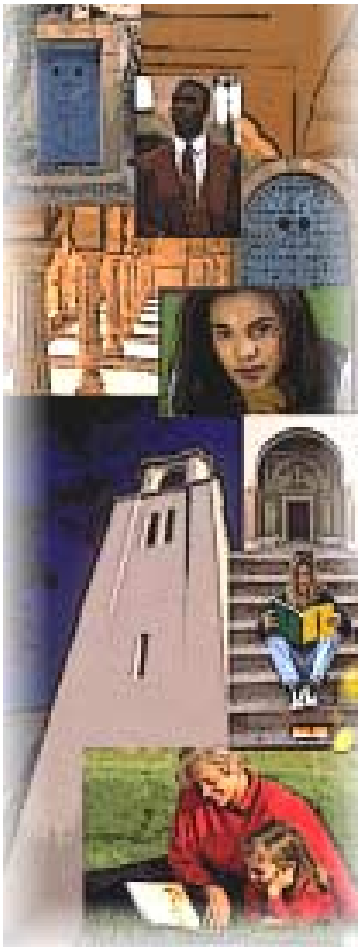

POLICY FOR PROGRESS

Reaffirming California Higher Education Accessibility, Affordability, and Accountability into the 21st Century

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

APRIL 2000

COMMISSION REPORT 00-3

Summary

The purpose of this report is to provide policy recommendations to help guide elected officials, educational leaders, and State oversight and coordinating agencies in addressing important higher education issues -- like burgeoning higher education enrollment demand -- into the 21st Century.

In this report and its related companion document, *Providing for Progress: California Higher Education Enrollment Demand and Resources into the 21st Century* (CPEC Report 00-1), the Commission has assessed the complex issues related to the prospect of California's public colleges and universities, as well as those independent institutions located in the state, needing to accommodate in excess of 715,000 more students by the end of the decade.

To help meet that challenge, there are more than 40 specific recommendations in this report for the Administration, Legislature, administrators, and public agencies. Each is discussed in the context of improving higher education accessibility to a growing and increasingly diverse student body, helping improve the affordability of education beyond high school, and improving the accountability of institutions in meeting their respective educational goals.

The Commission approved this report at its meeting of April 3, 2000. Questions about the substance of the report may be directed to the Commission staff at (916) 445-7933. Copies of this and other Commission reports may be ordered by e-mail at PublicationRequest@cpec.ca.gov , or by writing the Commission at 1303 J Street, Suite 500, Sacramento, Ca. 95814-2938; or by telephone at the above telephone number. Please visit the Commission Website at www.cpec.ca.gov for more information about education beyond high school.

Policy for Progress:

Reaffirming California Higher Education Accessibility, Affordability, and Accountability into the 21st Century

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1303 J Street ♦ Suite 500 ♦ Sacramento, California 95814-2938

COMMISSION REPORT 00-3
PUBLISHED APRIL 2000

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STATE OF CALIFORNIA GRAY DAVIS, *Governor*

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An Open Letter to the People of California

About Policy for Progress in the 21st Century

Dear Californian: April 2000

The California Postsecondary Education Commission is pleased to present *Policy for Progress: Reaffirming California Higher Education Accessibility, Affordability, and Accountability into the 21st Century.* For the past decade, the Postsecondary Education Commission has remained focused on improving both access to, and the quality of, postsecondary education in California for the current and future generations of students. The outset of a new century provides a meaningful juncture at which we can both assess our progress to date and prepare to meet the postsecondary education challenges ahead.

Together with *Providing for Progress*, an accompanying report that assessed both California's higher education enrollment demand in this decade and beyond and the State's ability to afford the expansion of its public college and university capacity, this Commission report is intended to help policy makers, educators, and others chart a course for higher education into this new century.

The more than 40 recommendations that follow are designed to improve California postsecondary accessibility, affordability, and accountability for California's increasingly diverse and expanding student population. The Commission, in this and other efforts, will continue to work toward developing and implementing those higher education policies that continue to make the State's postsecondary institutions a vehicle for continued social and economic progress for all Californians.

Sincerely,

Guillermo Rodriguez, Jr.
Chair

Warren H. Fox, Ph.D.
Executive Director

Contents

Page	Section
1	ONE Executive Summary and Recommendations
1	Executive Summary
1	Recommendations
2	*Recommendations for California Elected Officials and Policy Makers*
3	*Recommendations for California Higher Education Leadership*
4	*Recommendations for the Postsecondary Education Commission and Oversight Agencies*
5	TWO Background, Context and Goals for Change
5	The Commission's Prior Long-Range Planning Reports
6	California's Contextual Realities
7	*Strong Demand Continues for Higher Education*
8	*Diversity Remains a Key Characteristic*
10	*Academic Preparation of Freshmen Reflects Wide Variation*
11	*Technology Use Expands, but Not Among All Groups*
11	Towards a "Seamless" System
12	Working Together to Improve Student Learning and Academic Performance

14 Accessibility, Affordability, and Accountability

15 THREE Providing Higher Education Accessibility

16 An Increasing Enrollment Demand

17 Accessibility Recommendations

17 *Elected Officials and Policy Makers*

20 *California Higher Education Leadership*

25 *California Postsecondary Education Commission*

27 FOUR Affordability of Higher Education

29 Understanding Higher Education Costs

30 State-Level Fee Policies and Budget Practices

31 Affordability Recommendations

31 *Elected Officials and Policy Makers*

33 *Higher Education Leadership*

35 *California Student Aid Commission*

36 *California Postsecondary Education Commission*

37 FIVE Accountability in Postsecondary Education

38 Specific Outcomes from Educational Institutions

39 Accountability Recommendations

39 *Elected Officials and Policy Makers*

40 *California Higher Education Leadership*

43 *California Student Aid Commission*

44 *California Postsecondary Education Commission*

47 References

1 Executive Summary and Recommendations

Executive summary

Entering the first decade of a new century, California has embarked upon a period of profound change and, in many ways, daunting challenge. Higher education is no exception. State policy makers, college and university administrators, faculty, students and their families will be affected.

As the State's higher education planning and coordinating agency, the California Postsecondary Education Commission's response to help meet this challenge has been twofold: First, in a companion to this report, *Providing for Progress: California Higher Education Enrollment Demand and Resources into the 21st Century*, the Commission presented analysis to support a projected higher education enrollment increase of 714,753 more students in California colleges and universities by 2010. That report also concluded that capacity of current higher education facilities must be improved and expanded to meet this need, projected the cost to the State for doing so will be $1.5 billion per year for at least the next decade, and examined the State's ability to finance these changes.

This report incorporated those findings and represents the Commission's next step: to set forth a cohesive set of higher education policy recommendations for the future to help guide elected officials, educational leaders, and State oversight or educational coordinating agencies. This report also discusses a number of other factors that influence the current discussion, including dramatic changes in the State's demography and diversity, the ever-more important role of technology in higher education and elsewhere, and an economy that currently produces expanded economic resources for public education undertakings while also creating new employment demands and opportunities for all who pass through our institutions of higher education.

Together both of these new reports update the Commission's prior long-range planning reports, *The Challenge of the Century* and *Capacity for Growth*, completed in 1995. Those reports proved accurate and have been instrumental in higher education planning since their publication. We expect the Commission's new report to be no less important or useful to all who address the challenges that lie ahead for California higher education and the State at large.

Recommendations

The recommendations of this report are summarized below. Some are slightly reordered or rephrased from the body of the report where they are more thoroughly discussed; each has a page reference. The recommendations are divided into the three intended groups: (l) elected officials and policy makers, (2) higher education leadership; and (3) the Commission and other coordinating entities. They focus on education access, affordability, and accountability.

Recommendations for California Elected Officials and Policy Makers

- Invest in elementary and secondary school improvement (p. 17).
- Assess progress in adopting school performance standards and assessment, and encourage and support stronger teacher education programs (p. 18).
- Continue support for outreach activities by public colleges and universities (p. 19).
- Search actively for ways in which high school graduates can be provided access to postsecondary education institutions that best fit their interests and abilities (p. 19).
- Conduct informational legislative hearings on the progress of the Bureau for Private Postsecondary and Vocational Education (BPPVE) in implementing the provisions of the Private Postsecondary and Vocational Act (p. 19).
- Link State funding for public higher education with the undergraduate enrollment it is intended to support (p. 31).
- Increase appropriations for Cal Grants so that the State's goal of providing new awards equivalent to one-quarter of the total number of public high school graduates annually is achieved (p. 32).
- Develop a policy regarding funding requirements for institution-administered aid programs, including the portion that should be funded by the State. In addition, the California State University (CSU) and the University of California (UC) should develop clear definitions of the purpose, funding, and uses of institutional grant support and how those institutional grant programs differ from and complement the State Cal Grant program (p. 32).
- Seek to develop consensus for General Fund support of scheduled and deferred maintenance (p. 32).
- Invest in technology initiatives that improve student learning, enhance access, and/or increase institutional productivity (p. 33).
- Identify specific outcome areas in which CSU and UC should provide evidence of institutional performance and condition future investment on maintaining or increasing performance in each area (p. 39).
- Request California independent colleges and universities to provide evidence of institutional performance similar to that requested of public colleges (p. 40).
- Require the community colleges and the CSU -- and request UC and Independent colleges and universities -- to submit annual performance reports to the California Postsecondary Education Commission for its review and comment (p. 40).

Recommendations for California Higher Education Leadership

- Expand collaborative efforts to ensure consistent levels of rigorous academic instruction for every elementary and secondary school student (p. 21).

- Each sector of regionally accredited higher education should assign greater weight to teaching excellence and school collaboration in the faculty retention, tenure, and promotion (RTP) process (p. 21).

