

# A State of Learning

## California Higher Education in the Twenty-First Century

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Blueprint for Implementing the Report of the  
California Citizens Commission on Higher Education

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# **A State of Learning**

## **California Higher Education in the Twenty-First Century**

### **A Blueprint for Implementing Change in California Higher Education**

**JUNE, 1998**

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## FOREWORD

The California Citizens Commission on Higher Education was organized to help preserve and extend California's goal of educational opportunity. The Commission is independent of both state government and California's institutions of higher education.

From its beginning in 1996, the Commission was concerned that California lacked a long-term and realistic plan to enroll the surge of new students projected to seek admission in higher education. Our goal was to develop and seek consensus on specific policy recommendations which, if adopted, would continue the best traditions of California higher education in the face of new challenges and different times. Following publication of this document, the Commission will conduct a series of hearings, conferences and roundtable discussions on these ideas among a wide variety of Californians. Then, the Commission will issue a final report.

Early on, the Commission adopted the following vision of what it hopes the future will hold for higher education: "All Californians should have the opportunity and encouragement to attend an affordable institution of postsecondary education which 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."

The Commission's work was possible only 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. The Commission is a project of the Center for Governmental Studies, a non-partisan, 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.

This volume is a companion to the Commission's report, *A State of Learning: California Higher Education in the Twenty-First Century*. This is designed as a fuller explanation with more details on implementation than was possible in the report. Both publications are available on the Commission's website, [www.ccche.org](http://www.ccche.org), or by contacting the Center for Governmental Studies.



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## ***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**

This resource, though, is in peril. Despite recent increases in state funding and a robust economy, 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 over the next decade, and the state has no realistic plan to accommodate or pay for them. Without such a plan and an approach, which will work in good *and* bad financial times, California will not be able to preserve the promise of educational opportunity offered by its current system of higher education. At some point, the state will have to limit access to college, reduce the quality of institutions or raise student charges beyond the means of many Californians.

### **THE COMMISSION'S RECOMMENDATIONS**

The Citizens Commission was formed in 1996 out of concern that neither the state government nor the institutions seemed to be preparing seriously for these challenges, or they were relying on approaches destined to fail. 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 for new students, while maintaining a quality education for all. The Commission also believes that California must commit itself to being *a state of learning*, where access, quality, affordability, diversity, innovation and cooperation will be the hallmarks of higher education.

## AN ACTION AGENDA

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

- *A commitment to adopt strategies to smooth out the wide swings of support for the University of California, the California State University and the California Community Colleges by conserving resources when they are most available and saving them for the time when they are needed most. Only in this way can the state's destructive "boom and bust" pattern of financing higher education, which hurts both the institutions and their students alike, be reduced.*
- *A commitment by state government to stabilize long-term funding for the University of California and the California State University as a proportion of state appropriations and, above this level, to provide additional resources for new students through an approach which "shares responsibility" among the state government, the students and these public systems of higher education.*
- *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 through an approach which "shares responsibility" among the state government, the students and the community colleges.*
- *A commitment to annually adjust the amount paid by students in public institutions so that increases become gradual, moderate, predictable and equitable. This policy should replace the current pattern of reducing student charges in good years and then raising them drastically—by 40 percent or more—in bad years.*
- *A commitment to provide students in need with adequate financial aid in both public and private institutions and to adjust this aid upward through appropriations whenever student charges in public institutions are increased. This policy should replace the practice of increasing charges collected from all students and then "recycling" a portion of them as aid for some. Student financial aid for tuition increases in public institutions 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 the increase in student demand and to consider the impact on private institutions of any change in policies for public colleges and universities.*
- *A commitment by state government and the institutions of higher education, public and private, to make extraordinary efforts to use existing facilities more extensively through*



sharing and through extended hours. Institutions should be given strong incentives to fill campuses that have unused capacity and to deliver more education without increased cost.

- *A fundamental change in the structure and governance of the California Community Colleges* to reduce the layers of decision making and state regulation, and to ensure they are governed as collegiate institutions. Entangled in various restrictions, structural inefficiencies and serious cross-purposes, these colleges—the largest and most accessible sector in California higher education—will not be able to respond effectively or efficiently to serve their share (estimated at 80 percent) of the enrollment growth.
- *A strengthened system of statewide coordination and regional cooperation among educational institutions* to reduce barriers that lessen efficiency or impede student progress. Only through improvements in coordination can the broad public interest in higher education be given a more effective voice and the barriers to institutional cooperation be reduced.
- *A commitment 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 substantial increase in the links between higher education and the K-12 schools* to the mutual benefit of students in both sectors. These links should be a central priority for all educational institutions as they strive to increase the state's college-going and graduation rates. Rather than being left to individual initiative or happenstance, these links should become a permanent part of California's policy and fiscal environment.

## **TOWARD A STATE OF LEARNING: A BLUEPRINT FOR CHANGE**

California has a good system of higher education, considered by many to be among the nation's best. Yet, without major changes in policy, financing and structure, its colleges and universities will not preserve the best traditions of access and quality, nor will the institutions reach their full potential in the 21st century. California's dream of opportunity in higher education will end for many citizens. The following pages describe these changes and provide a blueprint of how to implement them.



# 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 individual would be available somewhere in the state's system of 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 and the opportunity to choose among them. Guided by this plan, Californians committed themselves to developing the most affordable, easily accessible, diverse and highly respected system of higher education in the nation.

Besides offering opportunity to individual Californians, this system of higher education was meant to provide important social and economic benefits to the state. 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. World-class research and advanced education prepares men and women to enter such rapidly growing fields as high technology industries, telecommunications, entertainment and international trade; the growth sectors of California in the 1990s.

*"The State of California owes much of its economic competitiveness and social vitality to its long-standing commitment to higher education. In 1960, the state revolutionized its higher education services with the adoption of the Master Plan for Higher Education which has guided state policy ever since. The basic goal of the Master Plan is that all qualified students should have the opportunity to enroll in a high-quality, affordable, public higher education institution."*

**- Governor Pete Wilson, 1995**

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" where many employees will not fill some pre-designed slot with a specific set of duties performed repeatedly.<sup>1</sup> Many of today's students will have "jobs" which do not even exist now, and in organizations yet to be created.

California leads the nation toward such a decentralized, rapidly changing workplace. The state's colleges and universities can help its citizens become more flexible, more

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<sup>1</sup> Bridges, "Where Have All the Jobs Gone?" in *JobShift*, pp. 4-28.

**As Educational Levels Increase So Do:**

**...Public Social Effects<sup>2</sup>**

- *More social cohesion*
- *More understanding and appreciation of diversity*
- *Reduced crime rates*
- *Increased giving to charity*
- *Improved ability to use new technologies*
- *More participation in voting & community service*

**...and Private Economic Effects**

- *Higher salary & more income*
- *Improved working conditions*
- *Increased social status and personal power*
- *Greater personal and professional mobility*

**...and Private Social Effects**

- *Improved health and longer life expectancy*
- *More tendencies to use preventive health measures*
- *Offspring will have more education and higher income*
- *Increased sophistication as a consumer*

**...and Increased Tax Revenues**

- *Higher levels of personal saving*
- *Greater Productivity*
- *Increased Flexibility in the Workforce*
- *Lower welfare and Medicaid costs*

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 help them achieve personal fulfillment. This role is especially important as California becomes more racially, ethnically and socially diverse.

## THE REALITY

Much of the dream has become a reality. For individuals seeking greater opportunity, California's postsecondary education provides 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 universities, both public and private have nurtured successful enterprises (microelectronics and biotechnology firms are the best examples). 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 for all.<sup>3</sup>

By the 1990s, the higher education enterprise has 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

<sup>2</sup> New Millennium Project; Brinkman & Leslie, pp. 3-18.

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

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>				
<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>Annual Total 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	\$4.8
Regional Occupational Programs	30 counties	Est. 100,000 Duplicated enrollment	\$0.27	\$0.29
<b>TOTAL</b>	<b>NA</b>	<b>NA</b>	<b>\$0.74</b>	<b>\$2.3</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.				

<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 which lead to formal academic or vocational degrees.

This display also separates the institutions (or segments),<sup>5</sup> according to their definitions in California's Master Plan for Higher Education. Sharp distinctions between various types of institutions stem from the Master Plan which drew clear lines between research-oriented UC and the teaching-oriented CSU; between community colleges with open access and universities with restricted admission pools; between public institutions with line-item appropriations and the private sector where government support is available only through student financial aid; between higher education as "receiving" and K-12 as "sending" students.

**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 campus, which together attract more than one tenth of all research funds awarded to universities throughout the United States: 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>6</sup>

**The California State University.** This set of twenty-two campuses, the largest four-year system in the country, maintains 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 and enrolls far larger numbers of community college transfer students (almost 60 percent of CSU baccalaureate holders have credits from California's two-year colleges).<sup>7</sup> CSU describes itself as committed to innovative use of facilities, the development of flexible academic schedules, and an emphasis on "the ease with which students get services."<sup>8</sup>

**The California Community Colleges.** This public segment enrolls 1.4 million students in credit and non-credit classes, a figure that translates into ten percent of all college students in the United States and 27 percent of the nation's community college students. By law, the Community Colleges must admit any California resident over 18 years old who is capable of profiting from instruction.<sup>9</sup> The colleges offer instruction in three types

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<sup>5</sup>The Master Plan organized all public campuses into systems, or more accurately, into tiers or "segments," which are differentiated sets of campuses joined together by a common mission and governance structure. These are the University of California, the California State University and the California Community Colleges. Few states have as strongly a "segmented" approach to higher education as does California.

<sup>6</sup> From *The Rise of American Research Universities*, quoted in UC, *Annual Financial Report*, p. 7.

<sup>7</sup> The CSU is best described recently in Munitz, *Compact II* (1997); CSU, *The Cornerstones Project* (1997).

<sup>8</sup>CSU, *Cornerstones*, p. 4.

<sup>9</sup> Chancellor's Office, "Overview," p. 1.

of courses supported by state funds: credit transfer to universities, community college credit, and noncredit. Most also offer community/business services that do not receive state funding. Over one million students annually take vocational education classes that emphasize training for job entry, career changes, updating of skills and licensing. Welfare-to-work reform has placed an even greater burden on these colleges to provide education and job training.

**The Private Sector of Higher Education: Accredited, Non-Profit Institutions.** 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 over 30,000. In between are free-standing graduate and professional schools, campuses with a wide variety of religious affiliations, single gender schools, traditional liberal arts colleges, and campuses for working adults.<sup>10</sup> California's four private research universities<sup>11</sup> 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. Taken as a whole, the independents enroll student bodies whose demographics reflect those of California's population, and they have high graduation rates. The subsidy from state taxpayers for this sector is low, consisting only of the \$130 million annually provided through state-funded student financial aid.

## THE CHALLENGE

While Californians can be proud of their system of higher education, the system's continued ability to support the dream of a post-secondary education for all qualified applicants is seriously threatened by a new challenge. In the coming decade, demand for new enrollments is projected to rise dramatically. If this enrollment challenge is not met, many thousands of deserving Californians, who expect access according to the promise of the Master Plan, will be deprived of an opportunity to pursue a first-rate college education.

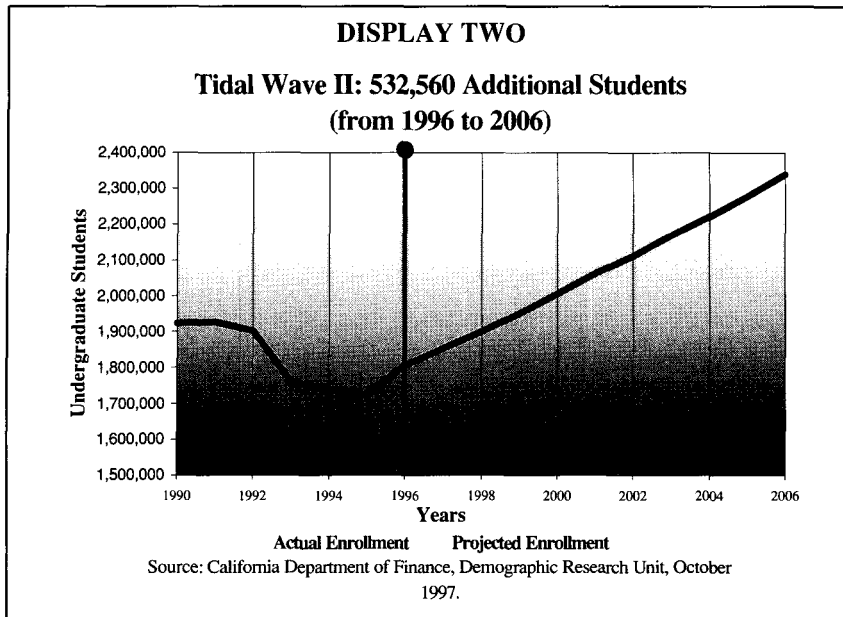
**The Large Cost of "Tidal Wave II."** Display Two tracks the dramatic increase in student demand as more than 500,000 additional students seek to enroll in California higher education over the next decade (a 30 percent leap over today's enrollments), with more to follow. This demand represents the second strong surge of young people seeking college admittance, the first being the "Baby Boom" generation which reached college during the 1960s. Then, California greatly expanded the physical capacity of higher education and framed a long-term commitment to access in its Master Plan.

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

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





Now, California should again make a commitment to access but recognize the change of circumstances. The Citizens Commission's review suggests that California state government cannot support the higher education enterprise at reasonable levels *and also* pay for this upcoming rise in enrollment demand unless it adopts new approaches to the financing and organization of the

state's public institutions of higher learning. In addition to a tragic loss of individual opportunity, the failure to enroll these students will mean a further widening of a dangerous economic and social split in California's population.

Starting in the 1980s, the difference in income between California's wealthier and poorer populations has widened steadily. In part, this trend is a result of recent changes in the economy that have generated large numbers of well-paying new jobs for college graduates. The close relationship between economic opportunity and education places pressure on the state's colleges and universities to serve the public interest by educating more people to higher levels. Although more education in California is not the only way to reverse this trend toward greater inequality and turmoil, it is certainly one of the most important.

Presently, the benefits of higher education are not distributed evenly throughout California's population: enrollment in the state's colleges and universities differs among groups and is highly correlated with demographic factors such as ethnicity and the income levels of students' families. Furthermore, as students advance up the educational ladder, differences in enrollment rates among these groups increase, with some groups barely represented at the highest levels. Unless more educational opportunity is made available for *all* Californians, social and economic polarization can become a permanent and disastrous feature of the social landscape.

## THE CHALLENGE: A BLUEPRINT FOR ACTION

The Citizens Commission believes that the dream of college opportunity and high quality education should continue to be a reality for the next generation of Californians from all groups. In its report, *A State of Learning*, the Commission described the challenges for



making this happen and offered recommendations in five sections to address the most serious problems.

These recommendations, offered as an Action Agenda, were designed to make the dream of college opportunity a reality in California while also improving the service of higher education to the public. In the following pages, the Commission provides more detail about these challenges and other issues of concern for higher education.

## SUMMARY OF THE ACTION AGENDA

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### **Section One: Adopt a "shared responsibility" approach to ensure long-term educational opportunity; a partnership of state, students and institutions.**

- Stabilize state support for "base" budgets in higher education.
- Provide state support for higher enrollments only above certain thresholds.
- Require some annual growth in student charges and provide state appropriations for financial aid.
- Require the state government and the institutions of higher education to make extraordinary efforts to use existing facilities more extensively through sharing and extended hours.

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### **Section Two: Reduce the wide swings of "Boom and Bust" state financing.**

- Reduce wide swings in higher education finance by saving funds appropriated during good times for use when they are needed later.
- Adjust mandatory student charges ("fees") in public institutions annually by a fixed amount based on changes in California personal income so that changes are gradual, moderate, predictable and equitable.
- Save some student fees for fiscal emergencies so that student charges in public institutions do not have to be increased so precipitously.
- Have the state adopt and adhere to a long-term student financial aid policy.

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### **Section Three: Promote access and efficiency by addressing the most critical problems of governance and structure in higher education.**

- Improve the Community Colleges by reducing governance layers, eliminating districts and trustee elections and making them better able to discharge their responsibilities as institutions of higher education.
- Eliminate the state's regulatory *Education Code* for the community colleges, replacing it with a statutory framework that is brief, concise, non-regulatory and oriented toward expectations, not mandates.

- Strengthen statewide coordination of California public and private higher education by changing the composition of the state's current coordinating agency, expanding its mandate and providing authority to distribute competitive grants to public and independent institutions, including K-12.
- Encourage regional associations to promote cooperation among institutions.

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**Section Four: Adopt new strategies for ensuring educational opportunity and success in changing times.**

- Reaffirm state government's long-standing commitment to the goals of equal opportunity and diversity in higher education.
- Increase the number of community college transfers to four-year institutions, especially from colleges that transfer few students now.
- Provide financial incentives from state government to increase the number of courses completed, students transferred and degrees granted.
- Encourage public universities to change their freshman eligibility definitions from a statewide pool exclusively, to a guarantee of access to the very top students in each California high school so long as they have taken the required preparatory courses.
- Require public universities in California to annually provide information on the record of students from each high school.

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**Section Five: Improve links between higher education and K-12.**

- Make institutions of higher education more accountable for improving the effectiveness of K-12 and of teacher education, and offer incentives for doing so.
- Encourage the CSU to place the highest priority on its schools of education and teacher training; provide funds to expand enrollments in education and undergraduate experiences for prospective teachers.
- Have institutions of higher education clarify the standards and competencies needed for success in college.
- Change university admission criteria to support standards/competency-based school reform.
- Make the K-12 sector accountable for equipping students with the knowledge and skills necessary for success at the post-secondary level.

**PART TWO**

**AN ACTION AGENDA FOR HIGHER EDUCATION**

**SECTION I**

**SHARING RESPONSIBILITY FOR TIDAL WAVE II:  
FINANCING ENROLLMENT GROWTH**

*Summary*

California faces a strong increase in demand for new college enrollments. State government alone cannot meet the large educational and capital costs necessary to accommodate all the new students. The only realistic way to establish a strong and enduring state commitment to enroll these students is to adopt a policy for sharing responsibility.

Somewhere near 500,000 more students will seek to enroll in California higher education over the next decade (a 30 percent leap over today's enrollments), as shown in Display Two.<sup>12</sup> The Commission reviewed several studies and compiled its own statistics (see Display Three) which provide compelling evidence that California state government will not be able to pay for this increase in student demand without new approaches to the structure, operation and financing of higher education in California.<sup>13</sup>

**The Most Recent Official Projections of New  
Students in Higher Education  
Fall 1996 to Fall 2006**

UC	+36,463 (+24%)
CSU	+105,809 (+31%)
CCC	+406,873 (+37%)

Source: Department of Finance, November 1997

<sup>12</sup> The most recent projections based on high school graduation statistics appear in Department of Finance, November 1997.

<sup>13</sup> See California Higher Education Policy Center, "Shared Responsibility"; California Postsecondary Education Commission, *Capacity*; California Citizens Commission, *Technical Paper on Cost Estimates for Tidal Wave II*.

*"More students will seek admission to California's colleges and universities than can be admitted, unless major changes are made in public policy and funding."*

- California Postsecondary Education Commission, *Challenge of the Century*

*"The [most recent] projections suggest that the demand for higher education is accelerating faster than CPEC projected in 1995."*

- CPEC Executive Director to the Legislature, February 10, 1998

*"The enrollment projections [488,000 students] that the panel recommends... in this report are estimates of the level of education service needed to meet the goals of the 1960 Master Plan."*

- Breneman, Estrada, and Hayward, *Tidal Wave II*

*"California alone will account for 51 percent of the [entire] region's growth in the number of high school graduates between 1995-96 and 2011-12."*

- Western Interstate Commission for Higher Education, February 1998

*"This research shows that there is and will continue to be an access crisis in California. ...The combination of the state's burgeoning population and direct fiscal limits will result in a significant reduction in the level of educational services provided by the state's public higher education sector."*

- Michael Shires, *The Future of Undergraduate Education in California*

In 1996, the California Higher Education Policy Center, a source independent of both government and higher education, warned that "neither the state nor its higher education institutions have policies or plans to meet this challenge."<sup>14</sup> In 1997, RAND's Institute on Education and Training likewise warned that "given funding

projections, it will be extremely difficult even to maintain today's enrollment rates, let alone provide for future increases."<sup>15</sup> In 1998, University of California President Richard Atkinson echoed these warnings when he told the Citizens Commission that "the most recent enrollment growth projections are up significantly and our existing campuses are already straining to accommodate increased levels of demand."<sup>16</sup> Display Three presents several authoritative projections of the state appropriations necessary to enroll all new students and to maintain higher education in California while Display Four presents the Commission's projection of the components of cost.

*"The historic level of public resources committed to higher education is absolutely unmatched by any other state in this nation. Yet, the current reality of public finance in California is that public resources are no longer available to fund all of higher education's legitimate priorities at the same levels as in the past. No state financial policy framework for higher education has been developed in this new environment."*

- California State University, *The Cornerstones Report*

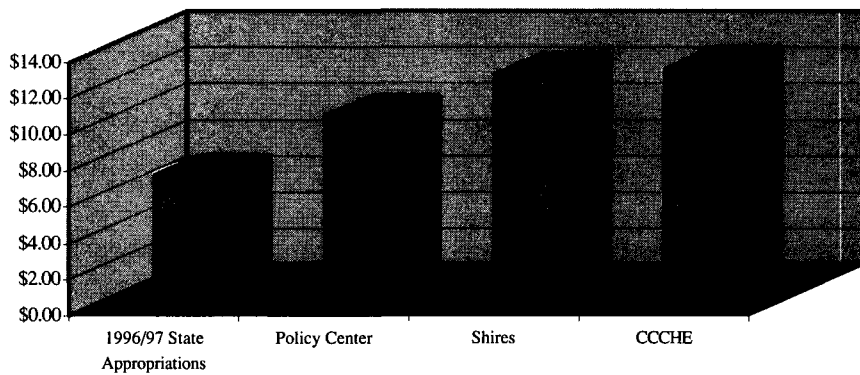
<sup>14</sup>CHEPC, "Shared Responsibility," p. 3.

<sup>15</sup> Benjamin and Carroll, p. 15.

<sup>16</sup> Letter of January 21, 1998.

**DISPLAY THREE**

**Projected State Costs, in Billions of Dollars, of Higher Education in 2006/07 Under "Business as Usual" Compared to Actual State Appropriations in 1996/97**



Source: CCCHE Technical Paper on the Costs of Tidal Wave II.

Note: Policy Center's projection does not include the effects of inflation.

**DISPLAY FOUR**  
**THE COMMISSION'S ESTIMATES OF THE**  
**COST OF ACCESS AND MAINTENANCE UNDER**  
**"BUSINESS AS USUAL"**

	<u>Annual 1996/97</u>	<u>Annual 2006/07</u>	<u>Ten Year Totals</u>
<i>State Expenditures for Higher Education Operations, 1996/97 (UC, CSU, CCC, CSAC)</i>	\$6.9 Billion	\$6.9 Billion (Base)	
<i>Minimum Increase Needed for a 3% Annual Average Increase in Higher Education Operations</i>		\$2.2 Billion	
<i>Estimated Additional Amounts Needed Beyond 3% for Facilities Maintenance, Competitive Faculty Salaries, Technology</i>		\$1.5 Billion	
<i>Additional Amount Needed for Operating Expenditures to Enroll Additional Students in "Tidal Wave II"</i>		\$1.2 Billion	
<i>Estimated Additional Amount Needed for Increased Enrollment Beyond "Tidal Wave II" (a major expansion of access in the Community Colleges)</i>		\$1.0 Billion	
<b>TOTALS for Annual Operating Budgets</b>	<b>\$6.9 Billion</b>	<b>\$12.8 Billion</b>	
<i>Total for the Decade of Capital Investment Needed for Maintenance, Repair, Renovation to Maintain Existing Facilities in Public Higher Education</i>			\$6.25 Billion
<i>Total for the Decade Capital Investment Needed to Accommodate Enrollments in Tidal Wave II*</i>			\$4.0 Billion
<i>Total Capital Investment Needed to Accommodate Additional Enrollments Beyond Tidal Wave II*</i>			\$1.5 Billion
<b>TOTAL Capital Outlay Needed for Public Higher Education Over the Next Ten Years</b>			<b>\$11.75 Billion</b>

\*According to current formulas for space utilization.

Sources: CHEPC, *Shared Responsibility* Supplement; CPEC, *Growth*. Office of the Legislative Analyst, 1996/97 Analysis.

In the face of all these predictions, the Commission is concerned that policy drift, ad hoc approaches or unrealistic optimism about future resources, conditions dangerously present now, pose serious threats to higher education's access and quality in the future.<sup>17</sup>

But it is our concern misplaced? Can't these higher education costs be met by state government if the \$900 million budget<sup>18</sup> increase for higher education recommended by Governor Wilson continues long-term? Will the largest *real* budget increases from state government in modern times for higher education become a permanent fixture of the budget process? With a robust California economy, a four-year compact with the present Governor, a significant increase in state student financial aid, tax credits coming from Washington and a political priority for education in general, why worry about the future?

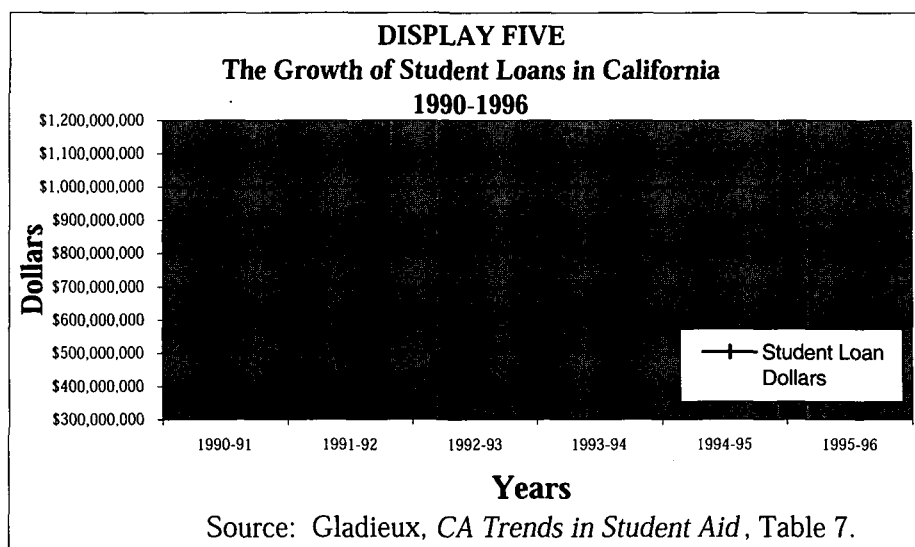
The reason is that California history shows that good times do not last and that without strong policy commitments, educational opportunity and affordability are the prime casualties when they end. The early 1990s are a case in point. Following several years of strong funding during the eighties, though the community colleges lagged somewhat, the deep recession of 1991 through 1994 led to a virtual collapse of the state's support of many Master Plan promises. Enrollments were "decoupled" from budgets, and the state provided, in effect, a "block grant" to all three public segments. Student charges in public institutions rose sharply, sometimes by 40 percent a year. Freshmen enrollments fell dramatically at the California State University and the Community Colleges lost 150,000 students, mainly because of a hastily imposed surcharge on students who already held baccalaureate degrees. Many students stayed in school only by borrowing ever larger sums of money as shown in Display Five.

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<sup>17</sup> The best example of an ad hoc approach to financing enrollment growth is a recent report by the Office of the Legislative Analyst, "Higher Education Enrollments: Is a Tidal Wave Coming?" This report projects an increase of 220,000 students, less than half the consensus view, primarily by assuming that college participation rates, driven down by fiscal crisis, will not change over the next decade. If the rates do go up and more students apply than the state wants to support, the Analyst advises that the Legislature can "manage growth" by increasing eligibility standards, raising student fees, and reducing state support for certain kinds of education. The Citizens Commission has serious reservations about the conclusion that participation rates will not rise. Every indicator suggests they will: more high school students are now taking college preparatory courses than ever before, outreach by universities is stronger, enrollments by Latinos and African Americans are receiving a higher priority, and businesses are requiring more skills and credentials. The Commission also believes that the kind of year-to-year enrollment management recommended by the Legislative Analyst represents a serious threat to the Master Plan's commitments of access and affordability.

<sup>18</sup> Roughly \$600 million proposed in January 1998 and another \$300 million in the "May Revision of the Budget," which is pending before the Legislature as this report is published.





The reality is that, despite an enormous infusion of public resources recently, California's higher education institutions are not well positioned to meet future challenges, especially the costs of growing demand if revenues stabilize or fall. Recognizing this danger, some political leaders have made commendable efforts to build a new policy framework. In 1995, Governor Wilson agreed to a four-year commitment designed to stabilize funding for the University of California and the California State University following some of the largest budget cuts in California history. In 1997, the Legislature passed one bill to reduce student fees in all public institutions and another to guarantee UC and CSU their current proportion of overall State revenues for two years. Governor Wilson approved the student fee legislation, vetoed the appropriations guarantee and proposed a "Compact II" for higher education which generally continues the earlier framework.<sup>19</sup>

*"But the situation in 1993 is quite different from that in 1960 when we originated the Master Plan. Then, the major issues were differentiation of functions among the segments, admission policies among the segments, the number and location of new campuses, and mechanisms for coordination. The availability of resources was taken for granted."*

**- Clark Kerr, "Preserving the Master Plan," 1994**

While the public interest is served by some resource commitment from the state and a set of performance expectations for higher education, the fact is that the legislative measures are short-term and the Governor's proposal for Compact II is very sketchy. In this first section, the Citizens

<sup>19</sup> See *Summary of Governor's Proposed Budget for 1998/99*, "Development of a New Compact: Building for the Future."



Commission proposes an Action Agenda that shares responsibility in good financial times *and* bad ones for accommodating the new students.

The only realistic means for enrolling the students in "Tidal Wave II" is a long-term fiscal policy which has the state government, the students and the institutions of higher education all contribute to, or absorb a portion of, the increased costs, and which places high priority on using facilities more creatively and intensively.

## AN ACTION AGENDA FOR MEETING ENROLLMENT DEMAND

### **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. This will ensure that these segments of higher education do not continue to receive a declining share of total state expenditures and will provide reasonable assurance of an adequate "base" budget. The annual fluctuations in funding through this guarantee, however, should be modified through the creation of a "trust fund" for each segment as described in Recommendation II-1.*
- B. *Fixing the community college share of overall revenues guaranteed to K-14 under Proposition 98 at least at 10.6% and using that ratio each year as a minimum 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 other similar colleges around the country.<sup>20</sup> The Commission recommends, however, that this ratio be contingent upon improvement in the governance and structure of the Community Colleges as described in Recommendation III-1.*
- C. *Requiring the University of California and the State University to enroll all eligible undergraduate students.*

### **Recommendation I-2**

**Provide state support for additional enrollments only above certain thresholds.**

- A. *The University of California should receive an additional appropriation only if annual enrollment growth exceeds 1.5 percent.*

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<sup>20</sup> See CCC, 2005, p. 11.

- 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 expand.*<sup>21</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>22</sup>

The Commission recommends that state appropriations pay for additional undergraduate enrollments *only* above the 1.5 percent threshold at the state's current marginal rate of \$7,000 for UC, \$5,760 for CSU, and \$3,150 for the CCC, adjusted annually for inflation. Enrollment growth below 1.5 percent should be absorbed by these institutions without state appropriations, as the institutional share of responsibility for new students.<sup>23</sup> In the Commission's opinion, the state's current marginal rate is too high for funding *all additional undergraduates above current level of enrollment* at UC and CSU because their marginal rates are averages which include the costs for the more educationally expensive graduate students. The Commission recommends state funding for additional undergraduates at these negotiated "marginal rates" if some costs for enrollment growth are absorbed from resources in the budget "base."

Should enrollment decline in a segment, the state government should reduce that segment's appropriations by its marginal rate for enrollment losses below the segment's threshold of 1.5 percent (reductions should be treated the same as growth).

### **Recommendation I-3**

**Require some annual growth in student charges and provide state appropriations for 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.*<sup>24</sup>

<sup>21</sup>The Commission recommends that the state government continue Governor Wilson's recent initiative of special funding for 1,200 additional teacher training enrollments for CSU. The Commission recommends that funding for 750 additional FTES be provided to CSU each year for this purpose until the state's supply of new teachers roughly equal demand.

<sup>22</sup> The Commission recommends that these changes in finance for the Community College be contingent upon the governance and structure improvement in Recommendation III-1.

<sup>23</sup> The segments, however, should be allowed to "keep" all student fee revenues generated for all these students, so that some additional resources are available from their enrollment.

<sup>24</sup>See Recommendation II-2 for the method of determining these annual increases.

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

Display Six summarizes the differences between the current approach for financing enrollment increases and the "shared responsibility" recommendation offered by the Commission.

<b>DISPLAY SIX</b> <b>Two Approaches to Financing Additional Undergraduate Students</b>	
<b>The Current Approach</b>	<b>The Proposed "Shared Responsibility" Approach</b>
In good times, state government funds "base budgets" in public institutions and also funds costs associated with enrollment growth.	In good times, state government funds "base budgets" in public institutions as well as costs associated with enrollment growth above certain thresholds for UC and CSU. 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, state government cuts "base budgets" by some arbitrary amount and provides no funds for enrollment increases, regardless of student demand.	In bad times, funds saved from earlier years are used to augment "base budgets." These funds also provide the state and student shares of enrollment increase costs (see Action Agenda Recommendation II-1).

#### **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 should be provided to an institution when it demonstrates that its use of facilities in another institution will save publicly supported capital outlay.<sup>25</sup> Cooperative arrangements include courses offered on underutilized campuses by any public institution, degree programs offered away from crowded campuses<sup>26</sup> and instruction through technology. In addition to saving capital costs, these arrangements will expand educational opportunities for students and promote more efficient use of institutional resources.
- B. *Providing fiscal incentives* to all higher education (UC, CSU, CCC, and independent institutions) to encourage joint programs in the public interest. The Citizens Commission recommends more joint doctoral programs between the UC and the CSU, especially in applied professional fields such as Criminal Justice and Educational Leadership. Allocations from this fund should be reserved for programs that encourage regional partnerships, especially in geographic areas that are underserved for academic and vocational 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.<sup>27</sup>
1. New construction for additional enrollment capacity should come only as a last resort.
  2. Expansion of existing campuses should have a higher priority than adding new campuses built "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>28</sup>.

