on using *collective* institutional capacity to fulfill a statewide agenda.²³ Effective institutions, even as judged by increasingly popular measures like graduation rates, are no guarantee that state needs are getting met. Whole segments of the population may be excluded from college and the institutions may not, collectively, be meeting their states' needs for teachers, nurses, or the kind of workforce on which states are hoping to build their economies. Each of the states in our sample, in fact, has large unmet state needs despite having fine colleges and universities.

As policymakers' attention increasingly turns to performance measurement and accountability, it becomes all the more vital that a statewide agenda prevail. Otherwise, what can happen, and what is happening in many places, is increased social segmentation. As enrollment growth leads to increased competition by students for limited postsecondary spaces, colleges and universities become more selective in choosing those students who will make them look good, leaving less well-prepared students with fewer or no postsecondary options and leaving states with an under-educated populace. This section looks at whether and how our sample states have turned the corner from institutional agendas to state agendas to guide the pursuit of improved educational performance.

Our analysis reveals that there are several elements that foster effective planning toward a statewide policy agenda for higher education:

²³ See National Center for Public Policy and Higher Education, *Of Precept, Policy and Practice*, A National Roundtable on Leadership and Public Purposes, Fall, 2002; James M. Furman, *Creating a Strategic Vision*, National CrossTalk, Vol. 10/No. 4.

- Good data and data analysis to diagnose the state’s most critical needs;
- Leadership for building *and sustaining* consensus around a statewide agenda;
- A system to monitor performance and report progress in meeting the agenda; and
- Institutionalized processes for continually revisiting and updating the state agenda.

Texas

Texas has done a good job of putting forth a statewide agenda. Drawing on a demographic study by Steve Murdock, et. al., called *The Texas Challenge: Population Change and the Future of*

Closing the Gaps in Texas

Texas has developed a Higher Education Plan titled *Closing the Gaps: 2015* that clearly articulates the future challenges the state faces in higher education, and presents statewide goals to address these challenges. The plan outlines four main goals focused on closing the gaps in higher education participation and success, in academic excellence, and in funding research.

While other states have strategic plans, the use of the short, accessible phrase ‘Closing the Gaps’ has been key in getting the state’s education, policy and business communities to understand and embrace the plan and its premises.

Closing the Gaps is a data-driven plan based on demographic projections for each region in Texas, as well as projected enrollment rates by region and ethnicity. By using this data, the Texas Higher Education Coordinating Board has been able to articulate in the plan both the challenges the state faces in the decade to come, and the benchmarks that must be reached to improve future opportunities for Texans.

Texas, the Texas Higher Education Coordinating Board (THECB) has developed a plan called *Closing the Gaps: 2015* (see sidebar on left) that sets forth targets for the next 15 years. The plan has reportedly gotten strong buy-in from the Legislature, the Governor, and postsecondary institutions and the phrase “closing the gaps” has been adopted as everyday language. The story is compelling because the study artfully described the dim future that Texas faces if it does not close the gaps in educational participation and performance between its white and Hispanic populations as the Hispanic population grows dramatically over the next fifteen years.

The “closing the gaps” theme has been adapted to a variety of goals, from participation gaps to research gaps. Targets for accomplishing the goals are established for regions, and for institutions within the regions. Notably, participation and success targets have been disaggregated by race to keep the spotlight on improving outcomes for the state’s Hispanic population.

Created by the Texas Legislature, the Board is mandated to establish state higher education plans and to gather, analyze, and provide information on higher education affecting all of the state’s public two-year and four-year institutions of higher education. It is clearly a legitimate agency to put forth a statewide agenda. The urgency of the need to close the gaps permeates the THECB, which includes a Division of Participation and Success whose telephones play continual upbeat messages about the importance of going to college for any caller who is put on hold.

An accountability system is being developed around the goals of the *Closing the Gaps* plan. In the early years of *Closing the Gaps*, THECB was just a scorekeeper, tracking the data. But the Legislature recently gave the Board responsibility to produce accountability reports for all institutions, based on the plan’s goals and targets. The Board is also responsible for developing a way to use the performance data collected for the accountability reports to

influence resource allocations as a means to provide incentives for improved performance.

Washington

Washington provides another example of a higher education planning approach that is centered around a state agenda (see sidebar on right). What differentiates the Washington plan from some others is its focus on throughput – on degrees needed. Policy discussions in California and elsewhere are most often centered around access, even as many have begun to realize that access and success must be viewed together. Starting with degrees, including technical certificates, baccalaureate, and advanced degrees, the Washington plan works backward to setting enrollment goals that would generate this level of degree and certificate production. The influence of the business sector in shaping this message is clear in the goal of increasing degrees and in the plan's only other goal: to increase the responsiveness of higher education to the state's economy.

Of the states we reviewed, Washington is one of three (the others being Texas and Virginia) that have a coordinating board authorized to plan and coordinate all of public higher education in the state. However, the Higher Education Coordinating Board (HECB) in Washington has had limited influence in recent years. For this reason, it was helpful in the development of this state plan that Washington is participating in the National Collaborative for Postsecondary Education Policy. The Collaborative works with education leaders and stakeholders in selected states to analyze data and lay out the issues facing the state. Its activities in the state have been credited with helping state officials and educators understand that there is a geographic mismatch between enrollment growth and institutional capacity, that demographic changes in the state will have significant implications for its colleges and universities, and that Washington needs to do a better job of educating its own people and rely less on importing an educated workforce. The Collaborative criticized the state for lacking a statewide agenda in view of these pressing developments and noted that the HECB had fallen into a pattern of responding to lawmakers' directives rather than setting the state's agenda.

The clarity, simplicity, and comprehensiveness of this new strategic plan, recently approved by the HECB, suggest that the Board is now taking the lead. Whether the Board has the clout to see the plan through to implementation is another matter but a statewide agenda has clearly been laid out, as have an impressive set of policy issues to be addressed as part of the plan's

A Strategic Plan for Washington

Washington's Higher Education Coordinating Board has adopted a model strategic plan for the state's colleges and universities (www.hecb.wa.gov/docs/mp2004/2004StrategicMasterPlan.pdf).

The plan includes just two goals:

1. To increase the number of degrees, certificates and credentials produced; and
2. To make higher education more responsive to the needs of the state's economy.

It stresses the importance of student success, not only access: "When more students earn college degrees, everyone benefits. The students earn higher incomes, enjoy a better quality life, and are less likely to be unemployed. And a better-educated workforce translates into higher tax revenue, greater civic participation, and a stronger state economy."

The plan incorporates goals for basic skills, certificates and associate degrees as well as baccalaureate and graduate degrees. In a series of policy briefs, it addresses key issues such as meeting regional needs, allocating enrollments, and making college affordable.

implementation. These issues include allocating student enrollments across regions and institutions, making tuition affordable and predictable, increasing the number of degrees in high-demand fields, planning for regional higher education needs, providing funding incentives to encourage degree completion, and reducing barriers for nontraditional students.

Georgia's P-16 Initiative

Georgia has implemented a *P-16 Initiative* to ensure that the state's educational system works together on behalf of all students to improve student success at every level of education and on into the workforce.

The goals of the initiative are to:

- improve student achievement in P-16 (with special emphasis on science and math);
- help students move smoothly from one level of education to another;
- increase access to and success in postsecondary education; and
- focus the reform of teacher education and public schools towards high standards.

While there is a Georgia P-16 Council appointed by the Governor to oversee the statewide *P-16 Initiative*, the strength of this program is its regional focus and ability to bring together representatives at the local and regional levels from entirely separate educational spheres. Local and regional P-16 efforts have led to the development of effective partnerships and the leveraging of resources to promote changes in the public educational systems aimed at improving student success at all levels.

Other States

The other states in our sample have all made progress in identifying critical issues and raising awareness about the need for change, even though they have not set out as comprehensive an agenda as Washington or as compelling a story as Texas.

Virginia, which is also participating in the National Collaborative, is beginning to review state and regional data to get a handle on its problems, but due in part to a weak coordinating board and competing executive and legislative agendas, no effective statewide agenda has evolved. The strategic planning and accountability reporting required of institutions is focused just on institutions as separate and competitive entities and has not led to statewide planning or priority setting. Strong leadership from the Governor and the business community, however, could bode well for a stronger statewide focus.

Arizona is participating in another national effort, the Changing Directions project of the Western Interstate Commission on Higher Education (WICHE), which works with government and education officials to address issues of higher education finance and governance. A report by the Morrison Institute for Public Policy, called *Five Shoes Waiting to Drop on Arizona's Future*, has served a function similar to the Murdock report in Texas of projecting undesirable consequences of letting present trends continue. The "five shoes" refers to alarming trends in the loss of talent to other states, a growing but under-educated Latino population, lack of state economic development commensurate with needs of the economy, a failure of state leadership, and an inadequate state revenue structure. Despite the attempt at catchy language, it does not appear that Arizona has been as successful as Texas in getting everyone to buy into the message. This is likely due to some flaws in governance for higher education, which will be referenced in the next section, on who must carry out the state agenda. Unlike in Texas, there is no coordinating board in Arizona that can craft a message into a state agenda.

Georgia, like Arizona, has a good grasp on what it needs to do to upgrade educational attainment in the state. Its review of data

clearly indicates a need to increase high school graduation rates and college participation. Based on this understanding it has put in motion a major “P-16 Initiative” (see sidebar on p. 19) and has implemented an outreach campaign modeled after efforts in Texas. But also like Arizona, Georgia lacks a statewide entity to translate the compelling state need into a legitimate state plan. While individual institutional planning is proceeding, there is no comprehensive statewide planning effort or statewide strategic thinking, including no plan for accommodating the increased numbers of students that would result if the efforts to improve preparation and increase participation are successful.