- All systems and sectors of regionally accredited higher education should regularly collect data on institutional effectiveness in facilitating student achievement, including placement data and success of its graduates in meeting external certification and professional licensure examinations (p. 42).

- The CSU and the UC should initiate a validation study of their respective admissions criteria (p. 21).

- Selection by the community colleges, from the several definitions of "transfer-eligible" students, of a single definition for purposes of developing a methodology for estimating annually the size of this student pool (p. 22).

- Review, by the community colleges, CSU, and the UC, of their respective transfer plans to identify ways in which the transfer process can be simplified and made more effective for students. Where appropriate, modifications should be made to accomplish this goal and to ensure compatibility between and among each system's plan. Additionally they should each prepare 10-year plans to expand their capacity by establishing an FTES enrollment goal they will strive to accommodate through technology mediated teaching and learning opportunities (pp. 22 and 23).

- Urge California's independent colleges and universities to report how many more Californians they can accommodate, and define the distribution of such capacity statewide by location and type of institution (p. 24).

- Seek to identify and implement strategies to permanently reduce or retard growth in costs of higher education in all sectors (p. 34).

- Adopt the practice of all higher education institutions providing students information on the institutional costs of providing a quality educational experience in relationship to the tuition and fees (sticker price) being charged to students (p. 34).

- Seek ways to reduce expenditures in any year in which mandatory tuition and fees (sticker price) are increased by a percentage that exceeds the average percentage increase in per capita personal income (p. 35).

- Declare the mission-specific goals and performance standards that each public college and university system and regionally accredited independent college or university seeks to achieve. To provide for statewide coordination and compatibility, review and comment should be sought from the Commission prior to finalizing performance goals for each of the public systems (p. 42).

Recommendations for the Postsecondary Education Commission and Oversight Agencies

The California Postsecondary Education Commission should:

- Seek funding to conduct a study, on a regular four-year cycle, of the extent to which California high school graduates attain CSU and UC eligibility (p. 25).
- Assess the effectiveness of CSU and UC efforts to increase eligibility of high school graduates among populations that have a history of low eligibility rates (p. 25).
- Request 10-year enrollment plans, including estimated capital outlay needs, from each of the public systems on a biennial basis (p. 25).
- Request the governing boards of the community colleges, CSU, and the UC to gather systematically socio-economic data on all enrolling students and report that data annually to Commission (p. 36).
- Assess whether the goal of providing new Cal Grant awards equal to 25 percent of the high school graduating class remains an appropriate goal (p. 36).
- Review and comment on the mission-specific goals and performance standards adopted by each system (p. 44).
- Reconstitute its advisory committee to review the indicators in its annual performance indicators report as well as the data that will be included in system accountability reports to align them and eliminate duplication (p. 44).
- Review and comment on annual postsecondary education systems' accountability reports (p. 44).
- Review and analyze other states "pay for performance" initiatives and develop a pilot proposal for California (p. 44).
- Provide policy and programmatic guidance to the State in setting academic standards and review procedures that establish and maintain integrity of private postsecondary education institutions operating in California (p. 45).

California Student Aid Commission should:

- Calculate annually the funding required for the State to meet its goal of providing new Cal Grant awards equal to one-quarter of the public high school graduates (p. 35).
- Request funding to complete a Student Expense and Resources Study (SEARS) on a regular, periodic basis (p. 35).
- Evaluate, with the Commission, whether increased Cal Grant funding has expanded access to and improved the affordability of enrollment at independent colleges and universities in California (p. 43).
- Initiate an evaluation of the Cal Grant program effectiveness in facilitating student achievement (p. 43).

The Bureau of Private Postsecondary and Vocational Education should:

- Expedite efforts to organize its staffing and operational procedures to instill confidence in the integrity of the academic degrees offered and the quality of vocational training provided by institutions it approves (p. 24).
- Be required to provide annually to the Commission data on specific outcomes required to be reported to the Bureau pursuant to Education Code §94808 by academic degree-granting institutions approved to operate in California (p. 43).

2 Background, Context and Goals for Change

THERE ARE A NUMBER of facts that the Commission believes inform the recommendations set forth in this report. This section references past Commission work on these issues and explores current demographic and economic realities, as well as issues like disparities in academic preparation and access to technology, that will have an impact on future educational policy. This chapter also reiterates the Commission's belief in a "seamless" state education system and the need for all of education to work collaboratively toward better education for all students.

The Commission's prior long-range planning reports

In 1995, the California Postsecondary Education Commission issued *The Challenge of the Century: Planning for Record Student Enrollment and Improved Outcomes in California Postsecondary Education*, pursuant to § 66903 (b) and (c) of the Education Code (CPEC 1995). In that long-range planning report, the Commission advanced the following vision to guide California's policy makers and educational leaders:

> California requires a cohesive system of first-rate schools, colleges, and universities -- both public and private -- that is characterized by a clear set of high expectations, collaboration among institutions, and public accountability for institutional performance. Its colleges and universities should continually engage in critical self-examination to determine how teaching and learning can best be improved and institutional efficiencies and productivity enhanced. These institutions must receive adequate levels of financial support to ensure that all Californians who prepare themselves to benefit from instruction have access to educational opportunities that nurture the very best in them. In this way, education can mitigate inequitable differences in family background and prepare all Californians to participate fully in the State's political democracy, contribute to its continually changing economy, and recognize the unique benefits of California's diversity for the creation of ideas and culture.

This vision continued to guide the Commission in updating its postsecondary plan through 2010. The Commission more sharply defined the vision by making explicit two implicit assumptions:

(1) Students, and nurturing the very best in them, should be at the center of decisions to change or modify higher education institutional policies, practices, pricing, structure, or expansion; and

(2) Achieving this vision requires all constituent groups – policy makers, educational leaders, students, parents, and business leaders – to accept a share of responsibility.

Although the Commission believes that all constituent groups share responsibility for achieving the vision stated above, the recommendations here focus largely on elected officials, educational leaders, and State oversight or educational coordinating agencies.

A related 1995 Commission report, *A Capacity for Growth* (CPEC 1995), had identified the major challenge to California postsecondary education to be tremendous growth in demand for access. Accommodating that demand, while retaining a long-standing commitment to affordable costs and high quality educational opportunities, demand greater and more creative collaboration between and among educational institutions and policy makers.

The Commission has now undertaken to update and extend both reports through 2010. The new companion report on enrollment demand, capacity, and financing expansion is *Providing for Progress: California Higher Education Enrollment Demand and Resources* (CPEC 2000). This report provides an updated review of major policy issues in postsecondary education that require focused attention over the next decade in the areas identified by the Commission to be of high priority: *Accessibility*, *Affordability*, and *Accountability*. It provides recommendations to key stakeholders and, in the case of higher education leaders, it also summarizes planning completed by each public system of higher education related to the areas examined by this report. The purpose is to inform readers as well as to advise various stakeholders of actions that should be initiated as California enters a new century and millennium.

California's Contextual realities

The recessionary pressures of the first half of the 1990 decade have been followed by a strong economic recovery that will likely continue into the first half-decade of the 21st century. Among the recovery results is a renewed confidence in California's future, and a resurgence of population growth. High quality educational opportunity is key to the public optimism in the California economy and is reflected in the steady demand for education beyond high school. Indeed, much of the strength of California's economy can be attributed to the existence of, and commitment to, high quality educational institutions, particularly its public colleges and universities. These institutions are complemented by an array of outstanding independent colleges and universities throughout the state.

The strength of California's present economic recovery provides an opportunity to pursue goals that were not economically feasible in the recent past. Investments to improve the quality of learner outcomes, update instructional support equipment, reduce deferred maintenance backlogs, install technology infrastructure in and among educational institutions, and ensure adequate numbers of fully credentialed teachers are examples of additional goals that can be more aggressively pursued during this economic resurgence. These economic factors are discussed at length in *Providing for Progress*. Such investments,

both one-time and ongoing, should enhance California's capacity to provide teaching and learning environments that more effectively facilitate academic achievement for increasing numbers of students.

Strong demand continues for higher education

The Commission's 1995 estimates of likely demand for college enrollment through the year 2005, considered to be optimistic at the time by some observers, have proven accurate. The enrollment demand estimates of the Commission, those of the Demographic Research Unit (DRU) – the State's official demographic office housed within the Department of Finance – and the actual enrollments for each public system of higher education from fall 1995 to fall 1998 are shown below (Display 1). The Commission and the DRU estimates both proved to be conservative when compared to the actual undergraduate enrollment at all three public systems of higher education. Current projections by both DRU and the Commission reflect higher enrollment based on population growth and recent trends in student attendance patterns. California's total population continues to grow by approximately 600,000 people per year and now exceeds 33 million. This growth, coupled with the perception that a college education is essential to future prosperity, has fueled and will continue to fuel steady demand for access to education beyond high school. In *Providing for Progress*, the Commission has projected an increase of enrollment demand of 714,753 students by 2010, bringing the total enrollment in California public colleges and universities to 2.7 million students.