*"Similar intersegmental coordination and entrepreneurial cooperation strategies will be required for the physical obligations of this compact, since new partners and new fiscal combinations will be expected to replace the older system of constructing 'from scratch' campuses as demand increases."*

- California State University  
Workbook Submitted to the Commission  
January 1997

<sup>25</sup>See the Commission's Recommendation III-2 (B).

<sup>26</sup>For example, students enrolled at California State University, Northridge, can take *all* their courses in three BA degree programs on the campus of Santa Monica (Community) College.

<sup>27</sup> Promising alternatives include redirection of students to campuses with existing physical capacity, more extensive use of existing facilities (nights, weekends, summers) and electronic instruction.

4. Regional cooperation with the purpose of reducing capital costs should be a high priority (see Recommendation III-3). In addition to saving capital costs, these arrangements expand educational opportunities for students and promote more efficient use of institutional resources.

The California Higher Education Policy Center estimates that a "shared responsibility" partnership, conscientiously applied, could reduce the total "business as usual" state costs for new enrollments by 63 percent, the major savings coming in the capital side (see Display Seven).<sup>29</sup> The Center is joined in this conclusion about the need to change practices<sup>30</sup> by other authorities. "There is evidence that many classrooms and laboratories are not used intensively in the afternoons in particular," concluded CPEC.<sup>31</sup> *Breaking the Social Contract*, a report from experts at RAND, insists that "a greater sharing of resources requirements, classes, services, infrastructure, libraries could lead to significant savings."<sup>32</sup> A 1993 enrollment capacity study of independent institutions estimated that 20,000 unused spaces existed in that sector then and that another 20,000 would be available by the year 2000.<sup>33</sup> In 1996, the Legislative Analyst warned of "the virtual certainty that [capital outlay] funding of this magnitude will not be available"<sup>34</sup> and that more realistic alternatives were required to meet enrollment growth.

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<sup>28</sup> The new campus of the University of California in Merced falls within this category. See the evaluation of the new campus in Part Three, "Additional Questions and Issues."

<sup>29</sup> Center, *Shared Responsibility*, p. 9.

<sup>30</sup> See UC, "Future Work Required," p. 25.

<sup>31</sup> CPEC, *Capacity*, pp. 125-26.

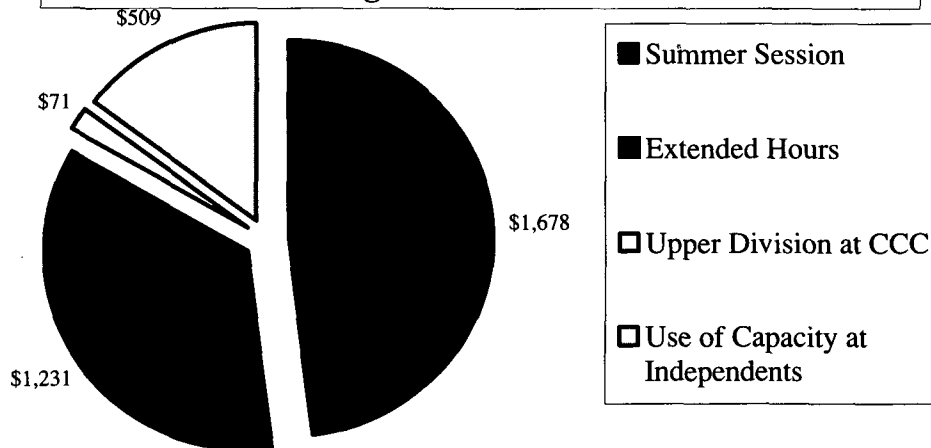
<sup>32</sup> Benjamin and Carroll, p. 3.

<sup>33</sup> AICCU, *Uncertain Partnership*, p. 27.

<sup>34</sup> *Analysis of the 1996/97 Budget Bill*, p. I-17.

## DISPLAY SEVEN

**Moving From Business as Usual to Accommodate Tidal Wave II: Possible Reductions to the \$4 Billion Projected Price Tag for New Construction.**



Source: The California Higher Education Policy Center, *Shared Responsibility*, p. 9.

All estimates of savings are in Millions and factor in additional maintenance costs.

Summer Session: Capital savings from state supported summer sessions at UC and CSU.

Extended Hours: Capital savings using public facilities on nights and weekends.

Upper Division at CC: Capital savings from teaching UC and CSU students at CCs.

Independents: Capital savings from redirecting up to 40,00 students to the private sector.

## CONCLUSION

From all this evidence, the Commission concludes that it is unrealistic to believe that the state alone will provide all the funds needed for *both* maintaining higher education *and* for accommodating all projected enrollment growth through 2006/07. The current pattern relies almost exclusively on state government appropriations during good financial times and then abandons responsibility for funding enrollment demand during bad times. Changing from a "business as usual" approach toward a sharing of responsibility appears the only *realistic* way to establish a strong and enduring state commitment to enroll all students, during good *and* bad financial times.

## SECTION II

### **THE ROLLER COASTER OF STATE FINANCE: REDUCING THE WIDE SWINGS OF "BOOM AND BUST" FOR HIGHER EDUCATION**

#### *Summary*

State support for higher education resembles a steep roller coaster: the level rises more than the increase in state revenues in good times and falls sharply when state revenues decline creating a "boom and bust cycle." This pattern is destructive for colleges and universities, and it creates great uncertainty for students and their families. New policies to smooth out the excessive swings in this cycle are in everyone's interest.

Overall, state support for higher education, including student financial aid for private institutions, has fallen gradually over the years, sometimes dropping precipitously in a single year. Worse, the annual swings in state support for higher education are often greater than the annual swings in state revenues.

These wide swings make it difficult for institutions to develop programs for serving students well over the long-term. In good times, the money that pours into their coffers rarely leads to well planned, long-lasting improvements in educational offerings. Often, the resources appear as windfalls which must be committed immediately. Not spending these funds when available runs the risk of lower

#### **Bust: 1993**

*"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."*

**- J. W. Peltason, President,  
University of California, 1993**

appropriations since it appears that "the money was not needed." Many institutions respond to these boom times by raising salaries substantially, adding faculty and staff rapidly and increasing purchases of high technology, constructive steps in moderation but ones likely to build in larger fixed costs which are difficult to sustain during the next downswing. The unintended effect of "boom" financing is to undercut tough-minded priority setting and responsible investment in long-term benefits.



In bad times, deep cuts in state appropriations result in short-term emergency measures such as canceling many classes and laying off large numbers of temporary faculty and staff. Colleges typically postpone the repair of facilities and seriously curtail library purchases. During the most recent "bust," the UC responded by granting generous "golden handshakes" to many senior faculty members (funded by a surplus in the UC's retirement system), a move that "sharply reduced the University's core teaching faculty"<sup>35</sup> and thinned their ranks by 20 percent.<sup>36</sup> The Community Colleges reduced the number

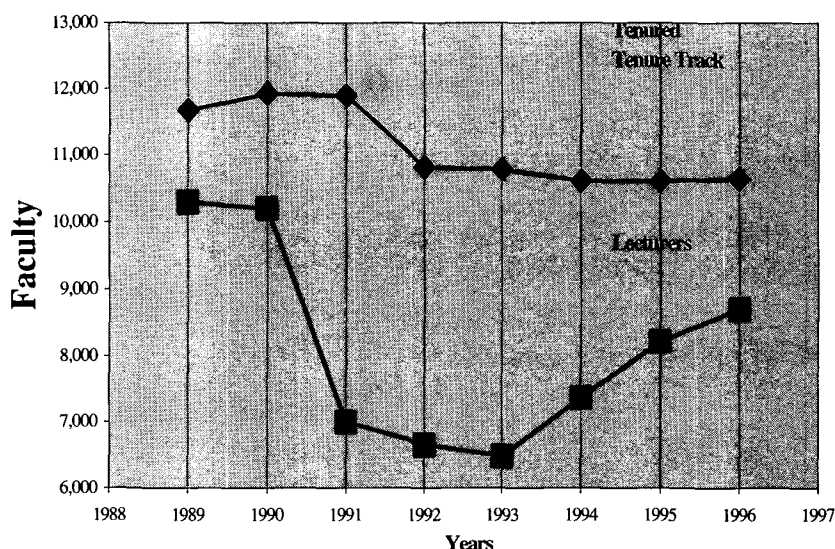
### Boom: 1997

*"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."*

- T. Nussbaum. Chancellor, California Community Colleges, 1997

of class offerings and saw their enrollment drop by 150,000 students. The CSU laid off large numbers of temporary faculty and staff and also cut back on classes and enrollments (see Display Eight).

**DISPLAY EIGHT**  
**CSU Tenured/Tenure Track and Lecturer Faculty**



Source: California Faculty Association, *Lecturers' Handbook*, May 1997, p.4.

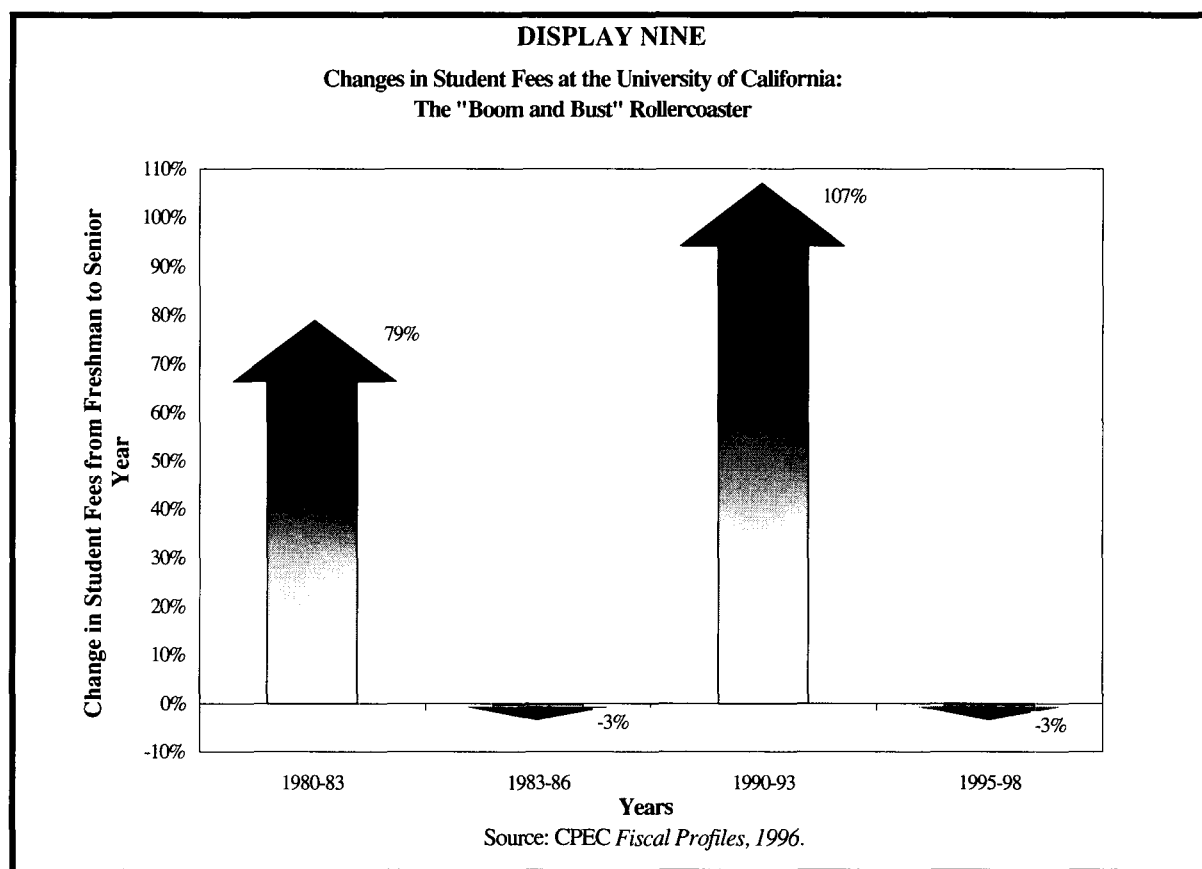
<sup>35</sup> UC, "Undergraduate Instruction" (1997), p. iii.

<sup>36</sup> UC, "Undergraduate Instruction" (1995), p. ii. See also UC, "Program Impact of Budget Reductions" (1994).



Certainly, many organizations in America's public and private sectors face similar wide fluctuations in their resources. Most organizations, however, use "down times" to make needed adjustments which can improve their operations over the long run. Unlike these organizations, colleges and universities seem reluctant to use this period as an opportunity to eliminate many low-priority programs or seriously rearrange services in ways that could significantly increase productivity over the long term. "In universities," former Stanford President Donald Kennedy observed about program elimination, "sunset is an hour that almost never comes."<sup>37</sup>

Generally, colleges and universities tend to hold things together until "boom" times return and, regardless of the situation's severity, to place highest priority on protecting those within the institution. "By any account, the economic downturn of the early 1990s was a 'massive happening' that impacted all of the state's colleges and universities," observed a recent publication from the Pew Charitable Trusts. "What is remarkable is just how little fundamental change the heat of austerity produced. The 'crucible' of the early 1990s...[left] intact all that California's higher education institutions, the traditional internal constituencies, value most."<sup>38</sup>

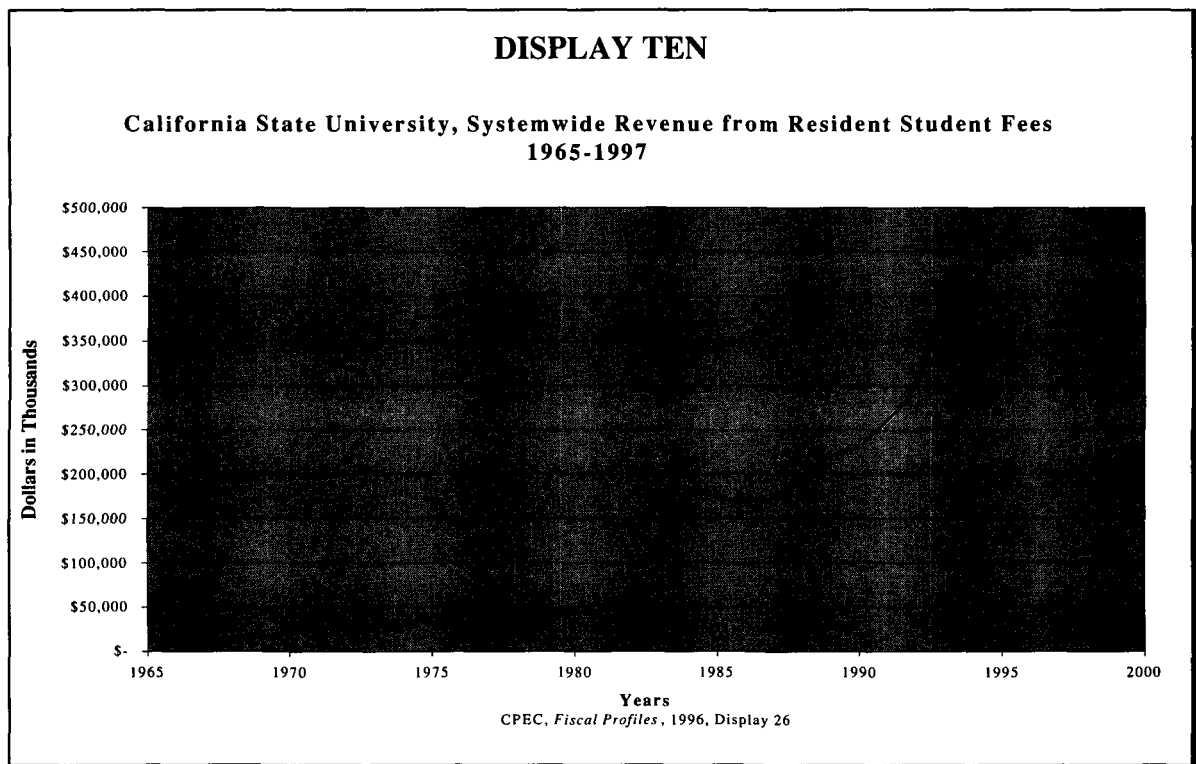


<sup>37</sup>p. 139.

<sup>38</sup> *Policy Perspectives*, p.3.

From the perspective of students and their families, these "boom and bust" financing cycles have been grossly unfair. 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, student fees in public institutions are raised substantially, sometimes doubling in less time than it takes a student to graduate. Over the past twenty years, this pattern has caused extreme uncertainty about what students and their families might expect in college costs. One generation of students pays nothing more in charges, while the next generation is hammered with huge increases. Display Nine shows this experience for four generations of students at the University of California.

Faced with these wide and unexpected variations, Californians have to scramble to make ends meet: student borrowing from federal sources doubled from 1990 through 1995 (to \$2.6 billion annually, see Display Five). The number of borrowers and the total volume of borrowing more than tripled among CSU students when fees doubled in three years, and unsubsidized borrowing increased five fold.<sup>39</sup> Display Ten shows the huge jumps in student fee revenues collected by the CSU during periods of state cuts, a pattern repeated throughout public higher education.



<sup>39</sup> Gladieux, pp. 2, 6.

Predictably, these large jumps in student charges chilled the public's outlook about access to higher education. Sixty-seven percent of Californians polled in 1993 felt that "getting a college education has become more difficult than it was 10 years ago." Fifty-nine percent agreed that "raising the price of public colleges and universities will put a college education out of reach for many people who should be going to college."<sup>40</sup>

Clearly, this "boom and bust" roller coaster of higher education finance is not in the public's interest. The negative effects of these swings can be reduced considerably by new strategies to conserve resources in good times when they are most available, saving them for the times when they are needed most because of revenue shortfalls. The Commission offers three major recommendations to do this.

The first calls for the creation of a "trust fund" for the University of California and the California State University to smooth the cycles of finance by holding "in trust" some revenues in good years for use later. The second calls for changing the method for establishing and adjusting mandatory student charges in all public institutions. The third calls for ensuring that the state government's obligation for financial aid will be met. These changes, which will require considerable fiscal discipline, are the only realistic means of controlling the excessive swings of "boom and bust" finance.

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### An Action Agenda for Reducing "Boom and Bust" Swings of Finance

#### **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, which would consist of:**

- A. *Any amount above an annual increase of 4 percent in state general funds available to the UC and the CSU in any given year.*<sup>41</sup> These funds would then be available to each segment during any year when the increase in state general funds falls below 4 percent, as a means of stabilizing their resources over the long-term.
- B. *Fifty percent of the increases in resident student fees one year after a "fiscal emergency" has come to an end.*<sup>42</sup> These funds would be used later to reduce the pressure to raise student fees again during fiscal crises. The Legislature should be responsible for determining when a "fiscal emergency" ends.

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<sup>40</sup> Immerwahr, *Enduring Values*, pp. 2, 9.

<sup>41</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>42</sup> See Recommendation II-2.

Resident student "fees" in all public segments should be adjusted by the same percentage each year for five-year periods (see Recommendation II-2). Higher education governing boards, however, should have the latitude to increase student tuition during emergencies caused by serious declines in state appropriations. These increases, however, should not be the first resort when institutions are forced to cut back. To reduce the appeal of (and possibly even the need for) this resort, the Commission recommends that 50 percent of the increased fee level, beyond their regular adjustment, be placed in the California Higher Education Opportunity Fund once the fiscal emergency has ended. This contribution would continue until the next fiscal emergency caused by serious declines in state appropriations. At that time, the student fee revenues in the Opportunity Fund could then be used to reduce the need for steep increases in student fees.

### **Answers to Technical Questions about this Recommendation**

#### **How could state appropriations in a "trust fund" for higher education be safe?**

The idea of a "trust fund" as a repository for state funds and some student fee revenues is a new and controversial approach to smoothing the excesses of fiscal swings. 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, this 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 *only* with good intentions and *only* in statute<sup>43</sup> provides reason for concern.

There are legal devices, however, to provide *special* insulation for funds: examples include the vesting of benefits in retirement accounts and provisions protecting dedicated funds established in Proposition 99 (1988) and Proposition 111 (1990).<sup>44</sup> To ensure the long-term integrity of the "trust" framework, the following characteristics are both needed and not severable: the state general funds which feed the "trust" are appropriated each fiscal year to each segment and so are "vested" with them; the funds are held in an interest bearing account in the state treasury with strict fiduciary controls; the state adheres to the annual appropriation level described in Recommendation I-1 so that the "trust" funds are not used to supplant the state's on-going fiscal obligation.

<sup>43</sup> Tidelands oil revenues and off-road vehicle license fees are examples.

<sup>44</sup> See Legislative Analyst, "Funding Shifts Increase the Role of Special Funds," pp. 75-77.

**How did the Commission Arrive at 4 percent as the Threshold for "Base Budget" Appropriations?** The amount higher education needs for annual increases is determined by many factors: the level of general inflation which erodes purchasing power, those increases needed to offer competitive faculty salaries, the costs associated with escalating needs, facilities maintenance, etc.<sup>45</sup> To determine a realistic percentage increase to cover the needs of "base budgets," Commission staff began by evaluating twenty years of annual changes in state general fund appropriations for the University of California and the California State University. This is a sufficiently long period to encompass two "booms" and two "busts," along with several periods of enrollment change.

In order to take the effect of inflation and higher education salary competition into account, the staff chose the Higher Education Price Index (HEPI) to measure the "adequacy" of changes in appropriations though the HEPI has been historically higher than general measures of inflation,<sup>46</sup> it is a good measure of costs for the kinds of goods and services purchased by colleges and universities. In establishing some basis for projecting the need caused by inflation, staff concentrated its analysis on the ten years, between 1986 and 1996, a period with more stability than in earlier years. During the last decade, the Higher Education Price Index shows an average annual increase of 4.01 percent, meaning that a higher education institution which received this increase annually would have kept up with the inflation *and* salary changes for higher education throughout the nation. This seems a reasonable annual percentage to project for the next ten years.

Another step in this analysis of determining the adequacy of annual changes in appropriations was to evaluate how closely *the actual changes* for UC and CSU compared with changes in the HEPI. Is the California experience sufficiently different from this national measure to justify a deviation from HEPI?

The answer is no. A review of data from the past twenty years shows clearly the pattern of "boom and bust" appropriations for higher education: annual changes have

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<sup>45</sup> This evaluation does not include the resources needed to accommodate new students since, under the Commission's proposal, additional enrollments are funded separately.

<sup>46</sup> Several indices, of course, can be used to measure the effect of inflation: the Consumer Price Index, the Personal Consumption Expenditures Index, the Gross Domestic Product Deflator, the State and Local Purchases Index, and others. Staff chose the Higher Education Price Index as a measure of adequacy because it measures cost increases due solely to being in *the business of higher education*, and places a heavy emphasis on the trends of faculty salaries. The Consumer Price Index (CPI) measures cost increases of goods and services to individuals and so is not as effective an evaluator of how much it "costs" to be in the higher education business. It is interesting to note that, between 1960 and 1994, the Higher Education Price Index changes were generally above those for the CPI and all other major indices (averaging about .8 percent higher *per year* than the others over that period of time). Although the HEPI is not an appropriate index to measure inflation in all cases, Commission staff believes it appropriate for determining the general needs of higher education over the next ten years.

ranged from an increase of 31 percent for the University of California in 1984/85 to a cut of 10.8 percent in 1992/93, and from an increase in those same years for CSU of 20 percent to a cut of 8.8 percent. Despite these wide swings, though, the annual average change in state appropriations for UC and CSU is close to annual change in the HEPI, as shown in Display Eleven.

#### **DISPLAY ELEVEN**

#### **The Average Annual Difference between Actual State General Fund Appropriations And the Higher Education Price Index (HEPI)**

##### ***FOR THE LAST TWENTY YEARS 1977/78 to 1996/97***

**UC: Appropriations were 0.52% Higher Per Year than HEPI  
Appropriations were 0.12% Lower Per Year with Extremes Removed\***

**CSU: APPROPRIATIONS WERE 0.43% HIGHER PER YEAR THAN HEPI  
Appropriations were 0.41% Higher Per Year with Extremes Removed\***

##### ***FOR THE LAST TEN YEARS 1987/88 to 1996/97***

**UC: Appropriations were 2.44% Lower Per Year than HEPI  
CSU: Appropriations were 0.74% Lower Per Year than HEPI**

\*This calculation removed the four years with the most extreme differences (the two highest and the two lowest) over the twenty years to see if these exaggerations made a statistical difference. In the case of the UC, they did.

Source: Annual Governor's Budget. CPEC, Fiscal Profiles, 1997, Displays 16, 58, 64.

From this analysis, it seems reasonable to assume that the 4.0 percent annual average increase which the Higher Education Price Index has tracked for the past ten years will be sufficient to cover the increases required annually in "base budgets" for higher education in California during the next ten years.

**How would the Commission's finance proposal work in practice for the UC and the CSU?** A "base year" of state general fund appropriations would be established for each segment (the Commission recommends that 1998/99 be this "base year" because it represents a mid-point between the high and low points of the past and because it is the most recent year). Each segment's proportion of total state general fund expenditures



would then be computed for that base year. To determine funding for the next year, each segment's "base budget" appropriation would be augmented by whatever amount of State General Funds are needed to keep each segment's proportion of total state expenditures the same as in the prior year. In other words, if state expenditures are budgeted to rise by 7 percent, then the general state appropriations to each segment should be increased by 7 percent. If state expenditures are budgeted to go down by 2 percent, then each segment will lose 2 percent of its state general fund appropriation.

**The California Higher Education Opportunity Fund:** Whatever level of increase or decrease to each segment's general appropriations is necessary to maintain its prior year's proportion of total state general fund expenditures should be appropriated in the Budget Act. However, any amount appropriated above a 4 percent increase in state general funds will be placed in the segment's California Higher Education Opportunity Fund. During years when the State general appropriation is less than a 4 percent increase, each segment is authorized to draw any amount from their Opportunity Fund to augment the general appropriation up to a 4 percent increase.

**Enrollment Funding:** Finally, a separate appropriation should be made for FTE enrollment growth 1.5 percent above the prior year's enrollment. Each segment would receive the state's "current marginal rate" per FTES for all students above that 1.5 percent threshold, an appropriation which would become part of the segment's general appropriation for calculating the next year's general adjustment.

**Other Appropriations:** Periodically, the State government may wish to appropriate funds to either segment for one-time investments such as equipment replacement and deferred maintenance. These amounts would be in addition to the general appropriation but would not become part of each year's general appropriations "base" budget.

*If the Commission's Proposal for Financing Higher Education were already in effect, what difference would it have made?*

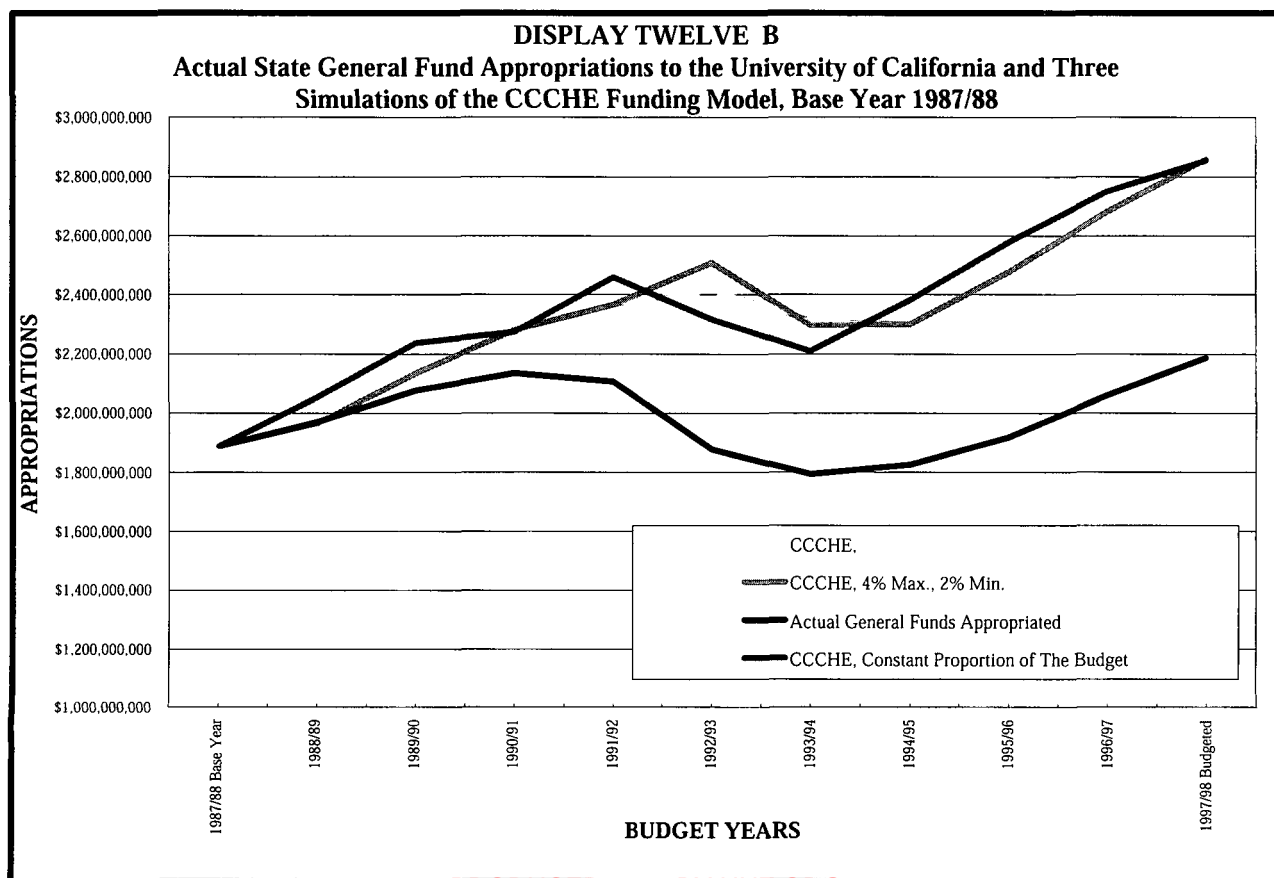
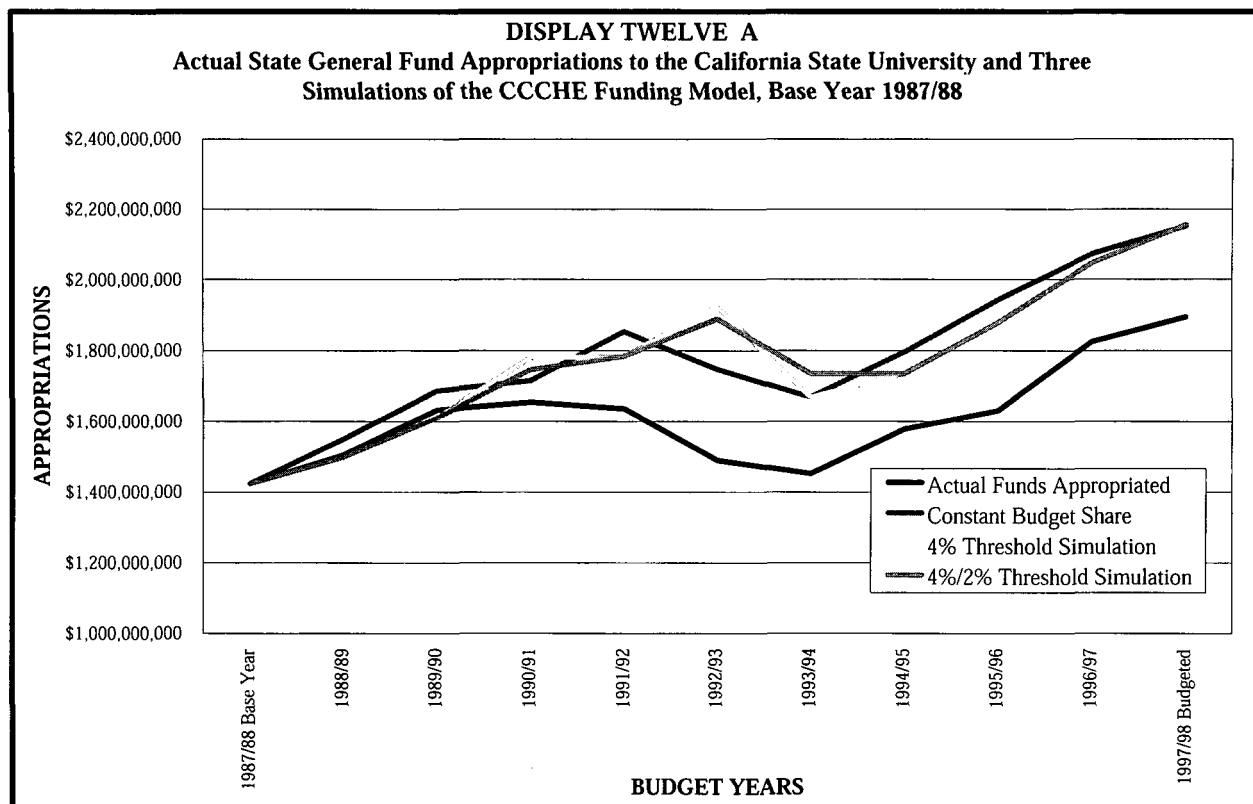
To evaluate the impact of the Commission's finance proposal, staff developed a simulation which assumed that the changes had been implemented in 1986 for the UC and the CSU, and remained in effect throughout the past ten years (the Community Colleges were not included because of their coverage under Proposition 98). Displays Twelve A and B show the actual history of appropriations for the UC and the CSU compared to three other scenarios:



1. Appropriations if the Commission's recommendation that higher education's proportion of state fund expenditures not change.
2. Appropriations if the California Higher Education Opportunity Fund had been in effect for amounts above 4 percent (assuming that, in bad years, the fund would have been used to bring state appropriations available for expenditure up to a 2 percent level).
3. Appropriations if the California Higher Education Opportunity Fund had been in effect for appropriations above 4 percent, and during years of decline, were managed in such a way as to reduce fluctuations to the maximum extent possible.

