

# Toward A State of Learning

## California Higher Education for the Twenty-First Century

**A crisis is here for higher education. The immediate threat is *complacency* about the challenges ahead—the "tidal wave" of new students who expect access to college over the next decade, the certainty that state resources will not be sufficient to educate them, and confusion about how they should be accommodated or who should pay.**

**California's colleges and universities—public and private—are essential to the state's economic strength, social progress, and the promise of individual opportunity. Californians must take steps *now* to preserve educational opportunity, maintain research excellence, and improve institutional quality as necessary, in good times and bad.**

**This report is committed to describing those new policies for the twenty-first century that can make California truly *a state of learning*.**

**MARCH 1999**

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## FOREWORD

The California Citizens Commission on Higher Education was organized out of concern that educational opportunity is at serious risk. From its beginning in 1996, the Commission has been concerned that California lacked a long-term *and* realistic plan to enroll the surge of new students projected to seek college admission.

We were concerned that, without a strong policy framework, a future recession would take the same toll as did the last one during the early 1990s, when the state government abandoned many commitments under its famous "Master Plan for Higher Education." Then public institutions reduced enrollments, drastically increased student fees, and took other emergency measures contrary to the long-term public interest.

To inform itself about California's system of higher education, the Commission spent eighteen months visiting campuses, listening to higher education leaders and experts, talking to students and faculty, and reviewing state policy with public officials. In July 1998, the Commission issued a draft report, *A State of Learning: California Higher Education in the Twenty-First Century*. Our central finding was that California has a strong system of higher education, currently flourishing with robust state appropriations, but one where certain defects prevent the system from realizing its full potential and better serving the public. We also found that policy drift and inattention to obvious problems of finance and governance threaten the ability of future Californians to enjoy the educational opportunity promised by the Master Plan for Higher Education.

These ideas received extensive attention from the media and many individuals and organizations concerned with higher education's future. In September 1998, the Commission channeled this attention into a serious public dialogue about higher education policies through four public forums:

September 3:	California State University, Sacramento
September 10:	University of California, Berkeley
September 22:	Los Angeles Trade Technical College (Los Angeles Community College District)
October 1:	University of San Diego



## CALIFORNIA CITIZENS COMMISSION ON HIGHER EDUCATION

Approximately one hundred and twenty individuals attended these sessions, and thirty made formal presentations. Many submitted written comments during the sessions, while dozens of others sent letters and e-mail messages, that ranged from line-by-line analyses of the report to adamant resolutions adopted officially by community college boards of trustees. The Commission has collected all of this record into a volume, available to the public, entitled *Conversations About "A State of Learning."*

Before completing its final report, the Commission reviewed these contributions, offered by supporters and critics alike. We then opened a dialogue with them that is reflected in the following pages. In preparing our final report, we decided to present the views of others who were concerned with our recommendations or who expressed different perspectives. We believe that such an open presentation serves the public interest by allowing all to evaluate the merits of both sides.

The Commission's work was made possible through the generosity of its sponsors, all of which have a consistent record for supporting reform efforts in education. The James Irvine Foundation, the Ralph M. Parsons Foundation, the Weingart Foundation, and the Arco Foundation have supported our efforts from inception. The William and Flora Hewlett Foundation provided timely support for the public forums in September 1998. The Commission is a project of the Center for Governmental Studies, a nonpartisan, public policy research organization that seeks to improve the processes of democratic self-government.

Commission members have generously donated their time, thought, and energy without compensation. They have done so to promote this, their vision, for higher education:

All Californians should have the opportunity and encouragement to attend an affordable institution of postsecondary education that will best meet their needs. California's colleges and universities should possess the highest quality and efficiency in the nation, and they should regularly demonstrate their performance and results in clear and objective ways. California should have the most prominent and productive research universities in the world, as well as a wide range of other high quality institutions, which offer academic, vocational, and continuing education programs to students of all ages. Student bodies throughout public higher education should reflect the racial/ethnic and socioeconomic diversity of California.

## EXECUTIVE SUMMARY

### THE DREAM

Forty years ago, Californians sought to transform the dream of a college education into a reality available to every citizen. Guided by the state's famous Master Plan for Higher Education, Californians committed themselves to developing the most affordable, accessible, diverse and highly respected system of higher education in the United States. Today the state's universities and colleges, both public and private, are one of California's greatest resources, essential to continued economic strength, social progress, and individual opportunity.

### THE CHALLENGE

Yet, despite recent increases in state funding, California's system of higher education stands on the verge of crisis. A "tidal wave" of new students—500,000 more than are enrolled today—will seek admission to the state's colleges and universities by the year 2010. Apart from hopes that good financial times will continue throughout "Tidal Wave II," the state has no plan to accommodate or pay for this wave of new students. Without a realistic plan that will work in good *and* bad financial times, California will not be able to preserve the promise of higher education to all who qualify. The state will have to limit access to college, reduce the quality of institutions, and raise student charges beyond the means of many Californians.

### THE COMMISSION'S RECOMMENDATIONS

After two years of intensive study, the Commission strongly and unanimously recommends that California make major changes to improve its policies for higher education and adopt a comprehensive plan to ensure enrollment space for new students, while maintaining the highest levels of quality throughout the system. Above all, the Commission believes that California must make a long-term commitment to become *a state of learning*, where access, quality, affordability, diversity, innovation and cooperation will be the hallmarks of higher education.

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## CALIFORNIA CITIZENS COMMISSION ON HIGHER EDUCATION

To establish a firm foundation for this *state of learning*, the Commission recommends these actions:

**The Commission's finance recommendations represent a set of interlocking and mutual commitments among the state government, the students, and the institutions of higher education. The state government should commit to providing higher education at least its current percentage of total state appropriations, some funds for enrollment growth and assistance for financially needy students. The institutions would forego a portion of the normal funds associated with enrollment growth, substantially change "business as usual" in terms of facilities use and ways of delivering instruction, and set aside monies into a trust fund for expenditure later. The students would have an annual fee increase, but one which would be gradual, moderate and predictable.**

- ◆ *A commitment by state government to stabilize long-term funding for the University of California and the California State University. This can be done by fixing their appropriations as a proportion of state expenditures and, above this level, by providing additional resources for new students through an approach which "shares responsibility" among the state government, the students, and these public systems of higher education. The state government should also adopt some strategy to smooth out the wide swings of its support for these systems which conserves resources when they are most available and transfers them to the times when they are needed most.*
- ◆ *A commitment by state government to stabilize the proportion of funds appropriated to the Community Colleges within the provisions of Proposition 98 and, above this level, to provide additional resources for new students. These colleges are currently underfunded in relation to their needs and in comparison with similar colleges around the country.*
- ◆ *An expanded financial commitment to the Community Colleges, however, should be part of broader package of reforms that firmly establish their collegiate character. Currently entangled in various internal contradictions and structural inefficiencies, the community colleges can only respond effectively to "Tidal Wave II" if their structure is made simpler and more efficient, the tangle of state regulation over them is reduced, and their accountability is clearer.*
- ◆ *A commitment by state government to adopt and adhere to a long-term approach for annually raising the amount paid by students in public institutions in ways that are gradual, moderate, predictable, and equitable. This approach should replace the current pattern of reducing charges in good years and then raising them drastically in bad years. Clearly, students in public institutions now pay*

"fees" which support a significant portion of their educational costs, though far less than the state government subsidy paid on their behalf.<sup>1</sup> It is also true that many students could afford to pay more, especially since the change in federal policy toward tuition tax credits for middle income Americans. Public opinion in California and the weight of policy arguments, however, do not support a "high tuition/high aid"

strategy for California's public institutions, especially for the Community Colleges and the California State University.

## CALIFORNIA CITIZENS COMMISSION ON HIGHER EDUCATION

- ◆ *A commitment by state government to provide adequate aid to students in financial need.* Such aid should be available throughout California higher education, and provided to students in both public and private institutions. This approach should replace the current practice of providing aid through fee increases by "recycling" charges collected from some students as aid for others. Increases in student charges among public institutions should be used to support only their operations, and student financial aid for these fee increases should be a responsibility of state government.
- ◆ *A commitment by state government to use capacity within the independent institutions of higher education as a way of accommodating a portion of "Tidal Wave II" and training the large number of new K-12 teachers needed for California's schools.* The state government should always include these institutions and the for-profit sector within its planning by considering the impact on them of major policy changes for public colleges and universities.
- ◆ *A commitment by state government and the institutions of higher education to deliver more education without increased capital costs by making extraordinary efforts to use existing facilities more intensively and extensively.* This should involve year-round operation, extended hours at night and during weekends, and sharing of facilities. Institutions should be given strong incentives to fill campuses that have unused capacity.
- ◆ *A commitment by state government and the institutions of higher education to establish a financing framework that will reward efficiency, encourage cost containment, require productivity increases, and enroll all eligible students.* The only realistic means for enrolling all Tidal Wave II students is through an approach of "shared responsibility" where the state government, the students, and the institutions of higher education all contribute to, or absorb a portion of, the increased costs of higher education.
- ◆ *A commitment by state government and the institutions to strengthen statewide coordination and regional cooperation among educational institutions to reduce barriers that lessen efficiency or impede student progress.* These improvements can provide a more effective voice for the broad public interest in higher education and help reduce the barriers for students and inefficiencies inherent in California's highly "segmented" structure of higher education.

- ◆ *A commitment by state government and the institutions to use new strategies for preserving educational opportunities and ensuring that student bodies reflect the diversity of California.* California's public universities should change their freshman eligibility definitions to guarantee access to the very top students in each California high school. State government should increase funding for those programs with a demonstrated record of success in expanding educational access, encouraging successful transfer between institutions, and improving graduation rates.
  
- ◆ *A commitment by the institutions to fundamentally change the way those on higher education campuses view the K-12 sector and their responsibility for training teachers.* The links between K-12 and higher education should be a central priority for all educational institutions and become a permanent part of California's policy and fiscal environment. The institutions of higher education should be more accountable for improving the quality and effectiveness of K-12 education.

## *PART ONE*

### *A VISION FOR CALIFORNIA HIGHER EDUCATION*

#### **THE DREAM**

Forty years ago, Californians sought to transform the dream of a college education into a reality available to every citizen. California was the first state to promise, unambiguously in law, that a tuition-free "space" for every qualified adult would be available somewhere in higher education. Enshrined in the state's now famous Master Plan for Higher Education, the promise offered widespread and affordable access to high-quality colleges and universities throughout the state and the opportunity to choose among them. Guided by this Plan, Californians committed themselves to developing the most affordable, easily accessible, and most respected system of higher education in the country.

Such a commitment extends great benefits to the state. Higher education helps ensure an educated citizenry capable of exercising the public rights and responsibilities required in a democratic society. For the economy, higher education is increasingly central to California's competitive edge in worldwide markets. Advanced education prepares men and women to enter and succeed in such rapidly growing fields as high technology industries, telecommunications, entertainment, and international trade—the growth sectors of modern California. World-class research draws business and industry to California and creates a strong foundation for economic growth.

Higher education is also an essential bridge to the work environment of the future. The Commission agrees with popular author William Bridges who writes that the future holds a "workplace without jobs."<sup>2</sup> In this new environment, many employees will not be filling some traditional *job*, a pre-designed slot with a specific set of duties performed repeatedly. Rather, they will be employed to handle many diverse responsibilities; they will operate within rapidly changing organizations and partnerships; they will have to be creative and innovative; and they will constantly use technology to increase productivity.

**Higher education helps ensure an educated citizenry capable of exercising the public rights and responsibilities required by a democratic government. For the economy, higher education is increasingly central to California's competitive edge in worldwide markets.**

California leads the nation toward such a decentralized, changing workplace. The state's colleges and universities are essential to helping citizens become more flexible, more technologically sophisticated, and better prepared to solve the complex problems of this new world.

Colleges and universities also play a vital role in fostering equal opportunity. An accessible system of higher education allows members of groups disadvantaged by poverty or discrimination to obtain the knowledge, skills, and credentials that will enable them to compete economically and achieve personal fulfillment. This role is especially important as California becomes more racially, ethnically, and socially diverse.

### **THE REALITY**

By most measures, higher education has been successful in helping Californians realize their dream. For individuals seeking greater opportunity, California's institutions provide a vast array of choices, ranging from English courses for recent immigrants to the most advanced medical education in the world; from cosmetology to comparative literature; from introductory general education to advanced graduate study in highly specialized scientific fields.

A large portion of the state's new and successful enterprises (microelectronics and biotechnology firms are the best examples) have been fostered by universities, both public and private. California's economy is home to nearly half of the 100 fastest growing firms in the United States, a surge that cannot be sustained without skilled workers and high levels of educational opportunity.<sup>3</sup>

By the 1990s, the higher education enterprise had grown into a reality far larger and more diverse than anything envisioned in the original dream. One hundred and thirty-nine campuses of public higher education are now scattered throughout the state, with a combined credit enrollment of more than 1.6 million students. Private accredited institutions enroll almost a quarter million more students, while "for-profit" schools enroll another 400,000 in vocational and academic programs.

All together, these institutions spend around \$25 billion each year on education, research, public service, and other activities. Display One shows the size and extent of postsecondary education in California.<sup>4</sup>



<b>DISPLAY ONE</b>				
<b>Higher Education in California, 1997</b>				
<i>Higher Education Segment/Sector</i>	<i>Campuses</i>	<i>Credit Enrollment</i>	<i>Annual State General Funds (Billions***)</i>	<i>Total Annual Spending (Billions)</i>
California Community Colleges	106	1,200,000	\$3.2	\$3.6
California State University	22	326,000	\$1.9	\$3.8
University of California	9	163,700	\$2.3	\$11.1
Independent Institutions*	72*	231,300	\$0.2	\$6.5
<b>TOTAL-ACCREDITED HIGHER EDUCATION</b>	<b>209</b>	<b>1,921,000</b>	<b>\$7.6</b>	<b>\$25.0</b>
<i>Other Postsecondary Institutions**</i>	<i>Locations</i>	<i>Enrollment</i>	<i>Annual State General Funds (Billions***)</i>	<i>Total Annual Spending (Billions)</i>
State Approved Private & Vocational Schools	2,100 sites	412,400	\$0.01	\$1.3
K-12 Adult Schools	250 districts	Est. 1,800,000 duplicated enrollment	\$0.45	\$0.48
Regional Occupational Programs	30 counties	Est. 100,000 duplicated enrollment	\$0.27	\$0.29
<b>TOTAL OTHER</b>	<b>NA</b>	<b>NA</b>	<b>\$0.74</b>	<b>\$2.07</b>
* Members of the Association of Independent California Colleges and Universities only. ** UC and CSU Extension enroll hundreds of thousands of students with no state funding. *** Includes state-funded student financial aid provided through the Student Aid Commission. Sources: CPPVE, p. 18; Governor's Budget, 1998/99; AICCU, <i>Uncertain Partnership</i> , p. 11.				

**The University of California.** In terms of prominence in research and graduate education, no state matches California. The state's public research university consists of eight general campuses and one health science university. Together they attract more than one tenth of all research funds awarded to universities throughout the United States, a total of approximately \$1.2 billion. "The University of California is the most successful research university system in the world," concluded a respected study from a Vanderbilt professor. "It has no competition."<sup>5</sup>

**The California State University.** This set of twenty-two campuses, the largest four-year system in the country, provides an extensive presence throughout California. It places primary emphasis on undergraduate academic education and concentrates graduate-level work in selected professional fields such as business, social work, education, health sciences, and engineering. The CSU is more accommodating of part-time students than is the University of California, graduates the majority of candidates for K-12 teaching certificates in the state, and enrolls large numbers of Community College transfer students (60 percent of CSU baccalaureate holders have credits from California's two-year colleges).<sup>6</sup> CSU describes itself as committed to innovative use of facilities, the

development of flexible academic schedules, and a continuing emphasis on "the ease with which students get services."<sup>7</sup>

**The California Community Colleges.** This third public segment enrolls 1.4 million students in credit and non-credit classes, a figure that translates into 10 percent of all college students in the United States and 27 percent of the nation's students in two-year colleges. The Community Colleges are the most diverse among the public segments, enrolling the majority of all Latinos and African Americans in California higher education. They are, by law, *open door* institutions: the Community Colleges must admit any California resident over 18 years old and capable of profiting from instruction.<sup>8</sup> The colleges offer instruction in three types of courses supported by state funds: credit transfer to universities, community college credit, and noncredit.<sup>9</sup> Most also offer community/business services that do not receive state funding. Over one million students annually take vocational education classes that provide training for job entry, career changes, updating of skills, and licensing. Welfare-to-work reform has given an even greater responsibility to these colleges for offering vocational education and job training. The colleges are continually asked to play a leading role in serving the public—a fact underscored in 1996 when the Legislature officially added "economic development" as another component of their mission.