DISPLAY 1 Undergraduate Enrollment Demand Estimates Compared with Actual Fall Term Enrollments, 1995-1998

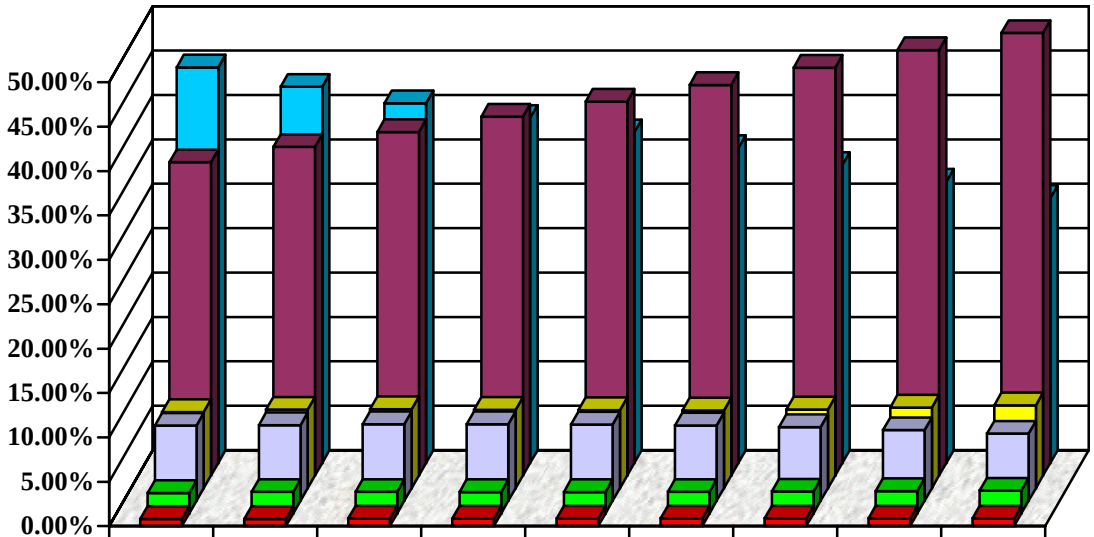
University of California					
		CPEC	**DRU**	**Percent Difference**	
Fall Term	**Actual**	**Baseline**	**1994 Series**	**CPEC**	**DRU**
1995	123,948	125,404	120,900	1.17%	-2.46%
1996	126,260	126,936	121,800	0.54%	-3.53%
1997	128,976	128,468	124,300	-0.39%	-3.63%
1998	132,700	130,004	127,400	-2.03%	-4.00%
California State University					
		CPEC	**DRU**	**Percent Difference**	
Fall Term	**Actual**	**Baseline**	**1994 Series**	**CPEC**	**DRU**
1995	264,023	261,474	245,300	-0.97%	-7.09%
1996	272,642	264,042	247,200	-3.15%	-9.33%
1997	276,054	268,894	254,000	-2.59%	-5.54%
1998	278,597	273,746	261,700	-1.74%	-6.45%
California Community Colleges					
		CPEC	**DRU**	**Percent Difference**	
Fall Term	**Actual**	**Baseline**	**1994 Series**	**CPEC**	**DRU**
1995	1,336,300	1,355,358	1,418,200	1.43%	6.13%
1996	1,407,335	1,374,562	1,430,500	-2.33%	1.65%
1997	1,453,000	1,435,063	1,454,200	-1.23%	0.08%
1998	1,475,000	1,488,052	1,485,600	0.88%	0.72%

Diversity remains a key characteristic

Chapter 3 of *Providing for Progress* presents extensive data about and analysis of the changing demographic factors evident in California. From these data, it is clear that California is and will continue to be one of the most diverse states in the nation. This diversity spans multiple dimensions, including social, cultural, racial/ethnic, age, economic, and geographical factors. Demographically, California will attain soon the distinction of being the first mainland state in which no racial/ethnic group represents 50 percent or more of the population. This diversity also presents significant challenges to California's public schools, colleges, and universities since many students do not speak English as their primary language.

The high school graduating class of 2010 is now enrolled in the second grade and the racial/ethnic diversity of that group represents the composition of prospective students who will be seeking admission to a California college or university over the next decade (Display 2).

DISPLAY 2 K-12 Public School Enrollment, by Race/Ethnicity, Actual and Estimated, 1991-92 to 2007-08



	1991-92	1993-94	1995-96	1997-98	1999-00	2001-02	2003-04	2005-06	2007-08
Amer.Ind.	0.81%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Filipino	2.31%	2.4%	2.4%	2.4%	2.4%	2.4%	2.5%	2.5%	2.6%
Black	8.47%	8.5%	8.6%	8.6%	8.6%	8.5%	8.3%	8.0%	7.6%
Asian/Pac.Isl.	8.57%	8.9%	8.9%	8.8%	8.8%	8.8%	8.9%	9.1%	9.3%
Latino	35.27%	37.0%	38.7%	40.4%	42.1%	44.0%	45.9%	47.9%	49.8%
White	44.53%	42.4%	40.5%	38.9%	37.2%	35.5%	33.6%	31.7%	29.8%

Source: Department of Finance, Demographic Research Unit, 1998 Series

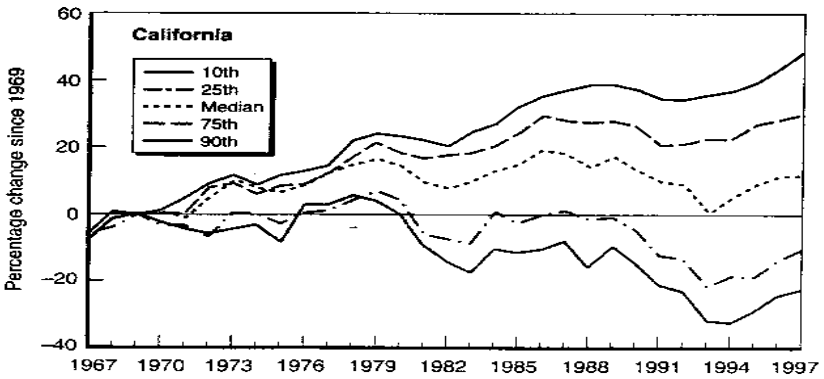
There are a number of other factors that influence the diversity of California's population. The State's geography and weather, employment opportunities, and social environment have attracted residents from across the country and

the world. The resulting national and international diversity can be found in urban, suburban, and rural populations throughout the state. Also, California is growing simultaneously older and younger. According to DRU, the number of older people in the state will grow by more than 70 percent for a total of 6,363,390 residents 65 years or older in 2020. This aging population will have profound effects on virtually all aspects of California life.

On the other end of the age spectrum, annual growth in the 14-year old and under age categories has remained strong over the past decade, growing from 6,698,192 in 1990 to an estimated 8,349,110 in 2000, a growth of 24.6 percent. Current estimates indicate that this younger age cohort will grow by an additional 26.7 percent over the next 20 years to a total of 10,574,920. This population cohort represents the group that will be making its way through California elementary and secondary schools. The sheer size of this cohort will strain the capacity of the State to provide adequate facilities and numbers of competent teachers to prepare students for success in postsecondary education and for gainful employment in California's economy.

California also has considerable diversity in the distribution of income among households. Display 3 below illustrates the change in adjusted household income between 1969 and 1997 for families from different income levels. It graphically illustrates the trend of growing income inequality in different households since 1969. During that period, the average household income of families in the 10th percentile declined by more than 22 percent between 1969 and 1997 while the average household income of families within the 90th percentile increased by nearly 49 percent.

DISPLAY 3 Percent Change in Adjusted Household Income, 1969 to 1997



SOURCE: Author's calculations from the March file of the CPS.
NOTES: Statistics are adjusted to 1997 dollars. In 1988, income in California may not be comparable to other years because of changes in the CPS.

According to Deborah Reed of the Public Policy Institute, the primary explanation for the income inequality noted above is attributed to the dual impact of higher "returns to skill" as well as immigration. "Returns to skills" measure the differential in earnings between more- and less-skilled workers, with skills defined in terms of years of schooling and years of work experience. The return to workers with a high school diploma vs. those with no diploma in-

creased from only 9.0 percent in 1969 to over 35 percent in 1997. In 1969, a native California worker with a baccalaureate degree earned almost 50 percent more than a similar worker with a high school diploma. By 1997, the earning differential was nearly 70 percent.

A substantial growth in the proportion of immigrants in the male workforce between 1969 and 1997 has also contributed to income inequality in the state. (Overall, these workers are disproportionately represented in the bottom quartile of male wage earners.) When compared with wage inequality in the rest of the nation in 1997, California wage inequality was higher than the rest of the nation. Higher returns to skill accounted for about a third of that difference and immigration accounted for about an additional 45 percent (Reed, 1999).

Academic preparation of freshmen reflects wide variation

California's public higher education system provides the broadest possible access to postsecondary education for those high school graduates and adults who can benefit from instruction. This social commitment is most evident in the community college system, which has been charged by the State with providing learning opportunities for all Californians with a high school diploma and those who have reached the age of 18. These minimal enrollment requirements result in students enrolling in community colleges with very different levels of academic preparation. The two public university systems, however, have been directed to select freshman students from among the top one-third and top one-eighth of high school graduates seeking to enroll in CSU and UC, respectively. Each university system has established admission requirements that incorporate course pattern completion, earned grade point average, and earned test scores on standardized college entrance examinations (SAT 1, ACT, and SAT 2).

The Commission's last two "eligibility studies" indicate that greater numbers and proportions of students than in the past – across all racial/ethnic and gender groups – are completing college preparatory courses. However, major disparities continue to exist among distinct groups of high school graduates: White high school graduates are twice as likely to achieve university eligibility as their Black and Latino counterparts; Asian high school graduates are twice as likely to achieve university eligibility as their White counterparts; and suburban high school graduates, on average, achieve university eligibility at higher rates than do graduates of rural and urban schools.

Between fall 1992 and fall 1996, more than four of every five State University freshmen met all regular admission requirements, with the balance offered either alternative or special admissions. Despite this, nearly half of all first-time freshmen (FTF) assessed are in need of remedial or pre-collegiate instruction in one or more areas -- a fact that prompted the CSU Board of Trustees to adopt a policy to reduce the demand for such instruction to no more than 10 percent by fall 2007.

A similar pattern is evident within the University of California, in which nearly all FTF students enrolled have met all requirements for regular admission. Yet, more than a third of these students required additional assistance in developing their reading and writing skills.