The following conclusions about state funding are obvious from this simulation:

- *Both UC and CSU would have significantly higher appropriations in 1996 if the Commission's recommendations had been in effect since 1986.*
- *The Commission's proposal for a "trust fund" would have reduced the wide swings of "boom and bust" financing for both segments despite the fact that California's severe recession and unprecedented decline in state revenues would have caused a substantial fall in state appropriations for both segments.*



**Recommendation II-2**

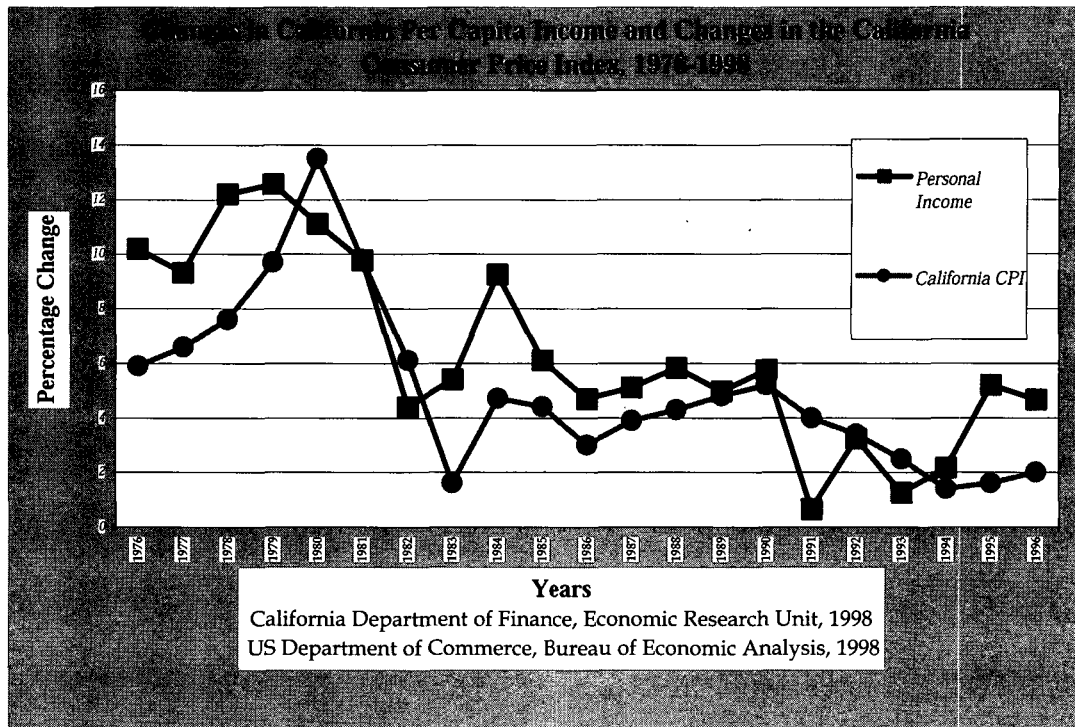
**Resident Student "Fees"<sup>47</sup> should be changed annually by a fixed amount based on changes in an index which measures income available to Californians.**

1. *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 (see Display Thirteen) while still providing an adjustment to align fee increases with current measures of personal income. A fixed change announced at the beginning of the five-year period will provide some measure of predictability for students and their families.

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<sup>47</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" and differ by campus. 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 those in public universities, represent a significant portion of total educational costs, due largely to 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 their label, the main policy focus for statewide undergraduate student charges should be on how to make their adjustment gradual, moderate, predictable and equitable.

DISPLAY THIRTEEN



1. The annual change in resident student fees should be an increase of 4.6 percent during the first five years of this policy.<sup>48</sup>
2. Higher education governing boards should have the latitude to increase student fees during emergencies caused by serious declines in state appropriations. Without this flexibility for extreme situations, higher education institutions will be forced to take short-term, draconian measures which are not in anyone's interest.
3. The state government should require that, following such fiscal emergencies, 50 percent of the increased fee level, above the normal adjustment, be placed in the California Higher Education Opportunity Fund as a cushion against future emergencies. The Legislature should be responsible for declaring when the fiscal emergency is over.

<sup>48</sup> This is the average annual change in California personal income between 1981 and 1996.

### **Recommendation II-3**

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

*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 recently increased the Cal Grant program substantially for this sector.*

*In 1997, the state adopted a "scholarshare" program which provides tax-free savings for college. That same year, the federal government adopted one of the most significant policy changes for higher education since the GI bill: 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 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 are directed toward students who show financial need.*

*The Commission recommends that the state and higher education institutions take no action to adjust student charges or realign student aid until the long-term effects and policy implications of this federal change are apparent.*

- 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>49</sup> Rarely over the past twenty years have these statutory provisions actually been fully met in Budget Act appropriations. The statutory provisions should realistically describe the state's long-term commitment, and the Budget Act should annually keep that commitment.*

### **Recommendation II-4**

**If state government does not adopt, or is unwilling to adhere to, a long-term tuition and financial aid framework, the people of California should adopt such a framework through 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

<sup>49</sup> Presently, the long-term statutory guarantees for the Cal Grant program 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; (2) that the maximum grant for students in the private sector shall equal the estimated state cost of educating a student at California's public universities; and (3) that the maximum grant for students in public institutions will cover their statewide mandatory fees. CSAC, "Presentation", p. 7.

ignored the formula, suspended its operation or superseded it with temporary legislation. The temptation to reduce fees in good years and rapidly increase them in bad years has proven stronger than the statute. If political pressures in the state's annual negotiations over the budget make a long-term approach to student fees and financial aid impossible, the Commission recommends a ballot initiative as a last resort.

## CONCLUSION

The "boom and bust" cycle occurs because most appropriations in higher education are discretionary; that is, they are neither constitutionally required nor protected under existing statutes.<sup>50</sup> Also, students represent attractive targets of opportunity for raising funds during state revenue shortfalls because many can afford to pay more and state government has often lowered their charges during good times.

The negative effects of these state 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 most needed. This sort of fiscal discipline is critical to meeting the needs the higher education institutions and is in the best long-term interest of students.

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<sup>50</sup> The major exception to this 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.

### *Section III*

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

#### *SUMMARY*

The quality of higher education and student access to it depend on adequate resources and facilities used effectively through timely decisions in the governance process. The most important elements of the Master Plan and the efficient use of resources throughout higher education also depend on the results of this process. The Commission found, however, that higher education's structure tends to be overly elaborate and stratified and that many governance decisions are heavily influenced by priorities internal to the institutions.

The Commission agrees with those who maintain that the perspectives of higher educational institutions should have a long horizon and the value of important governance decisions is best measured over many years, not by how responsive they are to the fads and crusades of modern society. Still, it appears that many decisions in traditional colleges and universities seem excessively focused on protecting the status quo, especially during times of financial stress.

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

- Improving the governance and structure of the California Community Colleges;
- Strengthening statewide coordination of higher education; and
- Encouraging regional associations to promote cooperation among institutions.



*"Proposition 13 stripped local boards of their taxing authority, and effectively made state taxes the major funding source for schools and colleges. That means the Governor and the Legislature, by joint decision (or joint wrangle, as the case may be), determine the basic level of tax revenues. ...At the same time, local governing boards retain the power to set spending allocations and negotiate collective bargaining agreements. ...And thereby hangs the tale in the post-Proposition 13 world. Taxing and spending for California education has become a tug-of-war between two different sets of public officials."*

- Lindsay Conner, former member, Board of Trustees,  
Los Angeles Community College District

## 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>51</sup> The colleges enroll a student body broadly representative of the state's demographics, many of whom are from groups that have been underrepresented in higher education or are recent immigrants.<sup>52</sup> It is essential for these Community Colleges to provide students with solid credentials for transfer to universities (a fundamental tenet of the original Master Plan), with education for successful employment in the workforce and with knowledge to participate fully in American society.

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 Commission found that this segment, more than the others, is entangled in various restrictions, inefficiencies and cross-purposes that greatly dissipate its energies.

What causes these difficulties 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. Some stem from the enormous size of the system and the wide diversity of its 107 colleges. Some have been imposed on the colleges from outside (Proposition 13 removed their ability to set property tax rates locally and turned property tax distribution over to the Legislature). Some come from structural inconsistencies such as revenue control by state government juxtaposed to a system where responsibility for collective bargaining resides exclusively within each of the seventy-one districts. Such an arrangement involves an enormous investment of time and money for each district and leads to wide variation of results

*"At both the state and local level, the energies of faculty, administrators and boards are often being diverted to governance issues rather than more substantive educational concerns. All involved in the community colleges are paying a price in terms of diminished good will and cooperation and a diminished attention to issues more directly related to student learning."*

- Statement signed by five former Presidents of the  
Academic Senate, California Community Colleges,  
April 1997

<sup>51</sup> Breneman, Estrada, and Hayward, p. 5.

<sup>52</sup> Chancellor's Office, *Trends*, p. 1.

which sometimes place districts in fiscal jeopardy for commitments they cannot fund. Finally, the community colleges have had difficulty moving from the type of decision structure found in K-12 to one of *shared governance* more typical of universities. Display Fourteen describes the most serious forces and structural tensions that reduce the effectiveness of the Community Colleges.

*"Since 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  
De Anza Community College

Because the Community Colleges are so central to California's economy and society, the Citizens Commission invested considerable effort in trying to understand how they operate and how they serve students.<sup>53</sup> Many within these colleges bring great energy and imagination to the educational enterprise, and they are committed to serving social needs often considered inappropriate by the more traditional institutions of higher learning.<sup>54</sup> Many Community Colleges have excellent programs staffed by faculty and administrators who deliver a quality and student-centered product,<sup>55</sup> despite an organizational structure more often a hindrance than a help. The colleges have also made several attempts to grapple with their structural and resource problems, in efforts such as the Board of Governors' *Basic Agenda*, the Consultation Council's "Report 2005"

*"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 M. Carroll, Chair  
Accrediting Commission for Community  
and Junior Colleges

and the current Chancellor's initiatives to rewrite the *Education Code* and provide some funds based on demonstrated performance.

Still, the Commission is convinced that these developments alone cannot resolve the structural tensions of the system that cause frustration at all levels, from the statewide Board of Governors

through to faculty on the campuses themselves. The Commission believes that only a new structure and approach to governance, where the layers of decision-making and state regulation are reduced and the campuses are governed as truly collegiate

<sup>53</sup> In April 1997, the Commission hosted a daylong roundtable on community college finance and governance with community college constituencies and later that month spent a day reviewing the programs and services at El Camino College in Torrance California. In June, the Commission met at the San Mateo Community College District and in December heard from a distinguished panel of community college representatives about the most difficult issues of structure and governance.

<sup>54</sup> See CCC, *Effectiveness...on Selected Performance Measures* (1997); *Immigrant Workforce Preparation in the CCC* (1996); *Educating Welfare Recipients in the CCC* (1997).

<sup>55</sup> The Commission especially appreciated the survey conducted at its request by the Community College League of California to identify the most effective and innovative programs in that segment.

institutions, is capable of resolving these tensions. The following recommendations describe this new structure and approach.

<b>DISPLAY FOURTEEN</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 collegiate 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 and groups compete for statewide prominence as the leader and voice of the colleges.

## AN ACTION AGENDA

### FOR IMPROVING THE CALIFORNIA COMMUNITY COLLEGES

#### **Recommendation III-1**

**The governance and structure of the California Community Colleges should be simplified and changed to one more characteristic of collegiate institutions.**

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. *Locally elected district boards of trustees should be replaced at each college with Governance Councils. The Councils would consist of:*
  - a) *Nine members appointed by locally elected officials;<sup>56</sup>*
  - b) *Four members appointed by the statewide Board of Trustees;<sup>57</sup> and*
  - c) *Four members appointed by campus constituencies (administration, faculty, staff, and students).*

Each Council should be required to have representatives from each of the most important external constituencies of the community college (business, labor, secondary schools, four-year colleges and the non-profit sector),<sup>58</sup> and the membership should be broadly representative of the community's demographic diversity. The report of the National Commission on the Academic Presidency, a distinguished group of faculty, public officials and administrators, recently urged that states "diversify sources of appointees" to

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<sup>56</sup> Three by the county supervisor in whose district the campus is located, and three by the Assembly member and three by the State senator in whose district the campus is located.

<sup>57</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 collective bargaining.

<sup>58</sup> Governance Council members should serve without monetary compensation. Several witnesses before the Commission and news articles complained of excessive compensation and expensive lifetime fringe benefits paid to trustees by some districts. The Governance Councils should follow the "volunteer" model of higher education trusteeship.

governing boards along the lines recommended by the Citizens Commission for the Community Colleges.<sup>59</sup>

2. *Each individual campus should become the locus of decision-making and 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 the use of the state-generated portion of the college budget.*<sup>60</sup>
- 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 approving the overall budget recommendations submitted by the Governance Councils.*
- 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 (examples appear in Display Eleven) reveals that many provisions have few if any benefits to students. Many are the product of special interest lobbying or represent restrictions adopted before the State's collective law. The statutory framework for the California Community Colleges should define the general structure and expectations for the community colleges, with details and implementation left to the Board of Trustees, the campuses and the collective bargaining process.*

### DISPLAY FIFTEEN

#### Examples of the Excessive Detail Concerning the California Community Colleges in the State's *Education Code*

*CC faculty teaching credit & noncredit contract education shall be compensated in same manner as those in regular, non-contract education program (§78022)*

*Every CC classified employee employed five days a week shall be entitled to 12 days leave of absence for illness or injury (§88191)*

*Every CC district shall grant to regular classified employee 0.03846 hours of vacation credit for each hour of paid service (§88197)*

*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)*

*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.)*

*While traveling outside 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)*

<sup>59</sup> Association of Governing Boards, *Renewing*, p. 30.

<sup>60</sup> Savings from phasing out district administrations and other district expenses could be used to increase expenditures on instructional and student support services.

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 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.

E. *The system of collective bargaining for the California Community Colleges should be changed.*

1. The current approach, based on extensive bargaining within each district, should be replaced by a statewide process conducted by the statewide chancellor's office under the authority of the Board of Trustees with the following characteristics.
  - a. The contract, which results from this bargaining, should provide a range of salaries, workload and other contractual elements.
  - b. Within these statewide ranges, each college should determine specifics. Regional variation in salary levels should be permitted, as well as certain provisions specific to each campus if ratified by the Governance Council.
2. If statewide bargaining is not acceptable to the Legislature, the Board of Trustees should be given the statutory mandate to adopt general standards for contracts at each college. The Board should have the authority to reject contracts that do not fit within those standards and certify to the Legislature that each district has sufficient funds to meet its current and future obligations under all contracts.

## CONCLUSION

The Commission's recommendations represent a major change in community college governance. Community college representatives offered several arguments against these changes, contending that the community is best represented by locally elected officials; that statewide collective bargaining would ride roughshod over important local differences; that the *Education Code* is the only way to protect faculty rights; that the Legislature will never agree to eliminate the positions of elected officials; that the real problem among community colleges is underfunding, not governance; and that a stronger statewide Chancellor would mean less power for the colleges.



The Commission seriously considered these arguments and modified several recommendations to take into account the best among them. 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 governance and structure. We do not believe the Community Colleges can fulfill their potential under the present system. They deserve a structure that will provide more freedom for, and focus on, the important work of educating students.

## STATEWIDE COORDINATION OF HIGHER EDUCATION

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>61</sup> Most states have established some state-level, coordinating authority for these tasks (See Display Sixteen), but there is no single best model for this coordinating role. Some 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). Others rely on planning and advisory boards with *little if any* statutory authority to enforce their decisions (Florida, Delaware, Michigan and California). In general, the coordinating authority is placed somewhere between the institutions of higher education and the policy makers of state government (mainly legislators and the governor).

### DISPLAY SIXTEEN

#### The Functions of Statewide Coordinating Agencies Around the United States

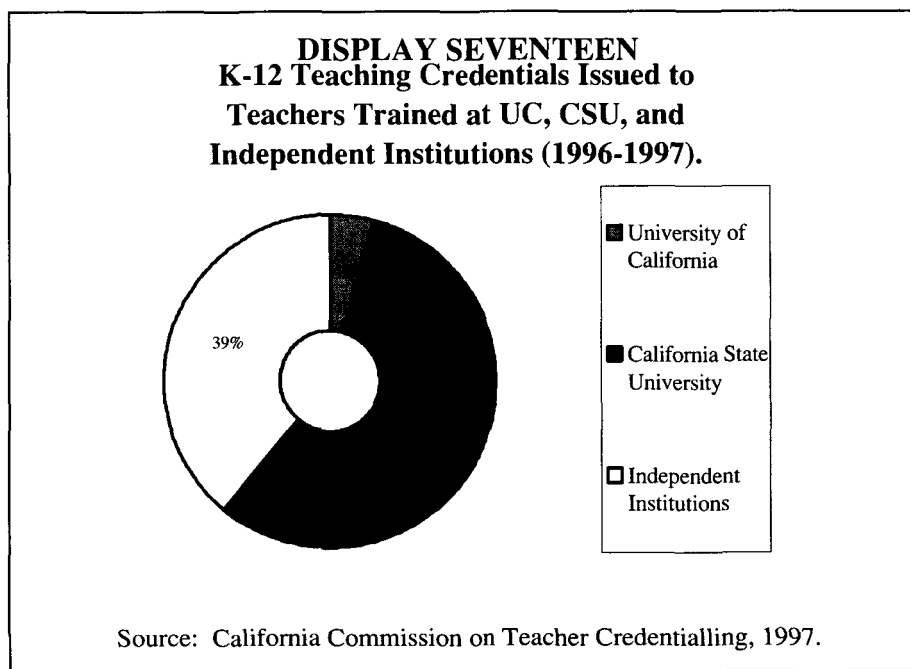
- *Statewide planning;*
- *Policy analysis and resolution of problems among higher education systems;*
- *Definition and monitoring of institutional missions;*
- *Academic program review for approval or elimination;*
- *Budget development, creation of funding formulas, allocation of inter-system resources;*
- *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.

<sup>61</sup> McGuinness, p. 5.



In California, higher education has long been noted for its three powerful public segments, its Master Plan with distinctly defined missions for these segments and a weak and diffuse coordinating structure. In this mix, the state's independent institutions do not usually receive adequate attention in California's planning for higher education, even though the sector makes a substantial contribution in vital areas such as teacher training (see Display Seventeen). Only effective statewide coordination can assure adequate attention to all areas of higher education.



The Commission reviewed the most recent study of governance around the nation and heard testimony from its author who characterized the "California system [as] designed to maximize the influence of professionals [within the systems] and to minimize external intrusions."<sup>62</sup> The study concluded that:

"Each of the public segments is responsible for coordinating the activities and services of its own institutions. CSU is credited with doing the best job of such coordination, the community colleges with the worst. UC lies somewhere between the extremes. Within this scheme of things CPEC [the California Postsecondary Education Commission] is not so much a coordinating agency as a source of information and a mediator..."<sup>63</sup>

<sup>62</sup> CHEPC, "State Structures," p. 17.

<sup>63</sup> Richardson, p. 55.

The Citizens Commission believes that the state's present coordinating agency, the California Postsecondary Education Commission, lacks the capacity to make a significant contribution to achieving the Master Plan's goals for three reasons. First, CPEC's current membership is too large and not sufficiently independent of the institutions it seeks to coordinate.<sup>64</sup> Second, CPEC is not inclined to take controversial initiatives in policy areas where its positions may be unpopular with any of the higher education institutions. 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 and to offer challenging recommendations for improvement. Finally, it lacks the authority to distribute competitive grants to public and private institutions for the purpose of achieving benefits across segmental lines.

The following recommendations are designed to strengthen statewide coordination through leadership in the public interest and to ensure that higher education is meeting its promises under the Master Plan.

## AN ACTION AGENDA FOR IMPROVING STATEWIDE COORDINATION

### **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 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. The membership of CPEC should represent broad sectors of the public which have a large stake in the outcomes of higher education (examples are business, industry, labor, the non-profit sector, parents, the diverse racial and ethnic groups in California).*
- 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 Governor, the State Department of Finance and the Legislature on how well the principles and elements of California's Master Plan for Higher Education are being accomplished and financed, for both public and private higher education. The Commission should be required to issue an annual*

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<sup>64</sup> The Commission consists of 17 members, with six appointed by the governing bodies or coordinating agencies for the segments of California education (including K-12), three appointed by the Assembly Speaker, three by the Senate Rules Committee and five by the Governor, including two students.

report on how well the Master Plan for Higher Education is being financed and enrollment demand is being met.<sup>65</sup>

2. Serve as an agent for special funds created to promote cooperation, efficiency and resource sharing among all public and private higher-education institutions and K-12 (see the text box to the right for an example). These funds would be appropriated to CPEC for distribution to the institutions.

*"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**

## CONCLUSION

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>66</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>67</sup> Those who argue against a stronger statewide structure hold up the specter of a stifling bureaucracy that would homogenize higher education at the expense of institutional distinction by discouraging academic diversity and suppressing entrepreneurial creativity.<sup>68</sup>

The Citizens Commission concludes that both sides of this argument have merit. While the public interest in higher education requires stronger statewide coordination, the Commission does *not* recommend an agency with a wide range of powers or regulatory authority. Rather the recommendations seek a balance between the need for a more coordinated 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.

<sup>65</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 needs, CPEC should be better able to hire employees with specific backgrounds and areas of expertise in higher education. The 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>66</sup> McGuinness, p. 8.

<sup>67</sup> Berdahl, p. 41; Hollander, p. 18. Mingle, *The Case for Coordinated Systems of Higher Education*.

<sup>68</sup> Kerr and Gade, pp. 104; 115-29.

## ENCOURAGING EFFECTIVE REGIONAL ASSOCIATIONS TO PROMOTE COOPERATION AMONG INSTITUTIONS

Some who addressed the Commission urged us to evaluate the idea, originally proposed by Assembly Speaker Jesse Unruh in 1968, of consolidating public higher education into one system to promote efficiency and integration. Even at that early time, several officials were concerned that the sharp segmental lines drawn by the Master Plan had created enclaves, linked together poorly or leaving serious gaps.<sup>69</sup> While the Commission believes that consolidation would create far too large and cumbersome a system, the need for better integration of educational services has several attractions, especially for promoting efficient use of facilities and equipment, and removing barriers for students who are transferring between campuses.<sup>70</sup>

A related issue concerns the wide gap between statewide organizations for higher education and individual campuses. Currently, many associations operate at all levels in California: the Education Roundtable, the Intersegmental Coordinating Council, the Intersegmental Budget Task Force and the Intersegmental Council of Academic Senates (to name a few). There are, however, few permanent regional associations that draw together all educational institutions, public and private, secondary and postsecondary; into mutually beneficial, collaborative efforts. Stronger and more formal regional affiliations appear to have the most potential for providing the network of links that are important for serving students and reducing costs through economies of scale. Additionally, regional associations can better fill the gap between the responsibilities of systemwide offices and the practical, daily needs of operating individual campuses.

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<sup>69</sup> Joint Committee of the Legislature. *The Challenge of Achievement* (1968).

<sup>70</sup> For official conclusions along these lines, see Joint Committee of the Legislature (1988), pp. 8-12. Commission for the Review of the Master Plan for Higher Education (1987), p. 4.

## AN ACTION AGENDA TO PROMOTE MORE REGIONAL COOPERATION IN HIGHER EDUCATION

### **Recommendation III-3**

**The state should encourage the creation of regional associations<sup>71</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;
- D. *Providing a central location* for inter-institutional data; and
- E. *Generating information about institutions* in the region.

### **CONCLUSION**

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 away when leaders or circumstances change.

The Commission recommends that the state create official regional structures to encourage cooperation among all institutions which have natural associations based on proximity or geographic affinities. These organizations would not be additional layers of bureaucracy but voluntary collaboratives to encourage course and program articulation agreements and joint arrangements for sharing facilities and equipment.

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<sup>71</sup> The State should provide core funding to these associations with the goal of providing a more formal structure for cooperation among public institutions and those private colleges and universities, which wish to join.

## SECTION IV

### ***NEW STRATEGIES FOR EDUCATIONAL OPPORTUNITY: ENSURING EDUCATIONAL OPPORTUNITY AND SUCCESS IN CHANGING TIMES***

#### **SUMMARY**

**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 diversity of California. The state should make new, concrete commitments to the goals of educational opportunity and successful graduation. California's public four-year universities should not only accept all eligible students but also take specific steps to encourage students to become eligible.**

Historically, California has been one of the wealthiest states in a wealthy nation. Yet, despite a strong California economy during the 1980s, the rate of income inequality between the state's wealthier and poor populations began to grow steadily, and the early outlines of a troubling split became clear. "If we do not educate all our people for tomorrow's jobs," the California Economic Development Corporation warned, "our society could become increasingly polarized between the rich and the unskilled."<sup>72</sup> Political columnist Dan Walters was even more graphic: "California's workforce, therefore, is being squeezed like a tube of toothpaste an expanding, managerial-technical-professional overclass at the top...and an exploding underclass at the bottom, ill-educated, struggling to find affordable housing, seeing the doors of opportunity become more difficult to open."<sup>73</sup>

Economic changes during the 1990s intensified this split. Many jobs were lost in the aerospace, manufacturing and defense industries while new jobs for different types of workers were created in high technology and professional service fields. "California is not so much poor," concluded a 1997 study of the state's social problems, "as it is

***"It is clear that the state's economic prosperity is directly linked to the education and earning potential of its citizens."***

**- California Economy: The State Controller's Outlook, 1997**

<sup>72</sup> Quoted in Joint Committee, p. 3.

<sup>73</sup> Walters, p. 14.

unequal."<sup>74</sup> Today, this increasing inequality is fueled largely by differences in education. The average income of individuals rises rapidly as educational levels increase, with the most impressive gains made by those who hold baccalaureate degrees or higher, as shown in Display Eighteen. Even the prospects of finding *any* job are enhanced by education: eighty five 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>75</sup>

<b>DISPLAY EIGHTEEN</b> <b>Median Annual Income of Males, Ages 25-34</b> <b>1994</b>				
	Less than High School	High School Diploma	Some College	Bachelor's Degree or Higher
Annual Income	\$14,277	\$21,180	\$24,214	\$32,116
Percent Difference between each educational step	N/A	+48%	+14.2%	+33.1%

Source: Bureau of the Census, 1995 Current Population Survey.

**Inequality and Education.** The Commission feels that more educational opportunity for *all* Californians is an urgent priority if the current economic split is not to become a permanent and disastrous feature of our social landscape. To serve the public interest effectively, California's institutions of higher education must make sure that their student bodies and their graduation patterns generally reflect the racial/ethnic and socioeconomic diversity of California. The Commission is concerned that three developments seriously inhibit progress toward these goals: lower college-going rates among California high school graduates, low degree-completion rates in postsecondary education compared to national averages and very uneven opportunities for secondary students to be prepared for college-level work.

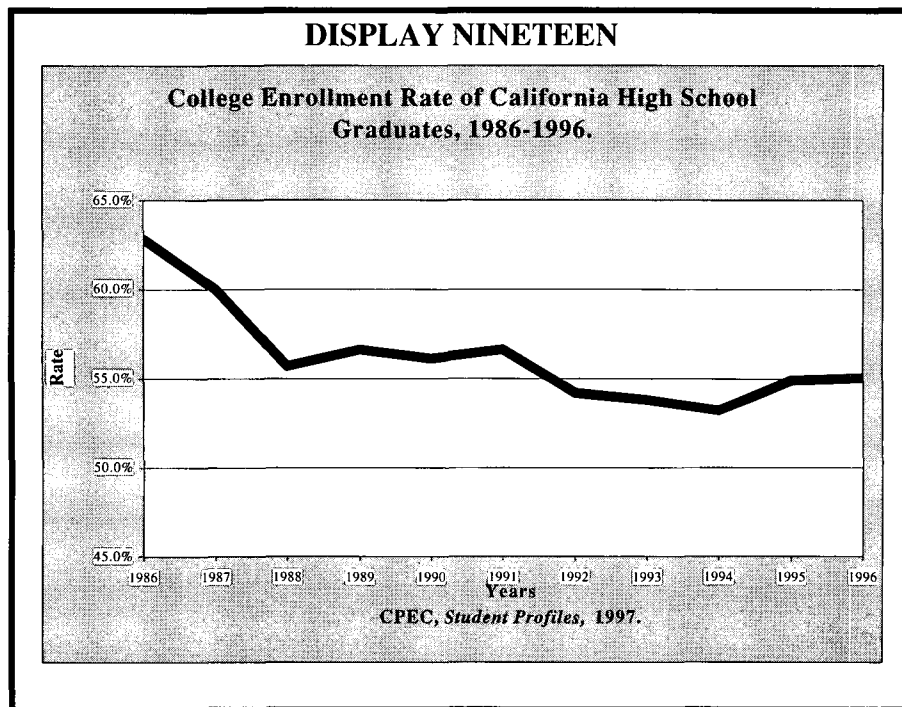
**College-Going Rates Have Fallen.** Until the early 1980s, more than 60 percent of recent California high school graduates went on to either public or private higher education, a percentage well above the national average. Today, about 55 percent of our high school graduates go on to college soon after high school (see Display Nineteen), a figure below the national average. Although this rate is not the only measure of educational opportunity, it is an important and a troubling one.<sup>76</sup>

<sup>74</sup> Buck, p. 77.

<sup>75</sup> McCarthy, p. 282.

<sup>76</sup> The major reasons for the fall in college-going rates among recent high school graduates were the sharp decline in their attendance at California Community Colleges between 1982 and 1985 and a steep decline in attendance at CSU after 1990. See Chancellor's Office, "Technical Paper on Access," chart 5.





**Degree-Completion Rates Are Low.** While California continues to have large numbers of students enrolled in postsecondary education despite falling high school-to-college rates,<sup>77</sup> the state ranks very low in fact near the absolute bottom in measures of final educational attainment, as shown in Display Twenty. "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>78</sup>

<sup>77</sup> As measured by most of the standard indices: total college enrollment as a percent of the population age 18 to 24, higher education enrollment as a percentage of adult population, students in public higher education as a percent of high school graduates, etc. See Halstead, *Financing*, p. 9.

<sup>78</sup> Orfield and Paul, pp. 30-1.

**DISPLAY TWENTY****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 (30% below the national average)</i>	46th

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

Note: Graduation rates vary substantially among the segments. More than 60 percent of all undergraduates in California higher education attend a community college.

One reason for this lack of degree attainment, though certainly not the only one, is that the transfer function from Community Colleges to four-year institutions is not effective at many two-year campuses throughout the state (see Display Twenty One).

**Community College Transfer Students  
Enrolling in Twenty Major  
Independent Colleges/Universities**

1991 = 2,193

1995 = 1,853

-15.5%

Source: CPEC, *Performance*, p. 60.

Since the Master Plan, many California undergraduates, especially those in urban areas, have taken advantage of the transfer opportunity. The transcripts of many UC and CSU graduates are sprinkled with credits from Community Colleges and independent institutions. The CSU in particular enrolls students from outside its system, with more than 50 percent of the baccalaureate holders at the

CSU spending a substantial portion of their academic careers in the Community Colleges.

According to the vision set out in California's Master Plan, the transfer function is an essential part of the community colleges' contribution to higher education. The Plan saw these colleges as providing extensive, initial access to higher education and then offering students essentially a choice of two opportunities: either complete a vocational degree at the college or transfer smoothly to a four-year institution.<sup>79</sup>

<sup>79</sup> Approximately 11,000 community college students transfer each year to the UC, 47,000 to the CSU, and 4,000 to independent colleges and universities (CPEC, *Profiles*, 1996, Section 4). Among these community college students who do successfully transfer, several studies indicate that their records and graduation rates are at least comparable to students who came directly to the UC or CSU from high school. This is quite significant because many transfer students were not initially eligible for either public university when they graduated from high school.

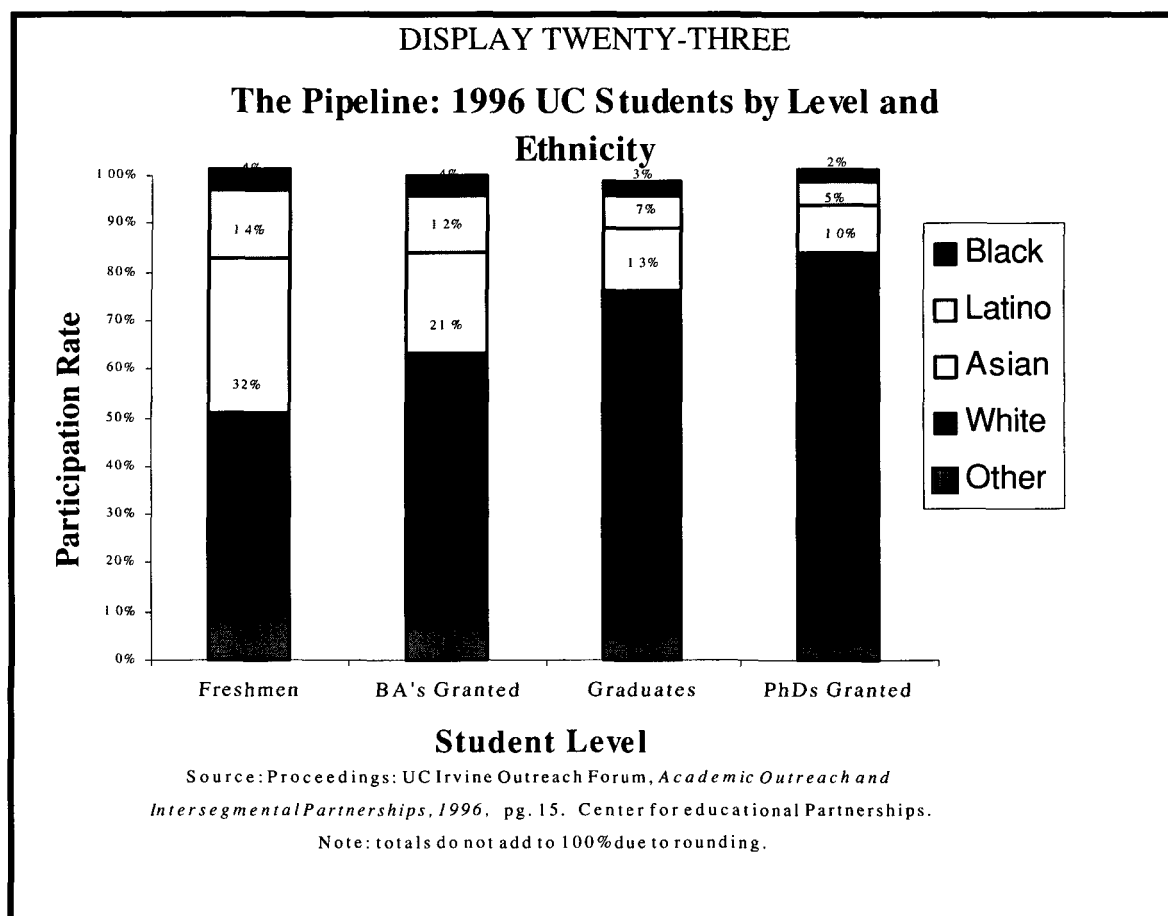
The problem is that most transfers to public universities come from only a few Community Colleges: eighty-four percent of the transfers to CSU in 1994/95 came from only 37 of California's 71 community college districts, while only 29 districts sent eighty-two percent of all UC transfer students that 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.