**The Private Sector of Higher Education—Accredited, Non-profit Institutions and "For-Profit" Schools.** California has a large sector of accredited colleges and universities, called "independent institutions," which range from small specialty colleges in the arts with 200 students to large universities with student bodies of 30,000. In between are freestanding graduate and professional schools, campuses with religious affiliations, single gender schools, liberal arts colleges, and campuses for working adults.<sup>10</sup> California's four private research universities account for \$400 million in awarded research funds and, along with other independent institutions, provide half of all advanced graduate degrees and one quarter of all baccalaureates granted in the state.<sup>11</sup> The "for profit" sector consists of a wide variety of institutions, and is growing rapidly by offering instruction that ranges from short-term/technical courses to doctoral degrees in academic subjects. Taken as a whole, the demographics of student bodies among independent institutions reflect California's population. The graduation rates of accredited institutions are high while the state taxpayer subsidy provided them is low, consisting only of the \$170 million annually provided through state-funded student financial aid.

## THE CHALLENGE

While Californians can be proud of their system of higher education, its ability to support educational opportunity for all qualified applicants is seriously threatened by the demand for new enrollments and the certainty that state government alone cannot afford the costs under "business as usual."

**An Increasing Economic and Social Split.** Perhaps the most serious consequence of any reduction in educational opportunity will be a further widening of a dangerous split in the state's population. Historically, California has been one of the wealthiest states in a wealthy nation. Yet, in the midst of a strong California economy during the 1980s, income inequality began to grow steadily. Economic changes in the 1990s increased this split as massive job losses in the aerospace, manufacturing, and defense industries were accompanied by expanding opportunities in the high technology and professional service fields. "California is not so much poor," concluded a 1997 study of social problems, "as it is unequal."<sup>12</sup>

*The Role of Education in Reducing the Split.* Much of this inequality can be explained by differences in education. In the current economic arena, the average income of individuals rises rapidly as educational levels increase, especially for those who hold baccalaureate degrees or higher. Indeed, even the prospects of finding any job are enhanced by increased education: 85 percent of all the new jobs in California between 1970 and 1990 were filled by workers with at least some form of postsecondary education.<sup>13</sup>

*Troubling Indicators.* Without more educational opportunity for all Californians, social and economic polarization can become a permanent and disastrous feature of the social landscape. At present, four indicators are especially troubling.

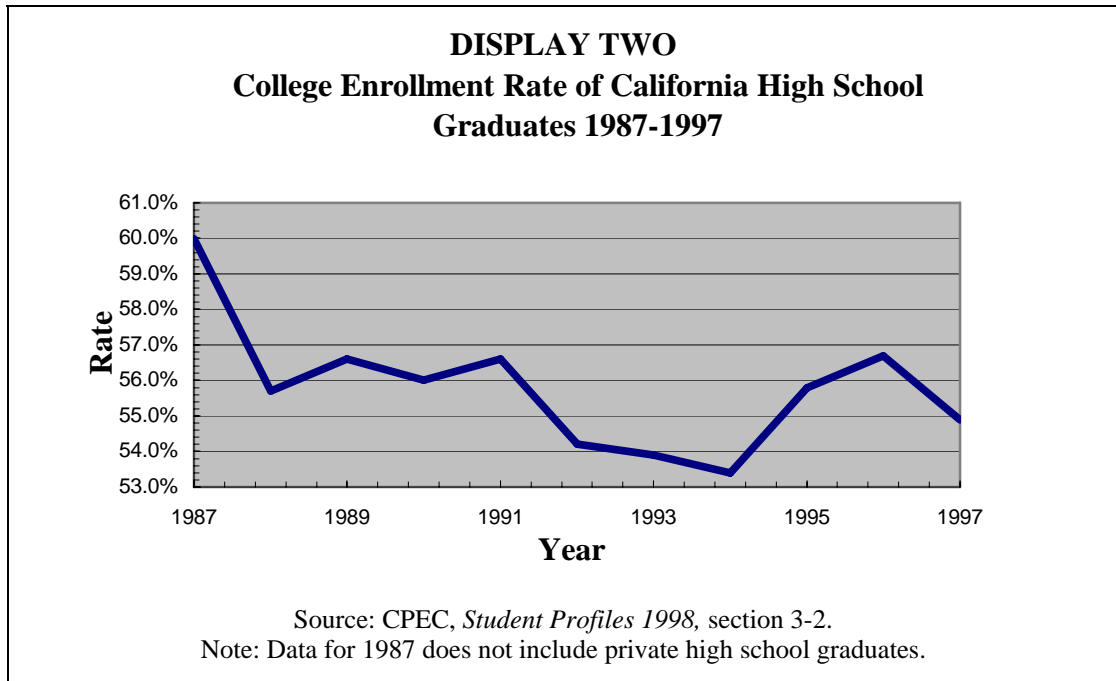
First, college-going rates in California have fallen over the years (see Display Two), largely in response to fiscal cutbacks, enrollment losses in the Community Colleges, and uncertainty about changes in student charges. Once the nation's leader in college opportunity, California has fallen seriously over the last twenty years. Today, about 54 percent of our high school graduates enter college soon after high school, a level below the national average. In 1975, 16 percent of *all higher education students* in the nation were enrolled in California's public and private institutions, a statistic which had fallen to 12.7 percent in 1995.<sup>14</sup>

While not all high school graduates want or need a bachelor's degree, some form of postsecondary education or training is increasingly necessary for those who wish to function successfully in the state's

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economy. The Commission's recommendations for stabilizing finance and improving preparation for college are essential for reversing this pattern of decline.



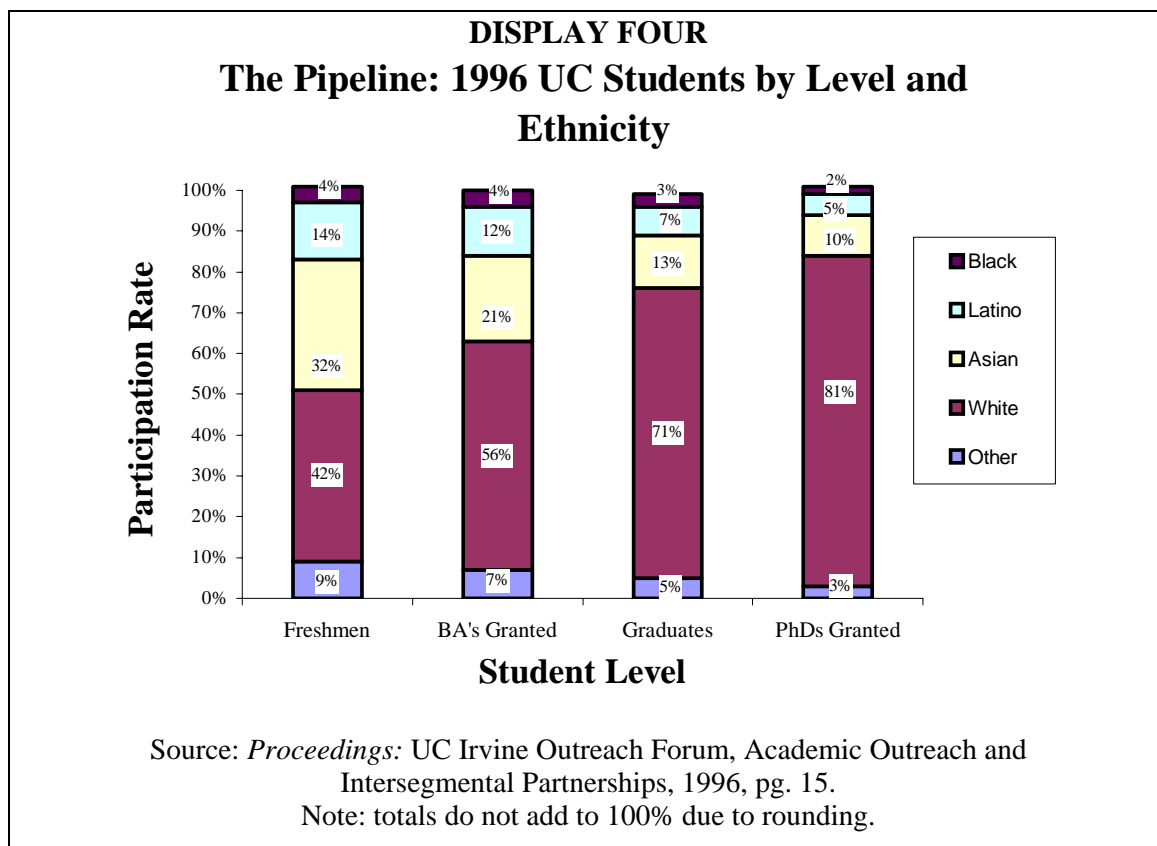
Second, California's system of higher education has a low ranking in measures of final educational attainment. Ours is close to the bottom among all states in associate or bachelor's degrees achieved, both as a proportion of total population and as a percent of total enrollments (see Display Three). This low ranking remains even when California is compared to other large states with extensive two-year systems which tend to have low degree-granting averages.

**DISPLAY THREE**  
**California's Ranking in Higher Education Degree Production**

<b>Public and Private Institutions Combined</b>	<b>National Rank</b>
<i>AA or BA degrees Per 1,000 college enrollments</i>	47th
<i>AA or BA degrees awarded Per 1,000 population ages 18 to 24</i>	40th
<i>BA degrees awarded per 1,000 enrollments</i> (30% below the national average)	46th

Source: U.S. Census Bureau and U.S. Department of Education, 1995.

Third, these indicators—college-going rates and graduation rates—continue to be low for members of those racial, ethnic, and socioeconomic groups—notably Latinos, African Americans, and Native Americans—that have been traditionally underrepresented in higher education. These differences in enrollment across groups increase as students advance up the educational ladder, with some groups barely represented at the highest levels, as shown in Display Four.



Fourth, as the fastest growing ethnic group in California, Latinos have the most to lose if the doors of higher education slam shut to Tidal Wave II. The number of Latinos graduating from high school is projected to almost double by 2010, and by then Latinos will have increased from 30 to 45 percent of the total public high school graduates. They will then represent the largest ethnic group of high school students in California.<sup>15</sup> Another rapidly growing group, Asian Americans, will have increased to 16 percent of the total public high school graduates in 2010. If educational opportunity is not increased for these and all racial and socioeconomic groups, California's economy will be at serious risk.

The Commission's recommendations are designed to address each of these troubling indicators and ensure more educational opportunity.

**What Prevents California from Meeting This Challenge?**

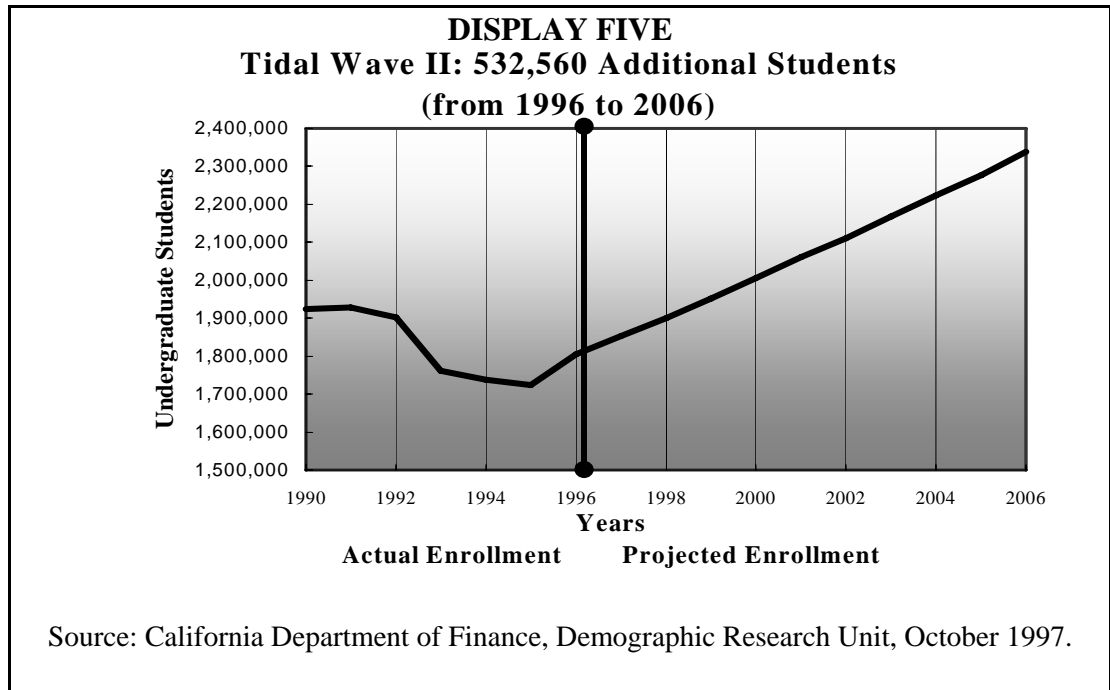
The Citizens Commission identified *two sets of major problems* that, over the long run, are virtually certain to prevent California from effectively responding to "Tidal Wave II" and maintaining a first-rate system of higher education.

*The first set is financial:* the impossibly high cost of accommodating all the new enrollments under "business as usual" and the destructive "boom and bust" cycles of state finance.

*The second set is structural:* an overly "segmented" approach to organizing higher education and a community college system whose structure and regulatory apparatus are not appropriate for the twenty-first century.

**The Large Cost of "Tidal Wave II."**

Display Five tracks the dramatic increase in student demand as 500,000 more students will seek to enroll in California higher education by the year 2010 (30 percent more than today's enrollment). This demand represents the second surge of young people seeking college entrance, the first being the Baby Boom generation that reached college-age during the 1960s.



The Citizens Commission reviewed several research studies about enrollments and developed its own statistics. All these provide compelling evidence that California state government alone will not be able to pay for this increase in student demand.<sup>16</sup> This conclusion was reinforced in October 1998 by three respected authorities who again analyzed the enrollment projections and concluded that "enrolling this many new students in a state that is unlikely to build large numbers of new campuses is a formidable task that has implications approaching tidal wave proportions. Without a combination of careful state planning and support, increased segmental efficiencies, and increased contributions from parents and students, these more than half-a-million students indeed threaten to swamp California's system of higher education."<sup>17</sup>

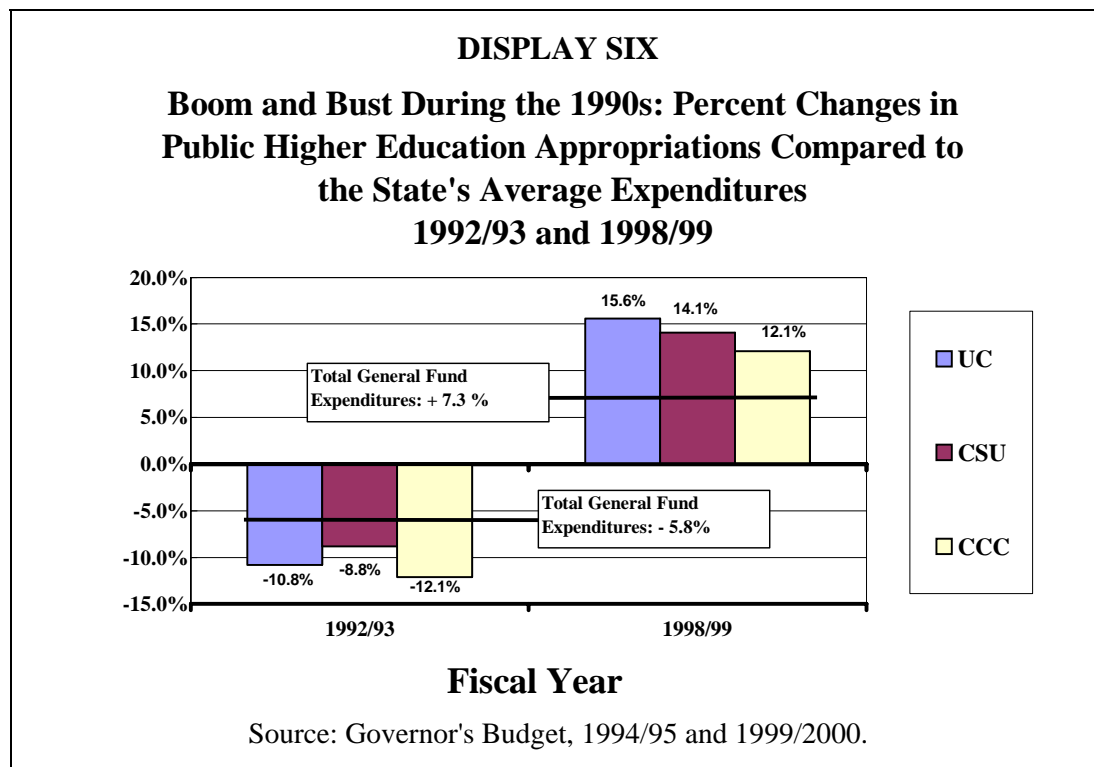
**Boom  
in the California  
Community Colleges**

*In California, we have enjoyed our finest two years ever in terms of funding. [T]here is much more money ...than we would have imagined. It has put us in an embarrassing light because when we think that our needs and priorities are \$300 million and then all of a sudden there is \$450 million available, we are scrambling to find areas where the money fits the priorities.*

**Thomas Nussbaum  
CCC Chancellor  
1997**

**The Problem of "Boom and Bust" Finance.**

*A Problem for Institutions.* The pattern of state finance poses a serious challenge to higher education: appropriations for colleges and universities rise more than the increase in state revenues in good times but fall more sharply than the average when state revenues decline, as shown in Display Six.<sup>18</sup> In good times, resources rush in like windfalls and are often spent without careful planning or due regard for long-term consequences. Many institutions respond to "boom" funding by increasing their fixed costs, which are difficult to sustain later. Little provision is made for the future "busts" that invariably follow.