Technology use expands, but not among all groups

"Nearly half of North America uses the Internet," according to Mark Resch, executive vice president at CommerceNet. "We use it to communicate, to learn, to shop and to buy." Similarly, nearly all California schools, colleges, and universities are using the Internet, as well as other forms of technology, to enhance teaching and learning, to squeeze greater efficiencies from administrative operations, and to reduce inequities in access to current knowledge by students throughout the state.

According to recent national surveys, the number of households containing at least one computer is almost as high as the number of households containing at least one television. Technology advances also influence children's home education and entertainment significantly with the use of multimedia features. Educators are working to identify ways in which technology can improve teaching and learning, and ways to ensure that all students have equitable access to technological resources, even before they enroll in college.

While access to technology and use of the Internet has increased nationally, it has not increased equally for all groups. According to the report, *Falling Through the Net: Defining the Digital Divide* (Commerce Department, 1999), the difference between White households using the internet and non-White households increased from 13 percentage points in 1997 to 20 percentage points in 1998. The lowest level of access to computers and use of the Internet was for poor Black and Latino youngsters living in rural areas. While higher income narrows the racial divide in access to and use of technology, it does not solve the entire digital gap. Family structure, fear, and lack of understanding of the value of Internet use are all identified in the study as contributors to the digital divide. Ways must be found to bridge this gap if all students are to be equitably prepared for success in postsecondary education where technology use is becoming more and more common in the teaching-learning process.

Toward a "seamless" system

The Commission has long believed that California has developed a public education system that has a proud history of excellence when considered in the aggregate. However, the emphasis given to individual "segments," both in budgeting approaches and public rhetoric, serve to emphasize and reward individual needs and achievements of separate systems rather than the entire continuum of public education providers. Periodic budget constraints have eroded the generous level of General Fund support that helped forge California's historical reputation for high quality public education. The result is a fiscal climate in which greater attention is directed toward securing resources for individual systems, or institutions, rather than being directed towards identifying ways in which total education resources can be expended to maximize student achievement in California at all levels -- a climate that does more to foster competition than collaboration.

The Commission's vision calls for a cohesive system of first-rate schools, colleges, and universities characterized by a clear set of expectations, collaboration among institutions, and public accountability for institutional performance. Further, that accountability should have student achievement at its core. This vision cannot be reasonably accomplished in an environment of unbridled

segmental competition. Rather, California's educational leaders must view themselves, and the institutions they represent, as integral components of a single, comprehensive educational system designed to promote student achievement and institutional productivity. Through such an approach, educational leaders are encouraged to identify more effective ways in which they can exercise their responsibility to prepare students for success at the next educational level, both independently and in collaboration with other educational sectors.

Working together to improve student learning and academic performance

The Commission observes that while progress in achieving some of the recommendations contained in its 1995 report, *The Challenge of the Century*, is evident, there is still much work to be done. The rich diversity of California's residents both adds to the importance of continuing progress and the complexity of successfully implementing strategies to achieve the vision advanced by the Commission.

A 1995 statement by the California Education Roundtable announcing a collaborative initiative to improve student learning and academic performance, stated:

> Education in California is at a crossroads. Confidence in the public school system is being severely tested by the low performances of California students on standardized examinations, particularly in reading, writing, and mathematics. Colleges and universities are challenged by the need for remedial education for entering students, while concerns about eligibility and merit in the admissions process fuel the tensions and fractures the debate about educational quality.
>
> Primary responsibility for addressing challenges to educational quality has historically fallen to the individual educational segments, with only limited collaboration across institutional boundaries. Today, however, there is a clear need for all segments of education, kindergarten through college, to work together. Not only do competing interests and priorities stretch resources and capacities, but also the problems themselves are inextricably tied to common interests and responsibilities. Now, more than ever, we must plan and work together in integrated, focused ways to ensure an acceptable level of academic success for all students, thereby providing equal access to opportunities for higher education, meaningful employment, and full participation in our economy and democratic society.

The Education Roundtable statement remains salient today. It is consistent with the Commission's vision in that it emphasizes the importance of all educational systems working together, across institutional boundaries, to improve the quality of educational opportunities afforded to all students and the level of success they achieve as they progress along the educational continuum.

Change is seldom easy but it is particularly difficult to embrace in an environment of generous, if not plentiful, fiscal resources. However, the Commission believes this is precisely the time when California's educational leaders and

elected officials should plan and critically examine various strategies for achieving improved student and institutional outcomes – a time when there is no crisis that must be addressed. Two facts support this assertion: California's overall population will continue to grow throughout the next decade and the current economic boom will eventually subside. Careful planning will assure that actions are taken today that position California to better manage the challenges it will face when these two factors converge.

Simultaneous attention must be given to preserving broad levels of access to higher education and strong academic preparation to encourage achievement after college enrollment. Such attention is not conducive to segmental approaches; it requires the educational leadership at all levels to work together and share responsibility for modifying the teaching-learning relationship as needed to improve the educational achievement of students. In this regard, the Commission is pleased with the number of partnerships and collaborative arrangements that have been initiated since its last planning report and encourages continued expansion of such activities so that they represent the norm rather than the exception to institutional behavior.

Few states or nations have made as substantial an investment in public higher education as California. Commission estimates of future enrollment demand suggest that substantially more than the current $9 billion annual investment will be required to accommodate increased higher education enrollment over the next decade. Additional resources will also be required to improve student achievement in elementary and secondary schools and to deploy technology to expand learning opportunities and student achievement. Responsibility for the balancing of public funds and private resources needed to cover operational costs of public schools, colleges, and universities resides jointly with California voters, their elected representatives, and educational leaders. Arguably, business leaders should be among those who share responsibility for financing the educational enterprise. They have a vested interest in those students leaving educational institutions to join the workforce and the proportion of them that have acquired the general learning skills and specific competencies needed to successfully transition to the workplace.

An essential requirement to successful partnerships and collaborative efforts is a clearly articulated goal or set of expectations. Without consensus on goals and expectations, it is not possible to identify effective strategies to achieve them or to carve out discrete areas for which the various stakeholders will accept responsibility. The Commission aims to help forge consensus on state-level goals by convening various groupings of stakeholders and through the recommendations contained in this report. While leadership may be appropriately assumed or delegated to one stakeholder or another in different goal areas, the Commission urges that they be broadly and publicly shared. Doing so will strengthen confidence that public schools, colleges, and universities are working together in the public interest. There is a compelling State interest in ensuring that no identifiable portion of California's citizens is systematically excluded from taking advantage of high quality learning opportunities in the state.

California's enviable reputation as an economic and political powerhouse is due in no small measure to its array of fine public and private schools, colleges, and universities. That track record, however, was built at a time when California's population was less diverse than it is currently (and will be in the future) and when there were fewer competitors for General Fund support. Because there have been dramatic changes in the political, demographic, and economic climate of California, a new political will must be generated to assure that California does not retreat from its commitment to broad college access and affordable pricing in the face of increasing demand and uncertain fiscal capacity. The Commission believes that planning ways to preserve this social commitment can best be attained through publicly constructed plans during the economic "good times" and regular public review of progress in implementing those plans. The following sections of this report are intended to contribute to that end by providing specific recommendations.

Accessibility, affordability, and accountability

Accessibility, *Affordability*, and *Accountability* are three cross-cutting issues identified by the Commission as critical to the future of postsecondary education in California and reaffirmed by Governor Gray Davis as he introduced his first budget in January 1999. The balance of this report examines key components critical to each of these issues and offers specific recommendations for major stakeholders in meeting the challenge of accommodating large numbers of additional learners, better documenting the benefits they receive from the educational opportunities they are provided, and maintaining affordability for those learners with fewer discretionary resources to support their educational objectives.

Although major stakeholders for postsecondary education include more than just the educational providers themselves, the recommendations contained in this report are directed towards elected officials, educational leaders and providers, and State oversight or regulatory agencies for the postsecondary education community. Business leaders who benefit from the graduates of colleges and universities also are major stakeholders and are urged to critically examine ways in which they can support institutional efforts to improve student achievement and institutional productivity. The recommendations put forth in the next three chapters of this report should prove useful to such an examination.

3 Providing Higher Education Accessibility

MEETING THE CHALLENGE of providing access to all Californians who want and can benefit from instruction beyond high school is more than just a matter of numbers, although numbers are certainly a critical part of any comprehensive strategy to honor the commitment to broad access reflected in the California Master Plan for Higher Education. As discussed earlier in this report, California's population is diverse in terms of ethnic/racial, socioeconomic, and other factors. Californians also have diverse expectations about higher education. Because the continued social and economic health and vitality of California depends on an effective and cohesive education system that is responsive to the educational needs of individual learners, these groups should have access to high quality teaching and learning opportunities.

As discussed thoroughly in *Providing for Progress* (CPEC 2000), physically accommodating the large numbers of new students estimated to be seeking access to postsecondary education over the next decade will require both fiscal discipline and creative thinking. Where capacity still exists, current college campuses must be expanded. Existing physical plants must be maintained and upgraded so as to avoid loss of usability due to neglect or natural disasters. New campuses must also be built. Students must be encouraged and provided opportunities to accelerate progress in meeting their degree or other educational objectives so as to free up capacity to accommodate new learners.

Even if all of these things are done, public colleges and universities alone cannot hope to provide postsecondary educational opportunities to all those who will seek it, nor should they. California enjoys the presence of nearly 100 well-respected independent colleges and universities that provide high quality educational opportunities for hundreds of thousands of students. They have the potential to accommodate even larger numbers of Californians within their institutions.

In addition, more than 3,000 private degree-granting and vocational institutions are approved to operate within California. With appropriate and consistent oversight, this sector of postsecondary education offers a means of meeting the post-high school education and training needs of nearly a half-million Californians. Absent such oversight and accountability, this sector of postsecondary education will have little utility to a comprehensive State strategy to accommodate demand for education beyond high school.