In response to rising concerns, UC President Atkinson recently signed an agreement with the Chancellor of the California Community Colleges to increase the number of transfer students by 3,600 students (or 33 percent) by 2005. Firm commitments of this kind are important if California is going to increase the number of students who achieve their educational objectives. The Citizens Commission, however, urges that special efforts be directed toward those community colleges that have the lowest transfer rates.

<b>DISPLAY TWENTY-ONE</b>
<b>The Transfer Rate of the Ten Lowest</b>
<b>Community College Districts</b>
<b>to the University of California</b>
<b>(Headcount Transfers as a Percentage of FTES)</b>
<b>1994/95</b>
<b>0.183</b>
<b>83% below the Statewide Average</b>

<b>DISPLAY TWENTY-TWO</b>		
<b>The Fraction of</b>		
<b>Dependent 18- and 19- Year Olds</b>		
<b>Enrolled in College</b>		
	<u>1977-79</u>	<u>1991-93</u>
<b>Richest 25%</b>	<b>68.7%</b>	<b>75.4%</b>
<b>Middle 50%</b>	<b>45.0%</b>	<b>49.9%</b>
<b>Poorest 25%</b>	<b>26.3%</b>	<b>25.5%</b>
Source: Kane, <i>Wall Street Journal</i> , 12/30/96.		

**Trying to Narrow the Gap.** By equipping more individuals for economic success, higher education helps strengthen the entire economy and society in California. Unfortunately, college opportunity and success is not distributed evenly: enrollment in the state's colleges and universities differs widely among groups, and is highly correlated with race/ethnicity and with the income levels of families (see Display Twenty Two). Even when these differences are not great initially, they increase substantially as students advance up the educational ladder, as shown in Display Twenty Three.



The first efforts to address the pattern of unequal enrollment and graduation rates began in the 1960s when colleges and universities created special programs to identify and assist individuals from groups underrepresented in campus student bodies and in the ranks of faculty. Originally known as "educational opportunity programs," these activities gradually came to be called "affirmative action." This term now refers to programs ranging from university contacts with secondary school students to tutorial assistance, financial aid grants, enrollment preferences, admission set-asides and to a wide variety of other activities affecting students from junior high through medical school. At times, underrepresented students have received additional weight for their applications in competitive situations such as the admission process at universities where demand exceeds the supply of student spaces.

Taking race, ethnicity or gender into account under "affirmative action" is now banned in California higher education under Proposition 209, which prohibits any consideration of race or gender in California public education, employment or contracting. This Proposition, passed in 1996, changes state policy along lines that the

University of California Regents had already agreed to in July 1995 (SP 1) for that segment.

Affirmative action programs and preferences have undeniably increased enrollments in higher education for those within underrepresented groups, especially in those institutions and professional programs (such as law and medicine), where space for students is in high demand. These programs, however, have pursued their goals at an increasingly high cost to their credibility and public acceptance. Whether deserved or not, "affirmative action" has come to stand for "unfair or unjustifiable advantage" to many Californians.

Another problem with affirmative action programs has been a lack of serious evaluation to determine which student outreach and retention strategies actually work and which do not. "Both the PACE and CPEC reports note the lack of data evaluating the substantive and long-term impact of University outreach programs," observed a UC Outreach Task Force<sup>80</sup> appointed to evaluate this issue, "and [these reports] recommend strongly that such on-going evaluation be made a more integral part" of such programs.<sup>81</sup> The Task Force recommended that affirmative action programs be reconfigured to assist economically disadvantaged students without reference to race or ethnicity as one means of increasing ethnic diversity in higher education.

**Seeking New Approaches.** All witnesses who addressed the Commission on the issue of educational opportunity agreed that the end of racial and ethnic preferences does limit the most direct strategies available for continuing to diversify student bodies, especially at the University of California. Most agreed, though, that the best long-term approach to ensure an equal chance to enter and succeed in higher education lies in public school improvement. They recommended more emphasis on college preparatory courses and an expansion of high school counseling that supports college attendance for students from underrepresented groups.<sup>82</sup> "School improvement," the UC Outreach Task Force stated, "provides the most effective single means by which the University can assist in providing equitable opportunities for UC access by all students."<sup>83</sup>

Another approach being discussed by the Legislature is to change freshman eligibility requirements for California's public universities in the Constitution.<sup>84</sup> Currently, the top third of high school graduates are eligible for the California State University and the top

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<sup>80</sup> The UC created this Task Force to recommend ways that the University student bodies might remain diverse after racial preferences were banned in SP 1.

<sup>81</sup> UC Outreach Task Force, p. 22. Hayward (PACE), *Synthesis*.

<sup>82</sup> Haycock; CPEC, "Greater Understanding," p. 7.

<sup>83</sup> UC Outreach Task Force, p. 2.

<sup>84</sup> Senate Constitutional Amendment 6 (Hughes).

eighth for the University of California, with both universities drawing their students from a *statewide* eligibility pool. However, since California's high schools vary widely in the proportion of their graduating seniors, who are eligible in this statewide pool, some schools have a far larger proportion of eligible students than do others.<sup>85</sup> As originally introduced, the legislatively-initiated amendment would have required both the UC and the CSU to eliminate their *statewide* eligibility pools in favor of *each high school* determining which of its students are in the top one eighth and one third, respectively.<sup>86</sup> While the Citizens Commission agrees that some approach to "high school specific" eligibility could have important benefits, determining all eligibility in that fashion is too extreme.

*"The University seeks to enroll, on each of its campuses, a student body that has high academic achievement or exceptional personal talent, and that encompasses the broad diversity of cultural, racial, geographic, and socioeconomic back-grounds characteristic of California."*

- University of California Board of Regents  
May 20, 1988

**Diversity Should Not Be Ignored.** At a time when the state's population is becoming increasingly diverse, California must not abandon the goal that student bodies in higher education should reflect that diversity. The Citizens Commission strongly urges that the institutions of higher education provide the reality, not just the vague promise, of equal opportunity for access and a solid chance of graduation to all students who meet the prescribed standards. The Commission's recommendations in this regard call for new commitments to educational opportunity and success within a changing policy context that prohibits preferences based on race, ethnicity or gender.

## AN ACTION AGENDA FOR ENSURING EDUCATIONAL OPPORTUNITY AND SUCCESS

### **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 in the public segments that have demonstrated success in improving college-going rates and baccalaureate degree completion for students from groups under-represented in higher education.<sup>87</sup>

<sup>85</sup> CPEC, "Eligibility...1996."

<sup>86</sup> SCA 6 (Hughes).

<sup>87</sup> Programs such as MESA (Mathematics, Engineering, Science Achievement), the Puente Project in Community Colleges, CAMP (California Alliance for Minority Participation in Science, Engineering, and Mathematics), and programs which pay for the admission fees for disadvantaged students who wish to take "test preparation" courses.



The Commission was especially impressed by regional programs which link all sectors of the educational community partnerships that include families and community leaders. Successful programs also focus on establishing well-defined standards of achievement for all students.<sup>88</sup>

#### **Recommendation IV-2**

**A high priority should be placed on increasing the number of transfer students to four-year institutions from Community Colleges, especially those which have few students transferring now.**

- A. *State government should provide a higher funding rate for priorities such as transfer and vocational courses. At present, a single and average amount for all credit courses is provided in the "instruction portion" of the formula, regardless of their statewide priority.*<sup>89</sup>
- B. *The UC and the CSU should expand their contacts with the Community Colleges by increasing the number of classes on community college campuses for regularly enrolled UC and CSU students. This expansion should be targeted to those community college campuses that have excess capacity, especially in the afternoon, or those with a low transfer rate. Currently, the CSU offers upper division classes on several community college campuses.*<sup>90</sup> *These mutual arrangements can strengthen the transfer programs on the community college campuses and provide important experiences with these colleges for university faculty.*
- C. *With regard to the transfer and award of credit, maximum consideration and extensive information 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 and practices.*<sup>91</sup>

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<sup>88</sup> This approach has been pioneered by the Education Trust of Washington, D.C. and was described by the Trust's Director, Kati Haycock, during the meeting of the Citizens Commission at San Mateo College. In several of these programs, college students receive academic credit for tutoring disadvantaged students.

<sup>89</sup> CCC, *Program-based Funding*, pp. 2-3.

<sup>90</sup> For instance, students taking classes on the campus of Santa Monica College can complete all requirements for any one of three degree programs at California State University, Northridge.

<sup>91</sup> This principle is established in California law and in current accreditation practices (WASC, *Handbook*, p. 50).



**Recommendation IV-3**

**State government should provide financial incentives to increase the number of completed courses, successful student transfers and awarded degrees.**

- A. *A portion of the current amount of State appropriation per FTE should be awarded only when students complete courses and receive credit.<sup>92</sup>*
- 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 attended both 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 requirements for courses, knowledge and skills specified by the UC. The rest of the applicant pool should be selected from criteria applied statewide.*
- B. *The CSU Trustees should consider the consequences of a policy that a certain percentage of graduating seniors from each high school would be automatically eligible for entrance if they met the course requirements, knowledge and skills areas specified by the CSU.*

The Commission originally considered a recommendation that the CSU Trustees guarantee eligibility to 12 percent of the graduating seniors (roughly one-third of its current eligibility pool) from each high school. The CSU provided information that this level could have unintended and negative consequences for 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. 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 which have low eligibility rates, where the curriculum is often designed around the expectation that few students will go on to any university.

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<sup>92</sup> Or when they fulfill all the requirements of state supported, non-credit courses in the Community Colleges. Currently, enrollment funding is based solely on attendance during certain "census weeks" long before the end of the academic term.

- C. *All universities in California should annually provide the following information on the record of students from each high school: course completion rates in college; the number of degrees awarded and earned; and grade point averages both for students eligible through the high school specific guarantee and for those eligible through the statewide pool. Publication of these results can provide measures of accountability for each high school and important information for parents and students.*

## CONCLUSION

The Commission strongly supports the long-standing policy priority of educational opportunity for all Californians and the goal that student bodies and graduation patterns in higher education should reflect the racial/ethnic and socioeconomic diversity of the state. In this regard, it is important to understand that Proposition 209 does *not* ban all efforts to increase diversity nor does it require the rejection of policies which promote an increase in the number of individuals from groups which 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>93</sup>

The Commission also believes that California's college-going rate should be increased and that degree completion should become a higher priority for colleges and universities. In this regard, it is especially important to strengthen the Community Colleges, the state's largest and most student-heterogeneous segment, and to ensure that colleges have effective transfer programs.

Finally, the Commission endorses a guarantee of eligibility for the *very top* performing students in each high school, each of whom has taken the required college preparatory courses, as an effective and responsible way to help ensure that colleges and universities will have student bodies that reflect California's diversity. Critics of this approach contend that a percentage guarantee will water down standards and could offer an easier ride for undeserving students into California's universities.

The Commission disagrees because, under our recommendation, *only* the very top students would be guaranteed eligibility, and information about the university records of each high school's students would be published as a central measure of accountability. Finally, initial analysis of this recommendation's impact by the University of California does not suggest a decline in the overall academic profile.<sup>94</sup>

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<sup>93</sup> No doubt, Proposition 209 eliminates the most direct means for doing so in selective universities such as the University of California and strictly limited admission programs such as law and medical schools (see "Admissions at Berkeley," in The National Center for Public Policy and Higher Education, *Crosstalk*, May 1998, and "New Admissions Process Launched," *The Berkeley Magazine*, May 1998.

<sup>94</sup> UC, "Redefining UC's Eligibility Pool."

Most important, the Commission believes that an eligibility guarantee for each high school places the responsibility for adequate university preparation where it rightly belongs: on the high schools and their students. Such a guarantee provides a clear message that the top students in all the high schools will have equal university access through academic competition with others *there* and that their record in higher education will be part of the high school's accountability measures. This message, 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.

## SECTION V

### ***THE ESSENTIAL CONNECTION: IMPROVING THE LINKS BETWEEN K-12 AND HIGHER EDUCATION***

#### **SUMMARY**

**Better links between higher education and the K-12 schools should be a high priority for both sectors because their success is interdependent and important to the public. The institutions of higher education should be explicitly accountable for improving the quality and effectiveness of K-12 through better teacher training, refocused admission standards and more collaboration. Likewise, the responsibility of the K-12 schools to send well-prepared students into postsecondary education should be encouraged through fiscal incentives.**

No institution plays a larger role in the K-12 schools than higher education. The universities prepare K-12 teachers and shape high school curriculum by their admission standards. Standardized tests developed or required by universities are imposed on most secondary students, and the research and expertise of higher education faculty represent a major resource for the schools. The fact that students come to college from the K-12 system means that their college-going rate is affected by the quality of their schooling. Their success in college has much to do with the extent and rigor of courses taken in high school. Functionally, the relationship could not be closer.

*"Of all the arenas in which colleges and universities might contribute to the rebuilding of American society, none is more important than working with the schools. The quality issues in the schools cry out for attention."<sup>95</sup>*

**- Russell Edgerton, Education Coordinator  
The Pew Charitable Trusts**

<sup>95</sup> Edgerton, "White Paper," p. 56.

*"A 'disconnect' between post-secondary education and K-12 purposes and programs has led to poor communication and little collaboration."*

- Finding "Two" from a series of nine focus groups conducted by the Center for Higher Education Policy Analysis, USC

The history of this relationship, however, does not show close involvement. Within our lifetime, the K-12 schools in America fell from among the world's leaders to near bottom when our children's knowledge and competencies were compared to others in the industrialized world. By 1983, we were "A Nation at Risk" according to the prominent

manifesto which portrayed a nation that had blithely stumbled into educational mediocrity or worse and was failing its youth. California led the way in this march downward in both test scores and funding: in 1960 the state ranked among the top five in expenditures per student and favorable pupil/teacher ratios. By 1990, California stood among the bottom five states in expenditures per pupil while quality suffered from one of the nation's highest pupil/teacher ratios.<sup>96</sup>

*"Weak accreditation policies and the historic indifference to teacher preparation on the part of the major research universities received special attention."*

- The Holmes Group, a leading group of educators, concerning their priorities for attention during the 1980s

**Coping with K-12 Decline.** During the years when the nation was becoming educationally "at risk," most colleges and universities stood on the sidelines. When they did address the problem, they rarely focused on the basic causes of the educational decline but rather tried to cope with the results. As secondary school

grades became inflated while test scores fell, the first response among universities was to raise admission standards.<sup>97</sup> When that step did not encourage better preparation, higher education institutions began to offer an array of remedial courses, in effect providing high school or lower-level instruction on college campuses.<sup>98</sup>

Some of the more selective universities took the step of increasing special programs that selected a few junior high students and guided them through the troubled waters of high school so they could increase the diversity of the university's freshman class.<sup>99</sup> Until recently, however, higher education made little effort to deal with the fundamental causes of educational decline or to serve as a true partner with the K-12 schools.

*"We are faculty members in schools of education...We rather reluctantly admit that at least to some degree, we have forgotten where we came from. As the years go by, we, like many of our colleagues in higher education, become less and less connected to schools and those who work in them. We believe this is wrong."*

- Sam Minner and Greg Prater,  
Education Week, January 21, 1998

<sup>96</sup> Douglas, *Setting the Conditions*, pp. 75-6.

<sup>97</sup> Douglas, *Undergraduate Admissions*, pp. 44-45. CPEC, "From Ninth Grade" (1985).

<sup>98</sup> CPEC, "Promises to Keep" (1983).

<sup>99</sup> CPEC, "Plan to Implement" (1985).

**New Approaches.** The Citizens Commission reviewed extensive material concerning today's links between K-12 and higher education in California,<sup>100</sup> and were encouraged by what we saw. Growing public concern over education, verging on panic in many quarters, has made the K-12 sector a political priority. Increased funding for the public schools under Proposition 98 and the Governor's initiative to reduce class size in the early grades are significant steps toward improvement. At the same time, higher education appears determined to make a real difference in the schools. Colleges and universities now recognize the need for a change of priorities and for more attention to K-12 *within their own institutions*.<sup>101</sup> These are all directions which should be pursued further and made permanent.

In reviewing current activities and proposals, the Commission identified the following ventures as especially promising for a beneficial relationship between higher education and K-12:

- Restructuring of teacher education, such as the change begun at the California State University under recommendations from the President's Group on K-18 Education.
- "The CSU needs to have flexible teacher preparation programs, jointly planned and implemented with public school partners, which are tailored to students' needs and circumstances... CSU teacher preparation programs, as well as graduate and certificate programs, need to increase productivity, be more agile, more entrepreneurial, more responsive, and more user friendly."*

- The CSU Presidents Group on K-18 Education, 1997
- Large scale efforts to involve the business community, higher education and schools in restructuring teacher preparation, such as the Los Angeles Annenberg Metropolitan School Project and Sacramento's Linking Education with Economic Development Project.
  - Clear messages about the knowledge and skills needed to succeed in college, such as the 1997 Joint Statement by the Education Roundtable on Standards in Mathematics and English for California High School Graduates.
  - An innovative "Charter School of Education" at California State University, Los Angeles, which is freed from many bureaucratic restrictions on teacher credentialing and is experimenting with alternative schedules, teaching portfolios

<sup>100</sup> In addition to reports from colleges and universities about this issue, the Commission organized, on June 3, 1997, a panel of experts on the relationships between K-12 and higher education. These included: Glenn Singleton, President and Founder of the Pacific Educational Group; Gary Hart, Director of the Institute for Education Reform at CSU Sacramento; Kati Haycock, Director of the Education Trust in Washington DC; Joni Finney, Associate Director of the California Higher Education Policy Center.

<sup>101</sup> See California Statewide Task Force on Teacher Recruitment, "Shaping," pp. 9-12.



as means of assessment and more collaboration with departments throughout the university.

- Practical research from universities,<sup>102</sup> such as identifying the multiple ways students learn and how knowledge is best assessed by higher education institutions, as in the current project at Stanford's Institute on Postsecondary Improvement under the leadership of Michael Kirst.
- Efforts to fully integrate partnerships with secondary schools, such as the founding of a charter high school on the campus of the University of California at San Diego.

**Unresolved Concerns.** While recognizing these positive developments, the Commission feels much more can be done to improve the links between K-12 and higher education, and most important to make them permanent. One concern involves the current condition of state testing in K-12, one of the ways to determine if students are prepared for higher education. Recently, the National Center for Fair and Open Testing evaluated the programs in all fifty states and placed California's as second from worst in the category "state assessment systems which need many major improvements."<sup>103</sup> The system's main problems involved mixed messages given to students and sets of tests that change in line with changing political perspectives. Last fall, the State Board of Education selected a test known as "Stanford 9" for statewide use, with the first results being published this June.

*"There is clearly a consensus among the Round Table members that California's future requires that we maintain our commitment to postsecondary and work-force preparation for all our citizens. We can only do this if we further connect K-12 and higher education by building on our many points of intersection, such as teacher preparation, student matriculation, and student academic development."*

- Delaine Eastin, State Supt. of Public Instruction  
Letter to the Citizens Commission, April 1997

Another concern is that faculty members in schools of education are removed from the realities of modern California classrooms. A nationwide survey by the Public Agenda Foundation identified a wide difference between what education professors taught and what actual teachers and public school students said they needed for effective classroom experiences.<sup>104</sup> The President of the American Federation of Labor lamented that "teachers always report that their college education hasn't prepared them for the realities of the classroom."<sup>105</sup> Similarly, the CSU Institute for Education Reform's warning that "the serious disconnect between many CSU schools and education and K-12 schools hinders the campus's ability to train teachers well" continues to be relevant,

<sup>102</sup> See also UC, *The Schools and UC*, pp. 13-6.

<sup>103</sup> Lawton, p. 13.

<sup>104</sup> *Different Drummers*, pp. 13-19

<sup>105</sup> Sandra Feldman quoted in "Are Teachers Out of Touch?" p. A20.



even during times of increased collaboration.<sup>106</sup> The California State University, with its major responsibility among the public segments, has not played a substantial enough role in preparing new teachers for the realities and challenges of modern classrooms.<sup>107</sup> More effective teacher education, aimed both at reducing the number of those currently in classrooms who hold "emergency" credentials and reducing the high "drop out rate" among new teachers, should be high priorities.

The Commission both recognizes these substantial recent steps to improve the schools higher education links and encourages the progress to continue. The following recommendations emphasize the need for public policy to express the permanent importance of such links and to provide fiscal incentives for maintaining them. It is especially important for universities to set admission standards that are clear about knowledge and competencies and that take some account of demonstrated skills beyond grades or test scores.

## ACTION AGENDA FOR IMPROVING THE LINKS BETWEEN HIGHER EDUCATION AND K-12

### **Recommendation V-1**

**The State should make the institutions of higher education explicitly accountable for improving the quality and effectiveness of K-12, especially through effective teacher education and support.<sup>108</sup>**

- A. *A Teacher Improvement and Development Fund should be established from Proposition 98 funds and matching amounts from higher education to encourage more collaboration between higher education institutions and public school teachers. This fund should assist higher education institutions and public school teachers to collaborate in mentoring new teachers, disseminating the results of educational research and providing continuing education for all teachers. Academic departments in each higher education campus should be involved in work with the K-12 sector and in efforts to improve teacher training.*

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<sup>106</sup> CSU Institute, *Teachers Who Teach*, p. 3

<sup>107</sup> Quotation from Chancellor Barry Munitz, *Los Angeles Times*, October 12, 1997.

<sup>108</sup> The state's coordinating agency for higher education, CPEC or its successor, should play a leadership role in this responsibility.

- B. *Higher education institutions should participate extensively in community-school partnerships to serve the needs of low-income students and those most at risk of dropping out of K-12.*

*AB 418 (Migden), introduced in 1997, proposes a matching grant program using Proposition 98 funds and matching monies to provide for partnerships between K-12 and higher education in order to improve teacher education and development: expand student academic development programs; strengthen collaborative teacher development programs; provide incentives for faculty interaction across institutional boundaries; increase the use of instructional materials and technologies.*

### **Recommendation V-2**

**The California State University should place the highest priority on, and redirect resources to, its schools of education.**

The state government should provide a separate appropriation to increase CSU enrollments in its schools of education. A minimum of one-fourth of all funds received for enrollment increases<sup>109</sup> should be used for the purpose of increasing the number of students in the CSU schools of education and improving the quality of teacher training activities until the state's need for new teachers, now an emergency, roughly equals supply. A portion of these funds should be used to improve the undergraduate instruction for prospective teachers regardless of their major.

### **Recommendation V-3**

**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.**

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

*"Give us higher standards and we'll meet them, but don't be too prescriptive."*

**- Peter Mehas, Superintendent Fresno Unified School District to the Citizens Commission, October 1997**

- B. *The faculties and governing boards in California should be leaders in reshaping higher education admissions policies to support standards and competency-based school reform.<sup>110</sup> Admission criteria should extend beyond the mechanical combination of grades, course-taking and national standardized test scores to include some measurement of demonstrated competencies, such as the PASS approach in Oregon (see text box description).*

<sup>109</sup> See Recommendation I-2 (B).

<sup>110</sup> Admission standards should extend beyond the mechanical combination of grades, course-taking and national standardized test scores to include some measurement of demonstrated competencies.

*Competency-based Admissions in Oregon (the PASS program) is an example of a change which identifies proficiencies in basic subject areas and requires students to demonstrate them in writing, reading, communication, critical thinking and problem solving. Students are examined in a variety of ways to determine their competencies, and teachers have to verify these in measurable ways beyond assigning grades.*

#### **Recommendation V-4**

**The K-12 sector should be accountable for equipping students with the knowledge and skills necessary to succeed in college-level vocational and academic programs.**

At least half of the costs incurred by public colleges and universities for providing remediation classes and remediation activities for recent California high school graduates<sup>111</sup> should be reimbursed from Proposition 98 revenues after the year 2003. Starting today, though, the K-12 sector and the higher education segments should place special priority on informing each high school student about his or her progress toward achieving the knowledge and skills required in college. Whatever statewide tests are administered, such as the "Stanford 9," should also serve as tools to inform students (and their parents) at each secondary grade level, about whether they are on track to reaching the knowledge and skills needed for the various higher education segments, without the need for remediation.

<sup>111</sup> The term "remediation" is subject to several interpretations and varies among the public segments. Accordingly, the "costs" of providing remediation are not firmly established. Past studies (CPEC, *Promises to Keep* [1981] and Commission for Review of the Master Plan [1988]) have handed down some general definitions and expenditure estimates. During the 1990s, the California State University studied the issue, and the system's Trustees adopted the goal that no more than 10% of freshmen students by the year 2007 should require remediation (the current estimate is that 60% of incoming students require remedial work). The Commission recommends that each public segment should define "remediation" in consultation with the State Department of Education, according to the mission of that segment. Expenditures should then be calculated according to those definitions.

## CONCLUSION

The Citizens Commission recognizes the substantial efforts underway to improve the links between higher education and K-12. The Commission is concerned, however, that attention to these links may fade over the years unless the state establishes their priority as a permanent part of California's policy and fiscal environment. Teacher education should become a high priority within higher education. The accountability of both the higher education and K-12 educational sectors for maintaining links to the other sector should be explicitly recognized, and successful efforts for cooperation by both sectors should be rewarded.

## ***PART THREE***

### ***ADDITIONAL QUESTIONS AND ISSUES***

The Commission's Action Agenda includes only the Commission's most important recommendations. The following section addresses several additional questions and issues that were posed to the Commission and deserve further attention from others.

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#### ***WHAT POLICIES SHOULD CALIFORNIA ADOPT FOR THOSE COURSES, DEGREE PROGRAMS AND EDUCATIONAL PRACTICES OFFERED ELECTRONICALLY BY OUT-OF-STATE PROVIDERS?***

##### **TRENDS**

**1995: One third  
of all American universities  
and colleges offered courses  
off-campus**

**1998: Two thirds  
offer off-campus courses**

Source: U.S. Department of  
Education

##### **TRENDS**

**700,000 students  
enrolled in electronic  
courses  
1995**

Source: U.S. Department of Education

**Estimates are Triple that  
Number Today**

In the past five years, the number of educational opportunities available electronically has grown rapidly and many "non-traditional" institutions, such as the University of Phoenix (see Display Twenty-Four), have flourished throughout California and the United States. In many cases, students are able to take courses over the Internet or through some form of digital communication from locations all around the world, earning credits and degrees through means unimaginable twenty years ago. This growth forces a major change in thinking about how to evaluate the quality of educational offerings and shakes the foundations of many long-standing beliefs about how to accredit colleges and universities.<sup>112</sup>

At present, two authorities have responsibility for monitoring educational programs in general, evaluating their practices and protecting the public from fraud:

1. The regional accrediting associations, such as the Western Association of Schools and Colleges, or WASC, which covers California and Hawaii; and

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<sup>112</sup> See WASC, "An Invitation to Dialogue" (1998), p.6.

2. The State Higher Education Executive Officer organizations; those agencies in each state responsible for statewide coordination of higher education (in California, this function is performed by the California Postsecondary Education Commission).

The expansion of "non-traditional" education through technology appears to CPEC something of a *gold rush*. "The rush may be on," the Director writes, "but we're not exactly sure what we're looking for, what we'll find, or what we need." He continues:

The issue of maintaining quality, and of assuring quality, for courses and programs offered through distributed learning, is difficult. As courses are offered over the Internet, or through cable or broadcast, state borders will mean much less, as the geographic location of institutions become less important. However, what is important is that states identify and fulfill their important role in consumer protection and in assuring the quality of available instruction. The fifty states are involved, the regional accreditors are involved, as are specialized accreditors, although their role is less clear. The federal government is involved through financial aid policies that affect learners at a distance and through their oversight of accrediting agencies.<sup>113</sup>

## DISPLAY TWENTY-FOUR

### The Shape of the Future? THE UNIVERSITY OF PHOENIX IN 1998

- ✓ 50,000 students enrolled nationwide with 3,000 of these taking courses over the Internet.
- ✓ Now, the largest private institution in America with plans to enroll 200,000 in ten years.
- ✓ Accredited by the North Central Accrediting Association to grant associate through masters degrees. Soon, the Ph.D. Mostly in professional fields.
- ✓ Faculty members have traditional academic credentials but no tenure. They teach the courses but do not design curriculum or prepare courses.
- ✓ Experts in the subject areas prepare course materials. Similar classes have the same syllabus.
- ✓ Students attend classes at convenient hours as a cohort and all with same educational objective take the same courses in sequence, with no electives.

<sup>113</sup> Correspondence to the Citizens Commission from Warren Fox, March 3, 1998.

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***WILL THE INCREASED USE OF MODERN TECHNOLOGY REVOLUTIONIZE HIGHER EDUCATION, INCREASE ACCESS AND REDUCE COSTS?***

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The Citizens Commission recommends that the State of California develop policies for distributed education courses and programs and that the state work with regional organizations and national associations to clarify the various regulatory responsibilities, if any are appropriate, in this rapidly expanding area.

Technology is starting to make a significant contribution to higher education and holds an even greater potential for the future, but, as yet, has not offered a simple way to reduce costs. This much is clear: the use of computers, mass data storage and retrieval and high speed and satellite communications allow colleges to offer ever greater amounts of instruction and educational services through electronic means and in non-traditional formats. Throughout higher education, knowledge is being stored and delivered more and more through "bytes" rather than on paper.

Because of technology's growing importance, Commissioners sought to understand its effect on higher education both in the present and future. The Commission reviewed publications on the subject<sup>114</sup> and participated in a demonstration of courses offered via the Internet at California State University, Northridge. Commissioners heard from Linda Thor, president of a prominent "distance education" community college<sup>115</sup> and visited the site of an innovative doctoral program in Education Leadership, conducted jointly between California State University Fresno and faculty on five campuses of the University of California. Commissioners participated in a video conference along with the program's students and others. At Stanford, engineering instruction is available through an interactive video and a doctoral exam was conducted with one faculty member in Boston and another in London, thanks to video conferencing. Shakespeare is taught jointly by Stanford and MIT, and students routinely search the World Wide Web for citations about articles on a chemistry experiment. Commissioners also reviewed the impressive beginnings of the California Virtual University, a consortium of 77 colleges and universities that now offers 500 courses electronically, one of the largest collaborative efforts of its kind in the nation.

Opinions about the role of technology have two extremes. Strong proponents insist that technology is a "silver bullet" for higher education, capable of solving all problems of enrollment demand. They contend that advanced technologies will enable higher education to cut costs and expand access significantly, and that these technologies can increase efficiency by replacing most lecture-based, face-to-face instruction. They point to considerable cost reductions attained when educational lessons are electronically packaged and delivered to thousands of students, on campuses or throughout the state,

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<sup>114</sup> UC, *Learning Technologies*.

<sup>115</sup> Healy, p. 32. This presentation occurred at a conference sponsored by the Citizens Commission and the Western Interstate Commission for Higher Education in October 1997.



the nation, and the world. They are also convinced that technology enhances educational quality because instruction can be tailored to the individual needs and circumstances of learners; for instance, by offering the repetitive drills required in remedial English, language instruction, or basic mathematics courses.

On the other extreme are critics of high technology, especially when it used as the central means of delivering education. These critics maintain that the new technologies can make education impersonal and superficially entertaining. They contend that the style of "high-tech" delivery tends toward "glitziness" rather than substance, toward rapid motion rather than in-depth thought. They point to the high, initial costs of technology and advanced level of sophistication required to use it effectively in college instruction. In their view, electronic instruction is most effective when used to augment rather than replace the traditional interaction between teachers and students, especially for general instruction at the baccalaureate level.

*"I will not accept that the major college experience for my teenage son is going to be in front of a TV screen!"*

- Tim O'Neill, University Committee of Merced, in testimony to the Citizens Commission, October 21, 1997

After sorting through the evidence, the Commission concludes that both views have some merit. The Commission especially agrees with the balanced view recently published in *Transforming Higher Education*, that:

The classroom will not disappear, nor will the campus fade into oblivion. Rather, American higher education in the 21<sup>st</sup> century will provide a spectrum of choices for learners, ranging from the truly traditional to the totally transformed. ...Academic work in the sciences, the professions and other applied disciplines clearly will be transformed. Even the traditional, contemplative disciplines, the arts, and music will discover the digitization of text and video will revolutionize both aspects of their core disciplines and their relationships with other disciplines. ...But information technology [so far] has only marginally improved instruction and learning. It has mainly been used to extend the physical reach and efficiency of our current, classroom centered, seat time-based, teaching focused model of learning.<sup>116</sup>

Clearly, the most exciting potential of electronic media lies in the ways it can shift the focus from teaching to learning, especially on how to foster and evaluate learning for each individual. In terms of technology *for* learning, however, the most important question is whether traditional institutions of higher education can reorganize themselves in ways that take full advantage of technology's potential to individualize instruction without the constant presence of a faculty member in a traditional classroom setting.<sup>117</sup>

<sup>116</sup> Dolence and Norris, *Transforming*, pp. 15, 36, 94.