**Boom and Bust  
in the  
University of California**

*For the University of California, the financial hardships of the recent past have no parallel at all in our 125 year history. Over the last four years, UC has had to respond with unprecedented speed to cuts of unparalleled scope and magnitude.*

**Jack Peltason  
UC President  
1993**

*The current year's budget is spectacular — the most generous budget the University has had in many years.*

**Richard Atkinson  
UC President  
1998**

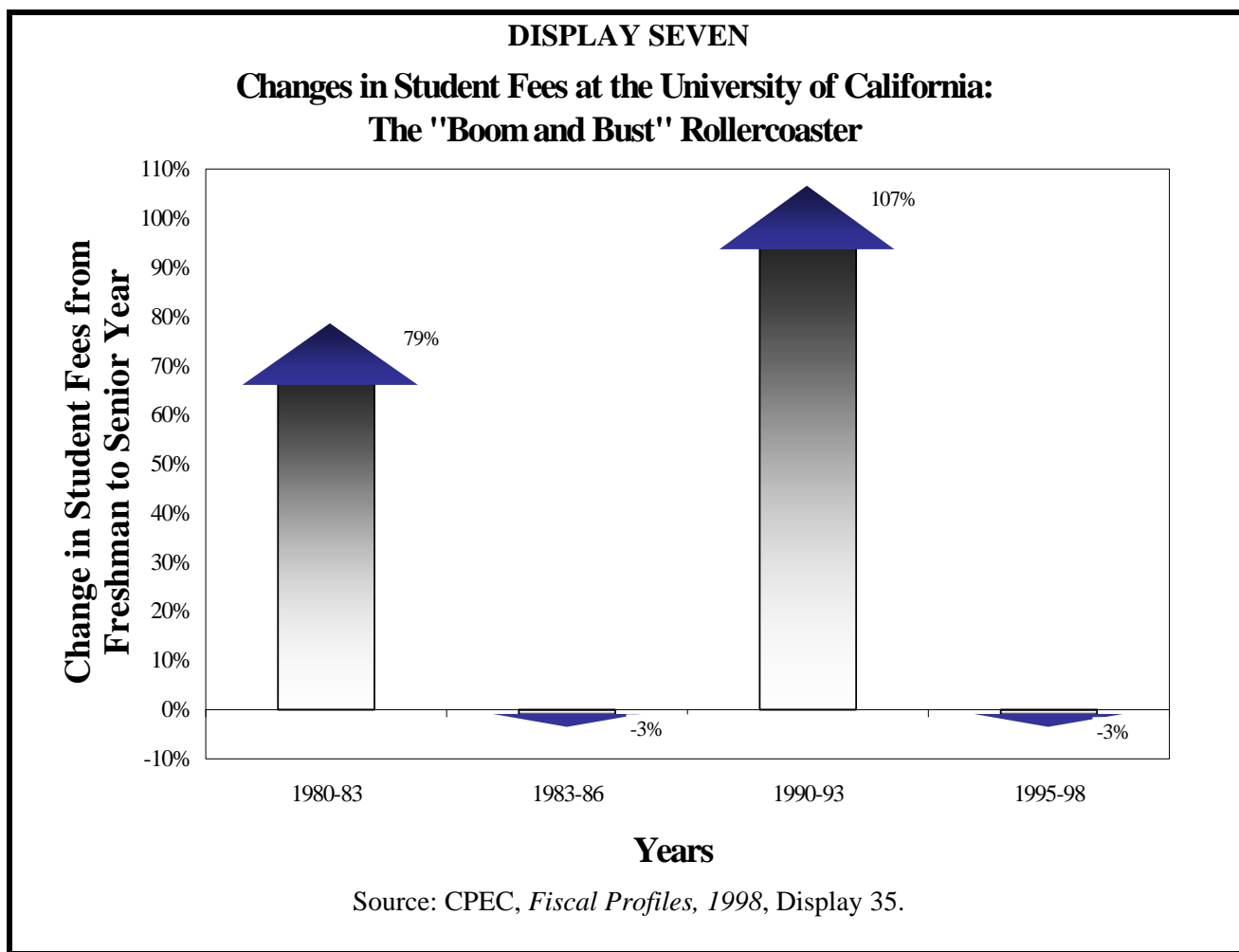
When hard times do arrive, state government deeply cuts its appropriations to higher education which, in turn, adopts short-term emergency measures. The general effect of these steps is to shrink the higher education enterprise and reduce accessibility to colleges and universities across the state. During the most recent "bust," the UC responded by granting generous retirement incentives to many senior faculty members from the University's retirement fund, an action that "sharply reduced the University's core teaching faculty"<sup>19</sup> and thinned their ranks by 20 percent.<sup>20</sup> The Community Colleges reduced the number of class offerings and saw their enrollment drop by 150,000 students.<sup>21</sup> The CSU laid off large numbers of temporary faculty and staff and also cut back on classes and enrollments, losing more than 10 percent of its freshmen class in 1992.<sup>22</sup> Campuses in all three segments postponed facilities' repair and curtailed library purchases. Worse yet, each "bust" cycle during the past thirty years has been deeper than the one before, an ominous pattern for the future.

The practical effects on colleges and universities of the wide appropriations swings are widely recognized by credible authorities. "In good times, because resources are readily available, there is no incentive to pursue efficiency," observes the Council for Aid to Education, a subsidiary of RAND. "[I]n bad times, institutions adopt short-term measures to shrink services and drive up tuition to ride out the storm." The almost universal tendency is for the institutions to take steps designed simply to hold things together until the "boom" times return.

The Citizens Commission believes that the effects of this "boom and bust" cycle poses a serious challenge to the goal of enrolling all Tidal Wave II students. Again, the Council for Aid to Education captures the heart of this problem: "Until states find a way to stabilize funding of higher education, institutions will lack the incentive to do the long-range planning necessary to control costs and protect access."<sup>23</sup>

*A Problem for Students and Parents.* "Boom and bust" cycles have had a powerful impact on students and their parents, and state policies have been grossly unfair to many of them. In good times, when the economy is strong and unemployment low, the state government reduces student fees. In bad times, when economic opportunities are limited and families are struggling, the state raises student charges substantially, sometimes doubling fees in less time than it takes a student to graduate. Especially in the CSU, many students were forced to delay graduation due to course cancellations. Over the past twenty years, this pattern has caused extreme uncertainty about what students and families might expect in costs at public institutions. One entering class pays an even rate of charges, while other classes are hammered with huge increases, as shown in Display Seven.





**An Overly "Segmented" Structure for Higher Education.** Since 1960, California has organized higher education into separate systems or, more accurately, into *several tiers of campuses* that have distinctive institutional missions. The California Master Plan drew clear lines between the research-oriented University of California and the teaching-oriented California State University; between Community Colleges with open access and public universities with restricted admission pools; and between these public institutions with line-item appropriations and private sector institutions where government support is provided only indirectly through student financial aid. Additionally, all of the state's institutions of higher education were defined as distinct from and "over and above" K-12, which was seen chiefly as a feeder of students to the colleges and universities.

**Characteristics of the  
Most Segmented  
Systems Around the  
Country**

*Multiple governing boards are each responsible for one or more institutions. There is no effective state agency with substantial responsibility for all higher education. State government reserves only the power to determine the appropriation each institution receives each year. Each governing board and its appointed executive represent institutional interests directly to state government through the budgeting process. Four-year institutions and community colleges may each have their own separate arrangements for voluntary coordination to identify areas where they were willing to cooperate in dealing with state government and with each other.*

**The National Center for  
Public Policy and  
Higher Education  
1998**

These distinctions were intended to promote order during the growth of higher education, prevent turf wars, control "mission creep" (the expensive, prestige-seeking efforts of campuses to expand their scope), and provide clear messages to the public about admissions policies and other campus features.

There is no doubt that *segmentation* has benefited California in promoting the orderly development of higher education, widespread initial access to college, and clarity of institutional roles and responsibilities. However, the problems of dividing higher education into sharply defined segments are increasingly troublesome and must be addressed if Californians are to receive the full measure of service from their *entire system* of higher education. The most serious defects of extreme segmentation are:

- ◆ It has limited state government's ability to coordinate or provide effective financial incentives to promote cooperation across segmental lines or with private institutions.
- ◆ It has set up roadblocks to the creation of effective regional associations that could better link the segments, encourage the sharing of facilities and equipment, coordinate program offerings, and better serve the needs of students.
- ◆ It has discouraged joint programs between institutions from different segments and closer collaboration to serve the needs of students who move among them.
- ◆ It has encouraged each segment to "go it alone" during fiscal crises rather than cooperating through a comprehensive approach.

**An Outmoded Structure and a Regulatory Jungle— The California Community Colleges.** The effectiveness of the California Community Colleges is vital to California's future. These colleges now enroll almost 60 percent of all students in California higher education and are projected to accommodate more than 75 percent of those arriving in Tidal Wave II.<sup>24</sup> Because their role is so large and strategic, the Community Colleges must be efficient and highly focused on meeting the state's expanding demands for education. Yet, the Citizens Commission found that this segment, more than the others, has an overly elaborate structure with internal contradictions and tensions. Accountability is unclear, and many resources are devoted to activities which neither fulfill its mission nor benefit students very much.

What causes such strong tensions for the Community Colleges? Some arise from the fact that the colleges are asked to play a role in *higher* education while having a K-12 organizational framework with district boundaries and elected trustees. Some come from their strongly local orientation on which rests a huge burden of state statutes and regulations, many of which are inappropriate for any modern institution of higher education. Some stem from the enormous size of the system and the wide diversity of its 107 colleges. Some have been imposed from outside (Proposition 13 removed their ability to set property tax rates locally and turned property tax distribution over to the State Legislature, creating in effect a state system of finance). Some come from structural inconsistencies such as revenue control by state government in a system where responsibility for collective bargaining—a major element of expenditure control—resides exclusively within each of the 71 districts. This responsibility causes many districts to invest an enormous amount of time and money in the process and results in a wide variety of contractual provisions, some of which place districts in fiscal jeopardy because of commitments they cannot realistically fulfill. Finally, many Community Colleges have had difficulty moving from the type of decision-making structure found in K-12 to a more collegial one typical of universities.

By listing these structural problems, the Citizens Commission does not intend to convey the impression that the colleges are failing. As we developed our initial recommendations and during the public forums, we found many examples of effective and innovative programs among these colleges. Large numbers of faculty and administrators in the Community Colleges bring energy and imagination to the educational enterprise and are committed to serving social needs often considered inappropriate by the more traditional institutions of higher learning. Many trustees perform great public service as the legal and fiduciary custodians of their districts. Many Community Colleges deliver a quality and student-centered product, despite an organizational structure more often a hindrance than help.

*One example of burdensome regulations is the state's Field Act, which holds community colleges to stricter building codes than other segments of higher education. Field Act requirements cost Santa Monica College an additional \$1 million to \$2 million in construction costs when we recently purchased and upgraded a satellite campus building...that had previously housed a private college!*

**Letter from Piedad Robertson  
President  
Santa Monica College  
September 1998.**

*If the present system has such great 'local control,' why do the California Community Colleges have 110 registered lobbyists in Sacramento?*

**Question Posed  
During Forum III  
LA Trade Technical  
College  
September 1998**

*We are also the only district which did not invest with the Orange County Bankruptcy except as to the \$2 million that was required by the State mandate for us to continue such a balance through the County Treasurers office.*

**Walter Howald  
President  
Board of Trustees  
Coast Community  
College District  
Forum IV, University  
of San Diego  
October 1998**

**Needed Changes**

**Conserve resources in good times, smooth out unnecessarily wide swings of state appropriations and student fee increases, provide incentives that would encourage all institutions—public and private—to meet public needs, contain costs, and establish a long-term partnership among the state government, the students, and the public institutions of higher education.**

It is also apparent that the Community Colleges have made several attempts to grapple with their structural and resource problems. These efforts include the Board of Governor's *Strategic Response*, the Consultation Council's *Report 2005*, and the Chancellor's Partnership for Excellence initiative, which is the first major appropriations program in California that explicitly recognizes educational goals and outcomes.

Still, the Citizens Commission is convinced that these developments alone cannot hope to resolve the structural tensions and frustrations of the Community Colleges. It is no coincidence that over the past fifteen years, every major, independent study of the colleges has reached roughly similar conclusions about these tensions.<sup>25</sup> It is time to take these problems seriously.

**THE OPPORTUNITY**

Strong enrollment demand, growing financial needs and structural problems pose serious challenges for higher education, but California's human and technological resources have never been greater for solving them. The Citizens Commission is convinced that proper management of these resources will make it possible to accommodate all the students projected in Tidal Wave II, and even to improve opportunities.

To seize these opportunities, however, will require changes. Steps must be taken to conserve resources in good times, smooth out unnecessarily wide swings of state appropriations and student fee increases, provide incentives that would encourage all institutions—public and private—to meet public needs, contain costs, and establish a long-term partnership among the state government, the students, and the public institutions of higher education. In this regard, California can benefit from the experience of other states that are experimenting with different approaches to finance. One noteworthy example is Kentucky, which has abandoned formula funding based on enrollments in favor of incentive grants.

California also has the opportunity to improve its system of higher education by softening the rigidities of *segmentation*, where excessive attention is paid to institutional structures and distinctions of mission. More specifically, the Commission agrees with earlier reviews of California higher education—including one by a joint committee of the Legislature—which concluded that the Master Plan's distinctions among the public segments have hardened too much and are impeding a more unified and efficient approach to meeting the state's educational needs.<sup>26</sup>

Finally, California higher education can also improve its service to the public by shifting attention away from internal processes to end results,

especially toward the goal of serving students in a timely, efficient, and flexible fashion.

To seize these opportunities will require leadership from state government. Perhaps the best example of the need in this regard is the state's *Education Code* for the Community Colleges. Here are volumes of laws and regulations relating to these *local* institutions—rules designed more for bureaucratic control or for the benefit of college employees than to serve students or the public.

In creating new structures for higher education and changing government's orientation, California can benefit from the examples of corporations and public authorities alike, which have been forced to rethink their strategies and redesign their operating structures.<sup>27</sup> Almost universally, they have become more focused on service and quality than on internal priorities, and are more concerned with productivity than prestige.

## THE HORIZON

The future for the state's colleges and universities has never been brighter. The reason is that the very center of the higher education enterprise—the discovery, preservation and transmission of knowledge—is vital to three of the most profound economic and social trends in modern California. If colleges and universities can respond effectively to these trends, they will prosper and well serve the public.

**Trend One: A knowledge-based and value-added economy.** The nation's current economic strength and California's prosperity rest on an economy where information is central to productivity. Our ability to compete internationally, as well as to offer a higher standard of living for everyone, depends on further expanding this type of economy. Universities and colleges play a central role here because they are in the business of transmitting knowledge.

But economic success requires more than just information. According to employment experts, "everyone will have to be able to do something that adds value now—or be able to learn such value-adding skills quickly—to be considered for employment in all but the most marginal twenty-first century jobs."<sup>28</sup> Adding value in the workplace is more than just applying knowledge: it takes mental discipline, personal creativity, technological competence, and the ability to work in teams. Higher education should be as accountable for fostering these skills as it is for providing the traditional forms of information in lecture or laboratory settings.

**Trend Two: A global and multi-cultural orientation.** California leads the country in immigration, ethnic diversity, and globalization. No other

*CSU must review the baccalaureate and the master's degrees (their meaning and role in economic development). I am concerned about assuring the quality of those degrees and also about maintaining affordability at the undergraduate level.*

**Charles Reed**  
CSU Chancellor  
Presentation to the  
Commission  
February 1998

institution is more important than higher education for insuring that these characteristics are assets to the state, not sources of friction and conflict.

Colleges and universities have long sought to expand the international and multicultural perspectives of students, a goal never more important than in the twenty-first century. If their education is to be complete, undergraduates need more extensive exposure to other peoples and perspectives as called for by the American Council on Education in urging that students receive a "powerful, deep-rooted understanding of other languages, diverse cultures, and global issues."<sup>29</sup> The Council insists that this competence be central to the educational enterprise, not something extra in the curriculum.

At this time when the state's population is increasingly diverse and our ties abroad are ever stronger, California must not abandon the goal that student bodies in higher education should reflect that diversity. A central priority of education should be multicultural understanding.