It should also be noted that increasing numbers of educational entities are providing high quality learning opportunities and degree programs with the assistance of technology, eliminating the limitations of time and space. Distance education, as it is commonly referenced, is being incorporated as part of regu-

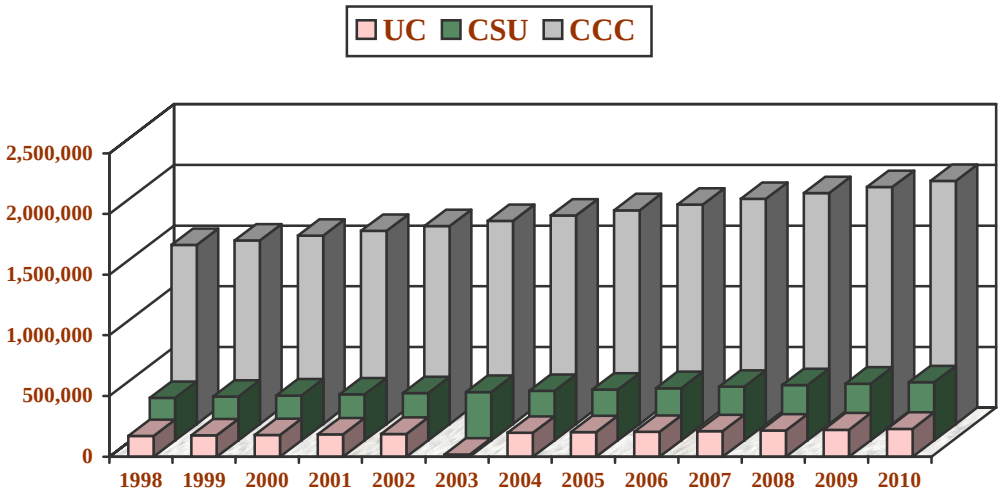
lar pedagogical strategies in many states, including California, and offers possibilities of serving larger numbers of students and improving the quality of learning that occurs in educational institutions at all levels.

An increasing enrollment demand

Whether referred to as a "tidal wave" or simply a large pool of prospective students, demand for postsecondary education will continue to grow as we enter the next millennium, much as demand for housing continues to grow as California's population increases. A number of realities shape this demand: (1) school reform efforts designed to strengthen the academic preparation of public school students; (2) increased expenditures by public colleges and universities to inform middle school students and their parents of college opportunities and costs, and to provide assistance in meeting academic requirements; (3) growth of employment opportunities that require knowledge and skills typically acquired after high school; and (4) increased emphasis on educational attainment expressed by elected officials, business leaders, and the media.

The Commission believes the confluence of all these forces will fuel steady, and ever-increasing, demand for postsecondary education. Updated estimates of college demand in the Commission's report *Providing for Progress* indicate that even more Californians will be seeking access to postsecondary education than projected in the Commission's 1995 estimates. Overall, the Commission estimates that demand for access to public colleges and universities will be 714,753 more students in Fall 2010 than were enrolled in Fall 1998 (Display 4).

DISPLAY 4 Estimated Enrollment Demand to Public Colleges and Universities, Fall 2000 to Fall 2010



The California Community Colleges will experience the greatest increase in demand where, if ways can be identified to accommodate them all, enrollment is estimated to grow from approximately 1.4 million in 1998 to more than two million in 2010, a growth of 528,918. Undergraduate demand for access to the

California State University is expected to grow by 116,947 while demand at the graduate level is estimated to increase by 12,734, for a total growth of 129,681 students. Demand for access to the University of California is expected to grow by 50,757 undergraduate and 5,397 graduate students over this time period, for a total growth in demand of 56,154 students.

Accessibility recommendations

Before offering specific recommendations, it should be pointed out that simply providing access to a college or university is not sufficient. California has structured its higher education system so that the broadest possible access is made available through the combined resources of public and independent colleges and universities. Financing the level of access desired by Californians, however, is a more daunting challenge, a point that will be addressed in the next section.

The Commission's vision for education requires that the learner be kept at the center. As such, the real challenge to be met is finding effective ways to facilitate the success of students to whom college access has been provided. To this end, the Commission offers the following recommendations:

Elected Officials and Policy Makers

1. ***Invest in elementary and secondary school improvement*** -- Not all students will seek to enroll in a college or university after high school. However, irrespective of the ultimate choice of students, it should be the objective of public schools to assure that all students are provided equivalent access to high quality instruction that could prepare them for success at each successive level of education, including college, and/or the world of work. With this explicit expectation, elected officials and policymakers should rely less on categorical appropriations and provide more flexibility to public schools to expend resources in ways that demonstrate greater success in achieving this expectation with all of the students who enroll. Among the activities to which particular attention should be given are the following:

   - Employing fully credentialed teachers in every classroom who are both subject matter and pedagogically competent;
   - Promoting continuous teacher improvement through regular professional development activities for teachers and site administrators, including strategies for building and maintaining partnerships with parents.
   - Providing academic support (supplemental instruction, tutoring, etc.) to students in need of extra attention to meet achievement standards, and providing adequate counseling and advising services to assist students with both academic and personal decisions;
   - Strengthening library holdings and assistance to students in proper uses of written and electronic reference materials; and
   - Assuring a physical plant that supports excellence in teaching and nurtures student learning.

2. ***Assess progress in adopting school performance standards and assessment*** -- The State Board of Education has adopted academic content standards in four subject areas for each grade level, an important first step in declaring that all students attending public schools are expected to be exposed to the same academic content. Equally important is adoption of a standard to which all students are expected to perform and teachers expected to teach and a criterion-referenced assessment that reliably measures the extent to which student performance standards have been achieved. Policy makers should continue to encourage the State Board of Education to complete its work in these remaining two areas.

   While strongly supportive of common expectations for curricular content, performance levels, and assessment of student achievement, the Commission cautions policymakers, educational leaders, and parents against relying too heavily on a single measure of success. Mandated and publicized tests can be misleading when used for other than their intended purpose. Tests designed to measure student achievement, for instance, should not also be used to judge teacher effectiveness. The standardized test incorporated in the State Testing and Reporting (STAR) system, including its supplemental test items, should be validated against adopted academic-content standards to assure alignment and reliability. Moreover, differences in the ability of various schools to implement strategies to achieve expectations must be considered when assessing progress. Complex organizations like schools require multiple measures that are context sensitive. A single set of test scores does not meet this criterion.

3. ***Encourage and support stronger teacher education programs*** – A key component of strengthening the academic preparation of all students requires steady provision of enthusiastic and competent teachers – a major responsibility of California's public universities, particularly the California State University. Greater investments should be made to expand and improve teacher education programs with a commitment to:

   - Implementing new standards to govern the entire learning-to-teach continuum;
   - Requiring teachers to demonstrate competency in one or more academic content areas and demonstrate their ability, through standards-based teaching performance assessments, to incorporate multiple pedagogical tools to facilitate student learning, including the use of technology;
   - Maintaining a commitment to provide an extended teacher induction program for each beginning teacher in California; and
   - Sustaining attention to appropriate data collection and analysis to document changes in student achievement and, where necessary, to identify alternative instructional approaches to improve student achievement.

4. ***Continue support for outreach activities by public colleges and universities*** -- Outreach activities should be coordinated intersegmentally and seek to (1) complement public school efforts to strengthen the academic preparation of all students; (2) provide encouragement and informational support to students and their families on the benefits of preparing for college success, particularly at schools whose graduates have historically had low college-going rates; and (3) foster curricular articulation between the academic content standards of secondary schools and the academic expectations of postsecondary education. The systems should be required to clearly document the impact of their outreach efforts to assure continuous program improvement and submit copies of such documentation to the California Postsecondary Education Commission.

5. ***Search actively for ways in which high school graduates can be provided access to postsecondary education institutions that best fit their interests and abilit*****es** -- California's commitment to access has historically emphasized access with choice. The Commission believes choice should refer to the ability of students to be admitted for enrollment at the public system or independent institution(s) for which they have sufficient academic preparation to successfully complete an educational program. However, long-range development plan (LRDP) limits and a preference for face-to-face instructional delivery modes in public colleges and universities may severely compromise the State's capacity to accommodate increasing numbers of well-prepared high school graduates at a college or university site that matches their talents and interests. Emphasis on improving the rigor of academic preparation provided to elementary and secondary school students is, over time, expected to produce larger numbers of high school graduates who can successfully complete CSU or UC degree requirements and who do not fall within the top one-third or one-eighth of all high school graduates in the state. Creative approaches, including technology-mediated instruction and year-round operations, should be examined for their feasibility as a means of accommodating this increasing number of well prepared students expected to graduate from public high schools in the decades to come.

6. ***Conduct informational legislative hearings on the progress of the Bureau for Private Postsecondary and Vocational Education (BPPVE) in implementing the provisions of the Private Postsecondary and Vocational Education Act*** – The enactment of AB 71 (Statutes of 1997) transferred regulatory oversight over private, for-profit vocational and degree granting institutions to a new bureau created within the Department of Consumer Affairs. Among other provisions, AB 71 sought to reduce business costs to these institutions by lowering fees, streamlining registration and approval processes, and protecting consumers and the integrity of degrees offered by this sector by strengthening enforcement powers of the Bureau. Despite costly administrative expenditures by the Bureau, these provisions have not been implemented successfully. Policy makers should seek both clear explanations for this circumstance, and feasible alternatives for improving the effectiveness of State oversight for this sector of postsecondary education.

California Higher Education Leadership

The Commission has noted above that the challenge of access is not only one of numbers but also of finding ways of providing access to California's diverse population. The educational leaders of each sector of higher education have sought to address this challenge from slightly different perspectives.