North Carolina has had a laser-like focus on expanding college access to help the economy transition from its strong dependence on manufacturing (which has suffered huge job losses) to information-based industries. State leaders quickly came to understand that expanding access would require upgrading a number of institutions and they have combined these two needs into a “focused-growth strategy” by which the state invests more heavily in those institutions that can accommodate more enrollments. Like Arizona and Georgia, North Carolina lacks a statewide coordinating entity and relies on its university system to set forth an agenda. The lack of a statewide planning capacity that includes the community college sector is proving more problematic as the state tries to manage the economic transition. There is more need for the two-year and four-year sectors to coordinate, primarily through the transfer function, to produce the trained workforce that will increasingly be sought by the businesses the state hopes to attract. The Legislature has just authorized a \$2 million study of what businesses the state is trying to attract and what the implications are for program development in its colleges and universities (see sidebar on right). It is difficult to see how this effort can succeed unless a coordinated state strategy is put forth to build upon the strong recent efforts of the university system.

Looking back at the four conditions we listed for successful development of a state agenda, Florida is a particularly interesting case. It has perhaps the best data system, which yields unlimited ability to analyze student enrollment patterns within and between institutions and diagnose patterns of student success as well as barriers to success (see sidebar on p. 21 for just one example of their data capacity). It has launched a new strategic planning effort to accompany its K-20 performance accountability system. The accountability system is supposed to produce recommendations on, among other things, “what the public is receiving in return for its investment in education.” But Florida’s ongoing governance battles leave it with no single body with the legitimate authority to translate

North Carolina Studies its Economy

The North Carolina legislature has authorized a comprehensive study to determine how its colleges and universities can best meet the educational and economic needs of the state.

The Board of Governors of The University of North Carolina, in collaboration with the State Board of Community Colleges, will contract with a private consulting firm to conduct the study which will include:

- an analysis of demographic, economic, and educational data regarding the needs for higher education programming in the state as a whole, as well as in all geographic and economic regions; and
- an updated enrollment projection and analysis of current program offerings for each system and institution.

The study will result in recommendations as to how institutions can better serve current and emerging needs for existing and new programs. Possible areas for recommendations include opportunities for regional program delivery, enhanced effectiveness and quality through sharing of resources, program partnerships and collaborations, and online program delivery.

An Analytical Tool in Florida

Florida's Council for Education Policy, Research and Improvement (CEPRI) has developed a web analysis tool that allows users to observe the chance of bachelor's degree completion over a five- to eight-year period (<http://www.cepri.state.fl.us/ba-completion/disclaimer.html>).

The statistical model uses student and enrollment characteristics to predict the probability of completion.

The model is based on a longitudinal study of the 1993-94 cohort of Florida high school graduates. The postsecondary education participation, progress and outcomes of this cohort were observed over nine years, by examining data in the 2- and 4-year higher education sectors, financial aid databases, and the state unemployment insurance system. Analysis of the data revealed the impact of various factors on the chance of BA completion, including academic preparation, full-time attendance, and continuous enrollment.

The tool was intended to help policymakers base funding and policy decisions on data-driven analyses. The Florida legislature, motivated by concern over low BA production rates, instructed CEPRI to conduct the study on which the tool is based. Florida's ability to track students across the various segments of public education has yielded valuable information that may prove useful in addressing the state's challenges.

this good data and performance reporting into a statewide agenda. It has, in fact, two strategic plans for higher education – one by the Board of Education and one by the newly established Board of Governors. There are, as well, two State Higher Education Executive Officers (SHEEOs) who represent the state's higher education enterprise. Our review leaves us with the impression of Florida as pursuing solutions in search of problems. They are high on method and form (P-20 accountability, performance budgeting, performance contracting, etc.) but they lack a message and an agenda.

Summary

Those who look for state agendas to take precedence over institutional agendas can be somewhat pleased by the trends we have outlined. While only a few of the states have laid out a true statewide agenda (the others hampered by governance, politics, or lack of leadership), each one has analyzed statewide performance trends and understands where their biggest problems are. They seem to have examined national report card data from the National Center for Public Policy and Higher Education's *Measuring Up* project, and several have looked far more deeply at state and regional performance within national contexts, with the assistance of the National Collaborative and the Changing Directions project. Several have sophisticated data systems that help them drill down to examine regional issues and track students across institutions. These national initiatives have oriented states to think in terms of "pipeline" issues – that is, where do states lose most students along the way to degree completion: in high school, between high school and college, or in college (not completing). In addition they have helped states address issues of educational capital – looking for ways to understand the relationship between higher education and a state's economy. In the next section we will see that these states have been less successful in determining the appropriate roles for the multiple stakeholders in moving toward implementing their plans or addressing their problems.

(2) Who is responsible for implementing and supporting various parts of the plan?

We began the section above with a set of elements that promote effective agenda setting at the state level. As we move from a discussion of *what* needs to be done to the topic of *who* needs to do it, we again begin with some guidelines. Prominent national

higher education policy experts have suggested that states will be more effective at accomplishing statewide priorities to the extent that their governance environments:

- Provide an ongoing forum in which stakeholders come together to advocate for state educational needs, as opposed to single sector needs;
- Produce cross-institutional initiatives;
- Authorize an entity to direct state investments towards identified state priorities and give it the resources to do so; and
- Cultivate and sustain an audience of state policymakers to consider and act upon a statewide agenda through state policy and resource reallocation.²⁴

We found limited evidence of these prevailing conditions – from the involvement of key stakeholders to the existence of an audience for state public policy. Stakeholders important to implementing a statewide agenda include the legislature, the governor, the higher education sectors (which generally divide into research universities, regional universities, and community/technical colleges), coordinating boards, the K-12 sector, the independent postsecondary sector, and the business community. The states we sampled have mixed records with respect to involving these key stakeholders.

Despite the fact that all of the states are facing capacity problems, either now or in the near future, none has included the independent sector as a full partner in planning to accommodate increasing enrollments. And although every state is keenly focused on issues of economic development, only Virginia (see sidebar on right), North Carolina, and Washington have had active participation and support from an organized business group. In Virginia and North Carolina, support from the business community is credited with helping to gain increased state appropriations for education. In Washington, a business group called the Washington Roundtable has been active in planning discussions, including those with the National Collaborative, but has taken a neutral stand on an upcoming ballot initiative to dedicate revenue from a sales tax increase to education because they are not yet convinced that other sources of financing higher education (tuition and fees and efficiency savings) have been fully tapped.

Involvement of K-12 is also mixed. Florida is the best example of a state committed to a K-20 planning environment, but their governance battles have made true K-20 structures elusive. Georgia has put considerable effort into regional partnerships between colleges and school districts in the attempt to increase high school graduation and

Involving Business Leaders in Virginia

Virginia business leaders, alarmed at the erosion of funding and public support for higher education, teamed with college and university presidents in 1993 to form the *Virginia Business Higher Education Council* (VBHEC).

VBHEC believes that the future prosperity of Virginia and the well-being of its citizens are fundamentally tied to a strong and aggressive partnership between business and education. The Council is committed to educating state leaders and the public about higher education's vital role in Virginia's economy, and seeks to secure the financial support needed for the Commonwealth's higher education system to remain among the country's best.

The Council's three major priorities are to:

- increase higher education's impact on the Commonwealth's economic vitality;
- encourage institutions to operate more effectively and efficiently; and
- increase state financial support for higher education.

²⁴ Reflects the collective advice of Patrick Callan and Joni Finney in *Multiple Pathways and State Policy: Toward Education and Training beyond High School*, Jobs for the Future, June 2003, p.12; Jane Wellman in *Rethinking State Governance of Higher Education*, draft: September 1, 2004; and Dennis Jones, telephone interview.

improve college preparation. It makes sense that K-12 involvement would be critical in Georgia, where low high school completion is such a large part of the pipeline problem. But all states face huge problems of high school graduates who are not proficient in college-level English and math, and it would seem that true K-16 planning partnerships would be more evident than we found them to be.

The higher education sectors and coordinating boards (where they exist) have the biggest role to play in implementing state agendas for improving higher education. We have concluded, from our review, that ineffective governance structures and conflicts over mission are major barriers to effective implementation of plans, and in some cases, as we noted above, to the development of state agendas in the first place. Three of these states (Virginia, Texas, and Washington) have coordinating boards charged with planning and coordination for all sectors of higher education. The other four have no entity with overall responsibility for higher education planning. Instead they have multiple governing boards:

- In Georgia the University System Board has governing authority over the universities and community colleges, but a separate board governs the technical colleges;
- Similarly, the University of North Carolina Board of Governors governs all four-year institutions (and the University President serves as the state's SHEEO), but there is a separate system and governing board for the state's community colleges;
- The Arizona Board of Regents, whose President is the state's SHEEO, likewise has no governing role over the state's community colleges, which themselves have no central board – only ten local boards;
- Florida has a Board of Education that, in theory, governs P-20 education, but in practice governs only K-14 because there is a Board of Governors over the four-year institutions.

These latter four structures appear to be better suited for the old era of institution-building than for the new era of state capacity-building. The President of the University of North Carolina, for example, can do (and by all accounts has done) exceptionally strong planning internal to the system but does not have the license to bring the community colleges to the table. In Arizona, the planning to restructure the universities to accommodate growing undergraduate enrollments has been spearheaded by the Board of Regents and has largely excluded the community colleges – an approach that seems unlikely to yield the best strategy for the state as a whole.