**Trend Three: A transformation through high technology.** The electronic revolution pervades our society in ways unimagined a few decades ago. Computers, mass data storage, the internet, high speed communications and satellite transmissions touch all aspects of our lives, whether we actively use them or not. The revolution would not have been possible without higher education's contribution to the theory, development, application, and production of these high technology tools.

Ironically, though, many traditional colleges and universities have not taken full advantage of these technologies to change their curriculum or educational delivery. "While a few crackpot visionaries on campuses and in statehouses are saying that technology will transform higher education," writes Dewayne Mathews in 1998, staff to a consortium of western states, "the current reality is that both states and universities are still dealing with technology as an add-on to existing structures and not as a new way to do things."<sup>30</sup> When technology has played a transforming role, the initiative frequently came from a handful of innovators rather than from an institution-wide vision.

The most strategic potential of electronic technology lies in the ways it can shift the focus from teaching to learning, and especially how it can customize learning for each individual. William Massy of Stanford University writes that "a serious commitment to technology innovation encourages and may even require closer attention to the fundamental principles of pedagogy and quality."<sup>31</sup>

But information technology so far "has only marginally improved instruction and learning" wrote Michael Dolence and Donald Norris in their famous critique, *Transforming Higher Education*. "It has mainly

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been used to extend the physical reach and efficiency of our current, classroom centered, seat time-based, teaching focused model of learning."<sup>32</sup>

Most authorities believe that the electronic revolution will profoundly change the way higher education is organized and funded. For example, state policy traditionally focuses on the *providers* of education and, Mathews argues, financing is based "overwhelmingly on inputs or activity levels (e.g., student credit hours taught) rather than outcomes (e.g., student credit hours completed or educational objectives attained)."<sup>33</sup>

Electronic technology now allows many approaches for delivering education efficiently and for better evaluating student progress. "States will find it increasingly in their interest," Mathews concludes, "to support the mastery of competencies and not just the accumulation of contact hours," though even advocates admit that "no one knows [yet] how to fund this shift in focus."<sup>34</sup> California should lead the way toward this shift.

### THE OUTLINES OF A PLAN

**A Central Conclusion:** The Commission's review of higher education in California leads to the inescapable conclusion that the system is not well positioned to meet future challenges and that a realistic *and* balanced policy framework should be established now. As its first task, the Commission developed the outlines of such a framework, one which can ensure that all eligible students in Tidal Wave II would have affordable access during good *and* bad financial times. In addition, we suggest a number of approaches to improve the structure and functioning of California's colleges and universities.

**The Plan's Fundamentals:** In our review of higher education, we examined the resources available to California's institutions for carrying out their mission and compared these resources to those of institutions in other states. We reviewed the long-term pattern of student charges and student financial aid. We sought to understand the cost implications of past changes in faculty retirements and hiring patterns (patterns of full-time and part-time employment), of program cuts made in the early 1990s, and of the fact that current UC and CSU faculty salaries lag behind those offered by competing institutions in other states. The Commission also sought to identify the projected costs of adequately financing educational technology, maintaining facilities, and accommodating Tidal Wave II in first-rate institutions.<sup>35</sup>

**The Commission's review of higher education in California leads to the inescapable conclusion that the system is not well positioned to meet future challenges and that a realistic *and* balanced policy framework should be established now.**

From this review, we conclude that the present mix of funding for public institutions and their general expenditure patterns form an acceptable starting point for the plan. But:

The plan must be forward-looking. It must be balanced and realistic, and—most important—it must remain viable in good *and* bad financial times.

The plan must ensure affordable access to high quality institutions whose student bodies reflect the diversity of California.

The plan must place a high priority on links among the institutions and the effective use of technology to improve learning and extend access.

The Commission's recommendations to implement such a plan are presented in the following Action Agenda.



## *PART TWO*

### *AN ACTION AGENDA FOR HIGHER EDUCATION*

#### **I. Sharing Responsibility for Tidal Wave II: Financing Enrollment Growth**

California faces a strong increase in demand for new college enrollments, but state government alone, operating under "business as usual," cannot meet the large educational and capital costs necessary to accommodate *all* new students. "Business as usual" means continuing an erratic and generally declining financial commitment by state government. Despite recent funding increases, higher education still receives a smaller portion of the state's budget than it did two decades ago, and the dollar amount spent on education per student, adjusted for inflation, has declined as well. Spending in other government sectors—health, welfare, corrections, and K-12—has grown faster than in higher education and will likely continue to do so, partly because of constitutional mandates, or because these other sectors have matching Federal requirements that must be funded first. "Business as usual" also means continuing the traditional pattern of relying almost exclusively on state appropriations during good times and abandoning the responsibility to fund enrollment demand during bad times.

The Citizens Commission is convinced that the only realistic means for enrolling Tidal Wave II students is a long-term partnership involving the state government, the students, and the institutions of higher education. All three would contribute to, or absorb a portion of, the increased costs associated with higher enrollments. At the same time, the state and the institutions would set high priority on using facilities more creatively and intensively. We recommend that the state government take the lead in forging this policy of *shared responsibility*—of cost containment and accountability—through the approach described below.

*Even if the national economy and state finances return to normal growth patterns without a downturn, higher education will find itself in an environment where merely maintaining current services through appropriations reflecting inflation and enrollment increases will be difficult.*

**Hal Hovey  
President  
State Policy Research,  
Incorporated  
1999**

**Recommendation I-1**

**Stabilize state support for "base" budgets in higher education by:**

- A. *Appropriating annually to the University of California and the California State University no less than the percentage of total General Funds that was appropriated to each of these segments in the prior year. In return, the two segments would annually enroll all eligible undergraduate students who apply.*

This proposal is one step toward more stability for higher education finance and the end to the long-term decline of state appropriations for higher education. Critics (primarily the Legislative Analyst and the California Postsecondary Education Commission) contend that this approach will limit the flexibility of the State government to redirect resources away from higher education and that it will provide UC and CSU "with significant new...resources each year without also requiring...action to contain their costs or improve productivity and efficiency."<sup>36</sup>

In response, the Citizens Commission sees no good policy reason why the proportion of state revenues appropriated to these two public segments should continue its long-term decline, a trend which implies a lower *public* priority for higher education than for other government services. It is also important to understand that this proposal alone does *not* guarantee any dollar increase in appropriations for these segments nor even an amount sufficient to offset inflation. It simply ensures that the state government's financial effort for higher education as a percent of total expenditures will not continue to decline.

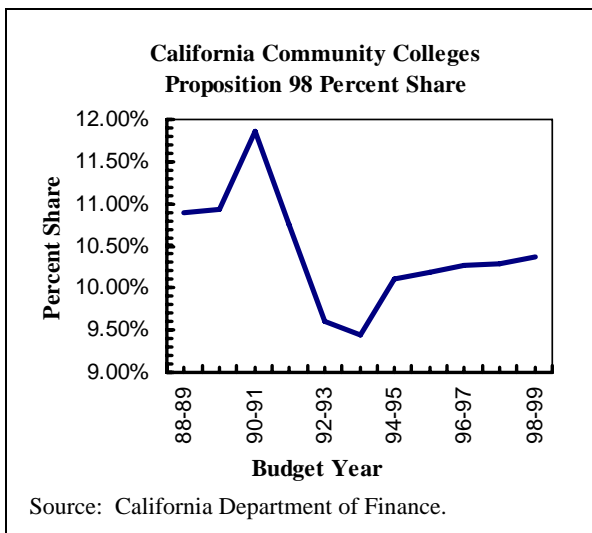
The Commission joins with our proposal's critics in favoring incentives to contain costs and improve productivity, but we could find no evidence that the present financing approach in California has either effect. Such incentives are quite important but are best established in ways that do not continue the decline of state resources for higher education or aggravate

the "boom and bust" fluctuations. We describe some promising approaches for containing costs and improving productivity later in this report.

- B. *Fixing the Community Colleges' share of overall revenues guaranteed to K-14 under Proposition 98 at least at 10.6% and using that ratio each year to determine their level of support.*

The Commission agrees that the Community Colleges are currently underfunded in relation to their needs and in comparison with similar colleges around the country.<sup>37</sup> The statewide Chancellor recommends this 10.6% ratio, which appears to be an

**The Commission joins with our proposal's critics in favoring incentives to contain costs and improve productivity, but we could find no evidence that the present financing approach in California has either effect.**



equitable, long-term ratio for dividing the Proposition 98 revenues between the colleges and K-12 and eliminating the annual struggle over the appropriation. The Commission recommends that these changes in finance for the Community College should be contingent upon major improvements in their governance and structure (see Recommendation III-1).

**Recommendation I-2**

**Provide state support for additional enrollments only when such enrollments exceed established thresholds.<sup>38</sup>**

- A. *The University of California should receive an additional appropriation only if annual enrollment growth exceeds 1.5 percent.*
- B. *The California State University should receive an additional appropriation only if annual enrollment growth exceeds 1.5 percent, except for enrollment increases in schools of education which should receive special funding as encouragement to meet state needs.<sup>39</sup>*
- C. *The California Community Colleges should receive an appropriation beyond their Proposition 98 guarantee for any year in which enrollment growth exceeds 1.5 percent.<sup>40</sup> Some funds for additional community college enrollments are already provided through the Proposition 98 formula, based on increases in California's adult population.*
- D. *All segments should be allowed to keep the student fee revenues generated for all enrollment growth and not have this reduced from the state's appropriation.*

The Commission recommends that State appropriations pay for additional enrollment (1) only above the 1.5 percent threshold and (2) at the state's current marginal rate of \$7,872 for UC, \$5,487 for CSU, and \$3,300 for the CCC, adjusted annually for inflation.<sup>41</sup> The reasons for this recommendation are as follows:

- ◆ The costs of absorbing enrollments up to the 1.5% threshold are equitable for UC and CSU *as their share in responsibility for new students* and will provide an incentive to contain costs and improve productivity.
- ◆ The segments will receive *some additional resources from the enrollment of all new students* in the form of additional fee revenues.

**Recommendation I-3**

**Require an annual growth in student charges and provide state appropriations for need-based, student financial aid.**

A. *Require all students in the public segments to pay a slightly higher charge each year as the students' share of support for additional enrollments and increased educational costs.*

These funds should remain with the institutions of higher education to benefit the students and not be used to replace a portion of the State's appropriation. Recommendation II-2 describes the method for determining these annual increases.

B. *Require the state government to appropriate financial aid for needy students who cannot afford these increased charges.*

The present policy is to commit one-third of any revenues from fee increases for student financial aid, thus reducing the net dollars available to support the operations of colleges and universities. We believe that need-based financial aid should be a public responsibility, not a redistribution of student funds. Display Eight summarizes the differences between "business as usual" and the "shared responsibility" approach recommended by the Commission.

**DISPLAY EIGHT**

**Two Approaches to Financing Additional Undergraduate Students**

**The Current Approach**

In good times, state government funds the "base budgets" of public institutions according to annual negotiation, plus the costs associated with enrollment growth. The state provides large amounts of additional funds as windfalls.

In bad times, state government cuts base budgets by some arbitrary amount and provides no funds for enrollment increases, regardless of student demand. Additional enrollment is a low priority.

**The "Shared Responsibility" Approach**

In good times, state government funds the base budgets of public institutions in relationship to changes in state revenues and provides appropriations for the costs associated with enrollment growth above certain thresholds. The institutions absorb some costs for enrollment growth and all students pay a slightly higher annual charge. The State provides financial aid to offset the impact of additional charges on needy students.

In bad times, the UC and CSU are protected against cuts to their base budgets greater than the average cut in state expenditures, and the CCC will retain a stable percentage of Proposition 98 funds. The UC and CSU can draw on funds saved during good years (see Action Agenda

**CALIFORNIA CITIZENS COMMISSION ON HIGHER EDUCATION**

Recommendation II-1). Additional enrollments continue to be supported through the "shared responsibility" approach of good times. Enrollment increases are a high priority.

**Recommendation I-4**

**The state government and the institutions of higher education should make extraordinary efforts to use existing facilities more extensively and wisely by:**

- A. *Providing fiscal incentives* to all higher education (UC, CSU, CCC and independent institutions) for sharing facilities.

These incentives should come through subsidies from a statewide fund and be provided to an institution when it demonstrates that its use of facilities in another institution will save publicly supported capital outlay. Cooperative arrangements include courses offered on under-utilized campuses by any public institution, degree programs offered away from crowded campuses, instruction through high technology, and programs offered jointly by campuses in different segments. Recommendation III-2 (B) further explains this fund.

- B. *Providing fiscal incentives* to all higher education (UC, CSU, CCC and independent institutions) to encourage joint programs, especially when these can be offered without additional facilities.

The Citizens Commission strongly supports more joint doctoral programs between the UC, independent institutions, and the CSU, especially in applied professional fields such as Criminal Justice and Educational Leadership. Highest priority should be given to those programs that encourage regional partnerships in geographic areas underserved for degrees in high demand.

- C. *Adopting a long-term policy to explore alternatives to new construction in the public segments* and, if these alternatives represent savings, to implement them before making commitments to large-scale new construction for increasing enrollment capacity.

Promising alternatives include redirection of students to campuses with existing physical capacity, more extensive use of existing facilities (nights, weekends, summers) and electronic instruction. Expansion of Cal grants to encourage attendance in independent institutions which do not receive state-supported capital outlay, should also be a high priority.

- D. *The following principles should guide the commitment of capital outlay with particular regard to increasing enrollments:*

- 1. New construction for additional enrollment capacity should come only as a last resort. The existing campuses in higher education require an increasingly large portion of capital outlay funds if they are to remain effective as teaching or research facilities. Seismic and other safety considerations are special concerns for many and are appropriately the first priority.

The Citizens Commission strongly supports more joint doctoral programs between the UC, independent institutions, and the CSU, especially in applied professional fields such as Criminal Justice and Educational Leadership.

By going year after year to the state court to get the state court to order the state to spend one-third of its budget on higher education...I would otherwise have spent on additional buildings....I also increase access to higher education campuses and students to a their time to

California Legislative Analyst  
February 19

## CALIFORNIA CITIZENS COMMISSION ON HIGHER EDUCATION

2. Expansion of existing campuses should have a higher priority than building new campuses "from the ground up," since costs for new construction are lower on existing campuses with established infrastructures.
3. When new campuses are considered, the highest priority should be those geographic areas of California that are seriously underserved.<sup>42</sup>
4. Regional cooperation with the purpose of reducing capital costs should be a high priority (Recommendation III-3 further develops the idea of regional associations).

In November 1998, California voters approved Proposition 1A, which commits \$2.5 billion of revenues from state general obligation bonds for capital facilities among the three public segments. The expectation is that these funds will be appropriated over a four-year period, beginning in 1998/99.

Without doubt, the capital outlay needs of higher education over the next decade will exceed the ability of the state government to fund or the willingness of voters to provide. Therefore, the Citizens Commission urges the state government to evaluate and change several of its current assumptions about distributing capital outlay funds, especially those which rest on traditional concepts of classroom and laboratory utilization, educational delivery assumptions that do not encourage more use of technology, and an equal division of funds among the three public segments.

## II. The Roller Coaster of State Finance: Reducing the Wide Swings of "Boom and Bust" for Higher Education

State support for higher education resembles a steep roller coaster where funding often rises more than the increase in state revenues in good times and falls more sharply than revenues decline in bad times (see Display Six). This "boom and bust" pattern is destructive for colleges and universities and creates great uncertainty for students and their families.

This pernicious cycle occurs largely because most appropriations in higher education are annual and discretionary—that is, they are neither constitutionally required nor protected under existing statutes.<sup>43</sup> Also, students represent attractive targets of opportunity for raising funds during state revenue shortfalls since many can afford to pay more and state government has—in a generous but misguided fashion—usually reduced their charges during good times.

The negative effects of these state government-induced cycles can be reduced considerably by adopting fiscal strategies to conserve resources for higher education when they are most available, and then transfer them to the times when they are needed most because of revenue shortfalls.

The following changes, which will require considerable fiscal discipline and a major change in state policy under "business as usual," represent effective ways of controlling these excessive annual swings.

### **Recommendation II-1**

**To smooth the cycles of higher education finance, the State should create a "trust fund" called the California Higher Education Opportunity Fund.**

- A. *This fund would consist of any amount above a certain annual increase (we recommend 4 percent) in state general funds available to the UC and the CSU in any given year.<sup>44</sup> Annual exceptions to this level should be state funds for enrollment increases (see Recommendation I-2) and funds for one-time investments such as equipment replacement, electronic infrastructure up-grades, and deferred maintenance.*
- B. *Funds collected in the Opportunity Fund would be available to each segment during any year when the increase in state general funds falls below 4 percent, as a means of stabilizing resources over the long-term.*

*The danger, that a new se economy, wh to happen in several years people down defensive pos the point tha numbers of y are ready for seems incum therefore, fo concerned— governor, the Legislature, institution he put in place s to ensure tha not curtailed thousands of the next dow occurred dur*

**David Brene  
Dean of Edu  
University o  
in A Memora  
Next Califor  
Governor  
1998**



The amount higher education needs for annual increases is determined by many factors: the level of general inflation which erodes purchasing power, increases needed to offer competitive faculty salaries, costs associated with escalating needs such as facilities repair, etc. The Commission's recommendation of a "4 percent threshold" is based on an evaluation of cost fluctuations during the past twenty years.<sup>45</sup> Whatever the level, the threshold should be established at a percentage that will meet these needs projected into the future but will create a significant cushion for fiscal downturns.