The California Community Colleges adopted a report entitled *2005: A Report of the Task Force for the Chancellor's Consultation Council* (Community Colleges, 1997), that defined access for the community colleges in terms of an ideal participation rate-per-1,000 adults. The California State University has sought to continue providing access to the top one-third of high school graduates by expanding the physical capacity of the system -- adding two new campuses and the Maritime Academy during the 1990s -- and by building a technology capacity to provide teaching-learning opportunities at a distance, both synchronously and asynchronously. The CSU has also adopted a policy that would implement activities designed to reduce the proportion of new freshman students requiring remedial instruction to no more than 10 percent by the year 2007.

The University of California has sought to provide broader access by accelerating efforts to help students in middle and high schools meet all requirements for admission to the University. In addition, UC Regents adopted a policy in May 1999 that would guarantee admission to public high school graduates who were among the top 4 percent of their high school class after their junior year, as defined by UC. Independent colleges and universities have initiated collaborations with public community colleges to increase the numbers of community college students who ultimately choose to transfer to an independent college or university within California.

The Commission highlights these activities in the higher education community both to acknowledge that California's educational leaders have not continued in a "business as usual" mode and to reiterate the importance of emphasizing both access and success of students.

The Commission also acknowledges a February 1999 report by the Kellogg Commission on the Future of State and Land-Grant Universities, which introduced the concept of an "engaged institution." The Kellogg Commission defines an engaged institution as one that redesigns "their teaching, research, and extension and service functions to become even more sympathetically and productively involved with their communities, however community may be defined." The Kellogg Commission goes on to suggest that "community" include educational constituents -- students and the various publics that support them -- and that educational institutions should direct attention to the application of knowledge. The Postsecondary Education Commission supports this concept for its potential to engage the learner -- a requisite component of student success -- and its ultimate benefit to society.

Within this context, the Commission offers the following recommendations:

7. ***Expand collaborative efforts to ensure consistent levels of rigorous academic instruction for every elementary and secondary school student*** -- Each sector of public and independent accredited higher education should actively seek opportunities to work with elementary and secondary schools to increase the rigor of academic content taught in those schools and the ability of public school teachers to effectively teach more rigorous courses. Collaboration between faculty and teachers for purposes of strengthening the academic preparation of all students is in the finest tradition of public service. To facilitate such partnerships, public school leaders should critically examine school strengths and weaknesses so that they can match appropriately their needs with the resources available from faculty and other college or university resources. In turn, college and university leadership should seek to form partnerships with school leaders, particularly those located in low-income communities and those with a history of low college-going behavior among its graduates. Rather than replicating past behavior where colleges and universities actually certified the quality of secondary school programs, college and university leadership should seek to be responsive to the needs identified by public school leadership by providing access to appropriate faculty and skills-assessment. In this way, college and university leaders can contribute to elevating the quality of all schools consistent with needs identified by the schools themselves.

8. ***Each sector of regionally accredited higher education should assign greater weight to teaching excellence and school collaboration in the faculty retention, tenure, and promotion (RTP) process*** -- Faculty are an essential component of institutional strategies to improve the rigor of academic preparation provided to elementary and secondary school students. They are collectively responsible for the academic and pedagogical preparation of teachers and have a significant influence on the content of academic courses. Additionally, faculty are valuable resources for upgrading the content and instructional expertise of existing teachers to effectively teach the academic content standards adopted by the State Board of Education.

   Of equal, if not of more importance, faculty should focus attention on the quality of teaching that takes place on colleges and universities both to ensure quality learning opportunities for college students and to validate faculty readiness to respond to the needs identified by their elementary and secondary school counterparts. Current practice, however, assigns far less weight to teaching and collaborative activities than to the traditional areas of research and publication. The Commission believes that proper incentives should be incorporated within the institution to encourage and reward faculty who work to improve postsecondary teaching and with their counterparts in elementary and secondary schools. The RTP process in an important area in which faculty teaching and collaboration can, and should, be rewarded.

9. ***The California State University and the University of California should initiate a validation study of their respective admissions criteria*** -- Currently, both university systems establish admission criteria with the pur-

pose of establishing a restrictive pool of candidates from which freshman classes are selected, consistent with Master Plan guidelines. Little, if any, empirical evidence exists validating the relationship between these requirements and students' success in completing a program of study.

A recent report released by the U.S. Department of Education (1999) indicates that the most accurate predictor of student success (defined as completing a degree program) is the rigor of academic courses completed prior to college enrollment. This finding suggests that success in strengthening the rigor of courses in all public schools could produce a larger proportion of high school graduates with the preparation to be successful at a CSU or UC campus than is currently eligible to be considered for admission. California's two public universities should begin preparations for this outcome by better understanding the relationship between their admission requirements, other student characteristics, and student success.

10. ***The California Community Colleges have completed several definitions of "transfer-eligible" students and should now select one of those definitions for purposes of developing a methodology for annually estimating the size of this pool of students*** -- Community colleges are the primary point of access for education beyond high school for most Californians pursuing a higher education goal. This fact is consistent with the policy planning included in the California Master Plan for Higher Education, which envisions a vibrant transfer function that enables tens of thousands of students to begin their education at a community college and have a reasonable expectation that they will eventually be able to earn a baccalaureate degree or higher from a CSU or UC campus. Regular estimates of the size of transfer-eligible community college students would better enable baccalaureate degree-granting institutions to manage enrollment so that these students can be accommodated. The common use of a uniform definition for transfer eligible would also clarify for students precisely what they need to do to attain transfer eligibility.

11. ***The California Community Colleges, California State University, and the University of California should review their respective transfer plans to identify ways in which the transfer process can be simplified and made more effective for students. Where appropriate, modifications should be made to accomplish this goal and to ensure compatibility between and among each system's plan*** -- Part of the strength and durability of California's Master Plan for Higher Education is the promise it holds out to Californians that all who have the will and ability to benefit from instruction will have an opportunity to earn a baccalaureate degree or higher. This promise can only be kept if the transfer function works effectively. The Commission's last review of the transfer function, however, concluded that it works in spite of the systems rather than because of coordinated efforts. From the student's perspective, the complexity and confusion implicit in the transfer process are obstacles to efficient transfer. These impediments include the following:

- Multiple statutory provisions providing various priorities and preferences to different groups of transfer applicants;
- An absence of course articulation that applies to all campuses within the University of California;
- Growing use of supplemental criteria for admission to specific majors, departments, and campuses;
- Differential campus use of resources to assure that adequate numbers of competent counselors and advisors are available to assist students with transfer planning;
- Maintenance of multiple paths of attaining transfer eligibility despite the adoption of a common transfer core curriculum (IGETC); and
- Continued use of different course naming conventions among the various campuses in each system.

The Commission believes that progress in reducing the complexity of the transfer process for students is a critical issue that deserves immediate attention. The increasing emphasis of the State University and the University of California in providing admission to only the most competitive of eligible freshman applicants, particularly at the most popular campuses within each system, results in large numbers of students choosing to enroll initially at a local community college. To assure that access to upper division instruction is achievable for these students, each system needs to modify their respective policies and practices, as needed, to improve complementarity and communication between and among institutions. Both the CSU and the UC should also collect systematically and report data on the numbers of community college transfer applicants received, the number admitted, and the number that actually enroll. Where possible, data should include information on whether transfer applicants had entered into transfer agreements and whether they met upper division eligibility requirements, independent of whether they met supplemental requirements of impacted programs. Independent colleges and universities should also expand their efforts to accommodate community college transfer students.

12. ***The California Community College, California State University, and University of California should each prepare 10-year plans to expand their capacity by establishing an FTES enrollment goal they will strive to accommodate through technology-mediated teaching and learning opportunities*** -- California is ill prepared to make the level of annual capital investment necessary to accommodate the demand estimated for each of its public higher education systems by expanding physical capacity. Indeed, the Commission advises against such an approach. However, the development of 10-year plans will enable better planning by the Commission and state policymakers, particularly with respect to capital outlay and other funding needs.

    Institutional efforts to establish FTES enrollment goals that will be accommodated through technology-mediated teaching and learning opportunities should also comment on how the use of technology might impact

other aspects of delivering high quality teaching and learning opportunities. The students who will be entering these institutions in the next millennium have had far greater exposure to technology and have less trepidation about using it to discover new information and knowledge. Public colleges and universities should seek to take advantage of this fact by extending their capacity to accommodate increased enrollment while simultaneously reducing the need to build new campuses.

13. ***California's independent colleges and universities are urged to provide information on the numbers of additional Californians they can accommodate and define the distribution of such capacity throughout the state in terms of location and type of institution*** -- The Commission believes that independent colleges and universities should be actively encouraged to accommodate some proportion of the estimated demand for higher education access. However, student perception of institutional quality, location, and the total price of attendance will likely affect whether students will choose to enroll in those institutions. Such information is vital to efforts to devise a comprehensive strategy for accommodating enrollment demand through the combined resources of public and independent institutions.

14. ***The Bureau for Private Postsecondary and Vocational Education (BPPVE) should expedite efforts to organize its staffing and operational procedures to instill confidence in the integrity of the academic degrees offered and the quality of vocational training provided by institutions it approves*** -- The Commission does not believe that California should attempt to meet all education and training needs of Californians through public and independent colleges and universities alone. Some individuals do not seek academic credentials nor the broad educational foundation typically incorporated in the degree and certificate programs of regionally accredited colleges and universities. More narrowly tailored educational objectives are appropriate choices for some individuals and the institutions operating within this sector are uniquely organized to provide this more customized education and training. However, difficulties encountered by the Bureau in implementing the many statutory requirements affecting this sector have halted a growing confidence in the viability of this sector to be incorporated in a comprehensive state strategy to accommodate postsecondary education enrollment demand.