But the existence of a coordinating board does not guarantee that all stakeholders can be mobilized behind a state agenda. In fact, coordinating boards seem to be constitutionally weak these days. If they were indeed stronger in past eras, as many seem to recall, it is possible that their role was simpler when the focus was on coordinating (perhaps refereeing) among institutions as they pursued their own standards of excellence. Today's demands for cross-sector collaboration to address issues that transcend institutions might simply be tougher to meet. Whatever the reason, for coordinating entities to effectively guide implementation of a state agenda they must have the clout to get people together in a conversation about state needs *and* they must have some control over resources to provide incentives for institutions to take other than institution-centric actions. As an example, we call attention to the resources allocated to the Washington Higher Education Coordinating Board to increase enrollment in high-demand fields at four-year colleges and universities (see sidebar on p. 24).

Funding High Demand Programs in Washington

In response to a shortage in the labor market of qualified graduates in high-skill jobs, Washington set a goal of increasing the number of students who earn degrees in high-demand fields. For the last several years, the state has targeted funds to four-year institutions to increase enrollment in such programs.

The funding is allocated to the coordinating board and awarded through competitive grants to universities to increase enrollments in BA and graduate programs in a variety of fields including nursing, other health services, applied science and engineering, teaching, speech pathology, and information technology. Priority is given to proposals that promote diversity. Private institutions can participate through partnerships with public universities, though no such proposals have been submitted.

For 2004-05, funding in the amount of \$3.5 million has been allocated to five universities for ten BA, two masters, and one doctoral program. In addition, one university is funded to expand enrollments in pre-science courses that serve as a pipeline to a number of high-demand majors, and to increase enrollments in teacher certification programs in special education and English as a Second Language.

When it comes to the role of institutions in contributing to a state agenda, major battles about mission continue to impede rational approaches. Four examples illustrate that these battles tend to be about which institutions will serve the growing numbers of undergraduate students:

- The proposed conversion of one of Arizona's three research universities to its first-ever regional comprehensive university has met with resistance by those institutions whose primary mission would become undergraduate education, and some community colleges are using that opportunity to suggest they should offer baccalaureate degrees;
- Leaders in Washington have come to understand, with the help of the National Collaborative, that they have seriously over-invested in research and upper division education by creating five branch campuses of the research universities, and now face political opposition to the sensible option of redirecting part of that investment to the regional comprehensive sector where enrollment can be accommodated at less cost;
- North Carolina faces competing visions over the balance within its community college system between transfer-oriented and vocational programs – an issue which affects the role the community colleges can play in expanding access to the baccalaureate;
- Florida's institutions are battling over whether community colleges can offer baccalaureates, not as part of a reasoned plan to accommodate new students at affordable costs, but as a political fight over status.

With rates of population growth and student demographics varying tremendously across regions in most states, regional approaches to planning for and delivering educational programs would be helpful. While several are beginning to analyze data by region, few have talked seriously about recasting the sector structure of higher education into a regional structure, or about forming regional partnerships to overcome institutional barriers.

The final stakeholders in the picture are the lawmakers themselves. Lawmakers can provide critical leadership in defining an agenda when that capacity is lacking elsewhere, and must provide a receptive audience for policy information if a public agenda is to be accomplished.²⁵ Governors in Virginia and Washington have stepped in to provide agenda-setting

²⁵ Jane Wellman, *Rethinking State Governance of Higher Education*, draft: September, 2004.

leadership that could have come from stronger coordinating boards. Executive branch involvement is vital for implementation as well as agenda-setting. States without an effective coordinating mechanism are handicapped in the development of a statewide agenda. But even states with an effective coordinating mechanism need leadership from the governor to facilitate implementation. Strong leadership by former Governor Hunt in North Carolina is credited for many of the state's accomplishments in higher education. Legislatures are vitally important for the support they provide to others' agendas – for the *audience* that is needed for policy change to take hold. Legislators in Washington and North Carolina have mandated important new studies in response to concerns about higher education performance. However, lawmakers in several states appear more focused on issues of institutional survival in the competitive marketplace than on the public policy agenda for educating the people of the state.

As noted, four of the seven states have benefited from outside assistance – two from the National Collaborative and two from the WICHE Changing Directions project. While such outside expertise can add to and mobilize leadership within a state, these projects look to build on existing leadership and avoid working with states they judge to lack the basic leadership capacity to engage in a major change effort.

Summary

This piece of the *what/who/how* puzzle is problematic in our sample of states. Most of their governance structures do not provide a forum where all stakeholders naturally come together. There have been various efforts to circumvent these structural weaknesses through roundtables that bring players together. The National Collaborative and Changing Directions have been particularly helpful in this regard. But we have not identified any states that have truly institutionalized this cross-sector approach by providing such a forum with the authority *and the resources* to catalyze new kinds of behaviors and strategies to implement a public agenda. The record is also uneven with respect to the inclination of policymakers to support a public agenda. The movement in several of these states to find market-based “solutions” is premised on the understanding of higher education as a private, not a public, good.

Nevertheless, we have identified numerous examples of initiatives and strategies, many of which are indeed cross-sector, that states have implemented. The fact that there is much going on, despite few institutionalized governance structures for promoting it, may signal that structural change can follow, rather than guide, state higher education planning. This is consistent with what we heard from many with whom we spoke in these states: that personal relationships are important for forging new solutions and can transcend the limitations presented by governance structures. The following section looks at some of these promising initiatives.

(3) How will we get there: what specific strategies do states have for meeting their goals?

Our research has uncovered a number of interesting strategies that states have undertaken to address their various challenges. Much activity is directed at increasing preparation and college participation. Such efforts are of critical importance in all these states but if successful, they add costs that must be considered when states develop financing strategies. We begin by describing

some notable efforts to increase preparation and participation – to increase the demand for higher education. Next we turn to a discussion of initiatives that in various ways relate to providing the capacity to meet the demand – or “supply-side” strategies. We divide these into states’ efforts to (a) increase efficiency by better targeting existing resources, (b) develop more rational tuition and aid policies, and (c) obtain increased public funding.

We found that far more attention has gone into increasing the demand for higher education than to increasing capacity, undoubtedly because it is easier to agree that more people need higher education than to agree on how to pay for it. In fairness, though, efforts to increase preparation and participation are also attempts to increase efficiency and lower costs as states try to reduce the costs of educating under-prepared students and minimize the lost investment in students who don’t complete their programs.

Increasing Preparation and Participation (“Demand-side” Strategies)

The College for Texans Campaign (see sidebar on right) is an aggressive and comprehensive effort to increase college participation rates, in accordance with the state’s goal of closing the participation gap. Georgia has modeled an outreach campaign on the Texas one. In Georgia it is part of the broader P-16 Initiative to increase standards and student achievement at all levels (see sidebar on p. 19). Neither state, however, has set forth plans for funding enrollment increases if these efforts are successful. In Texas, the coordinating board chose a strategy of absorbing enrollment growth to make the case stronger for funding, but when funding did not follow, institutions were not pleased. Future efforts to accommodate increasing enrollment may be hampered by the lack of a financing strategy. Florida has partnered with the College Board (see sidebar on p. 27) in its efforts to improve preparation and college participation by minority and at-risk students. In Arizona, the largest community college district and the largest public university have partnered to increase access, affordability, and degree completion through a program under which incoming students register as freshmen at both the community college and the state university (see sidebar on p. 28).

North Carolina has implemented a package of related initiatives aimed at increasing the college-going rate which together have helped increase the rate from 57 percent to 65 percent, rising from below to above the national average. The approach includes an

The College for Texans Campaign

The Texas Higher Education Coordinating Board launched a statewide campaign in 2002, in an aggressive new effort to send more Texans to college. The message of the campaign: “Education. Go Get It”.

The campaign aims, by 2015, to enroll another 300,000 academically prepared students – beyond the 200,000 enrollment growth projected based on current trends – in Texas universities, community colleges, and technical colleges.

The ‘*College for Texans*’ campaign focuses on the distribution of college planning information to ensure that all students and their parents understand the benefits of higher education and the necessary steps to prepare academically and financially for college. The campaign uses public service announcements and recruiting centers to promote college enrollment, and works with colleges to plan for growth.

A high proportion of the 300,000 additional students are expected to be Hispanic, African-American and low income. The campaign targets middle and high school students as well as those who have left high school or college without having attained a diploma, certificate or degree.

innovative web portal (see sidebar on p. 29), federal GEAR UP and TRIO funds, a toll free resource center, and publications for school counselors. It creatively linked funding sources, using private funds to match federal funds, which were then used to translate the web portal into

The Florida College Board Partnership

Florida's Department of Education forged a partnership with the College Board in 2000 with the goal of providing all Florida students more opportunities to prepare for, attend, and succeed in college.

The Partnership strives to improve college readiness of all students, but focuses on minority and at-risk students in middle and high schools. Services include:

- professional development courses for Advanced Placement teachers and for teachers who prepare students for the Preliminary SAT and SAT;
- College admission test preparation in inner city and low-income communities;
- SAT preparation materials;
- Tutoring programs to help transition into college; and
- Information for families on colleges.

This Partnership uses many successful models already in place at the state and national levels, to work with teachers, schools, districts, and colleges throughout Florida to improve curriculum and teaching methods in order to promote educational excellence and equity for Florida's students.

Spanish. The principal purpose of the web tool is to provide one-stop shopping convenience to simplify the college and financial aid application processes for students. As another example of this approach, Texas adopted a common application which students can use to apply to any of its public universities.