<sup>117</sup> Brown and Duguid, "Fast Forward" (1996), p. 19.

This change involves a serious "paradigm shift," where the use of technology infuses the entire institution, to both facilitate learning and reconstruct the curriculum.<sup>118</sup>

In terms of cost, reliance on electronic technology so far has not reduced average spending per student in most programs.<sup>119</sup> Its high initial outlay, the substantial expense of keeping up-to-date, the need for numerous technical and training personnel and the advanced level of sophistication required to use technology effectively; all are factors that make "high tech" a costly undertaking. In many cases, educational technology, despite its power and efficiency, remains an expensive "add-on" to the delivery of standard courses. Technology appears to lower long-term costs only when the entire educational enterprise is restructured.

It is clear, however, that technology can extend access to new populations, especially those geographically distant from campuses. The state's plan to enroll Tidal Wave II students and improve quality in higher education should involve the use of electronic technology as part of a larger overall strategy to improve education and provide greater access to it.

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#### ***WHAT IS THE BEST ROLE FOR STATE GOVERNMENT WHEN IT COMES TO LARGE-SCALE PARTNERSHIPS BETWEEN PUBLIC HIGHER EDUCATION AND THE PRIVATE SECTOR?***

Public colleges and universities have long forged partnerships with firms in the private sector. Generally, these involve real estate transactions, contracted research, athletic sponsorships, and commercial enterprises that operate on a typical campus.

The California State University, however, recently developed a new kind of partnership, the California Educational Technology Initiative (CETI). Originally, this project joined CSU with four corporate partners (Microsoft, GTE, Hughes, and Fujitsu) to create a "for profit" venture. As part of the initial understanding, the corporate partners promised hundreds of millions of dollars over the next decade to upgrade the CSU's existing technological infrastructure (hardware, software, communication lines, training and support for students, faculty and staff) in return for certain exclusive rights and prerogatives on the twenty-two campuses. The partnership was intended to benefit both sides: the CSU would receive technology it could not afford by relying on state funds, while the corporate partners received an established presence in the nation's largest university system.

A great clamor arose when this proposal came before the CSU Board of Trustees in late 1997. Several groups, including the faculty union, insisted that they had been excluded

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<sup>118</sup> See Gumport and Chun, pp. 21-2. <sup>117</sup> Massy, pp. 10-13; Zemsky and Massy, p. 9-13; Twigg.

<sup>119</sup> Massy, pp. 10-13; Zemsky and Massy, p. 9-13; Twigg.

from the negotiating process. Others identified areas where the proposal was unclear or inappropriate for the CSU's academic program. The controversy erupted into a major legislative hearing on January 6, 1998 when all parties, including private sector competitors who objected to the exclusive arrangements of CETI, received an opportunity to air their grievances. In addition to defining the issues on both sides, the hearing identified some significant gaps in public policy about partnerships.

The Commission believes that state officials should not restrict the institutions of higher education from seeking additional revenues or partnerships, providing such arrangements do not undermine their fundamental service as *academic* institutions, violate state regulations or put the institution at considerable risk or liability. The state's public institutions need the flexibility to develop partnerships that assist their educational efforts.

The state government, however, does need to play some role in determining which activities are appropriate for its public institutions and which are not, especially in emerging areas such as technology which have few legal precedents. The state needs to specify the general procedures by which large-scale partnerships are created and approved, certainly in those instances where: (1) competition should be ensured; (2) the institution is exposed to considerable risk; (3) the outcome is particularly significant to constituencies internal to the higher education institutions. The CETI experience suggests that this area deserves more attention.

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### **CAN STUDENTS AFFORD TO PAY MORE FOR THE COST OF THEIR EDUCATION IN THE PUBLIC SEGMENTS? IF SO, WHY SHOULDN'T THEY?**

Empirically, it is difficult to determine how many students could pay more for the cost of their education than they are currently charged in California public higher education. It is true that undergraduate student charges at the University of California are now considerably lower than those at other nationally ranked research universities, that charges at the California State University are far below public institutions of comparable scope and that the community colleges have some of the lowest fees in the nation. But these facts do not answer the question of how many students *within each segment* could afford to pay more or what an appropriate policy is *for California* in terms of the level of student charges in its public institutions.

**Regarding Affordability.** The data suggests that a number of students who attend public higher education, especially those at the University of California, could afford to pay more of the cost for their education.<sup>120</sup> The latest information from the statewide

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<sup>120</sup> "Education Financing Model," p. 6.

Student Expenses and Resources Survey (1994/95) found that "the highest median parental income was at the UC, with those at the independent institutions slightly lower, and those at the CSU significantly lower."<sup>121</sup> While the report indicates that, from 1990 to 1994, "the cost of attending college in California increased far more than parent income, student income, and living costs," the level of student fees in all public institutions has been stable since 1995 at the same time that California personal income has increased annually by more than 4%.

This is not to imply that all UC students enjoy wealthy circumstances, far from it. Sixty-three percent of UC undergraduates in 1996/97 received some type of financial aid, a proportion that has grown steadily during this decade.<sup>122</sup> The data does suggest, however, that many of the remaining students come from higher income families. For instance, in 1996, the UC indicated that "most families with parental income greater than \$75,000 will have full responsibility for all the expenses of attending the University. Accordingly, it is reasonable to assume that roughly one third of UC undergraduates have the means to pay more than the current \$4,000 in fees."<sup>123</sup>

**Regarding How Much Students Pay.** Since 1985, California law has provided that "students shall be responsible for a portion of the total cost of their education"<sup>124</sup> but there has been little agreement on how to determine that proportion or how it should be annually adjusted.<sup>125</sup> One relevant fact in the discussion, of course, is what portion taxpayers actually contribute as a subsidy for each student's education. Display Twenty Five provides some general information in this regard, the statewide fees paid by each undergraduate student compared to State (taxpayer) resources appropriated to each segment.

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<sup>121</sup> Student Aid Commission, *Family Financial Resources*, p. 3. The survey did not include the community colleges, but past surveys indicate their students have incomes considerably lower than the CSU.

<sup>122</sup> UC, *1998/99 Budget*, p. 144.

<sup>123</sup> Even this generalization should be qualified with the standard observations about determining financial need: the overall income of families is not the only indicator of ability to pay; the number of dependents in the family or who are in college is quite relevant; savings and assets are relevant.

<sup>124</sup> Education Code Section 66150. See also Section 76300 for community college fees.

<sup>125</sup> The UC Regents fee policy is contained in a resolution adopted January 20, 1994 and the CSU trustees have recommended establishing undergraduate charges at one-quarter of educational expenditures (an approach never adopted by the Legislature).

**DISPLAY TWENTY-FIVE****The Estimated Taxpayer Subsidy for Students In Public Higher Education 1997/98.**

	<b>State General Resources Per Student*</b>	<b>Statewide Mandatory Fees Per Student**</b>	<b>Ratio of State General Resources to Student Fees Per Student</b>
University of California	\$14,000	\$3,799	27%
California State University	\$7,800	\$1,548	20%
California Community Colleges	\$3,850	\$390	10%

\*Student = full-time equivalent student.

\*\*This is the statewide charged to each full-time undergraduate student.

Source: Legislative Analyst's Office, *Analysis of the 1997/98 Budget Bill*, p. F-7, F-14.

This Display requires serious qualification. First, the State funds are called "General Resources" because considerable amounts are not expended directly on education. It is also misleading to imply that these state resources are the amounts of taxpayer support *actually spent on each student*. This amount varies widely by level of student (lower division, upper division and graduate) and by program (most academic majors, for instance, are less "expensive" than professional or vocational ones). Nevertheless, Display Twenty-Five provides the best overall measure of taxpayer subsidy per student currently available.

### **Regarding Different Policies for Setting Student Charges in Public Institutions.**

During its review, the Commission discussed various policies for determining the level of student charges in public institutions and heard from advocates of several approaches. Three distinct alternatives emerged from this discussion:

- (a) California's present approach which emphasizes "no tuition" and relatively low fees with periodic sharp increases (*the "status quo"*);
- (b) A policy which would substantially increase student charges and provide large amounts of additional student aid based on financial need (*"high tuition/high aid"*);
- (c) A policy which would eliminate state government appropriations to public institutions and replace them with an amount provided to every student to pay tuition at the institution of his or her choice (*"vouchers"*).

The Commission focussed especially on the "high tuition/high aid" as an alternative to the "status quo." What follows is a description of that approach, the arguments offered by proponents and opponents and the Commission's conclusion.

**An Analysis of "High Tuition/High Aid."** This approach would greatly increase the levels of student charges in public institutions, at least up to the "cost of instruction", but would also increase aid for financially needy students. A variation of this approach, which does not increase student aid, is to charge different levels of tuition to students based on their family income (the higher the income, the higher the tuition).<sup>126</sup> Proponents of the "high tuition" strategy offered these arguments:

- Students who could afford to pay the higher tuition should do so, and those who cannot would receive financial aid.
- Generous tax credits for tuition payments recently enacted by Congress and increases in federal financial aid would mean that the U.S. government would pay much of the cost of increasing student aid for Californians under a "high tuition" policy.
- Students would be more serious about graduating in less time. Competition would be increased among public higher education institutions by injecting "market forces" into the equation. Public resources would be used more efficiently.
- High tuition/high aid could be accomplished without the dislocation of something like a "voucher" system simply by using the existing structure of student fees and student financial aid analysis and delivery.
- Raising student charges in public institutions would decrease the "tuition gap" between public and private institutions, thus serving the public purpose of saving taxpayers the cost of capital outlay through redirection of students to private campuses which have capacity.
- The extent and quality of education could be improved if the colleges and universities kept the "net" resources generated from higher student charges.

Opponents of the "high tuition/high aid" strategy argued:

- The "posted price," especially for undergraduate education, is important to the public's perception about the accessibility of public colleges and universities. Few

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<sup>126</sup> See CPEC, *Options and Alternatives*, pp. 25-31.



understand or care to deal with the complications of the financial aid system.

- The experience of other states which have followed a "high tuition/high aid" approach has been that financial aid from state government does not keep up with tuition long-term and that state appropriations are often diverted away from higher education as students make up the difference.
- A policy which charges different levels of tuition to different students based solely on their income would be a substantial administrative burden for institutions and a great increase in paperwork for students.
- California has a progressive personal income tax, a portion of whose revenues are used to support higher education. Over their lifetimes, wealthy Californians pay their fair share of higher education costs.
- "High Tuition" makes little sense as a policy for California State University or the California Community Colleges where the large majority of their students are not from higher income groups and have substantial financial need already. The policy makes sense primarily for one-third of the undergraduate student body at the University of California, scant justification for such a radical change in California's tradition.
- The vast majority of Californians believe that the level of student charges poses a major barrier to attending college. A recent poll of Californians found that "while economic times are better now, the public is more resistant to price increases today than during the recession."<sup>127</sup>

This conclusion about "high tuition/high aid" should not imply that the Commission favors the "status quo" for establishing and adjusting student fees in public institutions. As described in section two of the Action agenda, the current approach has serious defects: the level of undergraduate student fees is based largely on the abundance or scarcity of state revenues, and their annual adjustment has followed a "boom and bust" pattern. This is both unfair to the different generations of students and causes great uncertainty for them and their parents.

*It appears that public opinion in California and the weight of policy arguments do not support a "high tuition/high aid" strategy for public institutions, especially for the Community Colleges and the California State University. The Commission does, however, believe that issue of how much students should pay and the level of public subsidy for higher education deserve continuing attention.*

<sup>127</sup> Immerwahr, *Enduring Values*, p. 12.



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**DOES THE COMMISSION BELIEVE CALIFORNIA'S MASTER PLAN IS OUT-OF-DATE AND SHOULD BE CHANGED?**

The Commission believes that the central tenets of California's Master Plan—access, affordability, quality, mission differentiation, diversity of choice—remain valuable today. Specifically, the Master Plan as written in 1960 had some central elements, which continue to have a strong influence:

**Initial access to baccalaureate degrees through the Community Colleges.**

Access to higher education would be most available through an entirely open-access, two-year college system that gave all students the opportunity of transfer to a four-year university. During the 1980s, the number of community college students transferring to UC fell steadily and, while substantially larger numbers transfer today, they remain concentrated in less than half of the colleges with the transfer rates among inner city and rural colleges being low. The statewide effectiveness of the transfer function has become a central issue.

*"But the situation in 1993 is quite different from that in 1960 when we originated the Master Plan. Then, the major issues were differentiation of functions among the segments, admission policies among the segments, the number and location of new campuses, and mechanisms for coordination. The availability of resources was taken for granted."*

- Clark Kerr, "Preserving the Master Plan," 1994

**Strong distinctions among institutions.** Clear lines were drawn between the research-oriented University of California and the teaching-oriented California State University; between Community Colleges with open access and universities with restricted admission pools; between public institutions with line-item appropriations and the private sector where government support was only through student financial aid. While these lines over the years have helped achieve more order, stability and focus for higher education institutions in California compared to other states, the links between these institutions and mutual projects now seem to hold the most promise for serving the public and increasing efficiency.

**State government as the primary, if not exclusive, funder of enrollments.** The Master Plan assumed that the level of student charges (or "posted price") was the primary barrier to student access. Accordingly, the Plan recommended that most, if not all, educational costs among public colleges and universities be provided through state government appropriations rather than from student fees or competitive grants among institutions. However, the financial aid picture has changed considerably over the decades. Since 1960, the federal government has created a huge program of student financial aid, student charges in public segments have been increasingly used to replace state support appropriations and the state government and the institutions themselves have created numerous programs to provide aid to financially needy students. These developments have shifted the policy from state government as exclusively responsible for funding access to a focus on how student charges are established based on each segment's mission, how to adjust these charges and how to ensure adequate financial aid to needy students.

**The independent institutions were to remain distant from state policy.** The Master Plan assumed that private colleges and universities were to remain at a long arm's length from state policies, benefiting from public funds only when students chose to carry their state-funded financial aid to colleges and universities there. Some representatives from these colleges and universities were included on the first statewide coordinating board more as a symbolic gesture than a recognition of this sector as equal in importance state policy importance with the three public segments. Over the years, the independent institutions have assumed a larger and larger role in several areas crucial to Californians, such as the production of advanced degrees and teacher education, but they have not received adequate attention in California's planning.

**Other Changes Since the Master Plan.** California has changed in other important ways not anticipated in 1960. Population has tripled and become much more ethnically diverse, and California is now home to more foreign-born immigrants than any other state. The economy now requires higher percentages of skilled and educated workers who have more academic credentials and who often need *lifelong learning* (certificates of accomplishment, specific knowledge, and keeping up-to-date) more than additional academic degrees. Newly introduced technologies have exploded the walls of traditional campuses, presenting many alternatives to the standard classroom.

California government has also changed. The funding of public higher education's core programs, once heavily predicated upon the 1960 Master Plan's elements, now operates within a complicated framework of many sources, including student fees and private grants, which have grown much faster than State appropriations. The federal government in particular has become a huge presence in higher education, especially in terms of research dollars and student financial aid, where the focus has shifted from grants to loans and now to tax credits.

The most significant change for long-term state policy is that constitutional and statutory provisions unrelated to the Master Plan have taken practical precedence over it. These include Proposition 13 (property tax limitations); Proposition 4 (the Gann "expenditure" limit); Proposition 98 (the minimum funding guarantee for K-12 and Community Colleges); and "Three Strikes" along with other legislation that guarantee rapid escalation of expenditures for law enforcement and prisons.

**Commission Conclusions on the Master Plan.** The Commission believes these elements of the original Master Plan should be reaffirmed:

1. A space should be available somewhere in higher education for all qualified and motivated students.

2. The State government should be the primary funder for the educational program of public institutions.<sup>128</sup>
3. Student charges in public institutions should be affordable and not present a major barrier to attendance.
4. State-supported student aid should be based on financial need and also allow students to choose an independent institution.
5. The Community Colleges should be "open access" institutions and offer the opportunity to transfer to a four-year institution after the completion of lower division work.
6. The University of California and the California State University should limit their freshman admissions to high school graduates in the highest one-eighth and one-third of their graduating classes, respectively.
7. The size of lower-division enrollments in the public universities should be limited to 40% of total undergraduate enrollment so as to encourage community college transfer students.
8. The general structure, missions, and functions of the public segments, as defined in the Master Plan and subsequent legislation, should be continued.

The Commission believes these Master Plan elements are outmoded:

1. The construction of new campuses within commuting distance for students should be the primary means of ensuring access.
2. The governance structure and organizational arrangements of the Community Colleges should resemble those of California's public schools.

The Commission believes that the following new policies, all discussed within the Action Agenda, should be added to the Master Plan:

1. The state should declare that it is desirable for all California citizens to have at least two years of postsecondary education, academic or occupational education beyond high school, not additional time to master skills and knowledge which should be part of the primary and secondary educational program.

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<sup>128</sup> The Citizens Commission believes that the state government should continue to provide the majority of support to meet costs of education for California residents who attend a public institution. The Commission also supports the Master Plan's emphasis that priority for the state subsidy was to ensure undergraduate access.

2. The state, the students and the institutions of higher education should all share in meeting the costs of enrolling new students in higher education.
3. The annual adjustment of resident student fees should be gradual, moderate, predictable, and equitable.
4. The state should expand its financial support of private colleges and universities to fulfill public purposes and thus help reduce construction costs in the public sector.
5. The higher education segments should have more extensive and effective links among themselves. These links should help expand educational opportunities for students and encourage more efficient use of institutional resources.

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### ***IS THE PROPOSED TENTH CAMPUS OF THE UNIVERSITY OF CALIFORNIA NEAR MERCED A GOOD IDEA?***

**General Observations.** Residents of California's San Joaquin Valley do have a strong case that they need and deserve more undergraduate opportunities at the University of California. Clearly, the UC campus would benefit the region by improving college preparatory courses in high schools, by increasing the eligibility of local students to attend UC, by helping increasing college-going rates, and by providing a powerful engine for economic development. The Commission also found compelling evidence that both the size of the Valley's population and its foreseeable growth justify a branch of the University of California whose prime emphasis is undergraduate education.

The Commission's chief concerns focus on the planning for this campus which has followed an overly traditional pattern, shaped by the experience of recent UC campuses (San Diego, Irvine, and Santa Cruz): donation of a large and picturesque site in an undeveloped area and construction "from the ground up." Although this approach undoubtedly has long-term benefits (the recent UC campuses are now in the center of large, suburban populations), the approach represents the most expensive type of development and the kind least able to take advantage of proximity to other educational institutions or natural connections with them.

**The Commission's Visit to the Central Valley.** On October 21 and 22, 1997, several Commissioners and staff visited Fresno and Merced counties to review the current educational opportunities available in the area, gather material on needs, understand the details about the UC proposal, and hear from educators and residents about these matters. We met with representatives from all three public segments and with numerous K-12 officials, and we visited existing area campuses as well as the proposed site for the University's new campus. We received testimony and materials from numerous local officials and representatives interested in the tenth campus.

**Commission Concerns.** In November 1997, the Commission staff transmitted a lengthy report to the UC on the proposed new campus.<sup>129</sup> Among other findings, staff concluded that, while the "UC's efforts to propose a tenth campus and identify a specific site have been elaborate and thoughtful," we could find little evidence that a truly innovative model or "out-of-the-box" thinking for the campus had received much consideration. We raised the issue that UC's planning assumption for decades has been that, slight asymmetry aside, each UC campus would be a full and rather similar partner in the system. All would maintain or achieve a standing as a comprehensive graduate and research campus, and regularly matriculated students would attend classes primarily on the campus. When UC expands to new areas, this vision appears to require a full-fledged, stand-alone enterprise with a range of graduate programs and research responsibilities.

Though this vision might have been appropriate in the past, the Commission wonders whether rigid adherence to it is appropriate to meet the needs of a large geographic region such as the Central Valley which already has an extensive presence of UC research facilities and other institutions of higher education. In the report, staff cited examples of research universities that have developed smaller centers away from their main campuses, joint facilities with other segments and specialized campuses without large graduate programs on location.

**A Campus for the Twenty-First Century.** The Commission recognizes that the tenth campus has strong political support. The Governor has identified funds for it, the Legislature has approved the project and its founding is a reality. It is an investment based on a long horizon: the new campus will be located in an area where it will likely be surrounded later by extensive development, as have most other UC campuses.

The Commission has encouraged the University, however, to make the orientation of this campus, California's first in the twenty-first century, an innovative and non-traditional one. The Commission urges facility sharing with other institutions, including the K-12 schools, diminishing its importance as a "residential campus" and emphasizing its service as an educational center and network by sponsoring classes throughout the region, including many in the research facilities currently operated by UC.

In response to these concerns and suggestions, the Commission received the following commitment from UC President Richard Atkinson:

It will be innovative, incorporating new modes of instruction made possible by technological advances. It will rely on the digital library and will offer courses widely available up and down the San Joaquin Valley through educational centers as well as directly to the desktops of students in their homes and workplaces. The campuses will work cooperatively

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<sup>129</sup> "The University of California's Proposed New Campus in the San Joaquin Valley." A Staff report to the California Citizens Commission on Higher Education. November 1997.

with the other institutions of higher education up and down the Valley, with other UC campuses and the national laboratories, and with the K-12 schools.

In addition to becoming a part of an educational network in the Valley, UC Merced will also be an innovative residential campus that integrates students on and off campus in ways not possible in the past. If the campus were to open today, we might see the following: (1) community college students might take lower division courses at UC through video-conferencing from their laptop computers; (2) discussion sections might be held in real-time with students both on campus and in the UC Center in Fresno; (3) lectures might be available on the Internet for reviewing and review; and (4) faculty from other UC campuses might deliver courses and lectures to students at UC Merced as well as throughout the Valley.<sup>130</sup>

The Citizens Commission believes that these new directions in planning for the tenth campus will contribute significantly to its becoming a model institution for the next century.

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<sup>130</sup> Atkinson to Co-Chairs Slaughter and Williams, January 23, 1998.



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## **A SUMMARY OF COMMISSION MEETINGS AND ACTIVITIES**

Commission Co-chairs John Slaughter and Harold Williams formally announced the opening of the Commission's office at the Center for Governmental Studies on August 1, 1996 and began recruiting members. William Pickens was appointed the Commission's Executive Director and was soon followed by the appointment of Robert Laffoon-Villegas and Nadine Rochler as staff.

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### **COMMISSION PLENARY MEETINGS AND ACTIONS<sup>131</sup> NOVEMBER 1996 THROUGH MARCH 1998**

#### **MEETING ONE: NOVEMBER 18, 1996, THE J. PAUL GETTY CENTER.**

The Commission's twenty-three initial members<sup>132</sup> met at the J. Paul Getty Center in Los Angeles for organizing and identifying issues. The Commission placed a high priority on having a policy emphasis and a long-term focus, with the commitment to produce draft recommendations by Fall 1997 and a draft report by March 1998.

For its work, the Commission adopted two goals:

1. To produce a *policy framework with recommendations* for the future; and
2. To advocate *persuasively for its recommendations*.

The policy framework will consist of a set of principles and an action agenda addressed to those audiences with important roles in the future of higher education:

- The federal government;
- The state government (the Governor and Legislature);
- The institutions of higher education and their constituencies;
- Business, industry, and labor;
- The non-profit sector; and
- The public as a whole.

The Commission also adopted these objectives:

1. *To obtain agreement among those entities which most influence higher education to provide the resources necessary to maintain the best traditions of access, quality, choice and*

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<sup>131</sup> The summary of all Commission meetings can be found on its website, [www.ccche.org](http://www.ccche.org).

<sup>132</sup> The list of Commission members follows the Foreword in this document.

effectiveness which are the foundation of California's national pre-eminence in higher education; and

2. *To implement an overall policy framework in the public interest that will improve higher education's responsiveness to changing social and economic needs.*

The Commission adopted these strategies for its first year:

1. Focus on areas most important to a new policy framework for higher education;
2. Develop an extensive conversation with others about problems, policies, and options;
3. Interact extensively with the public and those in higher education about what to do; and
4. Develop and adopt an Action Agenda.

### **Meeting Two: January 23, 1997, Los Angeles.**

The Commission met with all chief executives in California's education establishment, the first time this group has collectively met with any policy review group. Results were published in a document entitled *California Higher Education: Promises to Keep and Miles to Go*. California State University Chancellor Munitz told the Commission that "the time is right for change and the Commission must take advantage of that, or it will waste an opportunity, which will not come again for a generation." University of California President Atkinson told the Commission that its leadership is vital to prepare for the coming increase in enrollment demand.

The Commission then adopted these five issue areas for special emphasis:

- **Public Purposes Issues** (what are the public purposes of higher education?);
- **Access Issues** (who should receive higher education?);
- **Finance Issues** (how should higher education be financed?);
- **Governance and Structure Issues** (how should higher education be organized?); and
- **K-12 Connections Issues** (what are the best ways for colleges and universities to be connected with K-12?).

### **Meeting Three: March 11, 1997, Occidental College.**

The Commission heard from the following panel of nationally recognized authorities on educational finance and governance:

- **Virginia Smith**, Executive Director of the Higher Education Futures Project;
- **Jeff Marsee**, Former Vice Chancellor for Finance, Ventura Community College District;
- **Paul Brinkman**, Director of Planning and Policy Studies, University of Utah;
- **Arthur Hauptman**, Senior Consultant, Association of Governing Boards for Colleges and Universities (Washington, D.C.); and
- **Patrick Callan**, Executive Director, California Higher Education Policy Center.

The panel was critical of how California finances higher education (only "seat time" is funded, with little attention to performance or outcomes) and criticized rigidities in California's three-tiered system of higher education created by the 1960 Master Plan.

During its afternoon session, the Commission decided to pay most attention to ways of continuing California's tradition of affordable access to high quality institutions during a time when State government resources will likely be less abundant.

**Meeting Four: June 3, 1997, San Mateo Community College.**

The Commission discussed a staff report that described the following problems:

1. The State alone cannot bear all the costs of both adequately maintaining the present higher education system and accommodating new students;
2. The State has a defective financing approach ("boom or bust" cycles and few incentives for accomplishing public priorities, ensuring attention to educational outcomes or promoting good management);
3. Too few California students are attaining their educational objectives;
4. The meaning and value of a college degree are not clear enough;
5. Governance and decision making in higher education are strongly oriented to the status quo;
6. The California Community Colleges suffer from a dysfunctional structure; and
7. Changes in federal and state funding for research threaten to jeopardize the standing, competitiveness and productivity of California's research universities.

During its afternoon session, the Commission heard from a panel of experts on the links between the K-12 system and higher education.

- **Gary Hart**, Director, Institute for Education Reform, CSU Sacramento;
- **Kati Haycock**, Director of the Education Trust, Washington, D.C.;
- **Joni Finney**, Associate Director, California Higher Education Policy Center; and
- **Glenn Singleton**, President and Founder, the Pacific Educational Group.

**Meeting Five: August 5, 1997, University of California, Irvine.**

During the morning session, the Commission discussed staff recommendations in the area of state finance, student fees and financial aid, governance and structure and the performance of higher education. The afternoon session consisted of discussion about several recent reports about California higher education (reports on Tidal Wave II, governance, and student financial aid) which bear directly on the Commission's concerns. Former UCLA Chancellor Chuck Young joined this conversation, along with Robert Rosenzweig, former President of the Association of American Universities.

During lunch, UCI Chancellor Laurel Wilkening spoke to the Commission and described the major challenges facing this growing campus. Vice Chancellor Manuel Gomez described UCI's extensive outreach efforts, with particular emphasis on the University's work with the public schools to improve the quality of education and to increase the number of students from minority groups who might be UC eligible.

**Meeting Six: November 10, 1997, California State University, Los Angeles.**

The Commission reviewed an extensive set of ideas, which had been generated from five regional meetings held around the state during September between staff and Commissioners. A staff report concerning the University of California's proposed new campus in the San Joaquin Valley was also presented and approved for transmittal to UC. Two agenda items prepared by staff were discussed: "Affirmative Action in Higher Education" and "State-wide Coordination and Planning."

During the afternoon session, the first item was a presentation by Karl Englebach, a fiscal expert from the California Postsecondary Education Commission, concerning "The Impact of Major Changes in Federal Law Concerning Tax Credits for Higher Education." After describing the purpose and likely impact of these changes, he urged the Commission not to recommend any alteration in state financial aid or student fee policies until the impact of federal tax initiatives become clear.

Then, Professor Richard C. Richardson of Arizona State University presented an extensive session on statewide issues in higher education. Professor Richardson is author of a recent national study entitled *State Structures for the Governance of Higher Education*, which included California. The overall study concluded that California, Florida and New York had the most serious lack of statewide planning and coordination among the seven states studied.

**Meeting Seven: December 9, 1997, University of California, San Diego.** Commissioners first reviewed the two agenda items on affirmative action and statewide coordination of higher education which had been redrafted following a discussion during the Commission's prior meeting. Then, the agenda turned to the following panel which discussed Community College issues:

- **Judy Walters**, Vice Chancellor for Policy Analysis, California Community Colleges;
- **Debra Landre**, Professor of Mathematics at San Joaquin Delta College (Stockton) and President of the Community College Association (CTA/NEA);
- **Richard K. Jacoby**, member of the Allan Hancock Community College District Board of Trustees and a representative of the California Community College Trustees Association;
- **William Scroggins**, President of the Academic Senate, California Community Colleges; and
- **George Boggs**, President and Superintendent of the Palomar Community College District, and a representative of the CCC CEO organization.

The afternoon session consisted of a presentation from the Intersegmental Council of Academic Senates (ICAS):

- **James Highsmith**, Chair, statewide Academic Senate, California State University;
- **William Scroggins**, President of the Academic Senate, California Community Colleges; and
- **Sandra Weiss**, Chair, Academic Council of the University of California and Chair of the Intersegmental Council of Academic Senates.

In closed session, the Commission then reviewed the information presented by these panels. To conclude, the Commission met with Robert Dynes, Chancellor of the University of California at San Diego, and attended a reception with members of the UC administration and faculty.

**Meeting Eight: January 13, 1998, Los Angeles.**

The morning session consisted of a panel with representatives from the University of California:

- **Richard C. Atkinson**, President;
- **Judson King**, Executive Vice President and Provost;
- **Meredith Khachigian**, Chair of the UC Board of Regents;
- **Sandra Weiss**, Chair of the Academic Council;
- **Larry Vanderhoeff**, Chancellor of UC Davis; and
- **Albert Carnesale**, Chancellor of UCLA.

The session covered numerous issues raised in a letter from the Commission to the University about the Commission's preliminary proposals.

The afternoon session consisted of a meeting with Warren Fox, Executive Director of the California Postsecondary Education Commission (CPEC) and Alan Arkatov, a member of CPEC. Director Fox responded to a list of pending recommendations regarding CPEC.

The Commission concluded with a closed session to discuss the UC and CPEC recommendations.

**Meeting Nine: February 10, 1998, State Capitol, Sacramento.**

The morning session consisted of representatives from the California State University:

- **Charles Reed**, Chancellor-designate, California State University;
- **Martha Falgatter**, President, CSU Board of Trustees;
- **Terry Jones**, President, California Faculty Association ;
- **James Highsmith**, President, CSU Academic Senate;
- **James Rosser**, President, California State University at Los Angeles; and
- **Rosemary Papalewis**, Director, CSU Office of Inter-Institutional Relations.

The panel responded to the Commission's preliminary proposals for the California State University and other issues.

During the afternoon, members of the Commission met with legislators, legislative staff and the Governor's higher education advisor to discuss their ideas about policy.

**Meeting Ten: March 31, 1998, Loyola Marymount University.**

The Commission met for the entire day to review and discuss the staff's lengthy draft of the report. Following this conversation, the Commission decided to issue two versions of the report:

1. A brief, single volume which would be comprehensive and inclusive, sufficiently interesting for general readers but sophisticated and persuasive enough to pass muster with policy professionals; and
2. A considerably longer volume with much more background, data, elaboration and analysis for those interested in technical issues.

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## CAMPUS VISITS AND INFORMATION SESSIONS

In addition to its plenary sessions, the Commission was anxious to hear first hand from those involved in higher education and to identify innovations which can be used statewide to better serve students and the public. Accordingly, the Commission has sponsored these events:

1. **El Camino Community College (Torrance, California), March 19, 1997.** Commissioners were hosted for a daylong overview of student services, technological innovations, honors programs, remedial education, and campus financing and governance.
2. **California State University, Northridge, April 23, 1997.** Commissioners focused on CSUN's use of technology in education, improvements in serving transfer students and distance education initiatives.
3. **San Mateo Community College, June 3, 1997.** Commissioners toured the public television station facilities on campus and visited a computer networking facility operated jointly by SMC and Silicon Valley firms.
4. **Fresno and Merced California, October 21 and 22, 1997.** During these two days, the Commission met with UC, CSU, CCC representatives and K-12 school personnel in the Central Valley region; on the campus of Fresno State, in the County Schools office, at the UC's new regional office and in Merced at the City Council chambers. Although the focus of conversation was on the UC's proposal for a tenth campus near Merced, this provided an excellent opportunity to observe a wide variety of programs and to hear from community representatives about the need for more educational opportunities in the region. Commissioners visited the existing facilities of all segments and reviewed the kinds of programs currently available, the current and future needs of the valley and the options for meeting the demand for a UC education. Staff prepared an extensive report on its findings and conclusions.



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## COMMISSION-SPONSORED EVENTS

The Commission sponsored other statewide events to discuss higher education policy in California.