The idea of creating a "trust fund" for saving state general funds is a new and controversial approach to smoothing the excesses of fiscal swings. True, the idea seems contrary to a state appropriations process where the political priority is to spend all funds annually or return them to the citizens as tax relief. Higher education leaders are concerned that, without proper controls, the suggested approach might sequester their appropriations without really securing them. Later, they fear, the state government would seize the funds for purposes other than higher education. Certainly, the history of funds which are set aside with good intentions or only in statute provides good reason for concern.<sup>46</sup>

Special funds, however, can be protected by legal devices that are not easily circumvented: examples include the vesting of benefits in retirement accounts and provisions protecting dedicated funds established in Proposition 99 (1988) and Proposition 111 (1990).<sup>47</sup> Certainly, the trust fund would have to be established in conjunction with other protections, such as those in Display Nine.

Through this approach, the Commission seeks to establish the principle of smoothing excessive swings of "boom and bust" appropriations through a set of interlocking and mutual commitments among the state government, the students, and the institutions of higher education. The state government should commit to providing higher education at least its current percentage of total state appropriations, some funds for enrollment growth and assistance for financially needy students. The institutions would forego a portion of the normal funds associated with enrollment growth, substantially change "business as usual" in terms of facilities use and ways of delivering instruction, and set aside monies into a trust fund for expenditure later. The students would have an annual fee increase, but one which would be gradual, moderate and predictable.

**DISPLAY NINE**

**Ways To Protect The Higher Education Opportunity Fund**

**Concern**

*"The reserve fund designed to ameliorate the cyclical pattern of State funding and thus stabilize higher education budget cuts and student fee increases is particularly problematic. An overriding concern with this proposal is that a higher education reserve fund could not be protected. Experience at both the State and the federal level indicates that political expediency would override intent."*

—Richard Atkinson, UC President to Commission Co-Chairs, July 28, 1998

**Answer**

*These Elements of the "Trust" are Necessary and Not Severable:*

1. **The state general funds which feed the trust must be appropriated each fiscal year to each segment and so become "vested" with them.**
2. **The funds are held in an interest bearing account in the state treasury with strict fiduciary controls; and**
3. **The state must adhere to the annual appropriation level described in Recommendation I-1 so that the Opportunity funds are not used to supplant the state's on-going obligation.**

If all these commitments were adopted by statute, they would represent a powerful force against capricious actions during state revenue shortfalls. Would they provide total protection against a raid of the trust funds or a breach of the state's obligations? No, but if the institutions and the students had been keeping their side of the bargain, the act of violating the trust arrangement would be unambiguous and presumably violated at high political cost.

**Recommendation II-2**

**Resident Student "Fees"<sup>48</sup> should be adjusted annually by a fixed amount based on changes in an index which measures income available to Californians.**

- A. *Resident student "fees" in all public segments should be adjusted by the same percentage each year for five-year periods. At the end of every five-year period, the percentage should be recalculated, based on the actual average annual change in California Personal Income Index during the prior fifteen years. This length of time is long enough to smooth out the substantial annual fluctuations in personal income while still providing an adjustment to align "fee" increases with current measures of personal income. A fixed change should be announced a year before the beginning of the five-year period to provide some predictability for students and their families.*

- B. The change in resident student tuition should be an annual increase of 4.6 percent during each of the first five years of this policy.<sup>49</sup>*
- C. Higher education governing boards should have the latitude to levy a surcharge on students beyond the regularly scheduled levels during emergencies caused by serious declines in state appropriations.*

Without some flexibility to meet emergency situations, higher education institutions will be forced again to take short-term, draconian measures which are not in anyone's interest, including the students they serve. It is foolish to expect that fiscal emergencies will not occur again, and so any long-term student fee policy should describe what should happen when they do.

The Commission recommends that any student fee increases above the regularly scheduled amounts should be considered *surcharges*, which must be re-adopted each year during the emergency and eliminated thereafter. The Legislature should be responsible for declaring when the fiscal emergency is over.

**Recommendation II-3**

**State government should adopt and adhere to a long-term student financial aid policy.**

- A. State government should assume responsibility for providing student aid sufficient to offset the financial need created by any increase in public sector student fees.*
- B. The State's annual Budget Act should be required to fund fully the statutory provisions of the State's Cal Grant program, including support for students at independent colleges and universities.<sup>50</sup>*
- C. The state government should not take action to change public sector fees to capture federal tax credits or provide state credits similar to those adopted by the federal government in 1997 until the long-term effects and policy implications of recent student aid changes are clear.*

Student financial aid has been going through a period of unprecedented change. After years of eroding support for students attending independent institutions, the state government has increased the Cal Grant program substantially for this sector. After years of watching other states provide incentives for saving, California adopted in 1997 a "scholarshare" program to provide tax-free savings for college. After years where loan burdens among college students increased so rapidly that many feared few would choose modest-salaried careers in teaching or public service, recent policies have considerable promise of reducing the need for debt.

The federal government has also adopted significant policy changes for higher education: the provision of large tax credits for the tuition paid by students and parents and the ability to deduct the interest paid on student loans.

These federal benefits, estimated in the hundreds of millions of dollars for Californians each year, are targeted at the middle class. Most Federal grant programs and California State student financial aid, however, are aimed at students who show financial need according to the standard analysis.

It will take some time before the effects on students and higher education institutions of all these changes are clear. In the meantime, the Citizens Commission agrees with the recommendations for state policymakers recently published by the National Center for Public Policy and Higher Education:

In light of the incentives the new federal program creates (for increasing tuition and/or reducing need based financial aid), states should explicitly examine how the new program affects students and families at all income levels. They should ensure that addressing affordability for middle income students and families does not come at the expense of providing educational opportunity for others.<sup>51</sup>

**Recommendation II-4**

**If state government does not adopt, or is unwilling to adhere to, a long-term policy for financing higher education and a reasonable student charges and financial-aid framework, the people of California should adopt a ballot initiative whose provisions will not be subject to annual manipulation.**

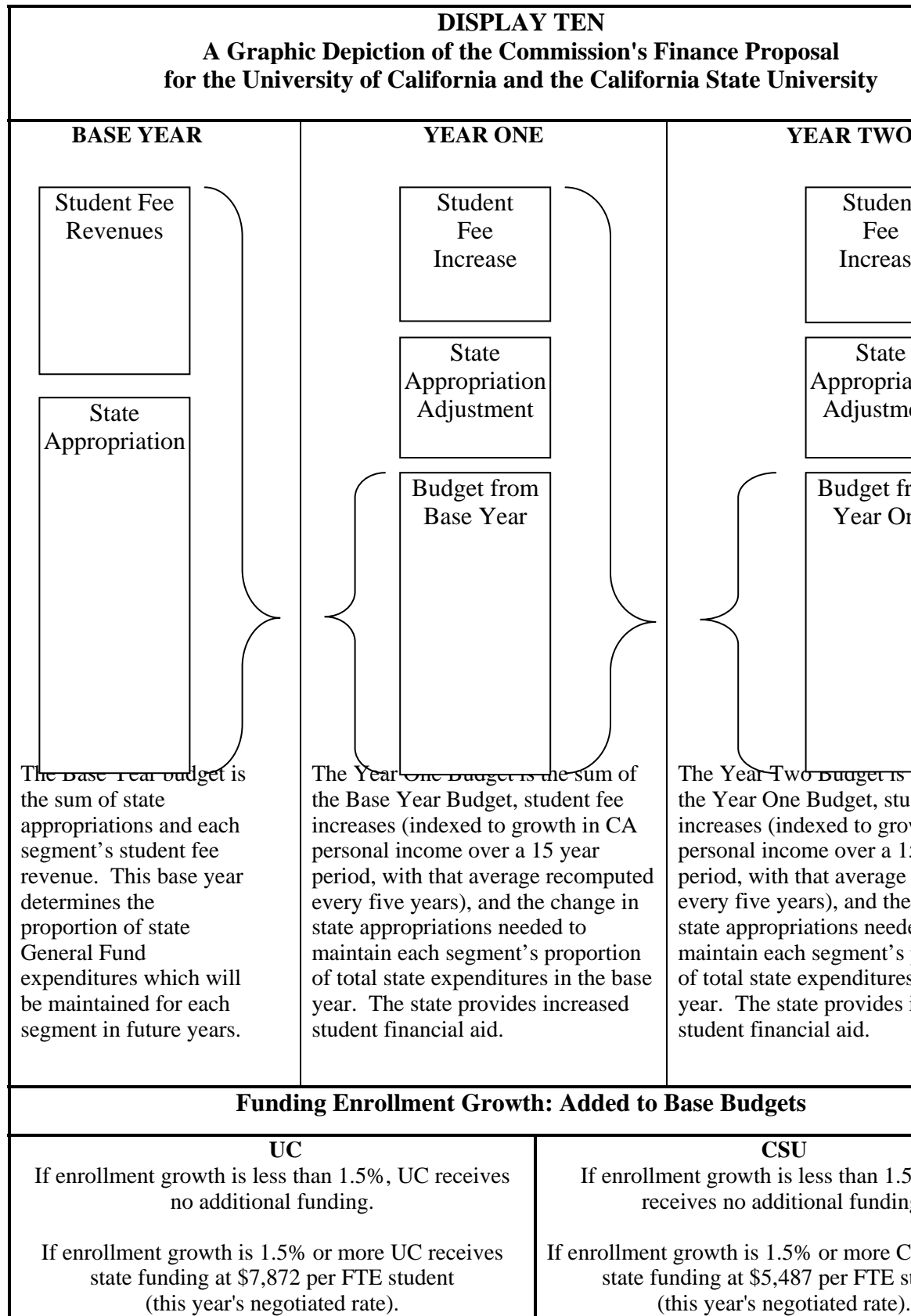
Since 1985, California law has specified a formula for making annual adjustment in student fees in UC and CSU. By law, the formula was intended to make fee adjustments "gradual, moderate and predictable." During most years—in both good and bad financial times—the state government has ignored the formula, suspended its operation, or superseded it temporarily.

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The temptation to reduce fees in good years and rapidly increase them in bad years has proven stronger than the statute, indeed virtually irresistible. In part, this has been caused by a policy vacuum in how to finance higher education over the long-term. If political pressures in the state's annual negotiations over the budget make a long-term approach to student fees, financial aid, and higher education finance impossible, the Commission recommends a ballot initiative.

Display Ten provides a graphical description of the Commission's entire finance proposal, simplified by describing the annual adjustments only for the University of California and the California State University.



### III. Ensuring Access and Quality: Addressing the Most Critical Problems in Governance and Structure

The quality of higher education and student access depends on adequate resources and facilities used efficiently through appropriate and timely decisions in the governance process. The Commission, however, found that higher education's structure tends to be overly stratified. We found that many governance decisions are heavily, if not exclusively, influenced by priorities internal to the institutions and excessively focused on protecting the status quo, especially during times of stress.<sup>52</sup> The public interest would be better served through changes to foster more cooperation and turn more perspectives outward toward service.

The Commission, however, does agree with defenders of this traditional influence, in that the perspective of colleges and universities should have a long horizon and that the value of important decisions is best measured over many years, not in terms of their responsiveness to the fads and crusades of modern society. The challenge is establishing a balance.

After reviewing the structure and policy-making processes within California higher education, the Commission identified three areas of particular concern:<sup>53</sup>

- ◆ The problematic structure and internal tensions of the California Community Colleges.
- ◆ The need to strengthen the statewide coordination of higher education.
- ◆ The need for more formal structures to encourage regional cooperation among all educational institutions.

#### IMPROVING THE STRUCTURE OF THE CALIFORNIA COMMUNITY COLLEGES

The Citizens Commission found that the Community Colleges—the largest recipient of students from "Tidal Wave II"—are entangled in restrictions and inefficiencies that dissipate their energies (some are identified in Display Eleven). Structural changes and regulatory reform in this segment could save tens of millions of dollars that should then be invested in educational services with direct benefit to students.

<b>DISPLAY ELEVEN</b> <b>The California Community Colleges:</b> <b>Torn Between Contradictory Forces</b>	
<b>Forces on One Side</b>	<b>Forces on the Other Side</b>
The need to be an equal partner in statewide higher education.	A governance structure which is not college but similar to secondary schools with geographical districts and elected boards of trustees.
A rigid, state-determined finance system with limited ability to raise monies locally.	Trustees can sign contracts and make commitments without the realistic ability to fund them or the means to raise money.
State-established student fees.	Trustees are charged with creating programs and educational services, which are tailored to their constituents but have no ability to determine the charges for them.
State requirement that students may attend any college, not just those within their geographic district.	Trustees are elected only by voters within their districts and are responsible only for colleges within district boundaries. Many students, especially in urban areas, live "out of district" and can not vote for the trustees who govern their college.
The state's <i>Education Code</i> imposes a mass of provisions with expensive activities, complicated restrictions and inappropriate controls on local institutions.	Colleges need to be flexible, diverse, responsive, unbureaucratic and productive.
The Statewide Chancellor has statutory responsibility to represent the colleges statewide and general responsibility for their financial viability but is often only one among many official voices and has little authority to act before a crisis.	District administrators are selected by local trustees and have allegiance and accountability to the district. Many representatives from various groups compete for statewide prominence and the leader and voice for the colleges.

The Citizen Commission agrees with the recent conclusion of the California Postsecondary Education Commission that "the absence of strong leadership for the California Community Colleges at the statewide level is a major reason the system has not achieved equality with its public university counterparts in the budget and policy environment of the state."<sup>54</sup>

The following recommendations, therefore, are designed to recognize the reality that Proposition 13 created a system of *state* finance for the Community Colleges and that the colleges should devote more of their resources to serving students and less to institutional and regulatory wheel spinning. We believe Californians would be better served if community



**CALIFORNIA CITIZENS COMMISSION ON HIGHER EDUCATION**

colleges were thoroughly collegiate institutions with a prominence equal to that of the other higher education segments.

**Recommendation III-1**

**The governance and structure of the California Community Colleges should be simplified and changed to one based on campuses, not districts.**

A. *The structure of the California Community Colleges should be changed from the current three-level "system" consisting of the statewide chancellor's office and Board of Governors, regional districts governed by elected trustees, and individual colleges, to a two-level system consisting of a statewide chancellor's office and Board of Trustees, and individual campuses with Governance Councils.*

1. Elected district boards of trustees should be replaced at each college with Governance Councils. Those appointed to each Council should represent the geographical community around the college, the statewide board, and the campus constituencies—the three groups with the most stake in the college.
2. Specifically, the Councils should consist of:
  - a. Nine members appointed by locally elected officials.<sup>55</sup>
  - b. Four members appointed by the statewide Board of Trustees.<sup>56</sup>
  - c. Four members appointed by campus constituencies (administration, faculty, staff, and students).

*Having read literally hundreds of accreditation team reports in recent years, I can attest to the fact that the California Community Colleges combined excellent teaching and committed leadership with damaged infrastructures, ambiguous governance requirements and a most uncomfortable mingling of politics and policy at the local level.*

**Constance Carroll  
Chair  
Accrediting  
Commission for  
Community and Junior  
Colleges  
1998**

*Virtually no Community College 'districts' have been successful at passing local levies in the past 18 years and since the previously established taxes are controlled by the state, a 'district' as opposed to a college is an anachronism.*

**Paul Setziol  
Faculty Member  
Foothill Community  
College  
1996**

Each Governance Council should have representatives from the most important external constituencies of the Community College (business, labor, secondary schools, four-year colleges, and the non-profit sector). The Council's membership should be broadly representative of the community's demographic diversity. Council members should serve without monetary compensation.<sup>57</sup> Several witnesses before the Commission and news articles complained of excessive compensation and expensive lifetime benefits paid to trustees by some districts. It is appropriate for the Governance Councils to follow the "volunteer" model of higher education trusteeship.

Critics of this proposal insisted that governance councils constituted in this manner would retain the worst aspects of politics that exist in the current system since several members would be appointed by locally elected officials. They stressed that the size of the Council would prevent it from meeting as frequently as local boards do now and that few people would serve without the prestige of being an elected official or the incentive of a sizable stipend.

The Citizens Commission believes that their size is less important than the principle that local governing councils should have representation from the diverse groups with a stake in the college. "[Our] research and

interviews indicate that the small size of most public boards seriously interferes with effective trusteeship," the national Association of Governing Boards concluded. "Larger boards can more readily accommodate a broad diversity of citizen views and experience" and are less susceptible to being captured by any single interest group.<sup>58</sup>

We also disagree that appointments by locally elected officials would be just as political as if they were popularly elected, or that they would represent only the interest of their appointing authority. Examples abound of appointed boards being quite effective *if* they have significant responsibilities, believe their service is important for improving their community, and their time is not devoted to administrative minutia or internal disputes.