In Virginia, the community college system pays special attention to high school students who are not on track to pursue an academic degree. The state's dual enrollment program is in part aimed at giving the college-bound a leg up on units (see below under "financing capacity through efficiencies"), but another important target audience is those on a path to career or technical education. Such students take courses on high school campuses, taught by teachers under contracts with the community colleges, in subjects such as pre-engineering, and other technical fields that grant units toward an associate in applied science (AAS) degree. There has been a significant expansion in dual enrollment among these students. Another Virginia program with a similar goal is "middle colleges," which are aimed to bring high school drop-outs back to school. These students (the program targets 18-24 year olds) attend courses on a community college campus in order first to obtain the GED. The college environment is intended to motivate students to get back on track. The community college system Chancellor reports that 70 percent of the students enrolled in middle colleges have completed the GED and of those, 50 percent have enrolled in a community college. The newest effort by the community college system to increase participation involves opening community college offices on high school campuses. The first four offices are scheduled to open this fall and will include a counselor to serve as academic advisor to dual enrollment students as well as for advising high school students generally about the community colleges.

Providing Capacity for Increased Demand ("Supply-side" Strategies)

None of the states we reviewed has taken a comprehensive approach to financing their plans. There seem to be two prevailing approaches to the challenge of financing increased capacity during a fiscal downtrend – very different but both passive in that they avoid the hard work of developing higher education finance plans. In some states officials are hoping

(“praying” was a term used in jest by one person) that public funding will be provided in response to successful efforts to increase access. Those in a position to produce and communicate strong data-driven plans and messages (Texas better so than Georgia, for example) may be in slightly better stead to win this battle but certainly no one is confident that a compelling story alone will do the job. In states where the political climate is more conservative, there is movement toward privatization of at least some sectors of the higher education enterprise. Leaders of selective universities in these states (Virginia, Arizona, Texas, for example) are taking steps to position themselves strongly in the marketplace by seeking authority to raise tuition and admission standards and freedom from other state regulations.

Some states are beginning to tackle the middle ground between hoping and giving up by engaging directly the issue of higher education finance. The legislatures in North Carolina, Washington, and Virginia have each just authorized major studies intended to help these states understand the costs of higher education in relation to the benefits provided to the state. These studies are cited and briefly described in Appendix B. In addition, the coordinating board in Texas adopted a plan in 2003 called “Financing Higher Education: The Appropriate Balance among Appropriations, Tuition and Fees, and Financial Aid to Achieve the Goals of *Closing the Gaps*.” Although this plan lays out some key principles to be considered in a finance plan, such as the share of instructional costs to be borne by students, it has not been adopted by the Legislature. In fact, after considering the plan, the Legislature granted its universities authority to increase tuition without limit. Nevertheless, the coordinating board intends to use the plan to frame future policy discussions about finance, tuition, and affordability.

The danger of these drifts toward market-based finance policies is that in response to a need for increased capacity they can sharply curtail access as less competitive students get shut out of higher-end institutions by rising costs and admission standards. When that happens, mid-range institutions become harder to get into, community colleges get seriously oversubscribed, and wholesale populations get left out altogether. This is precisely what is happening in many of the states we studied. A new paper by David Breneman warns of the dangers of increased social stratification from trends seen in these and other states across the country to finance “public” higher education through the market instead of finding a balanced approach that preserves the concept of higher education as both a public and a private good.²⁶ The alternative to

An Alliance across Sectors in Arizona

Two of Arizona’s major providers of higher education, Maricopa Community College District and the Arizona State University (ASU), are pursuing a partnership called the *ASU-Maricopa Alliance*, with a goal of providing degree programs that are completely accessible either at a physical location or in the virtual classroom. The programs offered through the alliance will be integrated to a degree that well exceeds the traditional 2+2 transfer model, with joint use of facilities and other academic infrastructure, shared faculty assignments and coordinated student support services.

Students will benefit from assured course transferability and access to both institutions’ academic advising, libraries, and cultural and sports events. Students will have ID cards for both the community college and ASU and can seek federal financial aid based on joint enrollment.

This new partnership is designed to make higher education accessible throughout the community, and result in greater numbers of students completing baccalaureate degrees.

²⁶ Breneman, David W. *Are the States and Public Higher Education Striking a New Bargain?* Association of Governing Boards of Universities and Colleges Public Policy Paper 04-02.

this grim future is to engage the issue of how the rising costs of higher education will be paid and to construct a sound fiscal approach that can garner public support. These next sections examine how our sample states are (or are not) looking at three possible ways to address these costs.

(a) *Efficiencies – Better Targeting of Available Resources*

As we noted above, the widespread efforts to increase student preparation are also efficiency

A Comprehensive Web Portal in N. Carolina

North Carolina has developed a web tool to improve access and increase the college-going rate. The website includes several modules with information for students on preparing for and applying to college (www.cfnc.org):

- a student planner to track high school courses, grades, test scores, activities, and other accomplishments;
- a career center to assess one’s talents and interests and learn about projected growth in particular occupations;
- a college fair to compare colleges in the state, take virtual campus tours, and search for colleges that match one’s requirements;
- online applications, to apply to any public or private college or university in the state and to apply for federal and state financial aid, including loans for students and parents; and
- a financial aid planner to educate students and parents about grants, scholarships, loans, tax savings options and the state’s “529” plan.

The website is exceptionally comprehensive, covering all public and independent higher education in North Carolina.

measures to the extent that they reduce the cost of remediation and non-persistence. None of the states, however, has attempted to put a dollar value on these savings or to frame these actions in budgetary terms. For example, it would be possible to model the change in cost per degree or cost per certificate that resulted from improvements in the preparation levels of students, and to extrapolate that to the overall costs and benefits of the system, but we have not encountered any such attempts. Below we describe a variety of other approaches that states view as efficiency measures, but again, we have seen few attempts to quantify the gains and the impact on overall funding requirements. We categorize these initiatives according to a variety of different goals – all intended ultimately to use resources more efficiently:

(1) To reduce the number of units needed to complete a college program of study

- Virginia has put a great deal of effort into its *Senior Year Plus* initiative (see sidebar on p. 30) which provides means by which students can earn units in high school towards college credit and industry certification, thereby reducing their units taken, and time and money spent, in college.
- Washington’s Running Start program allows eleventh and twelfth graders to take college courses at community and technical colleges and some state universities, saving families and taxpayers considerable sums since dual credit is earned by the participating students.
- The University of Florida issues a guarantee that students can graduate in four years if they pass a defined set of courses. As a result of the program, the four-year graduation rate has increased significantly.
- Florida and Georgia have instituted limits to the units required by academic majors.

(2) To improve the match between institutional mission/capacity and student demand

- Washington is facing a problem common to many states: the institutions with excess capacity are not located in the regions that are experiencing high enrollment growth. Nor are their missions and cost structures most appropriate for accommodating new undergraduates. Washington's branch campuses have capacity but are mostly in rural areas and do not enroll lower division students. Yet political forces operate against merging, closing, or changing the missions of these campuses – which are branches of the research universities. One of the studies mandated by the Legislature (and described in Appendix B) will examine the mission and programs of the branch campuses and recommend how the campuses can best meet the needs of students and communities.
- Texas has taken a different approach, as part of its long-term enrollment plan, by requiring off-campus centers to first demonstrate a consistently high enrollment before they can become designated and funded as full-fledged campuses.
- North Carolina has followed a “focused growth” strategy under which funding was provided to upgrade seven under-utilized institutions and attract students to them. Enrollment at these campuses has increased three times as much as at other campuses. The state has also used incentives to target growth to institutions with excess capacity.
- North Carolina adopted a change to its funding model so that distance education enrollment is funded at the same rate as on-site enrollment. This provides an incentive for institutions to serve students from rural areas who would otherwise not be served or would be served by more costly means, such as new campus development.
- Arizona is considering a major reorganization of its three public research universities that would create a lower-cost regional university and reduce the number of research universities from three to two. The plan is intended to reduce the state cost of providing capacity for the growing numbers of undergraduates.

Virginia Seniors Earn College Credit

Virginia's Governor has signed an agreement with 62 Virginia colleges and universities, called the *Senior Year Plus* initiative, that allows students in their senior year of high school to take up to 15 college course credits through dual enrollment and/or advanced placement. The unique aspects of the agreement are:

- The opportunities are available at all state high schools;
- A common core of courses will be accepted at nearly all of the state's public and private colleges and universities; and
- Students can take a sufficient number of classes to save a full semester of college.

The new agreement is designed to make senior year more productive, reduce drop out rates, relieve capacity problems at the state's public colleges and universities, and reduce the cost of college for participating students.

A separate *Path to Industry* component of the initiative allows students who are not necessarily college-bound to earn units while in high school toward industry certification.

(3) To promote seamless movement of students across institutions

A common source of inefficiency in some states is poor articulation for community college students who transfer to four-year institutions and must therefore take excess units. In our sample, every state except Washington has good articulation – and most addressed this issue

years ago. Florida sets the standard with requirement that all four-year institutions grant junior-year status to all students who earn the AA degree. A review of articulation and transfer policies is not needed here but can be found in an excellent study by Jane Wellman.²⁷ Wellman discusses how policy tools such as core curriculum, common course numbering, and transfer degrees can promote the efficient movement of students across institutions, as well as how governance structures can be more or less conducive to effective transfer.

Washington is taking steps to address its problem, having just enacted House Bill 2382 to establish a transfer associate degree and common course numbering. In addition, the new law mandates a gap analysis of upper division capacity to address the current problem of transfer-ready students being unable to find space in four-year institutions. The gap analysis will address upper division capacity for specific programs and geographic regions and will make recommendations, addressing the cost of those recommendations, for providing sufficient capacity through main campuses, branch campuses, off-campus centers, and distance education.