1. **Co-sponsor of the PEW Higher Education Roundtable on Finance and Governance in California, January 13, 1997.** Some of California's most prominent educational leaders joined four Commissioners for this event, which produced a lively conversation, subsequently distributed nationally by the Pew Foundation and the California Higher Education Policy Center. The publication of the Roundtable's proceedings, entitled "A Promise Worth Keeping" was published by the Pew Foundation in its award-winning series *Policy Perspectives*.
2. **A Roundtable on California Community College Finance and Governance, April 15, 1997.** This Roundtable brought together a wide variety of leaders from California's two-year colleges and elsewhere to discuss "shared governance," the student transfer function, and California's current approach to community college finance. A publication, "Through the Looking Glass: The Community Colleges as Seen Through AB 1725," resulted from this Roundtable and summarizes the conversation.
3. **A Symposium on "The Coming Crisis for Higher Education," West Los Angeles College, September 25, 1997.** The Commission sponsored a symposium for state policy makers to discuss a significant report on higher education, just released by RAND Corporation, entitled, *Breaking the Social Contract: The Fiscal Crisis in California Higher Education*. The report's authors, Roger Benjamin and Steve Carroll, discussed their findings, along with reactions from a panel of representatives from each of the higher education segments, public and private. All discussed various actions that the state and its higher education institutions should take in response to these recommendations from RAND.
4. **A Conference entitled "Endangered Access: Financing and Delivering Higher Education in Growth States with Limited Resources," Huntington Beach, October 26-28, 1997.** The Commission co-sponsored this large, policy forum among western states in conjunction with the Western Interstate Commission on Higher Education. This symposium provided an opportunity for higher education leaders, legislators, students and public officials to explore and evaluate options for maintaining access and quality during times when states will no longer be able to afford the staggeringly large capital and support costs which they shouldered in the past. A summary of the conference was provided to thousands around the country on WICHE's mailing list.
5. **"The Academic Presidency in California," Napa Valley, November 14 and 15, 1997.** The Commission co-sponsored a Roundtable with the Association of Governing Boards of Universities and Colleges (AGB) to discuss "The Academic Presidency," a national report which examined how the colleges and universities were governed and managed. The Roundtable consisted of Commissioners, higher education leaders, business executives and

members of the California Legislature. The meeting was hosted by AGB to identify how the national report might be helpful in California.

6. **March 13, 1996, Los Angeles.** The Commission hosted an informal meeting with representatives from of the Association of Independent California Colleges and Universities during which the role of this sector in meeting the demands of "Tidal Wave II" was the focus. Also discussed were ways the state government could include independent institutions in long-term planning without inappropriate intrusions into their affairs.

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## MEETINGS WITH VARIOUS GROUPS

Commission staff or individual Commissioners made presentations to, or met with, the following groups listed below:

Academic Senate of the California Community Colleges

The California Business Higher Education Forum

The Board of Governors, California Community Colleges

The Council of Chancellors, University of California

California State Assembly Committee on Higher Education

California Association of Institutional Research

The California Postsecondary Education Commission

The Intersegmental Council of Academic Senates (three times)

Fiscal Resources Task Force of the California Education Roundtable

AICCU Executive Committee

Council of Faculty Organizations, California Community Colleges

Asian American educators in Los Angeles (held at Occidental College)

Kellogg Foundation, Advisory Committee for Hispanic Serving Institutions

Southern California Association of CEO's, California Community Colleges

California Faculty Association (CSU)

The Red-Ox Group (presidents of all higher education institutions between the University of Redlands and Occidental College)

Council of Presidents, Associated Students of the CSU

*Through the Looking Glass:  
The California Community Colleges  
As Seen Through AB 1725*

**A Roundtable Discussion Sponsored by  
The California Citizens Commission on Higher Education**

**April 15, 1997**

**AB 1725 (1988) is the single most important piece of legislation affecting the California Community Colleges during the two decades after passage of Proposition 13.**

## *Introduction*

This Roundtable was an experiment, a unique effort to understand policy for California's Community Colleges. In the past, such efforts have ranged from conducting public hearings where leaders and groups offer opinions, to organizing committees which work on joint proclamations, to sponsoring convocations where writers discuss their research, to relying on reports from staff of public entities such as the California Postsecondary Education Commission or various statewide groups which reviewed the Master Plan.

This Roundtable is unique in combining research by Citizens Commission staff (a paper was provided as background and its contents incorporated here) with focused questions for discussion (see examples following this essay). An invitation list for the full range of voices and perspectives was developed and the conversation held which produced this written work.

This essay summarizes the major issues of community college finance and governance in California and then describes the array of views about these issues expressed during the Roundtable. It is not intended to be a policy statement or to offer solutions to problems. It is intended to be informative about the importance of these colleges, about their policy challenges, and about the various perspectives of involved and informed individuals. Thanks are especially extended to Thad Nodine, a professional editor who wrote the first draft of this essay, to Robert Rockwell, a senior consultant to the Commission who drafted the Roundtable's background reading, to Commissioner Dennis Mangers<sup>133</sup> who superbly chaired the Roundtable, to leaders of the CCC Academic Senate who extensively critiqued the first draft, and to those who participated in the Roundtable and who sent comments later.

We offer these results to all interested in the California Community Colleges; they are the best to judge this experiment.

William Pickens  
Executive Director  
June 1997

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<sup>133</sup> Citizen Commissioner members Monica Lozano, Alan Gresham and William Siart also participated in the Roundtable.

## *Background*

Decades ago, Joyce Carol Oates wrote that "perspective ... is the only kind of history that exists." True generally, these words have special relevance for the California Community Colleges, where points of view abound. Perhaps this comes as no surprise in an enterprise consisting of 107 full-scale campuses and hundreds of "off-campus centers" which enrolls 1.4 million students, operates under an extensive mission and scope, and spans the largest and most diverse state in the nation. Collectively governed by seventy-one elected boards of trustees, the Community Colleges are called a "system" in state statute, but are only loosely coordinated by a statewide Board of Governors and a state agency-like Chancellor's Office. Represented by a wide array of voices in California's capital, the community college *system* is, according to many, no real *system* at all. Others believe the *system* blends well the state and local needs.

### HIGHER EDUCATION IN CALIFORNIA AT A GLANCE

Segment/Sector	Number of Campuses	Credit Enrollment 1995	State General Fund Budgets 1996/97	Total Expenditures 1996/97
CA Community Colleges	107	1,063,516	\$3,103,609	\$3,412,983
California State University	22	325,604	\$1,775,940	\$3,464,745
University of California	9	163,256	\$2,061,275	\$10,823,771
AICCU Institutions	72	193,813	\$100,000*	\$6,000,000
<b>Total</b>	<b>209</b>	<b>1,746,189</b>	<b>\$7,040,824</b>	<b>\$23,701,499</b>

Note: Dollars are in thousands. Community college budgets include property tax revenues.

Source: CPEC "California's Higher Education at a Glance."

\*AICCU *The Uncertain Partnership*, May 1995.

No doubt, the community colleges are of singular importance to California. For a prosperous future, the state desperately needs two-year colleges which are responsive and productive. The community colleges enroll almost 60% of all students in California higher education and are

projected to accommodate more than 75% of those in "Tidal Wave II."<sup>134</sup> They are also central to meeting the educational challenges posed by California's diversity. Currently, six of every ten California workers are women or people of color; over the next ten years, fourteen of every fifteen new workers to California's labor force will be so. Many of these workforce entrants will come from groups which have, in the past, been underrepresented in higher education. Many will be recent immigrants, who in overwhelming numbers will seek admission to the community colleges.<sup>135</sup> Clearly, it is essential for California that its community colleges be efficient and highly focused on meeting these demands.

Recent data gives reason for concern. Since 1983, California's rates of those moving from high school to college have fallen from 62% to 55%, while rates among all other states have far surpassed California (true, enrollment losses at the California State University account for a portion of decline, but the main reason is that fewer in number are enrolling in the community colleges). The number of students transferring to four-year institutions have increased over the past decade (especially to the University of California); however, a relatively small number of community colleges send the vast majority of students on to receive baccalaureates. Transfer applications to UC are down overall for fall 1997, especially among African Americans.<sup>136</sup> While the community colleges are certainly not alone in their responsibility for transferring students (four-year institutions have a critical role as well), the two-year colleges are central to the success of this mission. Finally, the burden of the federally imposed welfare to work changes will fall, in very large measure, on the community colleges to augment their already sizable programs of occupational and career education. Will the colleges will have both the fiscal and organizational resources to succeed in this new responsibility? Despite these trends, the community colleges have a high participation rate overall and are successful in focusing on student learning at low cost per student. But there are conspicuous disagreements both inside and outside the colleges concerning their governance, appropriate levels and mechanisms of state support, and how to maintain access and quality in an era of constrained resources.

## *The Purpose of the Roundtable*

The importance of the community colleges in accommodating "Tidal Wave II" persuaded the California Citizens Commission on Higher Education to invite a wide range of leaders primarily but not exclusively from inside the community colleges to a Roundtable meeting (a list of participants follows this essay). In grounding the agenda, the Commission itself chose a unique perspective: "the Community Colleges as Seen Through Reform Legislation AB 1725." Focusing the discussion around this bill was a delicate, risky choice. As a finance and

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<sup>134</sup> Tidal Wave II: the term applied to the increase in enrollment demand through the year 2008. See Breneman, Estrada, and Hayward. "Tidal Wave II: An Evaluation of Enrollment Projections for California Higher Education," San Jose (CHEPC), September 1995, p. 5.

<sup>135</sup> Chancellor's Office of the California Community Colleges. *Trends of Importance to California Community Colleges*. Sacramento, August 1996, p. 1.

<sup>136</sup> Office of the UC President, "Fall 1997 Undergraduate Applications to the University of California," Oakland (UCOP), 1997.

governance reform measure, AB 1725 was backed by virtually all major organizations within the community colleges: local boards of trustees, the statewide Board of Governors, the statewide Chancellor's Office, faculty unions, the Academic Senate, and groups representing community college CEOs and others. Yet its implementation (which was influenced significantly by Proposition 98, voter-mandated legislation) has helped crystallize the differences between these groups, along with their long-standing philosophical differences. The purpose of the Roundtable, then, was not only to encourage participants to look through the same "window" and perhaps to identify consensus, but also to have the same glass reflect and reveal more clearly each perspective.

## *The Looking Glass Itself: AB 1725*

The reforms sought in Assembly Bill 1725 can be seen as a direct result of the great watershed in California political history, Proposition 13. When California voters passed this initiative in 1978, like other "local entities" in California (cities, counties, and school districts), the community colleges lost two-thirds of their property tax revenues and their legal ability to establish, through board action alone, the level of property tax rates based on their perceptions of local needs. In effect, local property taxes were consolidated with state revenues and each entity was provided an amount derived, for the most part, from a legislatively determined formula.

Soon after Proposition 13, as the funds supporting community colleges became pooled and then distributed statewide, the State's *Education Code* was altered to allow for student "free flow." Students would no longer need permission to attend a community college outside the district where they resided. While this permission was frequently given if no serious fiscal consequences threatened the "sending" district, the "free flow" legislation abolished the right of any district to say "No." Taken together, Proposition 13 and student free flow undercut two of the major reasons for the existence of district boundaries and local boards: (1) to determine the amount of funds which local residents would contribute and (2) to plan their educational program for district residents.

The fiscal difficulties imposed on the community colleges after Proposition 13 were compounded by the recession of the early 1980s and the enrollment pressures that accompanied high unemployment. The community colleges responded to budget shortfalls through a wide array of short-term, cost-cutting measures, but as the funding shifted to Sacramento, so too did the locus of authority. Still, the statewide Chancellor's Office lacked the legal status to effectively coordinate the colleges' response to tighter budget conditions or to effectively represent the colleges with one voice in Sacramento even in budget matters. The Legislature stepped in to function as a kind of "super board" for the colleges. The result was increasing tension in the wake of the Legislature's expanded responsibilities for distributing property tax revenues and its assumption of most community college support through the State appropriated General Fund.

Predictably, the colleges resented the State intruding into their essentially local affairs, dictating policies and procedures by statute, and failing to understand the nature of the colleges.



Legislators complained about college presidents, local trustees, and lobbyists (even from groups representing the same interests) descending upon them with conflicting perspectives.

In 1984, the Chief Executive Officers of the California Community Colleges presented the legislature with a request to clarify the community college mission, saying that if the funds to fulfill their wide-ranging mission were unavailable, then the legislature needed to identify the state's highest priorities. Several groups were created to study the finance, mission, structure, and governance of the community colleges,<sup>137</sup> and many recommendations from these efforts were passed as part of AB 1725, with wide support from the community college community.

For the most part, AB 1725 spoke to intended outcomes rather than mandating specific procedures and practices, and the legislature made clear that the statewide Chancellor was expected to work with the colleges to create the implementing regulations. The most significant changes in AB 1725 were:

- Recognition: the community colleges were recognized as a segment of higher education, and declared a full partner to CSU and UC, not an extension of K 12 schools.
- Mission: The comprehensive mission of the community colleges was still recognized from the 1960 Master Plan, although a hierarchy among functions was created. Career education, academic/transfer education, and remedial education led the way, while other functions followed.
- Personnel: Many employment reforms were introduced, including strong incentives and support for strengthening recruitment of qualified faculty from underrepresented groups. Colleges also received fiscal incentives to convert part-time into full-time faculty positions. In general, those reforms which were implemented have strengthened personnel functions. At the same time, the conversion of part time faculty to full time status has lagged behind targets, as has the hiring of faculty from underrepresented groups. These trends occurred despite the general compliance with the bill and follow-up legislation and regulation.
- Accountability: The bill contained eleven accountability measures, ranging from student access, to the adequacy of basic skills instruction, to the solvency of the college. Ultimately these eleven were grouped under five headings: student access, student success, student satisfaction, staff composition, and fiscal condition. The colleges were required to implement a new accountability program to gather and evaluate consistent input data regarding these five areas.
- Finance: A new "program-based" funding mechanism would identify specific standards of service delivery (as established later through a consultative process) in each of four areas. Funding would be based on a new formula derived from full-time equivalent (FTE) student

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<sup>137</sup> See especially the Commission for the Review of the Master Plan for Higher Education, "The Challenge of Change: A Reassessment of the California Community Colleges" (Sacramento: The Commission), March 1986. Joint Committee for Review of the Master Plan for Higher Education. *California Faces California's Future: Education for Citizenship in a Multicultural Democracy*, Sacramento (The Committee), 1987.

enrollment rather than average daily attendance (ADA, which was a K 12 derivative) and other factors. The formula also guaranteed an upward adjustment at least equal to the rate of change in the general adult population. Funds for staff professional development were also promised and, rare among the many fiscal promises of AB 1725, the promised levels were reached regularly in later years.

- *Governance:* The community colleges were established as a "mixed system," one that maintained the broad role and authority of the local boards within a state "system." The colleges' independence from excessive legislative intrusion was proclaimed, with statewide policy and regulatory authority vested generally in the Board of Governors. The bill also strengthened the role of faculty senates, at both the state and the local levels, by ascribing to community college faculty a role more similar to that of faculty in universities. This "sharing of governance" provided faculty with a role in determining local policies on faculty qualifications, transfer core curricula, and program review; at the state-level, a faculty role was assured through the consultation process.<sup>138</sup>

## *Discussion by the Roundtable: The View Through the Looking Glass: The Community Colleges as Seen Through AB 1725*

AB 1725 itself draws little criticism today and is widely regarded as a successful coalition-based bill, put together by groups both inside and outside the community colleges, with the Board of Governors acting as a player but not unilaterally imposing reform. On the other hand, the finance and regulatory context created to implement the bill has critics on every side. Most criticism has been leveled at the impact of finance on access, at local governance and decision-making, especially the elaborate rights of faculty, staff and students to participate so extensively in governance.

The Roundtable participants addressed each of these issues, casting one eye on the current situation and one on the future. Their observations reveal that the fiscal situation is more predictable now but funding levels remain inadequate, and "incentive funding" is unlikely to gain support if it is imposed without collaboration between the state and those in the institutions.

### *The Fiscal Promises of AB 1725*

Roundtable participants agreed that AB 1725 represented a vast improvement over previous funding arrangements, which kept the colleges on a fiscal "roller coaster." In particular, community college groups favor the shift from funding based exclusively on a single factor, i.e.,

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<sup>138</sup> Faculty senates, however, had a place in the *Education Code* for many years prior to AB 1725 and their role with regards to certain functions, such as curriculum development, had long been recognized.

units of average daily attendance (ADA), to funding based on five program areas which incorporate credit based measures (FTE) and others.<sup>139</sup>

Even before being implemented, however, AB 1725's fiscal promises ran headlong into the provisions of a voter-approved initiative, Proposition 98 (1988). The community colleges joined the supporters of this initiative rather late, coat tailing on the efforts of statewide K 12 organizations to assure stable funding for schools in the traumatic era after Proposition 13. The passage of Proposition 98 guaranteed a certain proportion of state general fund support to K 12 schools and the community colleges. But, whereas the funding guarantee was originally viewed as a floor for community college finance, in practice it has become a ceiling. Routinely, the state has provided only the minimum level of funding that the initiative guarantees to K-12 and the community colleges combined. Further, no constitutional or statutory split of revenues between K-12 and the CCC exists, and the community colleges have bitterly complained that, annually, the actual portion of total funds specified in the State's Budget Act for them was too low (the 1997-98 Budget Proposal from the Governor continues to split these funds at 89.8% for K-12 and 10.2% for community colleges). Thus, although Proposition 98 brings the promise of more consistent and reliable revenues, the levels provided after the implementation of Proposition 98 have proven significantly less than the level promised by AB 1725.

Those present at the Roundtable were unified in this observation: AB 1725 has never been fully funded so that it is misleading to ask whether it has been successful. Rather, it is important to ask what has been successful in its partial implementation. All participants agreed that, in spite of Proposition 98, AB 1725 has:

- Produced a better overall system of funding.
- Helped the community colleges make their case to the Legislature concerning minimum program levels.
- Brought about a better distribution of funding among colleges.
- Placed more emphasis on staff development and diversity in hiring.

Participants also concur that the community colleges are significantly under-funded for what they have to do, and that the standards for service delivery in AB 1725's program areas cannot be met. Accordingly, the standards have been ignored, waived, or abandoned. One example in this regard is that, although the colleges have tried to hire qualified faculty from under-represented groups, they have lagged behind targets in this area. Another example is that, although the reform legislation called for greater use of full-time faculty, colleges now rely more on part-time faculty than before the legislation.

Despite the extent to which Proposition 98 has become a ceiling rather than a floor in establishing funding levels, the community colleges are reluctant to detach themselves from the Proposition's overall funding guarantees. This is because the guarantee allows colleges to plan

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<sup>139</sup> See California Community Colleges. "Report to the Governor and the Legislature on Program-Based Funding in the California Community Colleges." Sacramento, March 1990.

more effectively for each school year, and because the guarantee represents some improvement over the prior experience of wide swings in annual budgets.

Another reason for this reluctance is the community colleges' ambivalent relationship with the California Legislature. Community college constituencies made a good faith effort in 1990 and 1991 to develop and adopt, through the consultative process outlined in AB 1725, certain "minimum" service levels—ones consistent and comparable throughout the state. This was no small task.

This process brought together a range of faculty members, community college presidents, local board members, representatives from the statewide Board of Governors and the Chancellor's Office, and others with sharply conflicting ideas about what constitutes required services for a quality community college education. The community colleges invested enormous quantities of time and resources on this process; but, in the opinion of many, the state legislature failed to make a good faith effort to fund the minimum service levels (to be sure, the timing was infelicitous: California was then mired in the worst recession since the Great Depression). Roundtable participants described the standards they adopted as "minimum," "realistic," "do-able" levels of service, "based on other community college systems in the country." The standards, though, were apparently received with little fanfare by the Legislature and, according to one participant, they were dismissed as a "wish list." According to another participant, the community colleges are currently funded at only 54 percent of the minimum standards—a figure so low that it corroborates both the colleges' and the critics' points of view: the Legislature has made little effort to fund the standards developed through the consultative process in AB 1725, and the adopted minimum standards are not politically realistic.

To some extent, the disjuncture emerged from the tumultuous chapter in California history after Proposition 13 and before AB 1725, when responsibility for community college finance was thrust upon the State, and the colleges increasingly resented the Legislature's lack of understanding about their affairs and priorities. The disjuncture also reflects trends around the rest of the nation where states, burdened by increasing demands for dollars from a range of programs and constituencies, are less willing to grant unquestioning credence to the opinions of "experts" within higher education institutions. Public officials also increasingly question whether quality is best defined through funding and service levels.

### **Incentives for Change and Performance-Based Funding**

Roundtable participants generally agreed that the current political reality required that funding increases be related to some form of outcome based, performance indicators. This acknowledgment is grudging, however, and causes deeply furrowed brows among many faculty and some administrators.<sup>140</sup> They are concerned that "performance-based funding" will

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<sup>140</sup> In a lengthy critique submitted after the Roundtable, the Academic Senate admonished "that tying funding to student success measures runs serious risks of undermining the historical commitment to open access and serving diverse student populations by rewarding those districts/colleges with higher proportions of affluent students while penalizing those whose students are less prepared and/or who have fewer resources to support their educational endeavors [true only for those measures without a "value added" component]. The educational impact of performance based funding, for example, on grade distribution has not been explored; tying funding to student success (generally defined as C or

become a means by which further cuts will be justified and that standards will be "funded" without regard to student goals. There is strong concern that many state leaders lack an understanding of the mission of the colleges and the breadth and diversity of the clientele served thus insuring simple-minded and inappropriate measures. Even undertaking to design such measures evoked reservations among several participants.

Rather than through outcome measures, many Roundtable participants preferred to define quality in terms traditional to higher education institutions, i.e., funding levels or standards for service delivery. They argued that these kinds of standards "provide a consensus view of what it takes to have quality" or that they "lay the groundwork for what we see as quality."

Participants did not relish the opportunity to develop performance measures based on student outcomes rather than on service inputs, although as one participant observed certainly politically "the rules have changed; if you want more state funding, you d better be based on outcomes." Drawing from their recent and bitter experience with fiscal promises in AB 1725, community college groups appear distrustful of increased state funding based on performance measures. They argue that:

- "What we re concerned about is that we ll get funded less, and get outcome measures added."
- "When you give us half of the funding needed to meet minimum service standards, how can we be expected to also meet new outcome measures?"
- "Outcome measures are merely one more excuse *not* to fund us."

It came as no surprise that the Roundtable discussion on this topic was lengthy and without conclusion. It did produce a proposal, supported by the Chancellor and many around the table, to use the consultation process to develop realistic outcome measures upon which incentive funding above the current levels might be based. Many cautionary flags were raised, and no participant believed such a process would be swift or easy. Still, the will to undertake this challenge appeared flickeringly present among most leaders who participated in the Roundtable.

In terms of performance funding, there was general agreement that:

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better) would place undue pressure on faculty in the assignment of grades. Overall, the faculty believe that the potential impact of performance based incentives on the quality of instruction needs much more careful consideration; unless we are careful such funding schemes could serve to undercut confidence in the integrity of our programs and could adversely impact diverse populations of students."

For a "careful consideration," see Sandra Rupert, ed. *Charting Higher Education Accountability: A Sourcebook on State-level Performance Indicators*, Denver: Education Commission of the States, 1994; K. H. Ashworth, "Performance-Based Funding in Higher Education: The Texas Case Study," *Change*, November/December 1994, pp. 8-15; K. Carter, "The Performance Budget Revisited." Legislative Finance Paper #91. Denver: National Conference of State Legislatures, 1994. R. M. Epper, ed. *Focus on the Budget: Rethinking Current Practice*. Denver: State Higher Education Executive Officers, 1994.



- *IF* the new funding brought to the community colleges would equal 100 percent of the level that would fund the service standards developed through AB 1725; and
- *IF* the performance-based outcome measures were developed in modest ways through the consultative process,

*THEN* the colleges would accept tying additional funding beyond current revenues (not as their replacement) to some measures of performance. One participant enjoined; "I think you could broker a lot of things if you talk about a lot more funding. One of the carrots of AB 1725 was \$140 million in additional funding for the community colleges over two years. A lot of groups bought into AB 1725 because of this increase in base funding."

Regarding other fiscal issues, there was great enthusiasm among participants for a fundamental reordering in the distribution of state funding among the three public segments of higher education and for establishing, in statute, an 89/11 split for Proposition 98 funding.

(Participants insisted that the original "agreement" was 89% K-12 and 11% Community Colleges a level never implemented, to the detriment of the colleges). Participants noted that the current fiscal system for the community colleges favors new enrollments and contains no incentives for improving student degree completion rates. Further, the current system does not recognize that start-up costs are high for new programs and that vocational offerings are more expensive than traditional academic ones. Fiscally, districts are encouraged to maintain low-cost, outmoded programs rather than adopt new ones with higher costs, often better tailored to state priorities and local needs.

### **Student Access and the Mission of the Community Colleges**

The mission review outlined in AB 1725 was completed through a process whose results were incorporated into SB 1570 (1989). The revised missions and functions outlined in SB 1570 have met with little criticism, perhaps because they appear to exert influence on aligning resources to the priorities described therein (see below), and they reflect the range of needs which community colleges believe is their mission.

One insightful observation was that passage and implementation of AB 1725 have not influenced student participation in the community colleges nearly so much as changes in state funding levels or student fee increases. The Chancellor reports that fall term, headcount enrollment was virtually the same in 1995 as in 1975: about 1.3 million. Enrollments rose to about 1.5 million in 1991, before the colleges were slammed with decreases in state funding and the students with sharply increased fees. Over these years, California's adult population has increased substantially, meaning that participation rates have fallen steadily. In 1975, high point for community college access, the segment served about 87 out of 1,000 California adult residents. In 1995, that ratio stands at 57 out of 1,000.<sup>141</sup>

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<sup>141</sup> Chancellor's Office of the California Community Colleges, Research and Analysis Division, November 13, 1996. See elaboration on this decline in CCCHE, *Promises to Keep and Miles To Go: A Summary of the Joint Meeting Between the California Citizens Commission on Higher Education and the California Education Roundtable* on January 23, 1997, p. 5.

### **The Mission and Functions of the California Community Colleges**

The missions and functions of California's public and independent segments, and their respective institutions of higher education shall be differentiated as follows:

(a)(1) The California Community Colleges shall, as their primary mission, offer academic and vocational instruction at the lower division for both younger and older students, including those persons returning to school. Public Community Colleges shall offer instruction through but not beyond the second year of college. These institutions may grant the associate in science degree.

(2) In addition to the primary mission of academic and vocational instruction, the community colleges shall offer instruction and courses to achieve all of the following:

(A) The provision of remedial instruction for those in need of it and, in conjunction with the school districts, instruction in English as a second language, adult noncredit instruction, and support services which help students succeed at the postsecondary level are reaffirmed and supported as essential and important functions of the community colleges.

(B) The provision of adult noncredit education curricula in areas defined as being in the state's interest is an essential and important function of the community colleges.

(C) The provision of community service courses and programs is an authorized function of the community colleges so long as their provision is compatible with an institution's ability to meet its obligations and primary missions.

(3) The community colleges may conduct to the extent that state funding is provided, institutional research concerning student learning and retention as is needed to facilitate their educational missions.

**Source: California Education Code, General Provisions, § 66010.4**

Similar to enrollment levels, the number of community college students transferring to UC and CSU is about the same now as in 1975, a trend which, according to participants, is more related to improvements in the economy than to AB 1725 or other state efforts.<sup>142</sup> In relation to student transfer, however, there is general concern that the preparation of students coming into the community colleges "is not improving and has not stabilized." This is generally ignored when evaluating transfer rates. Also, community colleges need better information on transfer

<sup>142</sup> Over the years, the Legislature has tried many approaches to increase the number of transfer students: funding centers devoted exclusively to transfer, mandating that a general education "core" program be accepted by all public universities, authorizing a course articulation numbering system and mandating a common course numbering approach. Quite important among these efforts were the statutory authorization of an Intersegmental General Education Transfer Curriculum (IGETC) which allows students to complete all UC or CSU general education breadth requirements in community colleges and funding for Project ASSIST (a computer-based set of information) which shows community college students which of their courses will apply to the various degree requirements at four-year institutions.



students, particularly on those students who leave a community college and then, more than a year later, enroll in a public university and on those who transfer to independent colleges and universities.

AB 1725's recognition of the community colleges as an integral component of the state public system of higher education as distinct from their past in the K-12 mold is widely supported as a positive step to improve performance, especially in academic transfer. Roundtable participants agreed that AB 1725's emphasis on faculty development has improved the quality of teaching, and that the bill's call to increase diversity has been important in improving retention rates among students of color. Moreover, the general education patterns established through AB 1725 have enhanced students' experience at the colleges. Many participants note, however, that AB 1725's important potential impact on campuses—trying to ensure that colleges use more full-time faculty—has not been realized due to funding limitations.

### **Governance and Decision Making**

As a "window" on the governance structure of the community colleges, AB 1725 begins to look rather stained. In fact, some participants describe the bill as an unmitigated "disaster" and provided the reasons:

- (a) It relies excessively on consensus for making decisions.
- (b) It failed to grant enough independence and authority to the Chancellor's Office.
- (c) It poorly differentiated the roles of the Board of Governors, the Chancellor's Office, the local boards of trustees, campus administrations, faculty unions, and the academic senate.<sup>143</sup>

Others called the bill a vast improvement over the previous arrangements, where the Legislature acted as a *de facto* "super board" for the colleges. They argued that AB 1725 contains an important operational vision; it places a high priority on the contributions of all community college groups (participants with this opinion observed that the vision has not been implemented effectively throughout the community college realm). Still others claim that the bill has simply not been fully implemented. They insist that the enhanced role of the faculty through "shared governance" has improved the quality of decisions at all levels despite the reluctance of many local administrators to implement it fully.

### **From This Tangle of Contentions: Four Important Issues**

#### **First Issue: the statewide framework of governance.**

As envisioned by AB 1725, the roles of the Board of Governors, the boards of trustees, and groups regarding statewide policies has become defined through the formal process of

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<sup>143</sup> These "inadequacies" of the legislation are hardly surprising, given the participants' characterization of AB 1725 as legislation supported by most community college groups. These are precisely the areas where resolution of differences among the groups would have been, and continue to be, most difficult.

"consultation," a new and carefully defined structure. Most agreed that the systemwide consultative process implemented after AB 1725 does streamline the previous process, which included seven different councils, each of which had to grope its way through policy initiatives and could derail almost anything.

The current process involves a single council of 18 representatives, which the chancellor must consult concerning all matters of policy taken to the Board of Governors. The chancellor is not bound to accept the council's advice, though he must make a good faith effort to achieve consensus. If he does not accept the council's deliberations, he must fully explain his reasoning to the Board of Governors.

Participants agreed that the statewide chancellor has significant latitude while also receiving adequate information from a variety of perspectives. Some participants asserted that the Chancellor's Office is inclined toward "satisfying everyone" and to playing a coordinating role, not one of strong leadership. Those Roundtable participants who argued that the Chancellor's Office does not exert effective leadership tended not to identify the current consultative process as the main culprit. Rather, they cited factors related primarily to the "mixed" governance structure that empowers local boards and to the autonomy of districts and their administrative leaders. Others pointed to the constraints placed on the Chancellor's Office by its status as a state, civil service agency.

### **Second Issue: the discontinuity between finance and governance, unaddressed by AB 1725 or any other legislation.**

The key element of finance before Proposition 13 was the ability of local taxing authorities, including community college districts, to set their own tax rates on property within their territory. Local revenues were raised, in effect, without direct relationship to enrollment but rather on the basis of program priorities and the inclinations of district taxpayers. The authority to tax citizens, of course, required that the community college boards of trustees be elected by district residents, a fundamental tenet of American democracy.

Proposition 13, however, limited any *ad valorem* tax on real property to one percent of its full cash value and made the legislature responsible for distributing these revenues. In effect, the "local" property tax was transformed into a state tax with the focus of authority in Sacramento, and its local focus was on a two-thirds, super majority required of district voters to pass finance measures.<sup>144</sup> Add this to the State's unyielding insistence that it establish most student fees the same for all districts, and the "local" revenue raising capability became modest indeed.

This state focus in determining revenues stands in stark contrast with both the expenditure flexibility accorded districts and with the long-standing notion that the great strength of community colleges is their attention to local needs. This "mixed" structure, these participants observed, has led to a kind of schizophrenia which poorly serves both the state and the districts.

### **Third Issue: accountability at the local level.**

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<sup>144</sup> See California Postsecondary Education Commission, "Financing Postsecondary Education in California, 1985-2000," Report 85-17. March 4, 1985.

The California Community Colleges constitute the largest system of higher education in the United States. In such an enterprise, it makes sense for leadership to be accountable at the local level. One question posed by several participants (and by others for years) is whether an appropriate consultative process at the campus and systemwide level can serve local interests effectively without popularly elected boards of trustees. Those who argue that boards should be eliminated suggest that this would enhance the roles of faculty, administrators, and students in planning and policy-making, without the additional layer of electoral and political considerations represented by elected boards. They further argue that, if control over generating revenues remains forever firmly vested in Sacramento, then the overall governance structure needs to shift to reflect these post-Proposition 13 realities.

Those participants committed to continuing the existence of locally elected boards argue that, even though severely circumscribed in determining revenues, local boards decide how to spend their annual apportionments and other resources based upon their assessment of local needs. Further, they make the colleges accountable to the local community since trustees are elected. These participants admit that the governance mechanism is neither "neat" nor "clean," but say that the tension within the system between state and local interests makes the state seek community input and remain responsive to shifts in the local landscape. They argue that Sacramento is ill equipped to operate one hundred and seven very different colleges, much less keep them attuned to the changing needs of students and communities.

#### **Fourth Issue: AB 1725's language about an enhanced role for the faculty in "academic standards and curriculum."**

Through the consultation process, the bill's vision was a role for community college faculty to distinguish them from K-12 teachers. This vision was translated into state regulations: an array of operational and policy matters for faculty activity, including curricular development, educational program review, institutional planning and budget development. This enhanced role of the faculty in campus decision-making is now called "shared governance," a term not found in the legislation itself.