Finally, the Commission believes that a larger and non-elected board which meets less frequently would be more inclined to concentrate on the major issues and policy matters facing the college and less on micro-management and inappropriate intrusion into campus affairs—a prime concern expressed by many about several current boards.

3. Each individual campus should become the prime locus of decision-making and have full fiscal responsibility for non-state funds.

The Governance Council should be responsible for recommendations to the statewide Board of Trustees concerning the appointment of the campus president and for the use of the state-generated portion of the college budget. Savings from phasing out district administrations and other district expenses should be used to increase expenditures on instructional and student support services among the campuses.

*B. The statewide Board of Trustees should be responsible for establishing and maintaining California-wide standards for programs of statewide importance (e.g., academic transfer to four-year universities) and for insuring that the overall budgets submitted by the Governance Councils are balanced and responsible.*

*C. All provisions of the Education Code concerning the California Community Colleges should sunset as part of this rearrangement and be replaced by a brief, concise and non-regulatory framework in statute—a framework oriented toward expectations and outcomes not mandates.*

An examination of the *Education Code* reveals that many provisions have few if any benefits to students but still require substantial expenditures of energy and resources. Many are the product of special interest lobbying or represent restrictions adopted before the State's collective bargaining law went into effect (Display Twelve lists examples of the *Code's*

**Concerning the  
Education Code  
for the CCC**

*Unbelievably complex,  
unbelievably detailed,  
and unnecessarily  
prescriptive.*

**Jack Scott, Member  
California State  
Assembly  
Presentation to the Fall  
Conference of the CCC  
Academic Senate  
1998**

excessive detail). During the Commission's forums, several witnesses identified concrete examples where substantial sums were wasted through such requirements. The statutory framework for the California Community Colleges should define the general structure, expectations, and protections for the colleges, with details and implementation left to the statewide Board of Trustees, the campuses, and the collective bargaining process.

<b>DISPLAY TWELVE</b> <b>Examples of the Detail Which Regulate the California Community Colleges in the State's <i>Education Code</i></b>
<i>CC faculty teaching credit &amp; noncredit contract education shall be compensated in same manner as those in regular, non-contract education program (§78022)</i>
<i>Every CC classified employee employed five days a week shall be entitled to 12 days leave of absence for illness or injury (§88191)</i>
<i>Every CC district shall grant to regular classified employee 0.03846 hours of vacation credit for each hour of paid service (§88197)</i>
<i>If a CC district does not designate September 9 known as "Admission Day" as a paid holiday, the district shall provide a substitute holiday (§88205.5)</i>
<i>Every member of a community college police department shall be supplied with and authorized to wear a badge. The governing board may direct the wearing of a distinctive uniform (§72331)</i>
<i>While traveling outside of the state, officers and employees of the Chancellors office shall have all travel and expenses approved by the Governor and the Director of Finance (§71049)</i>

*D. The financial resources and contractual commitments of the California Community Colleges should reflect the dual state-local nature of responsibility for their governance.*

1. In addition to support from the state's general fund under Proposition 98, each college should continue to receive property tax revenues based on its present proportion of total property taxes in the county where the college is located.
2. Each college should be authorized to seek the approval of a majority of voters in cities, counties, or a special college district to support capital facilities or the operations of the college through local taxes.
3. The Governance Council at each college should have fiduciary responsibility for funds obtained through local measures.

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*E. The system of collective bargaining within the Community Colleges should be changed by either:*

1. Implementing statewide collective bargaining, to be conducted by the statewide chancellor's office under the authority of the Board of Trustees, or
2. Requiring the statewide Board of Trustees to adopt general standards for contracts at each college if statewide bargaining is not acceptable, and:
  - a) Providing the Board with the authority to reject contracts that do not fit within those standards.
  - b) Requiring the statewide Board of Trustees to certify to the Legislature that the college has sufficient funds to meet the current and future obligations of all contracts.

*Establish statewide collective bargaining for community colleges so that more time could be devoted on the campuses to improving educational programs and services.*

The Commission's recommendations represent a major change in community college structure and certainly evoked strong reactions. Several who attended the Commission's forums or sent correspondence strongly concurred with these changes as improvements given the realities of modern California.

**Augustine Gallego  
Chancellor  
San Diego Community  
College District  
1999**

Others insisted, however, that the "community nature" of these colleges can only be ensured by locally elected officials; that statewide collective bargaining would ride roughshod over local differences; that the enormous time and energy devoted to labor relations within most districts is the only way to preserve these differences. On the other hand, a few insisted that collective bargaining itself was the problem and should be eliminated.

Some told us that the *Education Code* is the best way to protect the rights of the various groups on campus, especially faculty. Others believed that the real problem among community colleges is underfunding, not governance, and that a stronger statewide Chancellor would mean less authority for the colleges.

The Commission seriously considered all these arguments offered during preparation of its first report and in response to its recommendations. We modified several of our recommendations to take the most compelling arguments into account. Even so, the Commission firmly believes that the Community Colleges cannot assume their rightful place as a full partner in higher education without changes in their structure to move away from the K-12 model, more clarification about their accountability, and an end to over-regulation by state statute. To test these ideas, "charter campuses" within the larger districts should be established with governance councils and a legislative exemption from most of the *Education Code's* provisions.

**The Commission firmly believes that the Community Colleges cannot assume their rightful place as a full partner in higher education without changes in their structure to move away from the K-12 model, more clarification about their accountability, and an end to over-regulation by state statute.**

At the very least, the state should change the *district* approach to governance and administration, augment the membership on existing boards of trustees with some appointed members,<sup>59</sup> and ensure that the statewide board and chancellor's office have greater responsibility and authority over general financial planning and maintaining higher standards for all colleges.

The Commission does not believe that the Community Colleges can fulfill their enormous potential and important responsibilities under the present arrangement. The people of California deserve a community college system whose structure and statutory framework will provide more freedom for, and a focus directly on, the important work of educating students.

### IMPROVING STATEWIDE COORDINATION

Statewide coordination of higher education draws together all of a state's colleges and universities in a collaborative effort to use resources most effectively and to give voice to the broad public interest.<sup>60</sup> Most states have established some state-level coordinating authority for these tasks (see Display Thirteen), but none provides a single best model for this important coordinating role.

Some states have gone so far as to consolidate campuses under a single governing board (Georgia, Massachusetts, and Minnesota). Others have created a "federal-type" system with a statewide board that has strong, enumerated powers but is not a governing board (Texas and Illinois). In general, the coordinating authority is placed somewhere between the institutions of higher education and the policymakers of state government (mainly legislators and the governor). This body is expected to reach an independent conclusion about such important public matters as new campus location and common course numbering systems to facilitate transfer among the institutions within the state.

In California, higher education has long been noted for its three powerful public segments and a weak and diffuse coordinating structure. These conditions have encouraged state government to adopt a segment-by-segment approach to policy and budgeting with little effective action in areas which cut across segmental lines or to conduct comprehensive evaluations of activities common to all segments, such as undergraduate education. Also, the state's independent institutions do not receive adequate attention in statewide planning for higher education.

**DISPLAY THIRTEEN**  
**The Functions of Statewide Coordinating Agencies**  
**Around the United States**

- *Statewide planning;*
- *Policy analysis and resolution of problems among higher education systems;*
- *Definition and monitoring of institutional missions;*
- *Academic program review for approval or elimination;*
- *Budget development, creation of funding formulas, allocation of inter-system resources;*
- *Information generation, trend monitoring, and development of accountability systems;*
- *Administration of quality improvement initiatives; and*
- *State program administration (student financial aid, institutional licensure, special fund distribution), etc.*

Sources: McGuinness, p. 5; Graham, "Structure and Governance," pp. 80-2.

The Citizens Commission is concerned that the state's present coordinating agency, the California Postsecondary Education Commission (CPEC), lacks the capacity to make a significant difference, one critically needed in so segmented a higher education system as California's. It is not sufficiently independent of the higher education institutions it seeks to coordinate and is disinclined to take controversial initiatives in areas where its positions may be unpopular with the institutions of higher education.

Additionally, CPEC lacks the authority to distribute competitive grants to public and private institutions with the purpose of achieving benefits across segmental lines. These concerns were documented in a recent study of governance around the nation which observed that "each of the public segments is responsible for coordinating the activities and services of its own institutions...[and that] within this scheme of things, CPEC is not so much a coordinating agency as a source of information and a mediator..."<sup>61</sup>

Regardless of CPEC's composition, it needs to serve as a more independent evaluator of how well the state financing and policy framework for higher education is achieving the aims of the Master Plan. CPEC needs to play an especially strong role in promoting ease of transfer among the segments, helping establish effective regional organizations, and improving the links between colleges and the K-12 sector.

While the Citizens Commission recommends a stronger role for a reconstituted CPEC, we do not recommend creation of an agency with a wide range of powers or regulatory authority. The following

**The Citizens Commission is concerned that the state's present coordinating agency, the California Postsecondary Education Commission (CPEC), lacks the capacity to make a significant difference, one critically needed in so segmented a higher education system as California's.**

recommendations seek a balance between the need for a stronger coordinating approach through an increased responsibility for CPEC and the proven wisdom of California's Master Plan which vests considerable authority and initiative with the colleges and universities.

**Recommendation III-2**

**Statewide coordination of California higher education should be strengthened by changing the composition of the current coordinating agency and expanding its mandate.**

- A. *The membership of the California Postsecondary Education Commission (CPEC) should be reduced from 17 to 9 members and consist of appointments by the Governor, the Assembly Speaker, and the Senate Rules Committee. No member should serve concurrently as a governing board member or as an employee of any public or private institution of higher education.*
- B. *In addition to its present responsibilities, the California Postsecondary Education Commission should be given the statutory mandate to:*
  - 1. *Serve as prime advisor to the Department of Finance, the Governor, and the Legislature on how well the principles of the Master Plan for Higher Education are being followed and financed, for both public and private higher education.*
  - 2. *Serve as an agency to distribute special funds created to promote cooperation, efficiency, and resource sharing among all public and private higher education institutions and K-12.*
- C. *The agency should be exempt from the civil service requirements which inhibit its leadership potential.*<sup>62</sup>

*We recommend the [Citizens] Commission foster more innovative experiments to address evolving priorities. Partnerships that leverage integrated technology across the public sector, such as recent agreements with UC that promote linkages in library acquisitions, data retrieval and connectivity, are initiatives we strongly endorse."*

**Response to the  
Citizens Commission  
from the California  
State University  
February 10, 1998**

Around the nation, many states have shifted the focus of coordinating higher education away from regulatory or enforcement authority to “a concern for broad policy questions, accountability, performance measures, and fiscal incentives to accomplish state priorities.”<sup>63</sup>

Those who argue for a stronger central role in effective program planning and resource management cite statewide boards in Illinois and Texas, which emphasize institutional accountability and the coordinated use of resources to achieve broad public objectives.<sup>64</sup> Critics of a stronger state role hold up the specter of a stifling bureaucracy that would homogenize higher education at the expense of institutional distinction by suppressing entrepreneurial activity<sup>65</sup> or maintain that “responsibility for policy and coordination precludes its functioning as a funding agency.”<sup>66</sup>



The Citizens Commission concludes that both sides of this argument have merit. While the public interest in higher education requires stronger statewide coordination, we do not recommend a regulatory agency.<sup>67</sup> We also believe, though, that California needs some agency to provide grants among all sectors and institutions of education, and that CPEC is the most appropriate *existing* authority for fulfilling that function. We believe that the experience of other states shows that responsibility for policy analysis and effective coordination can be exercised along with grant-making authority so long as responsibility for evaluating those grants rests outside the agency.<sup>68</sup>

### ENCOURAGING REGIONAL ASSOCIATIONS

The Commission also addressed the gap between statewide organizations for higher education and the individual campuses. Currently, many associations at all levels operate throughout California, but there are few formal regional associations which draw together all educational institutions—public and private, secondary and postsecondary—into collaborative efforts.

Stronger and more formal regional collaborations appear to offer the most potential for providing many links which are so important for serving students, controlling costs, and addressing the disadvantages of over-segmentation. These regional associations also can help bridge the gap between the statewide responsibilities of system offices and the practical, operating needs of the many campuses.

The Commission recommends that the state encourage regional structures to improve cooperation among all educational institutions through collaboration and fiscal incentives.

#### **Recommendation III-3**

**The state should encourage "regional associations"<sup>69</sup> to improve cooperation among all institutions of higher education by:**

- A. *Encouraging program coordination* within regions.
- B. *Fostering greater acceptance of course credits* among more institutions (better articulation).
- C. *Encouraging arrangements* for sharing facilities and equipment to contain costs and better serve students.

*D. Providing a central location for inter-institutional data.*

*E. Generating information about institutions in the region.*

California's colleges and universities currently collaborate in many ways and often share resources among campuses. These local collaborations, however, are often outgrowths of personal relationships or represent short-term opportunities that wither when leaders or circumstances change.

The Commission believes that the state should create official regional structures—perhaps called "Educational Enterprise Zones"—to encourage cooperation among all institutions that have natural associations based on proximity. They should work to encourage agreements for course and program articulation and arrangements for sharing facilities and equipment.

These organizations should not be additional layers of bureaucracy but should function more like brokers and voluntary collaboratives.

#### **IV. New Strategies for Educational Opportunity: Ensuring Educational Opportunity and Success in Changing Times**

*Ensuring diversity should be a high priority.* Educational opportunity must be a reality for members of all racial, ethnic, and social groups if California is to have a strong economy and a cohesive society. Student bodies and graduation patterns in higher education should reflect the racial/ethnic and socioeconomic diversity of California. In addition to providing individual opportunity, such diversity enriches the educational experience of all students.

In this regard, it is important to understand that Proposition 209 does not ban all efforts to increase diversity nor does it require the end of policies which promote an increase in the number of individuals from groups that have been traditionally underrepresented in California's colleges and universities. It simply prohibits the use of race, ethnicity, and gender as a means for doing so.<sup>70</sup>

The state should make new, concrete commitments to the goals of educational opportunity and success in having students complete their degrees. State government should increase funding for those educational opportunity programs that have demonstrated their effectiveness in these areas.

*Expanding transfer opportunities should be a high priority.* The Citizens Commission is also concerned that effective relationships between many public universities and two-year colleges are concentrated among those which lie in geographical proximity or which have long traditions of cooperation. While this kind of affinity is natural, it results in a skewing of educational opportunity: eighty-four percent of the transfers to CSU in 1994/95 came from only 37 of California's 71 community college districts, while only 29 districts sent eighty-two percent of all UC transfer students that year. Many Community Colleges, especially those in the inner cities and rural areas such as California's Central Valley, send very few, if any, transfers to UC.

*Concentrating on each high school should be a high priority.* California's public four-year universities have important responsibilities not just to accept all eligible students, but to encourage students to become eligible. Toward this end, the University and the State University should change their approach for determining freshman eligibility from a pool selected exclusively statewide, to one which guarantees access to the very top students in each California high school, so long as they have taken the required college preparatory courses.<sup>71</sup>

*Both the growing diversity of American society and the increasing interaction with other cultures worldwide make it evident that going to school only with "the likes of oneself" will be increasingly anachronistic. The advantages of being able to understand how others think and function, to cope across racial divides, and to lead groups composed of diverse individuals are certain to increase.*

**William Bowen and  
Derek Bok  
*The Shape of the River*  
1998**

**We believe that an eligibility guarantee for each high school places responsibility for adequate university preparation where it rightly belongs: on the high schools and their students.**

Some have criticized this approach of a high-school specific guarantee as watering down standards and offering an easier ride into California's universities. The Commission disagrees because only the very top students would be guaranteed eligibility under our recommendation and because the universities would be required to publish information about the records of students from each high school (see recommendation V-4 E).<sup>72</sup>

We believe that an eligibility guarantee for each high school places responsibility for adequate university preparation where it rightly belongs: on the high schools and their students. This sends a clear message that the top students will have equal university access. Such a message, when coupled with greater work by universities in the schools and more transfer opportunities from inner city and rural community colleges, can go a long way toward improving opportunity and diversity in higher education. Long-term, this is an effective and responsible way to help ensure that public universities will have student bodies that reflect California's demographics and that students from all groups can succeed in higher education.

**Recommendation IV-1**

**State government should explicitly reaffirm its long-standing commitment to the goals of equal educational opportunity and diversity in higher education.**

State government should redirect resources to those programs that have demonstrated success in improving college-going rates and baccalaureate degree completion rates for students from groups underrepresented in higher education.