    Nearly a half-million Californians have sought academic degrees and vocational training from one of the institutions approved by the BPPVE and its predecessor in recent years, including many that are now faced with limited eligibility for welfare and public assistance. The Commission believes that effective regulation of this sector must be restored quickly and that particular attention should be given to the appropriateness of a bureau in the Department of Consumer Affairs regulating a set of postsecondary education institutions offering academic degrees. Additionally, the Commission is concerned that the difficulties experienced by the BPPVE have created a climate in California that threatens to welcome a re-emergence of the "di-

ploma mill" environment that existed prior to enactment of statute to regulate this sector.

California Postsecondary Education Commission

As the State coordinating body for postsecondary education, the California Postsecondary Education Commission has an ongoing responsibility to monitor and request appropriate data to assess the extent to which public colleges and universities are responding to policy priorities established by state policymakers. As the recommendations contained in this planning report for policymakers are adopted and implemented, the Commission will initiate an appropriate set of activities to carry out its statutory responsibilities to evaluate and report on the performance of higher education institutions and systems. In addition to these ongoing responsibilities, the following recommendations are offered. The Commission should:

15. ***Seek funding to conduct a study of the extent to which California high school graduates attain CSU and UC eligibility. This study should be conducted on a regular four-year cycle*** – The Commission is charged with periodically assessing the extent to which the CSU and the UC admission requirements result in pools of eligible students consistent with Master Plan guidelines. This is an expensive study to undertake, yet the Commission has not received direct State support for the last two studies – a fact that has required the two universities to absorb the costs and curtailed the comprehensiveness of the study. This approach has also precluded any follow-up examination of the actual college choices of students included in the sample. Past and future policy changes in admission requirements argue for this study to be more comprehensive and conducted on a more predictable schedule.

16. ***Assess the effectiveness of the CSU and UC efforts to increase eligibility of high school graduates among populations that have a history of low eligibility rates*** – California's policymakers have invested additional money, complemented by additional system investments, to initiate aggressive activities to raise university eligibility rates among high school graduates across all racial/ethnic and income groups. The Commission should evaluate these efforts to identify those that should be replicated more broadly throughout the state and those that should be discontinued. It should also seek to identify the extent to which each of the system's activities has been implemented in a collaborative fashion. In addition, the Commission should provide each system with a listing of the types of data it will seek in order to conduct the evaluation.

17. ***Request 10-year enrollment plans, including estimated capital outlay needs, from each of the public systems on a biennial basis*** – The Commission is charged with soliciting and reviewing the long-range plans from the governing boards of each public system of higher education to enable more effective coordination of higher education in the state. The Commission should examine these plans for undergraduate and graduate enrollment growth as well as the capital outlay needs projected to accommodate

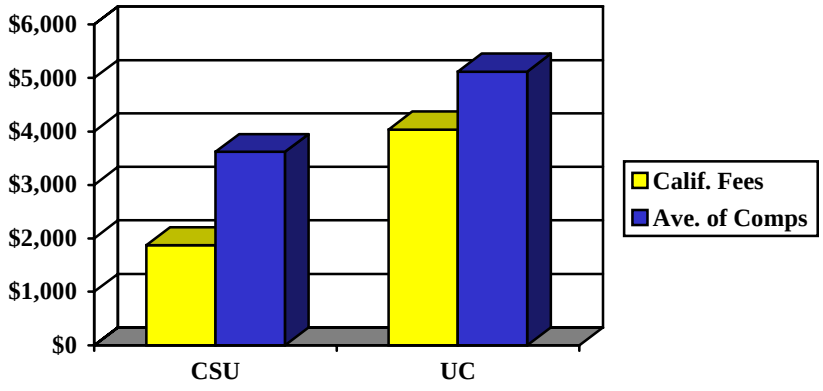
growth. The Commission should critically examine the current practice of allocating new capital outlay funds from general obligation bonds in equal portions to community colleges, CSU, and UC, and endeavor to align these funds with California's and each system's critical needs. In addition, the Commission should examine graduate and professional school enrollment plans and the appropriateness of linking those plans to areas of compelling state workforce needs such as the need for new teachers and replacement faculty. Options and alternatives for funding growth should be analyzed and forwarded to the Legislature, Administration, and Department of Finance that, in turn, should encourage the governing boards of each system to submit the requested data.

4 Affordability of Higher Education

CALIFORNIA has long had a commitment to providing high quality educational opportunity in public colleges and universities at low cost to students. For the first 23 years after adoption of the Master Plan for Higher Education, California's policy makers were able to support access to community colleges without charging tuition or enrollment fees. Recessionary pressures – first in the mid 1980s and then during the first half of the 1990s – eventually forced the imposition of mandatory statewide fees. Still, the fees charged in California Community Colleges ($11/unit in 1999-2000) are lower than fees charged in any community college system in the nation.

Similarly, enrollment at the CSU and UC has historically been tuition free, although for all intents and purposes the distinction between tuition and mandatory student fees is no longer applicable in California. While mandatory fees were increased precipitously during the first half of the 1990s, fees charged at CSU were lower than fees charged at all 15 public universities with which the CSU compares itself. Similarly, fees charged at UC were lower than the average of fees charged at the four public universities with which UC compares itself. The CSU mandatory fees in 1998-99 were more than $1,700 below the average of fees charged by its 15 public comparison institutions and UC fees were more than $1,000 below the average fees charged by its four public comparison institutions (Display 5).

DISPLAY 5 Resident Undergraduate Charges at California Public Universities and Average Charges at Public Comparison Institutions, 1998-99



Source: CPEC, 1999.

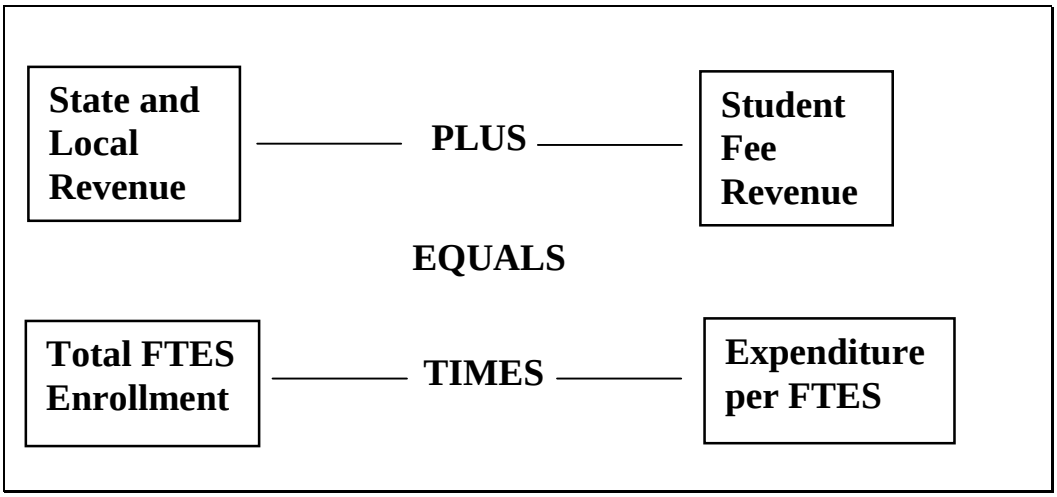
Affordability to students involves more than mandatory fees. It also involves the expenses of room and board for the academic year, books, supplies, computers, transportation, clothing, and personal expenses. Differences in these

various expenses can boost the total price of college attendance by a factor of three to five or more, prompting many students to seek financial assistance, which in turn is generating alarming levels of loan indebtedness.

Because of the success California has had in promoting education beyond high school, cost to the State in maintaining broad access is a major concern. Two policy choices made by the State in adopting the 1960 Master Plan for Higher Education reflect the State's awareness of the potential fiscal impact of increased college attendance: (1) the decision to redirect large numbers of high school graduates to community colleges; and (2) the decision to differentially fund the three public systems, where the State now provides approximately $3,800 per Full-Time Equivalent (FTE) student enrolled in the community colleges, $8,000 per FTE student at the California State University, and $14,000 per FTE student at the University of California.

Balancing affordability for students and California taxpayers without acknowledging the relationships between the four major components of higher education finance generally results in poor policy decisions. Simply put, higher education finance requires a balancing of two major revenue streams -- public funds and student-fee revenue -- and two major expenditure "drivers" -- the number of students enrolled and the amount expended per student (Display 6).

DISPLAY 6 A Simplified Higher Education Finance Model



If the expenditure and enrollment portions of the equation are held constant, any reduction in public funds forces an increase in student fees and vice versa. If, however, fees are kept constant or reduced, a corresponding increase in public revenue will be required or either enrollment or expenditures must be reduced. *Any adjustment in one element of the equation precipitates changes in one or more of the other elements. Balancing affordability for students and taxpayers requires recognition of this immutable relationship*.

Understanding higher education costs

The National Commission on the Cost of Higher Education (1998) provided terminology that is very helpful in understanding the price that students face in pursuing postsecondary education objectives and the costs that colleges and universities incur in operating their enterprise. These terms, enumerated below, also clarify the extent to which states invest in all students enrolled in public colleges and universities and what share of the cost of university operations is supported by student tuition and fees.

Students incur expenses in attending a college or university but seldom are asked to pay the full institutional costs, particularly in public institutions. The National Commission on the Cost of Higher Education observed that confusion is often generated by using the terms "price" and "cost" interchangeably. They propose, and the Commission agrees, that *price* be used to refer to the amount charged to or paid by students, and *cost* be used to refer to money spent by institutions to provide instruction and other related educational services. The various prices students face include the following:

- **Total price** – includes mandatory fees, tuition, room and board, books and supplies, and other living expenses; financial aid is not taken into consideration.
- **Sticker price** – includes mandatory fees and tuition charged by institutions to students; financial aid is not taken into consideration (in California, this is commonly referred to as tuition and fees).
- **Net price** – includes the total price of attendance minus any grant, scholarship or other financial aid received by the student.