More attention is being given lately to seamless movement from high school to college, through attention to high school exit and testing standards and their linkage with college entrance or placement standards. Although states commonly use “K-20” terminology, we learned only of one effort, in Texas, to align its 11th grade assessment exam with college-level placement. The high school exam now substitutes for formerly state-mandated testing, although institutions may still use their own placement tests.

(4) To better align academic programs and degree production with the needs of the state’s economy

- The University System of Georgia is undertaking an assessment of demographic changes and labor market needs that will result in recommendations for how the system’s academic programs can best meet the needs of the state.
- Since 1999 the Washington coordinating board has received an allocation (this year’s amount is \$3.5 million) to increase enrollment in high-demand fields across its four-year colleges and universities (see sidebar on p. 24).
- The North Carolina Legislature has approved a \$2 million study to produce recommendations on how the state’s colleges and universities might better serve the economic needs of the state and its regions (Appendix B).

(5) To create funding incentives that promote success

It is well known that prevailing funding models, driven almost entirely by the workload factor of enrollment, provide no incentive for program completion. As long as institutions provide access (enroll students) their funding is assured at some predictable level. Although states across the nation are using graduation and completion rates as core performance indicators in accountability structures, no state has considered a simple, yet profound, change in the basic allocation model that would reorient the incentive from access to success.

²⁷ Wellman, Jane. *State Policy and Community College-Baccalaureate Transfer*, National Center for Public Policy and Higher Education, August, 2002.

Several have included, or are planning to include, graduation rates as a factor in performance funding, but those approaches apply only to a very small portion of a state's overall budget.

We found very little activity among our sample states in exploring new funding models. Moreover, we found that even where governing boards had authority to reallocate funds to provide certain incentives they did not take advantage of that authority. In Georgia, for example, the University system board is required to give each institution only up to 80 percent of the funds it generates in enrollment – the remaining 20 percent in theory could be reallocated to accomplish system priorities. But the board has not used this authority, instead giving each institution close to its full enrollment-generated amount. Similarly, the Virginia Community College system has a *Strategic Directions* plan and a process under which each college president submits goals that are aligned with system goals. The Chancellor can reallocate system funds to best accomplish the system's goals but has not done so – relying instead on base formula allocations.

Florida is developing a highly-structured, data-driven accountability system that is intended to influence budget allocations. However, it appears that it will have minimal impact on base budgets. Targets are being set so as to limit losses to a maximum of 3.5 percent of an institution's budget, with most losses projected at less than 1 percent. In addition, the Florida state budget contains separate allocations for K-12, workforce education, community colleges, and four-year colleges and universities and the new system envisions no reallocation across those sectors. In other words, there is no intention of exploring whether state needs can be better met by shifting subsidies from one sector to another.

Washington received national attention when its coordinating board proposed “funding for student success” under which institutions would be funded in part for degrees and program completion instead of enrollment. However, as a result of concern about institutions “creaming” to enroll the best students they could in order to increase completion rates, a compromise was reached under which the new model only influences the allocation of new funds and does not affect base funding.

(b) Tuition and Financial Aid Policies

Several of the states in our sample have made significant improvements in their tuition and aid policies, but since these lessons are of minimal relevance to California, we will not provide much detail. Most of the states are low tuition/low aid states that can rationalize their finance structures, and are beginning to do so, by increasing tuition and increasing need-based aid. Georgia, Arizona, Virginia, and North Carolina have had virtually no need-based student aid until recently. Even after some solid increases in aid they still lag well behind California, which is ranked second behind Washington on a measure of need-based student aid (see Part I). The problem faced by some of these states (Georgia and Florida, for example) is that they have very generous merit aid programs, so when they try to increase revenues by increasing tuition, they incur huge state costs in their merit aid programs that significantly offset the revenue gains from tuition. In addition, several of these states have only institutional need-based aid programs instead of a statewide program that can be better managed to meet state needs.

None of these states has adopted a strategy for integrating tuition and aid policies that addresses the issue of what share of instructional costs students and families should pay. Washington had such a policy for years (students were to pay one-third and the state two-thirds) but the recession of the early 1990s led to the all-too-typical pattern of sharp tuition increases in bad times and the policy was abandoned out of fiscal necessity. As noted, the Texas coordinating board has adopted a plan with some principles for fair and rational tuition and aid policies, but the plan has been ignored and market-driven “solutions” are underway. Likewise, Arizona, Florida, and Virginia have all moved toward “tuition flexibility” which is only a euphemism for market-driven tuition increases for the high-end institutions that can win at that game.

(c) Increasing State Appropriations

Our review of these seven states underscored the difficult challenge facing institutions and boards in getting additional state funding to help meet the costs of increasing capacity to meet student demand and labor market needs. In some cases (Arizona, Washington, Georgia) the political culture is so strongly anti-tax that even the compelling evidence, such as that generated by the Collaborative and Changing Directions projects, has not persuaded lawmakers that funding must increase. Claims about the economic development benefits of higher education have evidently not been credible or convincing enough to sway the balance of opinion. In Georgia, where the case for increased education levels should be easy to make, institutions have just been notified to prepare for mid-year cuts.

Two states did have recent successes in gaining increased state funding. North Carolina enacted the nation’s largest-ever higher education bond (\$3.1 billion) in 2000 to finance facility improvement throughout the state in accordance with its “focused growth” plans. The bond passed easily in every county. The success, at a time when most states were cutting funding for higher education, is likely due in part to the solid planning that supported the funding request, and in part to the strong state culture of support for higher education. North Carolina also benefits from a relatively generous enrollment growth funding formula as well as a formula that differentiates among programs by cost. This provides an incentive to invest adequately in high cost programs, such as nursing, which see under-investment in states whose funding formulas do not recognize cost differentials. The strong culture of support for public education has also inoculated the state, so far, against discussions about market-driven approaches such as performance contracts and vouchers.

Virginia is the other state that recently gained revenue from a tax increase. The increase, billed as “tax reform” to meet core obligations as opposed to funding new initiatives, was not the result of any adopted education finance plan. Its revenues have been made available to institutions pursuant to prevailing formulas, with institutions asked to use the funds to meet goals of access, completion, and research. The political culture which made necessary the promise of “no new initiatives” suggests that a stronger case may be needed the next time around.

The most useful lesson learned in our research about strategies for increasing state appropriations came from Washington where the business Roundtable has taken a neutral stance on the pending

ballot initiative to increase the sales tax and dedicate the revenue to education. This is a group that has participated in the National Collaborative and is generally perceived to be supportive of higher education. But they want to see a plan that lays out the costs of implementing the state's strategic plan for higher education and determines what shares of the increased cost can reasonably be met by tuition increases and by efficiency gains. If convinced that reasonable commitments have been made from these two sources, this group would lobby for the balance being provided from state coffers.

While we have found no evidence in this review that states are anywhere near this sophisticated, or even this committed, in the development of a higher education finance plan, we did note above that several states are embarking on legislatively-mandated higher education finance studies. Officials in these states were hopeful that these studies would indeed provide new information and lead to new ways to address intractable cost issues. We hope that these studies will indeed be helpful, not only to the states engaged in them, but to other states wanting to take a stand between hoping for and giving up on additional public revenue.

Summary

Our review found a mixed record on *how* states have chosen to implement their agendas for access, capacity, and success in the face of growing numbers of students. Certainly there is no shortage of ideas or action. But there is little in the way of an overall plan that covers both demand and supply (capacity) issues. Specific means for financing a state's higher education plan are notoriously absent. We believe this reflects the fact that very few states have the structural, political, or leadership capacity to mobilize all of the needed stakeholders behind a state agenda. Nevertheless, there are useful lessons that can be learned from the activities underway in other states. And there may be more to come as several of these states begin to address larger issues of higher education finance in their upcoming studies.

III: Conclusions and Recommendations for California

The purpose of this review was to see what California might learn from the experiences of other states facing a similarly pressing set of needs to accommodate growing numbers of college-age individuals and provide for their educational success beyond high school. In this section we present our conclusions along with a series of actions we believe California must take if it is to meet its own challenges.

California Has Much Unused Potential for Pursuing a Statewide Agenda

Data presented in Part I showing California's poor performance on many key measures certainly should give cause for concern. Further, it should make readers question why there seems to be less of a sense of urgency here than we found in several of the states we studied. The good news is that California has in place many key elements of governance and policy capacity, which other states sorely lack, to forge a statewide agenda. The following are sources of *potential* capacity for California that could, with leadership and commitment from key sectors, foster statewide planning toward meeting the state's urgent educational needs:

Coordinating Capacity. The state's mechanism for coordination of postsecondary education, the California Postsecondary Education Commission (CPEC), has statutory authority to advise the Governor and the Legislature about all segments of higher education. Notwithstanding its current limited capacity to lead a statewide coordination effort, this places California in far better stead than states like Arizona, North Carolina, Georgia, and Florida that have no single coordinating entity over all sectors of higher education.

Institutional Structure. The existence of three multi-campus systems theoretically simplifies the planning challenge. While this highly segmented structure can present serious obstacles to thinking regionally and across institutional boundaries, it does simplify the task of getting authoritative spokespeople around a common table. With proper leadership and incentives to structure conversations around statewide concerns, this structure could work to the benefit of a public agenda compared to other states that must have scores of institutions represented.

Mission Differentiation. California's distinct means of differentiating missions across the three segments also positions it better, theoretically, than many states. Other states regularly play out mission battles over which institutions can offer the baccalaureate or various post-baccalaureate degrees, and which institutions should be primarily responsible for accommodating undergraduate enrollment growth or responding to regional economic needs.