**Recommendation IV-2**

**A high priority should be placed on improving transfer and vocational education in the Community Colleges, with special emphasis on those campuses that have few students transferring now.**

- A. *State government should increase the funding rate for instructional priorities such as transfer and vocational courses.*

**We believe that state-level formulas should recognize these additional costs for high quality transfer and vocational courses by generating more financial support per student than do other kinds of community college courses.**

At present, a single and average amount for all credit courses is provided in the "instruction portion" of the formula, regardless of their cost or their statewide priority.<sup>73</sup> Many sophomore-level transfer courses typically enroll fewer students and are taught by full-time instructors. As a result, they are considerably more expensive than the average course. Many vocational programs are also more expensive than the average, especially in the health professions, electronic equipment assembly and repair,

software production, graphics animation and design, and manufacturing. The current formulas do not recognize these extra costs for important vocational programs, many of which are integrated to four-year degrees. We believe that state-level formulas should recognize these additional costs for high quality transfer and vocational courses by generating more financial support per student than do other kinds of community college courses. This represents a wise investment in statewide efforts to promote economic growth.

*B. The UC and the CSU should expand their contacts with the Community Colleges by increasing the number of classes offered on community college campuses for regularly enrolled UC and CSU students and by taking other actions to serve students on two-year campuses which do not have large transfer programs.*

This expansion should be targeted to those community college campuses that have excess capacity, especially in the afternoon, or those with low transfer rates. Currently, the CSU offers upper-division classes on several community college campuses.<sup>74</sup> Likewise, four-year campuses often have equipment and facilities which are not duplicated on two-year campuses and can be valuable for introducing community college students to their programs. These mutual arrangements can strengthen the transfer programs on community college campuses, provide more convenient access for students, and broaden the experiences of university faculty.

*C. With regard to the transfer and award of credit, maximum consideration should be given to the individual student who has transferred between institutions, while maintaining the principle that each institution is responsible for determining its own policies.*<sup>75</sup>

“California is one of the states with the lowest proportion of students completing college,” a Ford Foundation study reported in 1992. The authors laid blame on “the highly stratified California system which enrolls large numbers of students in Community Colleges who often face a difficult, confusing and unsuccessful transition to universities in search of a baccalaureate degree.”<sup>76</sup> While progress has been made since this 1992 report—notably through the statutory mandate of an Intersegmental General Education Transfer Curriculum and considerable expansion of articulation agreements—many told the Commission about the continuing confusion and loss of credits that frustrates thousands of students.

The next, logical step in California’s evolution toward a more “student friendly” approach is to adopt a common course numbering system where the vast majority of courses in the public sector are interlinked with common identification. Such a system can aid students in understanding which courses fulfill degree requirements, which are prerequisites for other courses, and where they are accepted.

**Recommendation IV-3**

**State government should provide some financial incentives to increase the number of courses completed, students who transfer successfully, and degrees granted.**

- A. *A portion of the current amount of State appropriation per FTES should be awarded only when students complete courses and receive credit.<sup>77</sup> Currently, enrollment funding is based solely on attendance during certain "census weeks," long before the end of the academic term.*
- B. *An additional amount should be provided for each academic degree or vocational certificate granted.*
- C. *An additional amount should be provided to the Community Colleges and four-year institutions for students who receive a baccalaureate degree and have spent at least one full year in both segments.*

*Creating strong and successful transfer programs is essential to preserving the promise of the Master Plan.*

**Richard C. Atkinson**  
**UC President**  
**Statement to the**  
**Commission**  
**January 23, 1997**

The Partnership for Excellence Program, a \$100 million appropriation to the Community Colleges in 1998, is the first step in the direction of providing fiscal recognition for educational outcomes and demonstrated performance. The statutory language creating this program is especially significant in declaring the partnership “a mutual commitment by the State of California and the California Community Colleges [with] a substantial financial investment by the State in exchange for a credible commitment from the System to specific student and performance outcomes.” The statute requires that specific goals be developed later—goals that “shall be rigorous and challenging to the system, and exceed what could be expected to occur based on increases in funded enrollment [alone].”<sup>78</sup>

While it is too early to say whether the Partnership will achieve its goals among the Community Colleges, the policy of providing incentives to achieve state priorities—e.g., transfer, course completion, and successful job placement—should be extended to all public segments.

**Recommendation IV-4**

**The four-year institutions of public higher education should undertake new initiatives to diversify their student bodies while maintaining high standards.**

- A. *The University of California Regents should guarantee eligibility to 4 percent of the graduating seniors (roughly one-third of its current eligibility pool) from each California high school if they meet the knowledge and skills requirements specified by the UC. The rest of the applicant pool should be selected from criteria applied statewide.*

The University has conducted extensive analysis of the impact of this proposal and others on the academic credentials and racial demographics of UC's entering class. The University's analysis of the "4% proposal" does not suggest a decline in the overall academic profile of eligible students, one of the central arguments against the proposal by those who oppose any change in eligibility pools.<sup>79</sup>

*B. The CSU Trustees should seriously consider the benefits and consequences of a policy that would grant eligibility to a certain percentage of graduating seniors from each high school if they meet the course requirements and knowledge areas specified by the CSU.*

Specifically, the CSU should evaluate whether the change would establish more direct accountability in college preparation for each high school and whether this would provide a special incentive to improve those schools that have low eligibility rates. In these schools, the curriculum is often designed around the expectation that few students will go on to *any* university.

The Commission originally considered a recommendation that the CSU Trustees guarantee eligibility to 12 percent of the graduating seniors from each high school (roughly one-third of its current eligibility pool). The CSU provided information that this level could have unintended and negative consequences on the demographic diversity of its entering freshmen. As a result, the Commission will not recommend the 12% level but does urge the system to evaluate thoroughly the consequences of a high school-specific approach at some percentage.

## V. The Essential Connection: Improving the Links Between K-12 and Higher Education

*I challenge the leaders of America's great colleges and universities to make teacher education a much higher day-to-day priority. Teaching teachers has to be the mission of the entire university.*

**Richard Riley**  
U.S. Secretary of  
Education  
1998

Higher education and K-12 are interdependent in the most basic ways: colleges and universities prepare teachers and provide their continuing education while school curriculum is, in large measure, designed to prepare young people for education beyond high school.

Despite these connections, the history of the relationship between higher education institutions and K-12 has not been one of close involvement. The rising public concern over the schools, dramatically described in *A Nation at Risk* (1983), has encouraged many efforts to connect K-12 and college programs and to recognize the interdependence of these sectors.

While the Citizens Commission applauds the growth of such connections, we are concerned that they are insufficient for the enormous challenge of improving education and offering greater access. They will undoubtedly prove transitory if not under-girded by long-term policies and fiscal incentives.

### CHALLENGES WHERE HIGHER EDUCATION MUST PLAY A ROLE WITH K-12

*The traditional teacher training program in California is a one-year, post-baccalaureate credentialing program in which teacher candidates [primarily] study education methodology and participate in a semester-long, student-teaching experience.*

**Chloe Bullard**  
*Qualified Teachers for All California Students*  
1998

*Demand for new teachers will exceed supply.* Estimates are that California will need between 250,000 and 300,000 new teachers over the next decade, due to enrollment growth, class size reductions in the early grades, and the increasing number of teachers retiring. This need is enormous: the number of new teachers needed is *equal to the total number of teachers* in California during 1995-96.<sup>80</sup> If these new teachers are to have teaching credentials, the number of those graduating each year will have to double.<sup>81</sup> Even now, one teacher in eight statewide holds an “emergency credential” (one in three within many urban schools), meaning they have not completed the year of training beyond the baccalaureate degree. To meet the need for 16,700 new elementary positions as part of the class size reduction, the state’s credentialing commission granted emergency credentials at twice its usual rate with “vast implications for the quality of teachers hired.”<sup>82</sup>

*Many new teachers soon drop out.* One-third of all beginning teachers in California quit within one year, according to Robert Salley, director of the certification division of the California Commission on Teacher Credentialing.<sup>83</sup> This astounding waste of human resources occurs because new teachers are not prepared for the realities they face on the job, because they lack classroom management skills, or because they have marginal knowledge about their subject. Many fail to receive adequate



support services or mentoring—they are left essentially alone to meet these challenges. Often, a wide difference exists between what education professors are teaching and what teachers and public school students say they need for effective classrooms.<sup>84</sup> The President of the American Federation of Labor laments that “teachers always report that their college education hasn’t prepared them for the realities of the classroom.”<sup>85</sup>

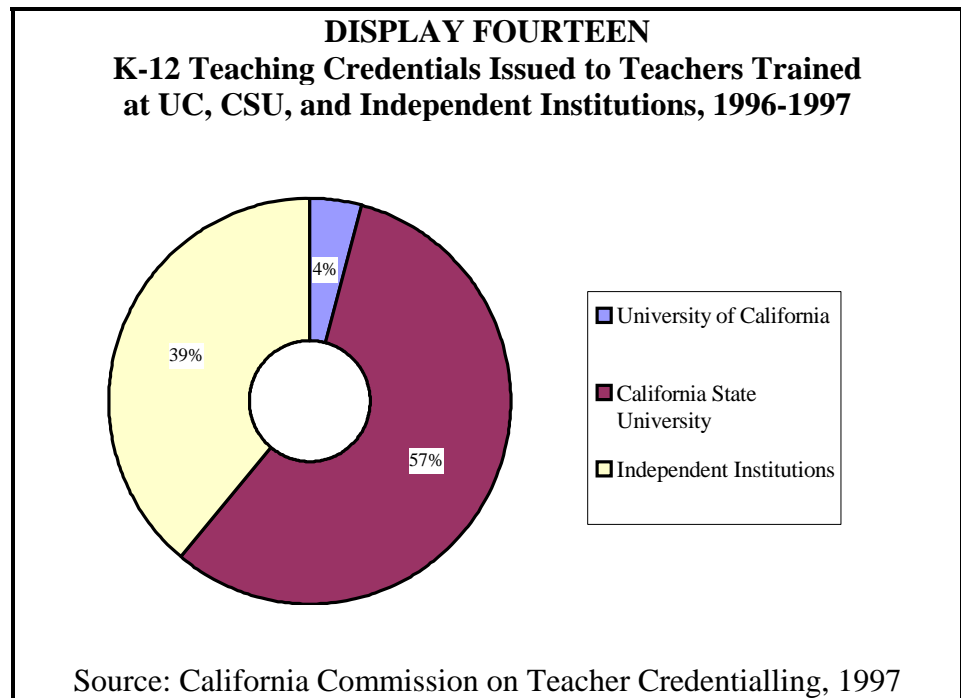
*Far too many teachers are not qualified in their subjects.* In subject matter classes, twenty-seven percent of California instructors do not have a major in that subject, highest in the United States. Nationwide, 39.5% of science teachers have neither a major nor a minor in science, a pattern replicated in California.<sup>86</sup> “When teachers have too little knowledge of the subjects they teach,” insists Kati Haycock, President of the national Education Trust, “their students are denied the most basic learning resource.”<sup>87</sup> Teaching a subject outside one’s competence is “professional malpractice” according to Diane Ravitch, author of *The Troubled Crusade*, an award winning history of education.

*Standardized tests and grades in high school do not effectively measure college readiness.* In 1996, the National Center for Fair and Open Testing evaluated the testing programs in all fifty states and placed California as second from the worst in the category “state assessment systems which need many major improvements.”<sup>88</sup> In *Education Week’s* recent report card called *Quality Counts*, California ranked 26th in the nation for its standards and assessment practices.<sup>89</sup> “California made extensive progress on standards in 1998, *Education Week* observed, “but it has more work to do.”<sup>90</sup> Higher education shares responsibility for this ranking. Michael Kirst from Stanford’s school of education writes that “we must adjust, and even overhaul, the current melange of K-16 education policies that sends confusing signals to students and schools about what knowledge is worth knowing.”<sup>91</sup> The fact is that high school students rarely receive a comprehensive and realistic appraisal of where they stand on their way to the knowledge and skills necessary to succeed in college. If they did, 47 percent of freshmen entering the CSU would not have required remedial English in 1997, nor 54 percent remedial math—a record high—despite the fact that they had taken four years of courses in English, three in math, and graduated in the top third of their class!

*Less than 25 percent of teachers who enter the profession on “Emergency Permits” ever complete a clear credential. They must leave teaching in six years or less.*

**Laurie Fathe  
Director  
LA Collaborative for  
Teacher Excellence  
Forum III  
LA Trade Technical  
College  
September 1998**

*Education schools lack prestige on university campuses, and the academic ranking of their students is usually below others.* The nation’s research universities historically have been lackadaisical about teacher preparation according to the Holmes Group (leading college educators concerned about K-12),<sup>92</sup> and rarely offer credential programs of any size even if they have impressive research agendas in education. As Display Fourteen shows, the UC produces fewer than 5% of the state’s teacher candidates. Even where teacher training is central to mission—such as in the CSU—schools of education rarely receive significant resources or high standing in academia’s “pecking order.” “Our nation’s colleges of education can no longer be quiet backwaters,” insists U.S. Secretary of Education Richard Riley.<sup>93</sup> The prestige of education schools and their attractiveness to the best students must increase substantially if the teaching profession is going to flourish, and all schools are to have outstanding teachers.



**Cal Grant T  
New for 1998**

**These awards have a maximum of \$9,000 and can be used only for tuition and fees for one year. Approximately 3,000 awards are available annually to students with a bachelor's degree who have been admitted to a program of professional teacher preparation at a school approved by the Cal. Commission on Teacher Credentialing.**

*In sum: Higher education must change.* The Citizens Commission believes that the best way to address these conditions is for the institutions of higher education to be more accountable for improving the quality and effectiveness of K-12. A fundamental change should occur in the way those on higher education campuses view the K-12 sector and their responsibility for training teachers. This shift of emphasis is especially important in California where responsibility for subject matter education, as distinct from teaching techniques, is the responsibility of the entire university or college, not just the school of education.

**Recommendation V-1**

**The State government should declare that the shortage of qualified teachers constitutes an emergency and adopt a ten-year plan for addressing it.** The plan should include at least the following elements:

- A. *The annual budget act should double the dollar commitment to the new program which forgives student loans for new teachers (Cal Grant T).*

Independent institutions produce 39 percent of the teacher candidates in California today. The state government should consider this sector an equal partner in efforts to increase the number of qualified teachers and substantially expand programs which allow students to choose these independent institutions when deciding whether to pursue a career in education.

- B. *The California State University should place the highest priority on, and redirect resources to, expanding its capacity to produce fully qualified and certified teachers.*

The state government should provide a separate appropriation for all increases in CSU enrollments in schools of education in order to encourage expansion. A minimum of one-fourth of all funds received for enrollment increases should be used only for the purpose of increasing the number of students in the CSU schools of education and improving the quality of teacher training activities for all undergraduates. This support should also be used to increase the capacity of those departments throughout the University which provide general courses for future teachers. State support should be provided to increase the number of CSU campuses that offer year-round certificate programs and distance education opportunities.<sup>94</sup>

**Recommendation V-2**

**As a first step, the state government should require that no more than 10% of the secondary school classes in any school be taught by instructors lacking a major or minor in the subject of the class and that no more than 15% of the math and science classes be taught by instructors lacking a major in the appropriate subject.**

Additional funds should be provided to schools so they may offer salary incentives in order to achieve these standards.