The statewide consultative process followed by the Chancellor's Office, however, appears substantially different than the governance arrangements at the local level, which rely on mutual agreement. Some participants observed that, without consensus among those involved in the process, significant action on important policy matters stalls and decision-making comes to a standstill. Each district and community college has struggled to interpret AB 1725's vision of increased faculty participation in ways that make the best sense locally, allow action on operational issues, and can foster change. The success of this process, however, depends heavily upon establishing effective working relationships among trustees, college administrations, the academic senate, the faculty union, students, and classified staff. The results have been quite different shared governance arrangements policies at different colleges. While such differences are neither a surprise nor necessarily a problem, the wide disparities in effectiveness and productivity of such arrangements are troubling.

Some participants said that in some districts faculty and boards have interpreted the language in AB 1725 concerning "academic and professional matters" to mean almost every significant policy, programmatic, and budget issue on campus. These participants largely comprised of current and past administrative leaders and those outside the community college system

insisted that the colleges have been bogged down since the passage of AB 1725 with "trying to satisfy everyone." They claim that campus leaders must obtain "mutual agreement" from all parties or they cannot act. This has meant, these participants argued, that issues of turf and governance have crowded out work on the challenges of incorporating technological advances into the curriculum, planning welfare-to-work initiatives, organizing to meet projected enrollment increases, and fostering professional change. In response to this rapidly changing external environment, they said decision-making at the campus level needs to be more flexible and responsive, not molasses slow and cementing the status quo. They insisted that roles of the various groups need to be defined more sharply and consistently statewide.

These critics do believe that, in terms of enhancing the role of the faculty, AB 1725 was on the right track in focusing on academic standards and curriculum. They applaud the pattern of decision making in the University of California and the California State University, and believe the community colleges would be better served by these models. They also point to the increasingly rapid turnover of community college presidents as grim evidence that shared governance befuddles and exhausts leaders, and ties the hands of those actually responsible for campus operations. "Someone," they say, "has to exert leadership" if consensus fails.

Other participants comprised largely of faculty members and some trustees argue that the best campus leaders nurture discussions and bring consensus to fruition. They point out that campus decisions may take longer now, but that once reached, they are implemented more effectively because they have "buy-in" at all levels, and that decisions have longer staying power because they have included a wider array of people. These participants argued that the basic problem with the implementation of shared governance is that many campus administrators resent sharing authority or are inept at providing faculty with meaningful information and input into important policy issues. They agreed with the critics of shared governance that districts should move toward a more consistent interpretation of shared governance, and they admitted that some faculty members may have, occasionally, overstepped their roles in their enthusiasm at finally having an impact on campus decisions.

These advocates of greater faculty participation stressed that the colleges have made "tremendous leaps" in implementing long-needed changes in program review, peer review, course articulation, distance learning, and teacher training all with full faculty participation. They asserted that the increased role of the faculty provides the real substance for AB 1725's vision of the community colleges as an equal within higher education. Missing from the case of shared governance critics, these participants noted, is a serious acknowledgment that community college faculty like the faculty at the University of California and the California State University can, and should, be involved in important campus developments.

## *Tidal Wave II and the Challenges of the Future*

In spite of the mission revisions outlined in AB 1725 and SB 1570, the community colleges appear to be asked to perform a wide range of functions without sufficient funding to cover them all. Meanwhile, state priorities for the community colleges *are* shifting, whether state officials acknowledge that or not. Participants alleged that resources expended on vocational retraining and remedial education are growing faster than those spent on academic transfers, yet "transfers are still crucial. We do transfer very well, but it's not our primary mission anymore," one participant alleged.

The community colleges might be able to maintain past services based on the minimum funding levels guaranteed by Proposition 98 funding, but they will fall far short of meeting growing needs for citizenship training, ESL education, remedial work, workforce training, and welfare-to-work opportunities. All of these needs add to the demands of "Tidal Wave II," the dramatic increase in high school graduates projected to reach college age in California over the next decade.

What is the magnitude of this shortfall in meeting needs? The community college enrollment was **1.38 million**. According to the Chancellor, student demand by the year 2005:

- Will reach **2.0 million** even at what the Chancellor considers a "modest low level of access."
- Will reach slightly less than **1.8 million**, even if the current, all-time low rate of 57.5 per 1000 California adults is maintained.
- Will be so limited that only **55** out of every 1,000 California adults can enroll if Proposition 98 levels are the only resources provided.

To serve all the statewide needs, it does appear that the rate at which adults participate in the community colleges should increase. If not, it is hard to imagine how Californians in lower socioeconomic brackets or those educationally disadvantaged will have meaningful educational access or a chance of success in some other segment.

In trying to maintain the state's commitment to access during the next decade, Roundtable participants cautioned that effective access requires quality education; providing the opportunity to enroll only in low quality or marginal programs is a sham. They all agreed that this will require a significantly higher level of funding from the state. Although some faculty groups question the numbers projected for "Tidal Wave II," most participants agreed that the colleges must look internally at institutional reform and that students must also be expected to make some contribution. Without a balanced commitment from the state, the colleges, and the students, the only realistic options involve much higher student fees or a "first-come, first-served" registration system. Either is guaranteed to seriously reduce educational opportunities, especially for persons of color or those economically disadvantaged.

In terms of the state's commitment to access, the participants noted that in good economic conditions, fees remain level, state funding generally increases, and access substantially



improves. In bad economic times, though, just the reverse occurs with a vengeance: state funds plummet; fees soar at a time students can least afford it, and colleges have to reduce the number of classes and increase their size.

In terms of institutional reform, participants noted that: year-round classes could reduce the need for new facilities and improve the speed at which students proceed through the system. Improvements in articulating courses and programs to UC and CSU could also reduce costs. Concerning the commitment from students, some participants believed that students should pay higher fees, as long as strong protections for access are provided through financial aid and other means. Some argued that students should be encouraged to take classes at less popular times to avoid capital outlay costs.

## *Conclusion*

Some Roundtable participants questioned the intent and the credentials of the Citizens Commission to sponsor this Roundtable discussion and to "evaluate" the community colleges. They suggested that the Commission should simply advocate for more funding and more access. Others, less disturbed by "outsiders" looking "in," said that the colleges "need a catalyst of outside groups to get the discussion going." These participants believe that the current forums internal to California higher education do not generate significant discussions about fiscal incentives, performance measures, course articulation, and governance mechanisms (particularly in relation to all three public segments of higher education). Accordingly, they noted that "these commissions help us keep . . . the issues on the table."

Ortega y Gasset, a shrewd observer of higher education and society, suggested that "the choice of a point of view is the initial act of a culture." The challenge facing the state and the Citizens Commission is to remain sensitive to the multiple "cultures" within the California Community Colleges, while still helping these colleges to be effective in the larger context of relations with the other segments, and the private sector. Clearly, we must balance the realities of state finance with the need of the community colleges to be effective local institutions, with the state's historic commitment to provide quality education to tomorrow's students.

The Roundtable's conversation amply proves that this will not be easy. Still, the balance is a responsibility both important and appropriate.

## *List of Participants at the April 15<sup>th</sup> Roundtable\**

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**Yvonne Gallegos**, Member, California Community College Board of Governors,  
**Frank Bowen**, Higher Education Advisor to Governor Deukmejian  
**Lindsay Conner**, Member of the Board of Trustees, Los Angeles Community College District  
**Mark Edelstein**, President, Diablo Valley College  
**Joni Finney**, Associate Director, California Higher Education Policy Center  
**Marty Hittleman**, Senior Vice President, California Federation of Teachers  
**Robert F. Jensen**, Chancellor, Pima County Community College District  
**Patrick McCallum**, Executive Director, Faculty Association for the Community Colleges  
**Jeff Marsee**, Former Vice Chancellor for Finance, Ventura Community College District  
**Thomas Nussbaum**, Chancellor, California Community Colleges  
**Kevin Ramirez**, President, Sierra College  
**Jack Randall**, Provost, Riverside Community College, Moreno Valley Campus  
**Walter Shatford**, Member of the Board of Trustees, Pasadena City College  
**Leslie Smith**, President, Faculty Association of California Community Colleges  
**David Viar**, Executive Director, Community College League of California  
**Rocky Young**, Vice President of Planning and Development, Santa Monica Community College

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## *PARTICIPATING CITIZENS COMMISSION MEMBERS*

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**Dennis Mangers**, Roundtable Moderator, Senior Vice President, California Cable Television Association  
**Allen Gresham**, Senior Partner, Gresham, Varner, Savage, Nolan & Tilden and member, San Bernardino Community College District Board of Trustees.  
**Monica Lozano**, Associate Publisher & Executive Editor, La Opinion  
**William Siart**, Former CEO, First Interstate Bancorp

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## *CITIZENS COMMISSION STAFF*

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**William Pickens**, Executive Director  
**Robert Rockwell**, Senior Consultant  
**Thad Nodine**, Consultant  
**Robert Laffoon-Villegas**, Director of Research and Communications  
**Nadine Rochler**, Administrative Coordinator

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\* Three representatives of the Academic Senate participated in the Roundtable but did not wish their names attached to this document.



***Public Policies for Increasing Access to Higher Education in  
California***

**Arthur M. Hauptman**

**Revised**

**Prepared for the California Citizens Commission on Higher Education**

**August 1997**

## SUMMARY

California, like most states in the South and the West, faces a fundamental challenge: how to accommodate a sharply growing demand for higher education, sometimes referred to as Tidal Wave II, with a resource base that is unlikely to grow as fast as the expectations placed on the system. This essay suggests that the following three sets of public policies can help assure greater access to higher education in California within foreseeable resource constraints:

First, efforts to set public sector fees as a proportion of costs per student should be resisted because they serve as incentives for institutions either to increase their costs or to limit their enrollments. Instead, future increases in public sector fees should be tied to the growth in the state's economy, as measured by increases in the median family income in the state or disposable income per capita. Such an arrangement will help ensure that the ability of students and their families to pay for college keeps pace with the growth in public sector fees. To stem the natural tendency of public institutions to raise fees faster during economic recessions, the state should establish a general, non-institution-specific reserve fund now to relieve pressures that will mount during the next recession to use student fees to stabilize funding of institutions.

Second, the institutional funding formulas should be altered so that the state would pay institutions more for each state grant recipient they enroll than for other groups of students. To encourage higher completion rates and shorter time-to-degree, a portion of state funds should be allocated to public institutions based on the number of graduates rather than only on enrollments. The state should also consider paying both public and private institutions for the Cal Grant or Pell Grant recipients they graduate. These changes are needed to augment the efforts of the student aid programs to achieve the goal of increased access and retention by providing incentives for institutions to enroll and graduate disadvantaged groups of students.

Third, the funding and structure of student aid in California should be altered. The proportion of state funding for higher education devoted to student aid should be increased. The award formulas in the Cal Grant program should be altered to ensure that the neediest students are insulated from the effects of increased public sector fees. The existing provision that limits the amount of state grant aid that private sector students may receive to the taxpayer subsidy per student in the public sector should be enforced. Perhaps most important, Cal Grant and institutional student aid policies should be integrated so that they do not work at cross-purposes.

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## *THE MENU OF PUBLIC POLICIES FOR IMPROVING ACCESS*

The impetus for adopting public policies to improve access to higher education derives from the generally shared belief that the degree of inequity in society can be sharply reduced by expanding educational opportunities for underserved populations. Governments can employ the following three types of public policies to improve access to higher education for underrepresented groups of students:

Student financial aid programs, which provide grants, loans, and work-study funds, are regarded as the primary public policy means to improve access for students whose family resources are insufficient to meet the total costs of attendance.

State and local funding of public institutions is the largest source of taxpayer support for higher education. It allows public institutions to set tuition and fees well below the per student costs of education. Low tuition and fees are thought of as a primary policy vehicle for access, but the state funding formulas themselves typically are not viewed this way.

Regulatory approaches that require institutions to meet certain standards in order to qualify for funding are another public policy tool for access. Affirmative action has been the most prominent and controversial form of regulatory approach.

Have the combination of these policies achieved the result of equalizing educational opportunities? By and large, the answer is no. Inequities in college participation and completion continue to exist. Participation of low income and minority students continues to fall far below that of white and better-off students. Of perhaps greater concern, the gap in completion rates between disadvantaged and minority students and other groups of students seems to be widening.

Most observers would argue that the existing disparities in college participation and completion rates would be far worse if various public policies had not been in place to offset underlying inequities in society. But this essay suggests there are reasons to believe that some public policies, including low tuition at public institutions and how the state funds institutions, may be contributing to the differences in participation rates among various groups of students. But the question remains: Could a different set of public policies have done a better job of equalizing opportunities for higher education? To answer this question, we need to look at how various public policies have worked in practice singularly and in combination.

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## *LOW TUITION AT PUBLIC INSTITUTIONS*

The largest source of taxpayer funding of higher education in the US is what state and local governments provide to public institutions for operating support. The roughly \$45 billion that states and localities now provide to institutions are roughly three times larger than what federal and state governments combined spend on student financial aid in the form of grants, work-study, and loan subsidies. At the state level, national funding of state student aid programs of \$3 billion annually average roughly 6 percent of the funds that states provide to institutions. In California, funding of Cal Grants as a proportion of total state spending for higher education appears to be slightly lower than the national average of 6 percent.

State and local taxpayer support of public institutions allows them to charge tuition and fees that are far lower than what it actually costs to educate students. The policy of maintaining low tuition at public institutions has been the principal public policy mechanism for providing access to American higher education. California has certainly been one of the most prominent examples of this approach since the state constitution precludes charging tuition, and the fees that are charged meet only a small proportion of per student spending.

There is little question that the tradition of pricing public higher education at little or no cost to the consumer has been a critical factor in fueling the unprecedented expansion in higher education in this country over the past half century. Although the low tuition strategy has been extremely important in fueling enrollment growth, there are several critical limitations to its continued success in expanding access:

First, a low tuition strategy requires tremendous levels of resources to be successful in promoting access. A policy of low tuition only contributes to greater access if governments provide sufficient funding for institutions. What advocates of the low tuition strategy sometimes ignore is that if state funding is not increased substantially, lower tuition and fees are likely to lead to lower enrollment rates, not higher. If overall resource levels become strained, low tuition policies can become a detriment to access because the high levels of subsidy required to fund each student means that fewer students can be accommodated at any given budgetary level. A policy of low tuition combined with low levels of governmental support typically result in lower levels of college participation, since overall resource levels devoted to higher education are relatively low, and slots have to be more carefully allocated. This helps to explain why many states have lower participation rates despite charging relatively low tuition at their public institutions. It also explains why other countries have much lower college participation rates than the US despite typically charging lower tuition and fees.

Second, low tuition policies tend to result in a regressive distribution of state taxpayer dollars. Since college admissions decisions are made with little or no distinction for the family financial circumstances of a student, the relatively low levels of tuition and fees serve as a magnet to attract higher income students. This helps to account for why the income distribution of students attending the University of California at Berkeley is higher than the incomes of students attending private institutions in California. The same relationship apparently applies between flagship public institutions and private institutions in a number of other states.

Third, the relatively low levels of tuition and fees charged at most public institutions do not match the level of private economic benefits that students derive from receiving an education at these institutions. The difference in earnings between those who go to college and those who do not is at an all time high. The tuition and fees that most public institutions charge represent only a very small proportion of the additional economic benefits that students gain. This disparity has led many observers to suggest that public sector tuition and fees should be increased to reflect more of the private economic benefit received.

For these and other reasons, more and more states have moved away from the low tuition tradition over the past two decades. Many states, finding that they can no longer afford to sustain the levels of taxpayer support necessary to subsidize tuition levels while maintaining access to higher education, have increased public sector tuition and fees at rates far in excess of inflation. In California, in-state fees have doubled in real terms from 1990-91 to 1995-96. Many states have moved in this direction of higher fees by establishing cost-sharing policies, which set tuition and fees as a proportion of the costs of educating a student. As a result, public sector tuition and fees now constitute roughly one-fifth or more of total institutional revenues nationwide, up from less than one-tenth of revenues as recently as two decades ago.

Cost-sharing policies that set tuition as a proportion of costs per student, however, may also serve to restrict access. They may encourage institutions to raise funds privately or publicly and then build these funds into their cost base, thereby increasing not only costs per student but also their tuition and fees. If state funding is limited, public institutions may also decide to cap their enrollments as a means for stretching their scarce state resources. With cost sharing, limits on enrollments increase costs per student and thus the fees that an institution may charge. It could therefore be said that cost sharing policies encourage cost escalation rather than cost reduction and may also inadvertently lead institutions to restrict access rather than increase it.

To avert these problems with cost sharing formulas, some states have begun to limit increases in public sector tuition and fees to the rate of inflation. I believe this is a good step in that tuition and fees at public institutions should be tied to a variable that institutional officials are unable to influence. Tying tuition to inflation or some other economic measure also has the advantage of making public sector tuition and fees more a measure of ability of the general population to pay for college than as a vehicle for financing the institution, which is how most states and institutions have typically thought of tuition and fees. The problem with limiting fee increases to inflation, however, is that over time public sector charges as a proportion of income will decrease because inflation does not include economic growth. While this obviously helps those students who enroll in those institutions, it adds to the pressure on state governments to increase their funding or leads to institutions restricting their enrollments. It would be preferable if public sector tuition were tied to a variable that includes both inflation and economic growth. Two such variables are median family income or disposable personal income per capita.

Regardless of what measure public sector tuition and fees are tied to, states need to consider how to break the traditional cycle of public sector tuition rising most rapidly during periods of economic recession. This pattern, which occurs because public sector tuition and fees are raised to make up for the shortfall in state funding during economic recessions, can be a large bar to access since fees increase the most when students and their families can least afford it.

The solution to this rollercoaster effect lies in stabilizing higher education funding patterns, either by building reserves during good times or by borrowing during bad times. Both of these activities would smooth out the flow of funds over the economic cycle. Very few if any states or public institutions, however, have been willing to take the steps necessary to stabilize the funding of their public institutions. One obstacle is the reluctance of state governors and legislators to provide institutional officials with reserves. Another is the more general reluctance to borrow without designating a specific facility or revenue stream to repay that debt.

Given the importance of stabilization to prudent planning and expenditure patterns, however, it is critical to overcome these obstacles. One way to do this is for the state to establish a general reserve fund that is not institution specific and to build up this fund during times of economic expansion. The state could then allocate these funds to institutions when the economy turns sour, thereby relieving pressure on institutions to raise tuition to replace the loss of state funding. In the alternative, reserve funds built up during good times could be used to repay debt incurred during economic hard times.

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## STATE FUNDING OF PUBLIC INSTITUTIONS

The formulas that states use to fund institutions represent another potential public policy vehicle for improving access. But these formulas have rarely been utilized for the purpose of increasing access. Instead, they have been viewed principally as a means for providing operating support to institutions.

Funding formulas in most states are a combination of two basic factors: how many students are enrolled in an institution, and how much it costs on a per student basis. As a result of being enrollment-driven and based on average costs per student, institutional funding formulas have two particular shortcomings. First, they fail to recognize the different needs, costs, and requirements of various types of students. They reward institutions just as much for the rich, well-prepared student they enroll as they do for the disadvantaged student with potential who may require substantially more investment in order to succeed. Given this incentive structure, it is little wonder that institutions try to enroll as many well-prepared students as they can. It is also in the institution's interest to enroll as many students from well-to-do families as they can since these students will be able to pay without requiring the institution to provide any financial aid, thereby once again freeing up resources to be used for other purposes.

The second drawback of the funding formulas in virtually all the states is that they make no provision for whether students graduate. Institutions are paid on the basis of the number of students enrolled, not on the number of graduates. Thus, most institutions have little financial incentive to make sure that their students graduate in a reasonable amount of time. On the contrary, enrollment-driven formulas serve to encourage institutions to keep students enrolled as long as possible. This is not to suggest that institutions go out of their way to prevent their students from graduating. But it seems clear that there is little or no financial incentive for institutions to make extraordinary efforts to improve the rate at which their students graduate. The fact that degree completion rates are so low in this country, especially at public institutions, should certainly lead us to wonder whether institutional funding policies have played a role. As a general matter, most states seem to rely more on regulatory policies, such as affirmative action or on student aid programs, to achieve more access for disadvantaged students than on any systematic set of financial incentives for institutions, either in the form of carrots or sticks. In an environment of limited resources, it seems unwise to ignore the largest source of state funding, operating support of institutions, when looking for ways to improve access. Therefore, I suggest that states need to begin building access-based goals into the funding of institutions:

One obvious and fairly simple way of doing this is for the state to pay institutions more for the disadvantaged students they enroll than for students whose families are better off. In order to provide some incentive for institutions to improve the rate at which their students graduate and to shorten the time-to-degree, states should consider allocating a portion of their higher education funds on the basis of the number of students who graduate.

Finally, to get at the problem of completion among disadvantaged students, the state could pay institutions for each student aid recipient they graduate. I would further suggest that such a payment could be made to both public and private institutions to encourage greater completion of student aid recipients wherever they go to school, at least within the state.



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## *MAKING THE STUDENT AID PROGRAMS MORE EFFECTIVE*

To summarize the discussion thus far, to some considerable extent, how most states fund their public institutions and how tuition and fees are set for public institutions may exacerbate existing inequities in society. As a result, student aid programs are being called upon not only to solve the underlying inequities in society, but also whatever additional inequities may have been created by the patterns of institutional funding or the negative impacts of public sector tuition policies. The student aid programs, however, may not be up to the task of reducing these inequalities, for the following reasons:

First, state student aid programs receive a small proportion of total state funding for higher education. Nationwide, student aid programs account for roughly 6 percent of total state spending on higher education. In California, the figure is about 5 percent. Even when federal aid is added in, state funding of institutions is far larger than what is spent on student aid. Thus, student aid programs are being asked to correct enormous disparities in college participation rates with only a small proportion of all dollars devoted to the enterprise.

Second, the grant programs in most states are not well designed to offset the effects of higher charges for the most disadvantaged students. Instead, they meet a portion of the total costs of attendance and only for a percentage of eligible students. Meeting a portion of total costs for some but not all needy students means that when tuition and fees increase at public institutions, the state is not providing a safety net for all students who find the higher charges a real burden.

Third, student aid programs may serve as an impetus for higher tuition and other charges if they are not suitably designed. In many states, for example, the amount of aid that students at private institutions receive is a function of how much the institution charges and the family is able to contribute. This may provide an incentive for the institution to raise its charges in order for its students to be eligible for additional state aid. California has apparently anticipated this possible effect by stipulating that private sector awards should be tied to the level of state subsidy for public sector students rather than on the tuition, fees, and other charges of the private institution attended. It is not clear to me, however, whether this provision is actually in effect.

Fourth, and perhaps most importantly, state grant policies are often not well coordinated with the student aid efforts at many public institutions. Most public institutions provide very little in the way of student financial aid, relying instead on low tuition, state grant programs, and loans to meet the needs of their students. The aid that is provided by the institutions themselves may or may not relate to federal or state aid policies.

This question of coordination of student aid and fee policies should also be examined in the context of the heated debate in many states over the advisability of moving away from the tradition of low tuition and toward a high tuition/high aid strategy. Most private institutions have adopted a high tuition/high aid policy, which entails increasing tuition and fees more rapidly than inflation and increasing student aid to allow lower income students to attend in the face of higher prices. The transferability of the high tuition/high aid strategy to the public sector is limited, however, the



success of this strategy at many private institutions depends on the institution's ability to set its own tuition and fees and to coordinate its tuition and aid policies. To the extent that many public institutions do not set their tuition and do not have access to tuition and fee revenues (if they are reappropriated to the state), the high tuition/high aid strategy is likely to fail in the public sector.

The experience at the University of California is instructive in this regard. The UC system has adopted a return-to-aid policy that devotes one-third of all fee increases to student aid. This policy is commendable and should be continued to help ensure that fee and aid policies work in tandem. But there appears to be no policy mechanism in place to ensure the aid that the various UC campuses provide to their students meshes with the Cal Grants or federal aid that the students may receive. To the extent that the campuses direct their aid toward middle class students as a recruiting tool, the effort to achieve greater access for disadvantaged students to the UC system will be blunted.

To help ensure the maximum effectiveness of the various student aid programs in providing greater access, I suggest the following steps be taken:

- The proportion of state funds for higher education devoted to student aid should be increased from its current level of roughly 5 percent.
- The design of the Cal Grant programs be examined to see if provisions can be made that would more directly insulate the most disadvantaged students from the impact of higher fees.
- The existing provision which limits the Cal Grant awards of private sector students to the state taxpayer subsidy to public sector students should be enforced.
- Financial incentives should be provided to ensure that the aid provided by public institutions reinforces the goal of increasing access for disadvantaged groups of students.

## *A Contract Broken*

A synopsis of the symposium of September 25, 1997 on the campus of West Los Angeles College dealing with the RAND corporation publication, *Breaking the Social Contract*, September 25, 1997.

Symposium sponsored by the California Citizens Commission for Higher Education; synopsis written for the California Citizens Commission by Robert Rockwell.

## *Executive Summary*

On September 25, 1997, the RAND Corporation published *Breaking the Social Contract*, its long-awaited analysis of the fiscal crisis looming ahead for California higher education. The same day, the California Citizens Commission for Higher Education sponsored a symposium at which authors Richard Benjamin and Stephen J. Carroll presented their findings to a panel of spokespersons from higher education's several sectors, and responded to critiques offered by the panel.

The work was commissioned by the California Higher Education Roundtable in order to determine the dimensions of the crisis in higher education financing in California. The intensity of the study, its focus, and the extensive resources available to the RAND corporation give the report immense weight and make the findings of critical importance. It is in fact one of the three most important reports to emerge in this decade on the subject of higher education finance in California.<sup>145</sup>

The findings add additional urgency to the debate about financing higher education in California. Other groups have indicated that current practices will exclude many students—the RAND group projects the number to be tens of thousands. Other groups have suggested that the impact of the funding crisis will not be felt equally by all segments of California's diverse population; the RAND study projects that students of African American and Hispanic descent will be excluded to a far greater degree—and that their exclusion will have a far-reaching impact on the overall economic and political health of the state.

The RAND report, in other words, sees in the crisis of higher education funding a threat to social and civil stability in the California of 2010.

## *Part I*

### *Benjamin and Carroll on Breaking the Social Contract*

Roger Benjamin and Stephen J. Carroll presented their findings to the symposium in the same four segments contained in the report itself: an Overview, The Threat from Within, Dimensions of the Fiscal Crisis, and Recommendations.

#### **A. The Overview**

Benjamin and Carroll explore two related issues. The first is whether the state's higher education systems will meet their objectives for access, quality, and service. The second, whether the missions of the public systems of higher education are appropriate for the future. To each of these questions, Benjamin and Carroll indicate that the answer is a clear "no" unless basic changes occur in higher education support, decision-making, and operations. Moreover, Benjamin and Carroll warn that

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<sup>145</sup> The other two are *Shared Responsibility*, HEPC (1996) and *The Challenge of the Century* (CPEC, 1993).

the failure to meet educational needs of California's growing population constitutes a "time bomb ticking under California's social and economic foundations."<sup>146</sup> The reasons for this profoundly gloomy outlook, say the RAND researchers, are several.

The first, and perhaps easiest to recognize for educators and those interested in the public policy arena, is identified in the researchers' "Overview": it is that the fiscal realities of higher education have gone through a sea change. Basic elements—demand, availability of revenues, costs—have all changed dramatically in the last ten years, and the changes appear to be due to long-term trends unlikely to return to former patterns. Indeed, without action, say Benjamin and Carroll, the situation for higher education in California will decline even further, resulting in exclusion of as many as 1/3 of the Californians who will seek higher education by the year 2015.<sup>147</sup>

Who will be excluded? The researchers do not flinch in the face of this question. Indeed, this is the first major report to go beyond anecdotal responses with regard to the issues of access and ethnicity. In the second section, entitled "The Threat from Within," the RAND researchers find reason to believe that California's residents will increasingly divide into two groups, those with college level education and those who lack it. They anticipate the economic implications of such a divide as profound, seeing a future in which larger and larger numbers of Hispanic and African American adults trapped in a spiral of decline in real wages—while the college degree earners are increasingly Asian or non-Hispanic whites.

In the third section, "Dimensions of the Fiscal Crisis," Benjamin and Carroll assess the ability of California higher education to meet the fiscal demands of the future.<sup>148</sup> Their review leads them to conclude that California will suffer from a calamitous shortage of resources in the face of Tidal Wave II, increases in cost, and the competition for state dollars between higher education and public mandates such as Proposition 98 and incarceration costs.

This then is the future Benjamin and Carroll seek to change with their six recommendations, found in the last section of the report:

- Increased public funding to higher education, tied to institutional reform through incentives for innovation and improved productivity;
- Restructured decision making in the state's systems of higher education to enhance resource reallocation;
- Sharper differentiation between the systems of higher education, in order to reduce "mission creep" and to streamline services;
- Greater sharing of services and infrastructure, in order to reduce pressure on scarce resources;
- Development of a state financing plan to effectively allocate scarce resources;
- Reaffirmation of the state's Master Plan for Higher Education, but with the higher expectation of some form of post-secondary education or training for every Californian.

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<sup>146</sup> Benjamin and Carroll, *Breaking the Social Contract*, p. 3.

<sup>147</sup> Pp. 3, 15.

<sup>148</sup> It is important to realize that the discussion of the fiscal crisis does not anticipate any interventions or reforms which might attempt mitigate those trends observed in "The Threat from Within." The fiscal analysis is based on the declining participation rates extrapolated, combined with population increases and the increase in demand derived from them.

## **B. Access and Income: the "Threat from Within"**

In the second section of the report, the two RAND researchers begin to build the case that led them to their conclusions by addressing the question of access to higher education and its implications. What they find is chilling.

Extrapolating from the trends in wage level and educational level over the last twenty years, Benjamin and Carroll portray a future in which educational access and hence income are drawn along ethnic lines with the majority of persons of color excluded and falling further and further behind those who access higher education. The data analyzed by the two reveal that wage trends and educational level trends are in sharp contrast with the patterns of educational development in the state, where the minimum expectation for landing a job with a "living wage" is post-secondary education at some level, preferably at the level of the baccalaureate degree.

The report starts with the fact that industrial jobs, long a mainstay of California's economy, have fallen to represent only 17% of the workforce. Equal earnings in service industry jobs for the most part are available only with post-secondary education. The assumption that this characteristic will remain a feature of the California economy underlies the remainder of the analysis.

The second aspect of the analysis is the trend in male earnings.<sup>149</sup> Reviewing the buying power of wages since 1976 and extrapolating the trend of the last 20 years out through the next 20 years, Benjamin and Carroll find that high paid workers those in the 90<sup>th</sup> percentile have maintained and even increased their wages since '75 and will continue to do so in the next 20 years. The picture is hardly so rosy at the 50<sup>th</sup> percentile, where wages have slipped to about 25% of the purchasing power of 1976 and will slip to only 50% of their former buying power by 2015. And for the lowest segment, the lowest 10% of male workers in California, the news is even worse, declining to as low as 40% of former purchasing power in 2015.<sup>150</sup>

Income disparity is heightened by the sharp increase in the number of immigrants in the workforce, assert Benjamin and Carroll, and by the fact that over 50% of these recent arrivals came from Mexico or Central America and have a educational level which is "generally lower than that of other immigrant groups."<sup>151</sup> For these workers, less competitive than other, earlier arrivals and than recent arrivals with more education, the RAND researchers predict declining earnings over their working lives.

Further complicating the situation, say Benjamin and Carroll, are the ways income distribution reflects educational levels. Lacking California figures, the RAND group uses national figures for the same time frame, 1976-95 and extrapolating forward to 2015. Benjamin and Carroll find that those with college degrees have held their own over the last 20 years and are likely to for the next

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<sup>149</sup> The report does not review earnings trends among female Californians, which parallel male earnings according to Carroll but are structurally lower. Since the majority of single-parent families are headed by single mothers, this disparity implies that the number of children below the poverty line will increase as the real buying power of wages declines among those without post-secondary education.

<sup>150</sup> Benjamin and Carroll, pp. 5-6

<sup>151</sup> Ibid., p.6

20. Those with some college will fare somewhat less well, but will do far better than those who have high school only or have dropped out of high school. In fact, these last two groups are expected have lost 38% and 52% of their real earnings, respectively, from 1976 to 2015. Such losses mean that low educational levels become strong predictors of other social costs: welfare, unemployment, and incarceration.

Benjamin and Carroll characterize this as an economic polarization. More accurately, it is the portrayal of a bi-modal society in which those without college education are increasingly excluded from opportunity and mobility. Moreover, Benjamin and Carroll anticipate that this exclusion will be an exclusion which can be characterized, increasingly, along ethnic lines.

***"[These circumstances have] created a time bomb ticking under California's social and economic foundations."***

**- Benjamin and Carroll**

They reach this conclusion by reviewing the trends for participation in higher education among California's 18-29 years-olds, 1976-1995, and extrapolating the curve for each major ethnic group forward through 2015. Young adults of Asian and Pacific Island descent will participate in even greater numbers, while non-Hispanic whites will decline in participation only slightly. Thus, for these groups, participation in the "college degree-earners" who are expected to

hold their own in the future seems likely to continue nearly level or to improve.

However, for Hispanic and African American 18-29 year-olds, the future is grim indeed. For Hispanic young adults, the low level of participation which has characterized the past is anticipated to continue without noticeable improvement or decline. Thus, Benjamin and Carroll's extrapolations keep Hispanic participation at 1/3 of the participation rate of similarly aged non-Hispanic whites. For African Americans, however, the picture is one of steep decline, with Benjamin and Carroll's extrapolated line anticipating further erosion of participation by 1/5 below today's figures. The decline is so steep that, the researchers feel compelled to note that, if not reversed, the trend will result in an ever-greater gap between African Americans and other groups.

### C. Dimensions of the Fiscal Crisis

Benjamin and Carroll argue that funding will not be sufficient, even without interventions to improve the social rift anticipated in the access figures. They point to several trends to support this assertion.<sup>152</sup>

First, of course, is the issue of demand. Projecting from existing population already in California's public schools and anticipating current participation rate trends will continue, Benjamin and Carroll estimate that demand for higher education will increase by about 60%, when expressed in terms of full-time equivalent students, as reflected graphically on the right.