Political Culture. In spite of stunning budget deficits and significant budget reductions in higher education, California's political culture has so far been immune to the drifts in so many other states toward privatizing higher education. California does indeed enjoy a political culture that recognizes the public value of postsecondary education and the necessity for, and capacity of, government to identify and promote key public policy objectives. This is simply not true of some other states, which are increasingly inclined to rely on the market to sort out educated "haves" and "have nots."

Differentiated Fee Structures. California has in place the kind of differentiated fee structures across its three segments that other states are only now realizing are essential to promoting the broadest possible access. The fact that more attention could be given to refining those structures does not remove the fact that this is a key part of a state’s rational finance policies for higher education – and it is in place here.

Need-based Student Aid. California is a leader (again, not to imply that things are perfect) in providing need-based student aid. Most of the states studied (Washington being the key exception) have paid huge prices in reduced access because of meager or nonexistent need-based financial aid programs.

Historic Commitment to Access. The state’s commitment to universal access, under the Master Plan, is almost like a religious belief. It makes any renegeing on that commitment a high profile news story and keeps pressure on educators and lawmakers to find answers.

Policy on Providing Transfer Capacity. The policy under which the UC and the CSU reserve 60 percent of their undergraduate slots for community college transfers is another way in which the state has addressed capacity issues better than other states. States with less clarity about institutional missions face more difficulty finding places for transfer-ready students.

California Suffers from a Lack of Awareness of its Performance Problems

In view of California’s *capacity* for statewide planning, cited above, one must truly wonder why its *inclination* to plan is so limited. Compared to other states, we observe in California a lack of understanding or awareness of the extent of performance shortfalls, and most certainly a lack of urgency. This is not limited to higher education. Kenneth Starr, the state’s foremost historian, has speculated that the state’s refusal to confront its problems is linked to its entertainment culture and the “high level of fantasy and unreality” that it spawns.²⁸ In the higher education context, our speculation is that Californians’ complacency stems from a general sense that California excels in most areas coupled with a false assumption that the stellar reputation of our research universities translates into acceptable educational outcomes for the population at large. This conditioned satisfaction seems to blind many Californians to available evidence to the contrary. For example, we celebrate our good grades on affordability and participation in the national report card but fail to grasp how poorly the state does in getting people through to earn credentials and degrees. We do little or nothing to project the dire consequences to the state of failing to educate the tidal wave of students that is upon us, to say nothing of those who are not even completing high school or pursuing education beyond high school.

When the policy community does engage in discussions over needs in higher education, the discussions are typically about the level of funding, rather than about new ways to organize or finance higher education. Based on our understanding of the extent of the challenges facing the state and the lessons we have learned from this study of other states with similar challenges, we

²⁸ Starr is so quoted in *The Economist*, May 1-7, 2004, p.4.

offer some suggestions for what California's leaders must do to provide for the education levels necessary for social and economic prosperity.

Recommendations: California's "To Do" List:

1. Develop a Statewide Agenda and an Accountability System

California comes out dead last among these states in the extent to which it has diagnosed its biggest challenges, communicated the urgency of these issues, and set forth a statewide agenda for addressing them. For this reason alone, the many positive aspects of the state's governance and policy infrastructure to support statewide planning are rendered meaningless. While there are certainly noteworthy initiatives underway in all three segments, none of these efforts is part of a statewide plan. There is no reason, therefore, to expect that the various independent efforts of the segments will collectively meet the needs of the state.

The recently approved partnerships between the Governor and the four-year segments are examples of how the state proceeds without a statewide roadmap. Rather than analyze performance data in view of demographic projections and workforce needs, and engage in discussions about where and how funds could have the greatest benefit, the partnerships are simply a "treat both systems equally" means of providing fiscal stability. And the system that serves over 70 percent of the students in public higher education was left totally out of these conversations. The partnerships may signal the Governor's intention to support higher education in the future but they are in no sense a statewide plan with broad stakeholder support.

Other states use data to tell a compelling story in the hope of catalyzing action around state needs. There has been no such effort in California. Specifically, there has been no attempt (Part I of this report notwithstanding) to analyze, interpret, expand, and act upon the data presented in the national report card "Measuring Up." These data have been available for over three years and national websites have been set up to help state higher education leaders examine performance. Most states have discussed the implications of the data and many have set bold new directions. It is no less comforting that national initiatives such as the National Collaborative for Postsecondary Education, the "Changing Directions" project of WICHE, and the Lumina Foundation's "Achieving the Dream" project have passed over California in selecting participants. The principal criterion for selection in these efforts is statewide leadership and a capacity to carry out change agendas. We have noted above how Virginia, Florida, Arizona, and Washington have benefited from these projects. We need to change our state's status as a non-player in these arenas.

Georgia, which lacks a statewide coordinating board and has not had the assistance of outside experts, has made a concerted effort to address its main problem in the educational pipeline – low high school graduation rates. It has an impressive K-16 Initiative (see sidebar on p. 19) that has become institutionalized across the state. The equivalent for California is BA completion rates – the leakiest part of the educational pipeline. Yet there has been no major statewide effort to encourage attendance patterns that are known to increase completion (attendance directly from high school, full-time attendance, mandatory assessment and placement) or to correct the known

deficiencies in transfer and articulation – efforts that could vastly improve degree completion rates generally and for low-income and minority students specifically.

SB 1331, just vetoed by the Governor, could have provided important first steps toward a state higher education agenda. It laid out four state goals intended to guide data collection and frame policy and budget discussions around higher education performance. It set up an accountability structure to track progress toward these goals. The planning effort that underlay this legislation involved the three segments and the independent sector and produced some encouraging principles for how statewide planning can be undertaken around a set of state goals, which can in turn guide institutional goals and priorities. While it is important that California have a set of goals and an accountability system for tracking them, SB 1331 itself did not constitute a plan of action. It is important that we have both an accountability system and a state plan. And it is important that both the plan and the accountability system track not only statewide trends but regional trends because of the vast differences in needs and resources across the state.

2. *Improve Leadership Capacity – Don't Be Afraid of a Capacity to Lead*

The common denominator among those states that are making strides toward statewide planning is leadership that can force a statewide agenda to take precedence over institutional agendas. Leadership can come from different places: from governors, legislatures, coordinating boards, governing boards, the business community, or some combination. It would be easy to blame California's absence of leadership on the serious budget problems it faces. However, leaders have had plenty of warnings for decades about the impending crush of enrollments and demands of demographics. Beginning with the first official review of the Master Plan in 1973, and continuing with a whole slate of reports, state leaders have been told about the absence of statewide planning, the failure to educate minority populations, and the need for regional and statewide solutions that transcend the individual attention given to segments.²⁹

Contributing to the leadership problems for higher education in the state, of course, has been the recall of the Governor, the terming out of seasoned education leaders from the Legislature, and the continued lack of authority granted to, or taken by, CPEC. But the problem seems at least as much a lack of *demand* for leadership on the part of complacent Californians who assume that the state's renowned system of higher education will meet the state's needs now as it did decades ago. This attitude has somehow inoculated Californians to the messages about the need for change and has raised the stakes for telling a more compelling and urgent story – aided by the kinds of data analysis we have done a bit of in the first part of this paper.

California needs to resolve its higher education leadership problem by designating and *empowering* a coordinating entity to, in fact, coordinate the efforts of the state's higher education entities around a state agenda. That coordinating entity must be made more accountable to the executive branch through strong gubernatorial appointments to its board. As we have noted above, states with effective coordinating agencies can develop agendas but executive branch support is required to implement those agendas. Based on our knowledge of higher education

²⁹ See Shulock, Nancy, *On the Durability of the Master Plan in the Twenty-First Century, or If It's Breaking, Why Isn't Anyone Fixing It*, for a discussion of these myriad warnings about the need for a statewide higher education agenda at <http://www.csus.edu/ihe/PDFs/On%20the%20Durability%20of%20the%20Master%20Plan.pdf>.

governance, we do not support the placement of the coordinating entity *within* the Governor's Office, as recommended by the California Performance Review, where it can become too politicized and too subject to transitions at the highest levels of government.

3. *Develop a Student Tracking System and Use It to Learn What Works*

While other states are using data to diagnose their problems and track progress, California is fighting the development of a data system. There is resistance, principally by the UC and the CSU, to share student-level data for purposes of tracking student progress across institutions and segments. Student tracking systems are viewed by higher education policy experts as vital to successful statewide planning. Most other states have either developed or are developing them.³⁰ Legislation to authorize the development of a student tracking system has been enacted but has not been implemented due to UC/CSU concern about the use of the system. They have insisted that data be shared only for research studies approved in advance by the segments as specified in a memorandum of understanding. They also maintain that the federal Family Educational Rights and Privacy Act (FERPA) prevents the unregulated use of a student tracking system. FERPA concerns, however, have been proven unwarranted by Florida and other states that have used student tracking systems for years with no legal ramifications.

With all of the movement of students across institutions, and with the critical role of community college transfer in baccalaureate production in the state (especially for Latinos and African Americans), it is essential that the state maintain a student tracking system. The system would be used to determine what patterns of enrollment and course taking behavior, within and across institutions, correlate with student success, and to alter policies and practices accordingly. Unfortunately the segments fear that such a system would be used for invidious comparisons and to criticize institutions rather than to identify problems and shape policy and resource decisions. This impasse has reached the point where firm leadership is needed to mandate such a system, even if over the objections of the segments, and to ensure that it be used for policy analysis and not for institutional evaluation and comparisons.