*Public alarm over mediocre school performance has evoked many calls for higher standards for students over the past two decades, but over the same period, the employment of under-qualified, inexperienced teachers to fill classrooms has continued and even increased.*

**Gary K. Hart**  
**"Letter to the Reader,"**  
**in *A State of Emergency***  
**...In a State of**  
***Emergency Teachers***  
**CSU Institute for**  
**Education Reform**  
**CSU Sacramento**  
**1996**

**Recommendation V-3**

**The State should make the institutions of higher education explicitly accountable for improving the retention of new teachers by exposing them as undergraduates to the realities of classroom instruction, by providing better training for them as student teachers, and by offering extensive support during their initial years of employment.**

- A. *Programs to involve undergraduates in K-12 classroom experiences should be expanded substantially so that all students considering a career in teaching will have an opportunity for practice teaching in real schools, for tutoring disadvantaged students, and for enrolling in university classes that teach the fundamentals of instruction.*
- B. *A Teacher Improvement and Development Fund should be established from Proposition 98 funds, and matching amounts from higher education, to encourage collaboration between higher education institutions and public school teachers. This involves mentoring new teachers, disseminating the results of educational research, providing continuing education for all teachers, and forging new links between school districts and academic departments throughout higher education. This fund should have the goal of reducing the dropout rate of new teachers by half within five years.*
- C. *Academic departments throughout each higher education campus should be involved in work with the K-12 sector and with efforts to improve teacher training. The community colleges have an important role in this regard as well. The CSU reports that fully 70 percent of those enrolling in their schools of education are transfer students from the two-year colleges. Frequently, the last course they have taken in English, history, and math was on a community college campus.*
- D. *Higher education faculty and their students should participate extensively in community-school partnerships to serve the needs of low-income students and those most at risk of dropping out of school.*

**Recommendation V-4**

**The institutions of higher education should be clear about the standards and competencies needed to succeed at the college level and should adjust their own admissions criteria accordingly. The responsibility of K-12 schools to send well-prepared students into postsecondary education should be recognized through fiscal incentives.**

- A. *All public segments should insist that high school graduates who seek admission have the knowledge and skills necessary to succeed in college-level work, whether in academic or occupational programs.*

- B. *All high school sophomores and juniors who indicate a desire to attend higher education should receive a diagnostic appraisal to provide them with a clear understanding of their strengths and weaknesses in preparation for college.*
- C. *The faculties and governing boards in California should be leaders in reshaping higher education admissions policies to support standards and competency-based school reform. Admission standards should extend beyond the mechanical combination of grades, course-taking, and national standardized test scores to include some measurement of demonstrated competencies.*
- D. *At least half of the costs incurred by public colleges and universities for providing remedial activities for recent California high school graduates should be reimbursed from Proposition 98 revenues after the year 2003.*
- E. *All public institutions of higher education should annually provide extensive information on the record of students from each high school. This should include course completion rates in college, the number of degrees earned and awarded, and grade point averages. The results should also be reported according to racial and ethnic groups and by gender. The report should include completion rates and grade point averages for students eligible through the high school specific guarantee and for those eligible through the statewide pool, described in Recommendation IV-4.*

**Recommendation V-5**

**The institutions of higher education should enhance the professional reputations of their education schools and try to attract the best students into teaching careers.**

- A. *Undergraduate students who excel in activities that lead to teaching careers (see recommendation V-3A) should receive academic honors and campus-wide recognition.*
- B. *Students who rank in the top ten percent of their baccalaureate graduating class should receive a \$2,000 bonus for enrolling in a teaching certificate program within two years of graduation.*

C. *State government should provide matching funds to create a prestigious teacher's institute at one or more campuses of an accredited institution that now has a school of education. The Institute should have these characteristics:*

1. Competitive admissions to select the most academically able students who also have a record of community service.
2. Scholarships to support a year and a half of students' academic and credential work.
3. A combination of inter-disciplinary instruction in higher education classes with assignments in the schools. Students should also have the option of receiving an MA degree, as well as a teaching credential, if they complete the required coursework in affiliated departments.
4. An extensive program of applied research which uses the assignments of the teacher candidates and their mentoring in the schools as a source for studies and evaluations.
5. An Institute "fellows" program, similar to post-doctoral opportunities in academic departments. As fellows, outstanding teachers would spend substantial time in residence, both to work on special projects and to interact with credential candidates.

**The Citizens Commission recognizes the substantial efforts underway to improve the K-12 schools and the links between higher education and K-12. We are concerned, however, that attention to these links may fade over the years as public attention turns elsewhere.**

*A final concern.* The Citizens Commission recognizes the substantial efforts underway to improve the K-12 schools and their links with higher education.<sup>95</sup> We are concerned, however, that attention to these links may fade over the years as public attention turns elsewhere. Further, most colleges and universities do not have a culture or values that encourage real collaboration with K-12, nor has school improvement been a significant priority throughout higher education. To prevent a relapse to earlier patterns, the state should establish these links as a permanent part of California's policy and fiscal environment. The accountability of both the higher education and K-12 sectors should be explicitly recognized, and successful efforts of cooperation by both sectors rewarded.

## *CONCLUSION*

California has a good system of higher education—a system that deserves its ranking among the nation's best. Yet, without important changes in policy, the full potential of this system will not be realized, and the opportunity for a first-rate education will be denied to many.

The Commission believes that all Californians should have the opportunity and encouragement to attend an affordable institution of postsecondary education that will meet their needs.

California's colleges and universities should serve their students with the highest quality and efficiency, and they should regularly demonstrate their performance and results in clear and objective ways.

California should have the most prominent and productive research universities in the world, as well as a wide range of other first-rate institutions that offer academic, vocational, and continuing education programs to students of all ages.

A fundamental change should occur in the way those on higher education campuses view the K-12 sector, a change where those in colleges and universities accept more responsibility for improving the quality and effectiveness of K-12 and improving teacher training.

The state government and higher education institutions should place a high priority on effective links among the segments and on the effective use of technology to improve learning and extend access.

Student bodies throughout public higher education should reflect the racial/ethnic and socioeconomic diversity of California, one of the state's great strengths.

The Commission's Action Agenda—our blueprint for change—recommends a set of policies to achieve this vision during the opening decades of the 21<sup>st</sup> century. Our goal is to ensure and increase educational opportunity and for California to become **a state of learning**.





## END NOTES

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<sup>1</sup> The state government subsidy is 71% of the per student cost at UC, 81% at the CSU and 90% at the CCC. See CPEC, *Fiscal Profiles, 1998*, p. 13.

<sup>2</sup> Bridges, "Where Have All the Jobs Gone?" in *Jobshift*, pp. 4-28.

<sup>3</sup> California Education Roundtable, p. 8.

<sup>4</sup> "Postsecondary" education refers to all formal instruction beyond high school, including non-credit and short-term certificate courses. "Higher" education refers to programs or courses that lead to formal academic or vocational degrees. The Master Plan organized all public campuses into systems, or more accurately, into tiers or segments, which are differentiated sets of campuses joined together according to their mission and governance structure. These are the University of California, the California State University, and the California Community Colleges.

<sup>5</sup> From *The Rise of American Research Universities*, quoted in UC, *Annual Financial Report*, p. 7.

<sup>6</sup> The CSU is best described recently in Munitz, *Compact II* (1997); CSU, *The Cornerstones Project* (1997).

<sup>7</sup> CSU, *Cornerstones*, p. 4.

<sup>8</sup> Chancellor's Office, "Overview," p. 1.

<sup>9</sup> For non-credit, see Joint Task Force, pp. 3-9.

<sup>10</sup> AICCU, *Uncertain Partnership*, pp. 9-10.

<sup>11</sup> Stanford, Cal Tech, USC and the Claremont Graduate University.

<sup>12</sup> Buck, p. 77.

<sup>13</sup> McCarthy and Vernez, p. 282.

<sup>14</sup> CPEC, *Student Profiles 1998*, p. 2-6.

<sup>15</sup> Western Interstate Commission for Higher Education, p. 82.

<sup>16</sup> See Shires (1996); CPEC, *Capacity* (1995); Benjamin and Carroll (1997); CHEPC, *Shared Responsibility* (1996); CCCHE, *Technical Paper on Cost Estimates* (1998).

<sup>17</sup> Breneman, Estrada, Hayward, *Tidal Wave II Revisited*, p. 12.

<sup>18</sup> Appropriations include State general funds for the UC, CSU, and the CCC, property tax revenues for the CCC, and general funds for the California Student Aid Commission which provides grants to students in the private sector of higher education as well.

<sup>19</sup> UC, "Undergraduate Instruction" (1997), p.iii.

<sup>20</sup> UC, "Undergraduate Instruction" (1995), p. ii. See also UC, "Program Impact of Budget Reductions" (1994).

<sup>21</sup> Chancellor's Office, *Access to the CCC* (1997), pp. 9-10, 23.

<sup>22</sup> CSU, "Chancellor's Budget Message" (1994), p. i. California Faculty Association, (1997), p. 4.

<sup>23</sup> Emphasis added. CAE/RAND, "Prospectus," p. 3.

<sup>24</sup> Breneman, Estrada, and Hayward, *Tidal Wave II*, p. 5.

<sup>25</sup> Master Plan Review Commission, *The Challenge of Change* (1986); The Joint Committee, *California Faces* (1988). Commission on Innovation, *Choosing the Future*; California Postsecondary Education Commission, *Toward a Unified State System*, (1998).

<sup>26</sup> Joint Committee of the Legislature (1988), pp. 8-12. Commission for the Review of the Master Plan for Higher Education (1987), p. 4.

<sup>27</sup> Oblinger and Verville, p. 4.

<sup>28</sup> Boyett and Snyder, p. 6.

<sup>29</sup> ACE, *Educating Americans for a World in Flux*, p. 5, 1995.

<sup>30</sup> Mathews, p. 48. The consortium is the Western Interstate Commission for Higher Education.

<sup>31</sup> Massy and Wilger, p. 52.

<sup>32</sup> Dolence and Norris, p. 94.

<sup>33</sup> Jones, Ewell, McGuinness, p. 13.

<sup>34</sup> Mathews, p. 51.

<sup>35</sup> See CCCHE, *Technical Paper on Cost Estimates* (1998).

<sup>36</sup> Letter from Warren Fox to CCCHE, 8/11/98.

<sup>37</sup> CCC, 2005, p. 11. While the statistics presented by the Chancellor's Office do support the conclusion that California's community colleges fall well below the funding in other states, a more thorough and sophisticated evaluation of these data is needed before the magnitude of underfunding is convincingly established.

<sup>38</sup> At the State's current marginal rate, adjusted annually for inflation.

<sup>39</sup> The state government should provide a separate appropriation for *all* increases in CSU enrollments in schools of education to encourage expansion. Until the state's need for new teachers roughly equals supply, a minimum of one-fourth of all funds received for enrollment increases should be used only for the purpose of increasing the number of students in the CSU schools of education and improving the quality of teacher training activities throughout the University.

<sup>40</sup> The Commission recommends that these changes in finance for the Community Colleges be contingent upon significant governance and structural reforms, such as those in Recommendations III-1.

<sup>41</sup> See Legislative Analyst, *Year Round Operation*, p. 18. The state government's current marginal rates are too high for funding *all* additional undergraduates above the current level of enrollment at UC and CSU because these rates are averages which include the costs for the more educationally expensive graduate students.

<sup>42</sup> The new campus of the University of California in Merced falls within this category. After an extensive evaluation of the proposal and a visit to the Fresno/Merced region, the Commission concluded that this region is underserved by the University and deserves to have a branch of UC whose prime emphasis is undergraduate education. See the Commission's evaluation of the new campus in the *Blueprint*, Part Three, "Additional Questions and Issues," July 1998.

<sup>43</sup> The major exception to this generalization is the Community Colleges' inclusion with K-12 under the revenue guarantee provisions of Proposition 98. The actual split between K-12 and the Community Colleges, however, is not constitutionally determined and so has been subject to annual negotiation.

<sup>44</sup> See Recommendation I-1 for the methodology which determines the total appropriation. Exceptions to the 4 percent level should be state funds for enrollment increases (see Recommendation I-2) and funds for one-time investments such as equipment replacement and deferred maintenance.

<sup>45</sup> See "Answers to Technical Questions about this Recommendation" in the Commission's *Blueprint*, under Recommendation II-1.

<sup>46</sup> Tidelands oil revenues and off-road vehicle license fees are examples.

<sup>47</sup> California Legislative Analyst, "Funding Shifts," pp. 75-77.

<sup>48</sup> Presently, all charges paid by resident California students are officially called "*fees*," a semantic idiosyncrasy confusing to the public and virtually unique to California. In most states, mandatory statewide charges to students are called *tuition* and other payments for specific services (student body membership, cultural events, computer services, health care, parking, etc.) are called *fees*. Under California's Master Plan, however, *tuition* (the cost of instruction) was not to be charged to California residents, lest changes in faculty salaries cause runaway fee increases. Today, student charges, especially in the public universities, represent a significant portion of total educational costs, due largely to their sharp increases when state appropriations were cut. Although the Plan's original purpose in such a semantic distinction has faded, the three public segments continue to refer to their resident student charges as *fees* and to their non-resident charges as *tuition*.

Regardless of what they are called, the public interest is best served when the policy focus on undergraduate student charges is on how to make their adjustment gradual, moderate, predictable and equitable.

<sup>49</sup> This is the average annual change in California personal income between 1981 and 1996.

<sup>50</sup> Presently, the statutory guarantees are (1) that the number of new Cal grants shall be equal to one quarter of the students in California's high school graduating class and (2) that the maximum grant for students in the private sector shall equal the estimated state cost of educating a student at UC and CSU.

<sup>51</sup> National Center, *Maximizing the Effectiveness*, p. 12.

<sup>52</sup> Pew, *Policy Perspectives*, p. 3.

<sup>53</sup> The Commission decided to concentrate its analysis on the structure of higher education rather than on the internal governance policies and procedures.

<sup>54</sup> CPEC, "Toward a Unified State System," p. 4.

<sup>55</sup> Three by the county supervisor in whose district the campus is located, three by the Assembly Member, and three by the State Senator in whose district the campus is located.

<sup>56</sup> No one who is currently employed by a Community College should be eligible to serve as a member appointed by the locally elected officials or by the Board of Governors. By allowing college employees to serve on the governing boards of other districts, the current system allows groups internal to Community Colleges too much of a governance role in policy and fiscal determination, and in collective bargaining.

<sup>57</sup> Members of the UC Regents and the CSU Trustees—both governing boards with substantial authority and responsibilities—receive no salary or fringe benefits for their services.

<sup>58</sup> Association, *Renewing the Academic Presidency*, p. 29.

<sup>59</sup> This would broaden the representation on these boards and encourage people to serve on them who do not have the funds to run for election or the desire to raise them.

<sup>60</sup> McGuinness, p. 5.

<sup>61</sup> Richardson, p. 55. See also "The States and Higher Education Governance," in Richardson, et al. *Designing State Higher Education Systems*, pp. 1-23.

<sup>62</sup> Because of its need to fulfill its current responsibilities defined in statute, respond to research requests from the Legislature, and expand to meet these new needs, CPEC should be better able to hire employees with specific backgrounds and areas of expertise in higher education. The Citizens Commission agrees with the legislative committee's recommendation, which originally created CPEC in 1975, that the agency be exempt from the normal civil service requirements. This was not done at that time.

<sup>63</sup> McGuinness, p. 8.

<sup>64</sup> Berdahl, p. 41. Hollander, p. 18. Mingle, *The Case for Coordinated Systems*.

<sup>65</sup> Kerr and Gade, pp. 104, 115-29. Letter from Richard Atkinson to CCCHE, 7/28/98.

<sup>66</sup> Letter from Jonathan Brown to CCCHE, 9/9/98.

<sup>67</sup> It is important to maintain the diversity of services provided by local institutions which can serve the public well, while at the same time providing needed coordination on statewide priorities.

<sup>68</sup> Epper and Russell, "Trends," pp. 8, 28-29.

<sup>69</sup> The State should provide core funding to these associations with the goal of encouraging greater cooperation among public institutions and those private colleges and universities which wish to join.

<sup>70</sup> No doubt Proposition 209 eliminates the most direct means for diversifying the student body—taking race and ethnicity explicitly into account—in selective universities such as the University of California and strictly limited admission programs such as law and medical schools (see National Center, "Admissions at Berkeley" and "New Admissions Process Launched," *The Berkeley Magazine*). Beyond these instances, however, Proposition 209 has little, if any, direct impact on admission decisions and program planning throughout higher education.

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<sup>71</sup> Under the Master Plan, the University of California admits the top 12.5 percent of California high school graduates and the California State University the top 33.3 percent. How to define this pool is left to the segments themselves.

<sup>72</sup> Analysis of the impact of the Commission's recommendations by the University of California does not suggest a decline in the overall academic profile if eligibility were changed (UC, "Redefining UC's Eligibility Pool").

<sup>73</sup> CCC, "Report to the Governor," pp. 2-3.

<sup>74</sup> For instance, students taking classes on the campus of Santa Monica [community] College can complete all requirements for any one of three degree programs at California State University, Northridge.

<sup>75</sup> This principle is established in California law and in current accreditation practices (WASC, *Handbook*, p. 50).

<sup>76</sup> Orfield and Paul, pp. 30-31.

<sup>77</sup> Or when they fulfill all the requirements of state supported, non-credit courses in the Community Colleges.

<sup>78</sup> *Education Code* 35, § 84754.

<sup>79</sup> UC, "Redefining UC's Eligibility Pool."

<sup>80</sup> Bullard, p. 6.

<sup>81</sup> CSU, "Central Role," p. 2.

<sup>82</sup> "Student Numbers Boom," p. 7. See also CCTC, "Teacher Education," p. 4.

<sup>83</sup> Quoted in Engellenner, "Pressure on schools."

<sup>84</sup> See the nationwide survey published by the Public Agenda Foundation, *Different Drummers*, pp. 13-19.

<sup>85</sup> Sandra Feldman quoted in "Are Teachers Out of Touch?" p. A20.

<sup>86</sup> Ravitch, p. 44.

<sup>87</sup> Haycock, p. 8.

<sup>88</sup> Lawton, p. 13.

<sup>89</sup> *Education Week*, p. 114.

<sup>90</sup> *Ibid.*, 131.

<sup>91</sup> Kirst, "Bridging," p. 76.

<sup>92</sup> The Holmes Group, p. i.

<sup>93</sup> Riley, "An End to 'Quiet Backwaters,'" p. B10.

<sup>94</sup> See Recommendation I-2 (B). For the CSU's current commitment in these areas, see Committee on Educational Policy, p. 5.

<sup>95</sup> See especially the National Commission on Teaching and America's Future, *What Matters Most*, the California Commission on Teacher Credentialing, *California's Future: Highly Qualified Teachers for all Students*, and the California Statewide Task Force on Teacher Recruitment, "Shaping," pp. 9-12.