Second, costs to institutions of higher education are also increasing and will continue to increase. The report describes a situation in which California's colleges and universities have been witnessing increases in the costs of operation which have at least kept pace with and at time exceeded the trends nation-wide. Costs have been rising faster, it appears, than the general rate of inflation, too.

<sup>152</sup> This views so frequently seen in the literature that it has become one of the few "givens" about California higher education. See, for example, *Financing the Plan* and *Shared Responsibility*, both by the Higher Education Policy Center.



As demand and costs increase, public funding has been declining, argue Benjamin and Carroll. While state funding has fluctuated from 1980 to the present, the fluctuations have been within a fairly narrow band when seen in terms of 1995 dollars. However, when viewed from the perspective of the share of personal income that has been committed to higher education, the picture is far different. In these terms, Californians have been reducing their support of higher education since 1978. As the adjacent figure reveals, the portion of personal income going to the support of higher education has steadily declined since that year, and has recently dropped to levels which are lower than they were in 1970.

At the same time that the percentage of personal income dedicated to the support of higher education is declining, the researchers found that federal support is unlikely to pick up the shortfall, due to the increasing share of the federal dollar dedicated to entitlements. This mandatory share is growing fastest in programs targeted on older Americans, so that reductions are unlikely as Baby Boomers reach the age covered by such programs. Thus, any expectation for increased federal funding for higher education rests on very slender hopes.

Nor is the situation far different at the state level, where the researchers expect that the funds dedicated to UC and CSU will be halved between 1995 and 2005 (see figure to the right). They flag growth in corrections as absorbing the amount lost by higher education, as well as the mandated levels for K-14 education and Health and Welfare. The likelihood of rebuilding political and economic support for higher education at either the state or federal level is described as a "difficult" task by Benjamin and Carroll, and one which only can be addressed with answers to governmental questions about cost, productivity, efficiency, and effectiveness.

With tuition reaching levels that serve as deterrents to enrollment, Benjamin and Carroll expect that tuition alone will be unable to make up the gap. The adjacent figure reveals the size of the problem in California without major changes in the way higher education is funded. It assumes that participation trends will continue, that tuition rises only at the rate of inflation, and that costs continue to rise in accord with current trends. The optimistic revenue scenario which still falls far short of needed revenues is based on the optimistic assumption that government appropriations to higher education will grow at the rate of the mid-nineties, when the state emerged out of its recent recession. The more pessimistic projection line is based on RAND forecasts of funding available.

It is obvious that even in the optimistic scenario, government support and tuition will reach only about one-half of the levels needed to serve the student demand of 2015.

#### **D. Recommendations**

In order to break this downward spiral, Benjamin and Carroll recommend six far-reaching steps:

1. *California's political leaders—the governor, members of the state legislature, mayors, and other state and local officials—should reallocate public resources to reflect the growing importance of education to the economic prosperity and the social stability of California.*



Benjamin and Carroll call for action at the state and local level, even if it means removing funds from other programs. They express confidence that leadership will act once they recognize the dangers inherent in the current course. They argue for the state to assume 1/3 of the increases necessary, with federal and local governments providing the remaining 2/3, explaining that to do less is to put California at "grave risk."

2. *California institutions of higher education should make major structural changes in their decision-making systems so that their leaders can assess the relative value of departments, programs, and services in order to reallocate scarce resources.*

Benjamin and Carroll indicate that the greatest single need is for governance structures to be overhauled so that decision makers can think and act strategically. They point to a variety of segmental and inter-segmental reforms already underway as indicators that major reforms can be accomplished; but indicate that the reforms must go far further. They recommend three reforms:

Improvements in performance-based assessments, so that integrated cost-benefit information is available for all services.

- a. Reforming the definition and measurement of faculty productivity to one which appropriately values and provides incentives for teaching improvements.
  - b. Linking fund accounting and budget systems, so that "timely "profit/loss" information can be available to higher education leaders.
3. *As part of overall restructuring, California's colleges and universities should pursue greater mission differentiation to streamline services and better respond to the changing needs of their constituencies.*

Benjamin and Carroll are critical of the current "creep" between the missions of the three segments of higher education, pointing to research institutions offering remedial education, state colleges attempting to create research units, and community colleges seeking to offer four-year degrees. The report argues that improved quality and productivity will both be realized if the colleges refocus their efforts, sharpening the differentiation within and between the segments of public higher education and the independent colleges and universities. Priority-setting and strategic planning need to be the focuses of leadership efforts at present and these efforts must lead to a lessening of duplication. Program quality, centrality, cost, and comparative advantage are the criteria which Benjamin and Carroll recommend to guide these deliberations. In particular, the researchers recommend three major steps:

- a. the report recommends that community colleges assume the leadership in workforce preparation, adult education, remedial education, and English as a Second Language, while strengthening and giving visibility to those successful programs already in place; moreover, to undertake this change, the colleges will need to overhaul their governance structures, since the ones in place do not support this aspect of the mission with the force which is needed;

- b. second, the report recommends that California State University take the lead in the areas of teacher training and regional economic development: the K-12 reform effort is essential to the collegiate success of low-income socioeconomic groups, and the K-12 effort requires the training and retraining of K-12 teachers (with 10% of America's teachers trained at CSU, it is the appropriate location for California's response to the disarray in teacher training), and teacher training must become one of CSU's highest priorities; at the same time, the capacity for applied research available among CSU faculty will enable these institutions to play a significant role in addressing the economic needs of the regions they serve;
  - c. third, the major public and private research universities must refocus on the promotion of research and graduate studies, rather than being pulled into the need for rapidly expanding undergraduate programs, so that California will continue to have the edge such programs provide in economic development.
- 4. *Colleges and universities should develop arrangements for sharing services and infrastructure, in order to improve productivity*

Benjamin and Carroll argue that five steps will help California institutions achieve greater productivity through sharing. (a. alignment, b. classes, c. services, d. infrastructure, e. libraries) write out

- 5. *Development of a state financing plan to effectively allocate scarce resources*

Benjamin and Carroll describe four steps for meeting the state's fiscal obligation to higher education: first, the development of a schema which determines the appropriate share to be borne by families, the state, and the federal government; second, the determination of the specific mixture between institutional support and student financial aid; third, the development of a strategy for need-based pricing of higher education which reflects state and student need and readjusts the present relationship between tuition, state support of higher education, and student aid; and fourth, the guarantee of financing for higher education, including the determination of whether the community colleges might be better served by a firm commitment, rather than by being used as a shock absorber for fluctuations in Proposition 98 funding.

- 6. *Redefinition of the appropriate level of education needed for California's populace for the 21<sup>st</sup> century through reaffirmation of the California Master Plan for Higher Education but with the expectation of some form of post-secondary education or training for every Californian*

The RAND group called for a change in mindset, to reflect the rich continuum of learning beyond the high school level. In particular, they called for a move away from the traditional baccalaureate degree and the enhancement of "more specific, measurable knowledge sets," with special encouragement of the growth of "sub-baccalaureate opportunities" for Californians.

## *Part II*

### *The Panelists and Their Responses:*

Seeking a balanced review of *Breaking the Social Contract*, the California Citizens Commission for Higher Education invited commentary from the Offices of the Presidents of the University of California, California State University, the California Community, the Colleges Independent Colleges and Universities of California.

The University of California was represented by Robert Rosenzweig and Carol Tomlinson-Keasey. CSU's spokesperson was Russell Gould, former Director of Finance for the State of California. Judy Walters, Vice Chancellor for Policy Analysis and Development, responded to the report for the California Community Colleges. Brother Mel Anderson, recently retired president of St. Mary's College in Moraga and currently a consultant with the Association of Independent California Colleges and Universities, addressed the report for the AICCU. Each speaker was provided with a pre-publication copy of the report and, except where noted, was speaking for the sector he or she represented.

**Robert Rosenzweig<sup>153</sup> and Carol Tomlinson-Keasey<sup>154</sup>**  
**Office of the President University of California**

Robert Rosenzweig was the first to respond. Addressing the report from the UC perspective, he found no quarrel with the analysis, but did find aspects to address in the recommendations.

He was laudatory of the call to protect the research function of the university, and he warmly welcomed the call for additional funding for California higher education, pointing out that the UC research programs economic development impact was a major part of building California's economy to the level that increased access might be accommodated. However, he expressed reservations about several other aspects of the recommendations.

With regard to access, Rosenzweig noted that it was correctly made the central focus of the report-- but he asserted, it was not the only issue. If greater access were purchased at the cost of diminished quality of education, then it is of questionable benefit to the students or to the broader population of California. Rosenzweig expressed some skepticism that the funding context, however altered or reformed, would be sufficient California higher education reach the number of prospective students anticipated without reducing quality.

He was also skeptical about the call for "sharper mission differentiation," since this seemed to imply a de-emphasis of undergraduate education at UC campuses. While he agreed that a careful re-balancing was probably necessary, since research had become the driving force and had led in some instances to a neglect of undergraduate education in some ways in recent years, he was firmly opposed to the removal of undergraduate education from the UC realm, since the contact between UC's research faculty and California's brightest undergraduates was part of the fuel that kept California's R&D engine running well enough to keep its narrow margin of superiority.

***"Universities are not command organizations. They have a bias toward liberty over order. I must caution would-be agents of change about disturbing this special quality."***

**- Robert Rosenzweig**

Rosenzweig was most critical of the lack of clarity contained in the recommendations regarding governance and decision making. On the one hand, he felt the recommendations were so vague as to what sorts of "restructuring and reallocation" authority to facilitate strategic responses to California's situation. He portrayed the academy in eloquent terms, distinguishing them from "command organizations"

like closely held firms and military organizations. Colleges and universities, with their dispersed responsibilities among a community of professionals, "possess a bias toward liberty over order."

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<sup>153</sup> Robert Rosenzweig, currently special assistant to UC President Richard Atkinson, is the former President of the American Association of Universities. From 1962 to 1982, he held a variety of positions at Stanford University, including Vice President for Public Affairs. He served as president of the Association of American Universities from 1983 to 1993.

<sup>154</sup> Carol Tomlinson-Keasey Currently, Tomlinson-Keasey holds the position of vice provost for academic initiatives at the UC Office of the President. Previously, she has served at UC Davis as vice provost for academic planning and personnel, vice provost for faculty relations from 1992 to 1995, and dean of the College of Letters and Science from 1994 to 1995. Prior to coming to UCD, Tomlinson-Keasey held faculty positions at Rutgers and Nebraska University.

This is one of the central characteristics of American higher education--and, in Rosenzweig's view, any attempt to alter that basic characteristic must be regarded with great suspicion--and moved on with great caution, from within the academy, not from without. To be sure, there are improvements to be found--but they should not be designed from the outside and imposed. Indeed, Rosenzweig expressed confidence that the means to make all necessary adjustments are available within the system now, whether dealing with program retrenchment or systemic reform.

As a final point, Rosenzweig addressed the call for performance-based measures as a component of additional funding. But what is to be measured? Gaining agreement on this is not easy, as has been found in states where this attempt has been made. Many measures are maintained now, and meaningful ones, but they tend to reflect the cost-related definitions of productivity--seat time, time to degree rather than learning and the quality of that learning. And if performance-based measures of productivity cannot be designed so as to encourage qualitative improvement, not just the number of students served, then Rosenzweig advises that leaders move with great caution.

Dr. Tomlinson-Keasey, too, endorsed the report's general findings, describing as timely the "unsettling message" contained within it. She also endorsed the fact that the report recognized the special mission of the University of California as the state's essential research institution. She was also strongly supportive of the sixth recommendation (the extension and enhancement of the promise contained in the Master Plan), which she termed appropriate and necessary.

Then, turning the focus of her comments to other recommendations, Tomlinson-Keasey reviewed and defended the UC record vis à vis sorts of reforms recommended. In the mind of this spokesperson at least, the University of California has already made appreciable progress toward these goals.

In defense of the UC record, Tomlinson-Keasey pointed to recent changes at the university which have originated from within, rather than requiring prompting from outside. She pointed to significant reallocation of faculty and staff positions, reductions in the cost of operations by \$40 million over the last four years, the growth of partnerships between segments such as Project ASSIST and restructured financial aid programs, as well as the on-going third party accountability contained in the variety of professional oversight groups linked to but outside of the university. In short, Dr. Tomlinson-Keasey represented the University of California as an institution well on the way to becoming a self-diagnosing, auto-correcting system. However, she was careful to add that there is always more to be done on this front. (Not in teacher education, however, for the UC system Dr. Tomlinson-Keasey maintained that the differentiation of function in the teacher education realm is clear and should remain so in spite of Benjamin and Carroll's call for marked improvements in this arena.

**Russell Gould**  
**Speaking on behalf of the California State University**

Former Budget director Gould, speaking at the invitation of CSU Chancellor Barry Munitz, applauded the extent to which the report tries to focus attention on California's plight, as well as for its portrayal of a highly diverse population which will need access to higher education in order to become a socially and economically integrated society. He pointed out that Californians expect and need a high quality of quality in their colleges and universities, echoing other respondents' concerns that access not be provided at the cost of sacrificing quality of learning. He endorsed the idea of additional partnerships between the segments, but expressed concern that this might contribute to the blurring of mission which Benjamin and Carroll hope to reduce.

*"California business leaders are emerging from the worst recession since the war. They have had to cut and restructure, often several times. They will not be convinced and they will not be sympathetic if educators say 'We're different, we can't restructure.'"*

**- Russ Gould**

Gould endorsed the extent to which Benjamin and Carroll stressed restructuring as a major obligation within higher education, pointing out that the California business community, emerging from its deepest recession since the 1930s, knew the sacrifices it had made and would not be satisfied with higher education saying, "We're different we cannot be expected to restructure what we do." Such a response will simply lose supporters, Gould observed.

At the same time, Gould was sharply critical of the RAND researchers' expectation that more money would be forthcoming from the State of California. Gould believes that it is highly unlikely that the state will be able to provide more funds and he indicated that the report misses the essence of the budget problem.

In explaining his position, Gould indicated that Benjamin and Carroll had misrepresented the budget situation as essentially a competition with corrections. Corrections, pointed out Gould, does not have a "fixed floor" established by statute, and currently represents only 8% of the total. Moreover, the cost curve for corrections has been flattening over the last few years, so the stratospheric rises assumed in the RAND report for correctional costs is in error.

Far more telling restraints for higher education exist in the structure of K-12 and TANF, according to Gould. Proposition 98 secured 36% of state funds for K-12, and state support of welfare has declined to just about the minimum level required to receive federal funds representing another 35%. Together, these essentially fixed costs leave higher education and all other discretionary, non-mandated expenditures vying with each other for the remainder less than 30% of total funds and less and less likely to see significant increases in funding. Moreover, since *Breaking the Social Contract* ignores the very real costs of refurbishing and replacing California's aging college and university facilities, the need for funds is literally billions more than Benjamin and Carroll estimate. Competing with K-12, Health and Welfare, and Corrections, and lacking a mandated level of funding, higher education will have to be persuasive indeed!

In the end, of course, Gould does agree with the overall message from the researchers: it is imperative that leaders in government and business convince the legislature of the great needs of higher education, and the great peril of not acting.



Judy Walters<sup>155</sup>

### California Community Colleges

Vice Chancellor Walters expressed thanks for the report, coming at a time when it might focus political debate on these critical issues. She endorsed the findings and recommendations of the report. She underlined the extent to which California Community Colleges are the principal means by which the state will meet the rising demand forecast by Benjamin and Carroll and so many other recent reports.

Walters also emphasized the extent to which the community colleges are, at the state level at least, moving in directions appropriate to meeting the goals reflected in the recommendations, especially the re-endorsement and enhancement of the Master Plan for Higher Education.

*"The community colleges have already taken the first steps along the lines described in the report. We concur with the findings and, generally, with the recommendations."*

**- Judy Walters**

As evidence of this progress, Walters described major efforts at the state level. First, the Board of Governors of California's community college system has been seeking input from a broad spectrum of groups and individuals on possible solutions. In addition, the colleges steering body, the Consultation Council, has created a 2005 committee, reviewing research and developing recommendations for the Board of Governors and Chancellor. The people involved in this effort have explored the dimensions of the threat constituted by rising demand and fiscal shortfall. Walters indicated that they have reached some conclusions, some of which are similar to recommendations made by Benjamin and Carroll. The group has concluded that all segments of public higher education need more funding, without which the impact on women and underrepresented minorities will be profound. Collaboration between community colleges to regionalize education, as well as heightened collaboration between the segments, has been recommended for exploration.

Walters pointed out that the Community Colleges have already begun this effort. Chancellor Nussbaum has proposed 1998 legislation to create a framework for higher education and job training for the future, proposing increasing participation rates to 78 per thousand (less than historical high points, but a substantial increase over the 58 per thousand today), while sharing the costs for this increase equally between the students, the colleges themselves, and public financing. For the colleges to contribute to this financing plan, they will have to reduce their costs per student. According to Walters some of the ways being explored by the 2005 group include altering the articulation of programs between K-12, CC, CSU, and UC; altering the annual calendar to improve facility use, expanded use of technology, matriculation from non-credit/adult education contexts, a wide variety of alternate educational delivery systems, and cost savings through system-wide acquisition of equipment and stores. Many other provocative ideas are being explored, such a tax-override specific to higher education, and the possibility of limiting the public responsibility to entry-level job training only with business shouldering the responsibility for job up-grades.

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<sup>155</sup> Judy Walters currently serves as Vice Chancellor of the Policy Analysis and Development Division for the California Community Colleges.



In short, Walters portrayed the community colleges, the segment most affected by the forecasts and extrapolations made by Benjamin and Carroll, as moving toward solutions, at least at the state level.

**Brother Mel Anderson<sup>156</sup>**

**Past President, Loyola Moraga University**

**Speaking on behalf of the Association of California's  
Independent Colleges and Universities**

Brother Mel Anderson called the trends and conclusions "overwhelmingly chilling." The consequences of the current situation are staggering in their implications for California's ethnic minorities. While Benjamin and Carroll see their report as a way to galvanize response, Brother Anderson has reservations: the picture is so daunting, that leaders may just back away. Anderson fears that the legislature lacks the resolve, the leadership, and the charisma to address this monumental problem.

Anderson criticized the content of the report in two important areas. First, while claiming to address higher education as a whole, the report consistently ignored the independent colleges and universities, which produce 1/3 of the degrees at baccalaureate level and above and thus must be a major component in any plan to address the rapidly rising demand. Second, the report generally ignores the financial aid question. With public tuition rising so fast, the availability of financial aid is critical to the question of access. The independent colleges have been progressively using donations and endowment funds to assist needy students but this cannot continue without end. Moreover, tuition levels in the public sector have now reached the level where students are

***"In this situation, you have to wonder if Californians really need another UC campus!"***

**- Brother Mel Anderson**

changing educational goals or foregoing higher education altogether. To speak of the financial picture and student demand without addressing the issue of financial aid is strange indeed, according to Brother Anderson.

Brother Anderson had additional comments in several other areas. He questioned the recommendation for further differentiation of function and systemic reorganization, especially as it affected the community colleges. He recommended seeking a middle course, in which local input and participation might be sought, but in which system level policy decisions were given additional weight. Further, he mused that, in the long run, predictable funding might be more important than simply increases in funding why had not the report addressed this critical issue?<sup>157</sup>

Two other insightful comments were made by the representative of California's Independent Colleges and Universities. Brother Anderson asked whether this was the appropriate time for

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<sup>156</sup> Brother Mel Anderson, FSC, the immediate past president of Saint Mary's College, has served as president of the Association of independent Colleges and Universities of California. Retiring from a 28 year tenure as president of Saint Mary's College in Moraga, Brother Mel serves as a consultant to the Office of the President of AICUC.

<sup>157</sup> Brother Anderson comment came just days before Governor Wilson vetoed AB 1415, the Bustamante Bill that Dan Walters termed "a milder version of Prop 98 financial guarantees." (Sacramento Bee, October 5, 1997). Walters expressed concern that UC and CSU might lose the impetus for reform if the bill were signed.

building new, four-year, public universities. For example, in light of the rising demand, especially at the community college level, and the promise held by initiatives like the virtual university, are Californians best served by the construction of a brand new, multi-billion dollar research "mid-valley" university such as that contemplated by the University of California? Why not look instead to the role independent colleges and universities can and do play, and find ways to enhance the movement of students toward that sector.

### III. Questions and Answers: Open Discussion

**"What is needed is a state-level Marshall Plan or GI Bill."**

**- Roger Benjamin**

Benjamin first addressed the questions in the last portion of Brother Anderson's comments. The virtual university, he indicated, is an interesting and noteworthy project, but it is one which is long-term in impact: it will not be effective in time to make a meaningful difference in the patterns which are emerging. In addition, its high cost makes it an unlikely part of

the solution to California's problem in the next few years. Benjamin declined to wade in to the deep waters of the proposed 10<sup>th</sup> campus of the University of California, merely saying that discussions on that matter would no doubt continue for quite a while.

In response to the several speakers who indicated that the means existed within their own segment to address these issues, Benjamin argued that the situation does not call for a segment by segment approach, but rather comprehensive analysis and state-level action. California needs a huge effort, he counseled, one which would be equivalent to a state-level Marshall Plan or GI Bill. Adjustments and revisions on a segment-by-segment basis simply will not be adequate to deal with the dimensions of the problem!

To those who cited the recommendations on governance and decision making as vague, Benjamin agreed. He argued that the situation varies tremendously from segment to segment, from site to site within the segments, and from unit to unit at the same site. Given that full continuum, we have an obligation to evolve from where we are to equip all decision-makers with appropriate information, so that the right decisions can be made as the resource pinch forces hard choices.

### IV. Questions from the audience

*A. Did Benjamin and Carroll give thought to the overhaul of Financial Aid, so the aid followed the student, rather than the institution?*

Carroll responded on behalf of the team that they had not taken the development of specific measures as their task, especially in areas as complex as financial aid. They did not believe they should propose "the answer" but they had understood from their review that the financial aid system as it operates today is neither deliberate or intentional and certainly not coherent!

*B. Can California continue to provide students financial aid on a uniform maximum level, without looking at the relative cost of the college or university and the benefit derived from attending?*

Carroll responded that, again, they had not taken as their task to address the specifics of financial aid, but it is clear that the state must change this system in order to keep up with the demand and financing changes which confront the state.

Rosenzweig, speaking as a private individual and not as a UC spokesperson, indicated that financial aid has not yet looked at the personal value of education and such a review is, in his opinion, long over due. It is evident that the poor are subsidizing the wealthy but this will take time to adjust,

Walters added (not as a spokesperson for the Community Colleges) that financial aid reform is one of the toughest assignments, because the interests of the three segments are not congruent, so that the issue pits them one against another. Of course, it is far more economical to provide aid so that a student can attend community college than it is to fund that student to attend UC and financial aid needs to reflect that fact.

*C. With regard to the community colleges, why was the report silent on the transfer mission, while containing recommendations about the vocational mission?*

With regard to the issue of transfer education, Benjamin concurred that the transfer mission was essential to the community colleges the emphasis on the vocational mission was due to the fact that it will play such an essential role, yet it is not effectively structured at a level basic to its success in the face of the coming challenge.

*D. Were the researchers aware that reviews of the impact of implementing fiscal incentives based on "productivity measures" revealed that this frequently led to the reallocation of funds away from vocational education and from those most in need of basic academic education?*

Benjamin replied that productivity is important by any analysis, given the extent of the crisis. He agreed with the questioner, however, in her insistence on public discussion of the means and measures, pointing out that the report avoided being prescriptive for this reason.

*E. Do the researchers or panelists have any recommendations about other states to examine states which have headed down this path before California?*

UC's Tomlinson-Keasey responded that many states have headed down this road but that she sees them as examples, frequently, of what not to do. She offered Oregon, Texas, Virginia, and Florida as cases in point. Her best suggestion: get off the funding roller-coaster.

*F. What changes in community college structure do the researchers recommend?*

Benjamin replied that they were responding to a variety of indicators that an overhaul was needed, not recommending specific changes. He indicated that the process for establishing priorities are even more Byzantine (sic) than those for UC or CSU.

#### **IV. Concluding Remarks from the Citizens Commission:**

##### **William Siart**

In his concluding remarks, William Siart extended his thanks to the researchers, the panel, and the audience for a symposium he hoped would do much to move the discussion on the crisis in California higher education closer to a point when the leadership would take action. Yet, Siart expressed grave concern about the extent to which panelists responded with defenses of current mechanisms of governance and decision making. He noted that he was one of those business men to whom Russell

*"It is not business as usual any more for higher education. Those organizations which do not adapt will disappear. No one who has weathered California's recession will be satisfied with the plea that education is different!"*

**- William Siart**

Gould had referred, one of those who had repeatedly had to make cuts, to give the bad news to sector heads that they had to reduce already reduced operations by 10, 15, or 25% more. Educators need to realize, argued Siart, that the situation is no longer business as usual and those organizations which do not adapt to the new reality are the organizations which will disappear.

**THE DRAMATIC SHIFT IN SOURCES OF STUDENT FINANCIAL  
AID  
IN CALIFORNIA**

**ALL INSTITUTIONS OF HIGHER EDUCATION  
1990/91 TO 1997/98**

	<u>1990/91</u>	<u>Percent of Total Aid</u>	<u>1997/98</u>	<u>Percent of Total Aid</u>	<u>Percent Change 1990 to 1997</u>
<b>Federal Loans</b>	\$1,061,391,000	43.5%	\$3,472,000,000	60.1%	227%
<b>Federal Grants</b>	\$486,917,000	20.0%	\$827,815,000	14.3%	70%
<b>Institutional Sources and Private Grants</b>	\$486,154,000	19.9%	\$1,066,203,000	18.4%	119%
<b>State Cal Grants</b>	\$207,161,000	8.5%	\$293,471,000	5.1%	42%
<b>Other Loans</b>	\$72,740,000	3.0%	\$14,736,000	0.3%	-80%
<b>Work Study</b>	\$125,409,000	5.1%	\$106,205,000	1.8%	-15%
<b>TOTAL</b>	\$2,439,772,000	100%	\$5,780,430,000	100%	137%

**Source:** California Student Aid Commission, "1998-99  
Budget and Program Overview Presented to the  
Assembly Budget Subcommittee #2 on Education Finance.  
March 25, 1998.

**PROJECTION OF STATE APPROPRIATIONS UNDER DIFFERENT  
SCENARIOS OF ENROLLMENT GROWTH ACCORDING  
TO THE CCCH PROPOSAL**

<b>1996/97</b>	<b>Total FTES</b>	<b>Undergraduate FTES</b>
<b>UC*</b>	<b>142,783</b>	<b>117,071</b>
<b>CSU</b>	<b>262,428</b>	<b>230,659</b>

\*General Campus Only

**Growth Scenarios                      Two Approaches to Funding Enrollment Growth**

<b>Enrollment Growth In Additional FTES</b>	<b>"Business as Usual" (BAU)  UC=\$7,000 per FTES CSU=\$5,760 per FTES</b>	<b>"Shared Responsibility" Approach for Additional FTES  Threshold for funding additional FTES growth = 1.5%</b>
<b>1% Total Growth</b>		
UC 1,428	\$9,994,810	\$0
CSU 2,624	\$15,115,853	\$4,320,000* (special allocation)
<b>2% Total Growth</b>		
UC 2,856	\$19,989,620	\$4,997,405
CSU 5,249	\$30,231,706	\$11,877,926.40
<b>3% Total Growth</b>		
UC 4,283	\$29,984,430	\$14,992,215
CSU 7,873	\$45,347,558	\$26,993,779.20
<b>4% Total Growth</b>		
UC 5,711	\$39,979,240	\$24,987,025
CSU 10,497	\$60,463,411	\$42,109,632

\*The Commission recommends that 750 additional FTES in the CSU schools of education be specially funded each year.







**University of California:**  
Berkeley - Davis - Irvine - Los Angeles - Riverside  
San Francisco - San Diego - Santa Barbara - Santa Cruz

**California State University:**  
Bakersfield - Chico - Channel Islands - Fresno  
Dominguez Hills - Fullerton - Hayward - Humboldt  
Long Beach - Los Angeles - Maritime Academy  
Monterey Bay - Northridge - Pomona - Sacramento  
San Bernardino - San Diego - San Francisco - San Jose  
San Luis Obispo - San Marcos - Sonoma - Stanislaus

**California Community Colleges:**  
Alameda - Allan Hancock - American River - Antelope  
Valley - Bakersfield - Barstow - Butte Glenn  
Cabrillo - Canada - Canyons - Cerritos - Cerro Coso  
Chabot - Chaffee - Citrus - Coastline - Columbia  
Compton - Contra Costa - Cosumnes River - Crafton  
Hills - Cuesta - Cuyamaca - Cypress - De Anza  
Desert - Diablo Valley - East LA - El Camino  
Evergreen Valley - Feather River - Fresno City  
Foothill - Fullerton - Gavilan - Glendale - Golden  
West - Grossmont - Hartnell - Imperial Valley - Irvine  
Valley - Kings River - Lake Tahoe - Laney - Las  
Positas - Lassen - Long Beach City - L.A. City - L.A.  
Harbor - L.A. Mission - L.A. Pierce - L.A. Southwest  
L.A. Trade Technical - L.A. Valley - Los Medanos  
Marin - Mission - Merced - Mendocino - Merritt  
Mira Costa - Modesto Junior - Monterey Peninsula  
Moorpark - Mt. San Antonio - Mt. San Jacinto - Napa  
Valley - Ohlone - Orange Coast - Oxnard - Palo Verde  
Palomar - Pasadena City - Porterville - Rancho  
Santiago - Redwoods - Rio Hondo - Riverside  
Sacramento City - Saddleback - San Bernardino  
Valley - San Diego City - San Diego Mesa - San Diego  
Miramar - SF City - San Joaquin Delta - San Jose  
City - San Mateo - Santa Barbara City - Santa  
Monica - Santa Rosa - Sequoias - Shasta - Sierra  
Siskiyou - Skyline - Solano - Southwestern - Taft  
Ventura - Victor Valley - Vista - West Hills - West LA  
West Valley - Yuba

**WASC Accredited Independent Institutions:**  
American Academy of Dramatic Arts West  
American Conservatory Theater - Art Center College  
Of Design - Azusa Pacific - Bethany - Biola - Brooks  
Ca Baptist College - Ca College Of Arts & Crafts  
Ca College Of Podiatric Medicine - Ca Family Study  
Center - Ca Institute Of Integral Studies - Ca Institute  
Of Technology - Ca Institute Of The Arts  
Ca Lutheran Univ - Ca School Of Professional  
Psychology - Alameda - Chapman University  
Christian Heritage - Church Divinity School  
Claremont Graduate - Claremont Me Kenna  
Cogswell Polytechnical - College Of Notre Dame  
College Of Oceanering - Concordia University - DQ  
University - Dominican College Of San Rafael  
Dominican School Philosophy & Theology - Don Bosco  
Technical - Fashion Institute Of Design &  
Merchandising LA - The Fielding Institute  
Franciscan School Of Theology - Fresno Pacific  
Fuller Theological Seminary - Golden Gate - Baptist  
Theological Seminary - Golden Gate University  
Graduate Theological Union - Harvey Mudd - Heald  
Colleges - Hebrew Union - Holy Names - Humphreys  
Jesuit School Of Theology - Kelsey - John F. Kennedy  
Jenny Business - Loma Linda - LA College Of  
Chiropractic - LA Marymount - Loyola Marymount  
McGeorge School Of Law - LOP - Mennonite  
Brethren Biblical Seminary - Menlo - Monterey  
Institute Of International Studies - Mount St. Mary's  
National - Occidental - Otis College Of Art & Design  
Pacific Christian - Pacific Graduate School Of  
Psychology - Pacific Union - Pacific Oaks - Pacific  
School Of Religion - Patten - Pepperdine - Phillips Jr.  
College - Pomona - Pitzer - Pt. Loma Nazarene  
Queen Of The Holy Rosemary - Rand Graduate  
School Of Policy - Samuel Merritt College of Nursing  
SF Art Institute - SF College Of Mortuary Science  
SF Conservatory - SF Theological - San Joaquin  
College Of Law - Santa Clara - Saybrook School Of  
Theology - Claremont - Simpson - Scripps - Southern  
Ca College Of Optometry - Southern Ca - St. John's  
Seminary College - St. Mary's College Of Ca  
St. Patrick's Seminary - Stanford - The Master's  
College - The Salvation Army's School For Officers  
The Scripps Research Institute - Thomas Aquinas  
U.S. International University - University Of Judaism  
University Of LaVerne - University Of Redlands  
University Of Southern Ca - University Of The Pacific  
University Of West LA - West Coast - Western State  
University - Westmont - Whittier - Woodbury  
The Wright Institute



# A State of Learning . . .

## California Higher Education in the Twenty-First Century

California's 1960 "Master Plan for Higher Education" sought to transform the dream of a college education into a reality available to every citizen.

## The Dream . . .

- A space in higher education for every Californian who could benefit;
- A system of high quality, affordable colleges and universities;
- An educational opportunity for citizens to improve their lives, participate effectively in government and build a strong economy.

## The Threat . . .

- No realistic plan to accommodate the 500,000 new students coming by 2005;
- "Boom and bust" swings in financing that destroy long-term planning by colleges, students and their families;
- Structural problems in governance and statewide coordination of higher education institutions that undermine their ability to serve students;
- An increasingly divided society along racial, ethnic and socioeconomic lines;
- Too many poorly prepared students arriving in college.

## A Plan to Meet the Challenge. .

To protect and expand its dream of higher education in the 21st Century California must:

- Require the state, its institutions of higher education and the students each to share the increased costs of growing demand for college education;
- Smooth out erratic "boom and bust" financing patterns, stabilize long-term funding, index changes in student fees to affordability and guarantee financial aid for needy students;
- Improve community college governance and strengthen statewide coordination of higher education;
- Ensure that the very top students in each high school are university eligible;
- Strengthen cooperation between higher education and K-12, change college admission criteria to encourage competency-based school reform and improve teacher education.



**A Center for Governmental Studies Project**

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