4. *Track Program Completion in the Community Colleges*

Every state that we studied has accepted that degree, certificate, and program completion are reasonable indicators of student success and are useful concepts for understanding how higher education can meet state workforce needs at all levels. In California there is a strong culture of resistance to the concept of completion in community colleges. The argument holds that students enroll in community colleges for a variety of reasons other than to complete a course of study. While this may be true for some, it is not true for the majority. There is no chance of designing better and more responsive education systems if we can't analyze student progress towards their goals. The otherwise exceptional data system for the community colleges does not allow the computation of program completion rates because the colleges do not categorize students by program goal – because of the cultural resistance to the concept of completion. The argument is counterproductive to the goal of improving the performance of our higher education system. It is also counterproductive to efforts to enlist the support of the business community to enhance public support for higher education, not only because the business community doesn't

³⁰ Callan and Finney, p.10.

understand the resistance to outcomes measurement, but because we can't have productive discussions about the extent to which our colleges and universities are meeting workforce needs if we can't talk about degrees and certificates needed and produced.

5. *Fix Community College Transfer*

The data presented in Part I show that we have a big problem in BA completion. Because California designed its postsecondary system to rely heavily on community colleges for lower division education, seamless transfer is more important in California than in most other states. Yet, as noted, we have among the worst transfer and articulation policies. Everyone knows it. People are working on it. But it should be clear from the data that without radical change California will fall further behind in baccalaureate production, and Latino and African American populations will become even more disproportionately underrepresented among degree holders.

6. *Develop a Real Financing Plan that Projects the Costs of Meeting State Goals and Proposes How to Pay through (1) Fee/Aid Policies, (2) Efficiencies, and (3) New Funding*

Our discussion in Part II detailed the importance of developing a finance plan and noted the absence of models from other states for so doing. Without a plan, it will be difficult, if not impossible, to get past the typical political debates that see one side arguing that more state funding is needed to protect access, the other side maintaining that higher education can be more efficient, and the upshot being the boom and bust pattern where one side wins when there is money, the other side wins when there isn't, and students and their families are kept guessing and adjusting. Maybe California's 21st century contribution to higher education can be a model higher education financial master plan.

7. *Resist following Other States toward Privatizing Public Higher Education*

California has always had a strong vision of the public value of education. We need to see trends in other states for what they are. While they may be presented as the cutting edge in governance or accountability, in reality these moves toward performance contracts, charter universities, deregulation, tuition "flexibility," and vouchers are wholly inconsistent with the values that have driven California to build its excellent institutions of higher education over the past half century. Although the agenda has now shifted from building individual institutions that serve a select few to building collective state capacity to educate the vast majority of the population, there is no reason for the values to change. We need to pay close attention to the consequences of these new policies as they are enacted in other states. If, as many forecast, they lead to increased social stratification and diminish individual prospects for the broad population, we need to work that much harder to restore the "public" in the state's public higher education system. This requires more than a sales job to lawmakers. It requires careful planning and analysis, priority setting, a rational sharing of the costs of the enterprise, and a willingness to be accountable to the public for putting public dollars where there is demonstrated public value.

Appendix A Three State Summaries

Texas

Texas is projected to have the second highest increase in the number of high school graduates over the next decade, after California, with Latino students representing a dramatically increasing share of the graduates. Texas has historically had below-average participation and success rates in higher education and substantial disparities across populations, with Latinos having the lowest enrollment and completion rates in the state. Unless Texas significantly increases the rates of participation and success among this population, demographic shifts will reduce the number of college graduates in a state that is already struggling to provide educated workers for its changing economy.

The Texas Higher Education Coordinating Board (THECB) is responsible for planning and coordination for all of public higher education in the state. While the Board has not always had substantial influence over institutions, its efforts over the last few years to define the state's challenges and measure its progress have been embraced by the business, policy, and education communities and lauded by policy experts. Drawing heavily from a comprehensive demographic study of the state, and with input from all stakeholders, THECB developed the state's *Closing the Gaps: 2015* plan, and has succeeded in using this accessible phrase to focus attention on the need to improve the state's performance in higher education. The plan identifies the need to close gaps in four areas: participation, success, academic excellence, and research funding. It sets targets for increasing enrollment and degree/certificate completion, by region of the state and by race and ethnicity, but does not specify how the state will accommodate or fund increased numbers of students. However, the outstanding level of support for the plan has led to the implementation of a variety of specific programs, including:

- The Toward Excellence, Access and Success, or TEXAS, Grant program, which pays college costs for students with financial need who take a designated college preparatory curriculum in high school;
- The College for Texans website, a comprehensive site where students can learn about preparing for college, financing options, and career opportunities, and where they can find a college meeting their needs and interests and apply for admission and financial aid on-line;
- The GO Centers, a network of locally-managed college recruiting centers located in communities across the state where peer mentors help recruit students on high school campuses;
- A legislative directive for the THECB to identify school districts with low college-going rates, and a mandate for those districts to enter into agreements with the nearest public higher education institution aimed at increasing enrollment rates;
- The Texas B-On-Time loan program, which provides no-interest loans to recent high school graduates who enroll full time in a Texas college or university, and forgiveness of those loans for students who graduate with a certificate or degree within a specified amount of time or after accumulating no more than 6 credits beyond what is required;

- The Texas Common Application, with versions for both freshman and transfer admissions, that allows applicants to use a single paper or electronic submission to apply to any public university;
- The Higher Education Assistance Pilot Program, targeting the three areas of the state with the highest number of students not going to college and requiring the THECB to provide assistance to students with admissions, enrollment and financial aid applications;
- The Recommended High School Program (RHSP), a college preparatory curriculum required of all high school students beginning fall 2004; and
- An 11th grade assessment test aligned with college-level requirements, an exam that substitutes for college-readiness testing mandated by the state.

According to the most recent *Closing the Gaps* progress report, participation levels in 2003 exceeded the targets set for 2005 for both white and African American students. Participation among Latinos increased by 23 percent between 2000 and 2003, but still fell short of the target. Increased participation to date is related primarily to increasing numbers of high school graduates, rather than to increasing rates of college-going. The state has exceeded the 2005 target set for completion of Associate's degrees, and is on track to meet the target for baccalaureates. Degrees awarded to African Americans have exceeded the target, and substantial progress has been made toward the target set for Latinos. THECB is developing an accountability system for all institutions to systemically track progress in closing the gaps but has not yet indicated if and how performance will influence state resource decisions in higher education. The board has also endorsed a framework for a finance plan called "Financing Higher Education: The Appropriate Balance among Appropriations, Tuition and Fees, and Financial Aid to Achieve the Goals of *Closing the Gaps*" but the Legislature has not endorsed it. With the legislature's recent action to grant four-year universities flexibility to set tuition rates, the prospects for a comprehensive state finance plan for *Closing the Gaps* might have diminished.

Washington

The overall growth in high school graduates projected for Washington is more moderate than in the other states we are examining, presenting a challenge for those in the state trying to generate a sense of urgency about the need to address issues of growth and capacity. The issues of capacity are real, however, with every public college in the state already over-enrolled. Some institutions are limited by mission to serving upper division students, and cannot provide space for the growing numbers of freshmen without a change in policy. As in other states, capacity problems are occurring at a time of severely restricted state funding, with cuts to higher education in the 2003-2005 biennium and a failure to keep up with inflation for several years prior. In addition, the projected enrollment growth will occur primarily among underrepresented minority populations, a challenge for a state not as accustomed as some others to serving large numbers of students from diverse backgrounds. Capacity problems will become even more severe if the state succeeds in increasing college participation rates from its growing minority populations in an attempt to fuel its changing economy from within rather than relying on imported workers to fill many of the high-end jobs.

Washington's Higher Education Coordinating Board (HECB) is responsible for planning, coordination, and analysis for all of higher education in the state. In practice, the HECB has not always exerted the level of influence over postsecondary institutions needed for effective coordination, with especially limited influence over the state's 34 community colleges. A lack of clear mission differentiation among the sectors of higher education has often led to competition among institutions for programs and funding, and to over-investment in the politically popular research sector and under-investment in regional comprehensives. With a recent change in leadership at the HECB, and a set of new business-oriented legislators committed to using a focus on economic development to drive higher education policy, the state is beginning to make progress toward more effective planning for the state's higher education needs.

The best example of this progress is the recently passed 2004 Strategic Master Plan for Higher Education. The Plan establishes a clear statewide agenda for higher education, focusing on only two key goals for the state's colleges and universities:

1. Increase the number of degrees, certificates, and credentials produced; and
2. Respond to the state's economic needs.

The specific proposals in the plan include recommendations for:

- Allocating enrollments across institutions to accommodate projected growth;
- Altering the funding formula to allocate a share of state funding based on completion of degrees rather than simply enrollment;
- Expanding production of degrees in high-demand fields by identifying the needs and targeting funding (the Board has received an appropriation from the state for several years to implement this provision via an RFP process);
- Improving linkages between K-12 and higher education by establishing statewide learning outcomes for high school that promote success in college;
- Increasing the number of community college transfers by developing a statewide transfer policy based on academic majors and creating a web-based course equivalency system; and
- Increasing affordability by placing caps on tuition increases and by linking tuition costs to family ability to pay.

The plan's policy proposals were developed through consultation with state finance and education officials and with higher education administrators. Implementation strategies are currently being developed for each policy proposal, with recommendations due to the legislature in October. The plan has some support among policymakers and has received positive press coverage. Support within postsecondary institutions appears to be increasing, although concern is still expressed over the plan's lack of an overall strategy for allocating enrollment growth across the sectors of higher education. Others believe the plan does a good job of framing the issues but remain skeptical about whether support can be garnered for its implementation.

The state's strong anti-tax culture puts pressure on the Board to develop a comprehensive plan for financing the plan through a combination of means including reducing costs through efficiencies and strengthening policies on tuition and student aid. No such plan is under development, however, which makes it unlikely that there will be strong business support for the upcoming sales tax initiative which would provide additional revenues for education. While

Washington's proposal to begin funding institutions for success (degree/certificate completion) has captured national attention, the proposal has been weakened to the point where only new, not base, funding would be used in this manner.

In addition to adopting a strategic plan that promotes a statewide agenda for higher education, other indicators of progress in Washington include:

- Participation in the National Collaborative for Postsecondary Education Policy, a consortium of national education organizations working to identify higher education needs and opportunities in a handful of states;
- Efforts by the governor to bring discussion of the strategic master plan into the state's new policy and budget processes; and
- Recent legislative initiatives authorizing studies on (1) the need for specific degree programs in the state's economy, (2) the capacity to accommodate upper division transfer students by region, campus, and program, (3) the cost to both the general fund and tuition revenue of implementing several policy alternatives for allocating enrollments by institution and sector, and (4) the most appropriate mission and model of education for the university system's branch campuses.

North Carolina

North Carolina's challenges include a dramatic shift in the economy, a population increasing overall at the 6th fastest rate in the country, and a huge increase in the Hispanic population in particular. The state has historically had a low college-going rate, due in part to its reliance on a manufacturing-based economy depending primarily on the tobacco, furniture, and textiles industries. Substantial disparities in the college-going rate across populations resulted from the lack of any state need-based financial aid program. Low college-going rates have proven to be a formidable barrier to efforts to transform the state's economy and attract new types of business.

Higher education governance issues present another challenge. North Carolina has no coordinating board with a role of overall state planning and coordination. The University of North Carolina's Board of Governors is charged with governance of the 16 public four-year universities. The State Board of Community Colleges has some oversight role for the 58 campuses, but local boards are independent and have total control over resource allocation. In addition, the community colleges have historically been oriented toward basic skills and vocational education due to the state's excessive high school drop-out rate and its manufacturing-based economy. While the apparatus for transfer has been in place, including a general education transfer core that is portable and transferable to all UNC campuses, the culture has not been oriented toward transfer education.

North Carolina is responding to these challenges with a comprehensive approach to increasing its college-going rate and targeting enrollment growth at those campuses with the most capacity. Its recent efforts and accomplishments include:

- Collaborating among the various sectors of higher education to develop a web portal serving as a “one stop shop” for information on college admissions and financial aid;
- Leveraging funds from the federal GEAR UP program and the state’s web portal to inform middle school students about college and financial aid opportunities, and requiring all middle school students to set up an account on the web portal;
- Establishing a need-based financial aid program and using eligibility data already collected for federal aid programs to simplify the application process;
- Passing a \$3.1 billion bond measure for capital renovation and expansion, the largest higher education bond in US history;
- Designating seven campuses (5 HBCUs and 2 other colleges) as focused-growth institutions, targeting funding to these campuses to upgrade facilities and expand student support services in an effort to attract students and better utilize their available capacity;
- Funding distance education at the same rate per FTES as on-campus courses to provide a powerful incentive for colleges to increase on-line course offerings; and
- Allocating \$2 million for a study of demographic and economic trends in relation to higher education programs that would produce recommendations for how the state’s colleges and universities can better serve the economic needs of the state and its regions.

The state’s efforts are beginning to pay off in increased participation rates. The rate of college going directly from high school has increased from 57 percent to 65 percent since the efforts began about five years ago, moving the state from below to above the national average. Special efforts to target growth at selected institutions have resulted in a growth rate in those institutions that was triple the rate in other UNC campuses. There have been substantial increases in the college participation rates of African Americans.

North Carolina has benefited from a strong culture and history of support for public education. The funding formula supports enrollment growth at generous levels, relative to other states, and provides differential funding levels depending on program cost – minimizing the under-investment in high cost programs that plagues other states. The business community has been a strong partner in supporting public funding, playing a key role in the passage of the historic bond measure. As the economic transition places new emphasis on degree completion and calls for new kinds of vocational/technical programs, the state may be challenged by its lack of a mechanism for statewide coordination and its absence of a statewide agenda for change and a comprehensive finance plan. The newly mandated study could be key in the search for a statewide strategy, as it is a joint effort of the University and the Community College systems.

Appendix B
Legislative Studies on Needs and Capacity

State	Legislation
Washington	<p>HB 3103 (Revising Provisions for Higher Education, signed April 1, 2004) assigning the Higher Education Coordinating Board (HECB) to conduct an ongoing needs assessment to project employer demand for certificates and degrees on a regional and statewide basis, to report on those projections every two years, and to base approvals of new programs or elimination of existing programs on this needs assessment analysis.</p> <p>HB 2459 (Making Supplemental Operating Appropriations, Sec. 609, signed April 1, 2004) directing the HECB to assist the legislature and governor in evaluating various higher education investment alternatives by developing simulation models of the implementation costs for both the state general fund and tuition revenue of several policy alternatives for distributing enrollments by institution and sector and for funding those enrollments.</p> <p>HB 2707 (Higher Education Branch Campuses, signed March 22, 3004) assigning the university branch campuses and the HECB to study the mission and specific instructional programs of each branch campus and to make recommendations for the most appropriate model of education in order to increase baccalaureate and master’s degree production and ensure that campuses are meeting the needs of students, communities and regions.</p>
North Carolina	<p>H 1264 (Finance Vital Projects/Studies, Sec. 6, signed August 5, 2004) authorizes the UNC Board of Governors and the State Board of Community Colleges to contract with a consulting firm to analyze demographic and economic data, enrollment projections and current program offerings and majors and make recommendations as to how the institutions might better serve the economic needs of the state and its regions.</p>
Virginia	<p>SJ 74 (Study Public Funding of Higher Education, signed March 25, 2004) establishes a joint subcommittee to review public higher education funding policies and to make recommendations on an equitable funding methodology that: (a) recognizes differences in institutional mission; (b) provides incentives for achievement and productivity; (c) recognizes enrollment growth; and (d) establishes funding objectives in areas such as faculty salaries, financial aid, and the appropriate share of educational and general costs that should be borne by resident students.</p>

Appendix C Interviews

Arizona

Rufus Glaspar – Chancellor of Maricopa Community Colleges

Mernoy E. Harrison - Executive Vice President Administration and Finance, Arizona State University

Jaime A. Molera - President, J.A. Molera Consulting, formerly Superintendent of Public Instruction, State of Arizona

Florida

Mark Peach – Policy Analyst, Council for Education Policy and Improvement (CEPRI)

Kristina Goodwin - Policy Analyst, Council for Education Policy and Improvement (CEPRI)

Jay Pfeiffer - Director of Workforce Education and Outcome Information Services Bureau, Florida Department of Education

William B. Proctor – Executive Director, Council for Education Policy and Improvement (CEPRI)

David Wright – Senior Research Analyst, State Higher Education Executive Officers (SHEEO), formerly of CEPRI in Florida

Georgia

Ron Henry – Provost, Georgia State University

Melvin G. Hill, Jr. – Robert G. Stephens, Jr. Senior Fellow in Law and Government, Institute of Higher Education, University of Georgia

Cathie Mayes Hudson – Associate Vice Chancellor for Strategic Research and Analysis, Board of Regents of the University System of Georgia

Sheila Jones – Executive Director, Georgia P-16 Programs, Board of Regents of the University System of Georgia

Scott L. Thomas – Associate Professor of Higher Education, Institute of Higher Education, University of Georgia

North Carolina

Molly Broad – President, University of North Carolina

Dan Gerlach – Senior Policy Advisor for Fiscal Affairs, Office of the Governor, State of North Carolina

Robert “Bobby” Kanoy – Associate Vice President for Access and Outreach, University of North Carolina

H. Martin Lancaster – President, North Carolina Community Colleges System

Texas

Mike Collins – Assistant Commissioner for Participation and Success, Texas Higher Education Coordinating Board

Deborah Greene – Assistant Commissioner for Finance, Campus Planning, and Research, Texas Higher Education Coordinating Board

Geri Malandra – Associate Vice Chancellor for Accountability and Institutional Improvement, University of Texas System

Raymond A. Paredes – Commissioner of Higher Education, Texas Higher Education Coordinating Board

Virginia

Peter Blake – Deputy Secretary of Education, Higher Education and the State Library, Commonwealth of Virginia

David W. Breneman – Dean, Curry School of Education, University of Virginia

Glenn DuBois – Chancellor, Virginia Community College System

Brian Pusser – Assistant Professor, Center for the Study of Higher Education, Curry School of Education, University of Virginia

Amy Sebring – Legislative Fiscal Analyst, Senate Finance Committee, Commonwealth of Virginia

Washington

Gary Benson – Director of Fiscal Policy, Higher Education Coordinating Board, State of Washington

Steven M. Jordan – President, Eastern Washington University

Steve Mullin – President, Washington Roundtable

Nina Oman – Associate Director of Policy, Higher Education Coordinating Board, State of Washington

James E. Sulton, Jr., Ph.D. – Executive Director, Higher Education Coordinating Board, State of Washington

William Zumeta – Associate Dean, Daniel J. Evans School of Public Affairs, University of Washington

Higher Education Experts

Cheryl Blanco – Senior Program Director for Policy Analysis and Research, Western Interstate Commission for Higher Education (WICHE)

Kristin Conklin – Senior Policy Analyst, National Governors’ Association

Dennis Jones – President, National Center for Higher Education Management Systems (NCHEMS)

David Longanecker – Executive Director, Western Interstate Commission for Higher Education (WICHE)

Jane Wellman – Senior Associate, The Institute for Higher Education Policy, Washington, D.C.