The major cost terminology for institutions include the following;

- **Expenditures** – an institution's Education and General (E&G) expenditures, including instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, mandatory and non-mandatory transfers. **Total expenditures** include E&G plus auxiliary enterprises, hospitals, and independent operations.
- **Instructional costs** – includes only those expenditures that are classified as directly attributable to instruction (primarily faculty compensation). The indirect cost of instruction from libraries, departmental research, student services, museums, community services, and administration are excluded from this analysis.

Understanding this terminology and its careful use clarifies what charges students are being asked to pay and how the sticker price relates to the instructional costs of colleges and universities, as well as overall expenditures that are supported by public investment. It also provides a solid rationale for why colleges and universities should be asked to account for effective use of such investments – a topic addressed in the next section of this report.

State-level fee policies and budget practices

As stated previously, State policy makers tend to appropriate specified dollar amounts per FTES for each college and university system. This practice works well during good economic times. However, when faced with a sharply constrained discretionary budget and hard economic conditions, State budget decision-makers are reluctant to raise taxes and frequently believe that student prices can be raised to make up for insufficient General Funds without negative consequences to programs or services. Unfortunately, this perception leads to flawed budget policy: during good economic times, student prices will be kept constant or reduced, and during poor economic times, General Fund support will be reduced and student prices increased. This "boom and bust" cycle has an inverse relationship to student and family ability to pay sticker prices.

At the same time, institutional behavior has not always been consistent with controlling or reducing costs of overall operations. There are generally three responses to insufficient resources:

- ***Cost avoidance*** – where institutions seek to respond to what is perceived as a short-term budget shortfall by deferring expenditures in some areas. Hiring freezes, deferred plant maintenance, grounds, and building repairs are examples of this response. Unfortunately, these actions can result in higher long-term costs.
- ***Strategic cost reductions*** – reflect creative approaches to reduce expenditures in one or more strategic areas. Shifts to alternative – and cheaper – energy sources, pooled purchasing, and streamlined administration are examples of this response.
- ***Permanent cost restructuring*** – eliminates some functions and permanently reduces the expenditures in others. Elimination of low-demand courses, terminating programs, and replacing permanent full-time faculty with part-timers are examples of this response.

Boom and bust cycles, coupled with the strength of California's broadly based economy, have prompted most higher education leaders to conclude that all economic downturns are temporary and concentrate their cost cutting actions among the first two responses. The unusual length of the recession in the early 1990s, however, did lead some institutions to take actions aimed at permanent cost restructuring. In addition to the various cost-cutting actions generated by recessionary pressures, institutional leadership has encouraged entrepreneurial activities to generate new revenue streams from the private sector as well as from student prices. Institutions that seek to maintain or increase research, public service, and activities that enhance institutional prestige often permit faculty to devote a greater proportion of their time to development of grant applications and scholarly activity when resources or enrollment declines. When enrollment and resources increase, new junior faculty are recruited to handle the instructional load rather than reassigning the time of senior faculty back to the classroom. In the long term, this practice threatens to reduce instructional expenditures.

Affordability recommendations

Meeting the challenge of keeping access to higher education affordable requires that public policy and budget decisions affecting postsecondary education be (1) attentive to the impact that the decision has on students' ability to afford the total price of attendance; (2) vigilant to reducing future operational costs for colleges and universities through current and future investments in technology and site maintenance; (3) responsive to helping needy students meet the full price of attendance by providing financial assistance other than loans; and (4) supportive of improved institutional productivity and efficiency. To that end, the Commission offers the following recommendations:

Elected Officials and Policy Makers

18. ***Link state funding tightly with the undergraduate and graduate enrollment it is intended to support*** – Current budgeting processes appropriate a specified dollar amount per FTES enrollment for each public system of higher education. The per FTES appropriation averages differential costs of instruction at all levels for each system, allowing each system to allocate funding as it deems appropriate. Although supportive of providing budget flexibility to each system, the Commission notes that the current budget process fails to account for the different costs of instruction at the undergraduate and graduate/professional level, potentially creating an unintended incentive for the university systems to trade undergraduate enrollments for preferred levels of enrollment at the graduate/professional levels. The Commission believes policymakers should explicitly fund the level of access it believes it can support – with quality – and establish priorities for how such access should be distributed between undergraduate and graduate/professional levels.

    Notwithstanding this recommendation, the Commission acknowledges the complexity of higher education finance and expenditures that are not readily apparent in the recommendations. For example, some of the issues that should be carefully considered prior to modifying historical budgeting practices are the following:

    - Graduate students are frequently a vital part of the instructional personnel for undergraduate students. Constrained growth in graduate enrollment may reduce capacity to provide undergraduate instruction at the two universities.
    - The manner in which resources are expended in support of teaching and learning, and how such expenditures vary by level, is not well understood nor are data on such expenditures readily available to external parties. Consequently, it is difficult to determine the ways in which changes to the State's appropriation process might affect the goal of preserving a quality educational experience for students.
    - High cost programs such as health sciences and engineering generally require an enriched funding compared to other academic programs in order to assure quality educational experiences for students.

19. ***Increase appropriations for Cal Grants so that the State's goal of providing new awards equivalent to one-quarter of the total number of public high school graduates annually is achieved*** – The total State appropriations for Cal Grants has increased by $100 million since 1995-96. These actions have provided both a larger number of awards and a higher maximum amount for students attending independent colleges and universities in California. Despite these increases, however, California is still only able to provide new grant awards equivalent to approximately 18 percent of the State's high school graduates each year. Rather than reduce statewide fees for all students – irrespective of their ability to pay – California policymakers should maintain current fee levels and increase appropriations to Cal Grants to help needy students meet the total price of attendance. This is consistent with the public commitment to keep access to California higher education affordable, particularly for financially needy students whose academic achievement has already been recognized by an offer of admission to the selective California State University and the highly selective University of California.

20. ***Develop a policy regarding funding requirements for institution-administered aid programs, including the portion that should be funded by the State. In addition, the California State University and the University of California should develop clear definitions of the purpose, funding, and uses of institutional grant support and how those institutional grant programs differ from and complement the State Cal Grant program.*** - Although there has been appreciable growth in State appropriations for the Cal Grant program, growth in institutionally-administered grant aid has grown significantly more rapidly. The aggregate dollar amount available for distribution in institutionally-administered grant funds now exceeds that available through the Cal Grant program and is frequently used to provide grant assistance to needy students who were unable to receive a Cal Grant award. State policymakers should seek to better understand how these grant funds are used and how they can complement the State's Cal Grant program to ensure that needy students receive grant aid and minimize their reliance on loans to meet the price of attendance.

21. ***Seek to develop consensus for General Fund support of scheduled and deferred maintenance*** – The economic context for much of the last decade has resulted in internal budget decisions that designated physical plant maintenance as a lower priority than other competing demands for General Fund appropriation. Accordingly, routine maintenance expenses have often been deferred, generating an unmet need the Commission estimates to exceed several hundred million dollars. Failure to maintain current facilities will both curtail access over time and generate additional expenditure demands for expansion and repairs. Deferred plant maintenance represents a permanent reduction in the system's support budget that has, and will continue to have, a negative impact on the quality of teaching and learning opportunities offered on campus.

22. ***Invest in technology initiatives that improve student learning, enhance access, and/or increase institutional productivity*** – Technology has filtered into virtually all aspects of life, including postsecondary education. Accordingly, each system of public education annually submits requests for state support of technology-related initiatives. To guide annual budget decisions in this area, the Commission recommends that policymakers request information on ways in which the initiatives proposed by each system will contribute to meeting one or more of the policy priorities cited above.

Higher Education Leadership

Controlling costs in higher education is a very complex and sensitive undertaking. A number of structural and cultural characteristics of institutions as well as historical practices account for this complexity. Among these characteristics are the following:

- Higher education has traditionally been labor intensive with faculty and administrative salaries and benefits constituting more than 75 percent of instructional expenditures;
- The implementation of the Higher Education Employee Relations Act (HEERA) has had a significant impact on college and university cultures, fostering labor-intensive negotiating sessions, displacement of collegiality with adversarial relationships, and the elimination of incentives to reduce the costs of personal services;
- Colleges and universities are vulnerable to compliance costs associated with state and federal regulations, as well as financial and audit controls;
- Top-flight research universities require high cost instructional support and research equipment expenditures to maintain acceptable levels of quality;
- Competition with comparable institutions for first-rate faculty and administrative leadership prompt employment decisions that exert constant upward pressure on salary requirements to remain competitive and to retain existing staff; and
- Declining state and local fund support for public colleges and universities during recessionary cycles has led to decisions to accelerate entrepreneurial efforts to generate extramural support from grant and corporate-sponsored research activities.

Each of California's public colleges and universities has taken steps to contain or avoid costs over the past decade, some of which have been more effective than others. These actions were necessitated by the fiscal realities of the early 1990s. Additionally, physical plant maintenance was deferred in all three public systems, hiring freezes were imposed, and less expensive part-time and intermittent employees were hired when necessary. In addition, some CSU campuses made some strategic cost reductions through investment in technology upgrades to permanently reduce administration-related costs. Several UC campuses reduced operational costs by consolidating or eliminating academic programs.

However, California's economic recovery has heralded a return to old institutional decisions and practices that generate higher costs. The faculty in all three systems have publicly decried the growth in part-time faculty and advocated that they be replaced with full-time and tenure-track faculty; CSU continues the practice of hiring new faculty into the senior ranks of associate and full professor and rapidly promoting faculty from junior to senior ranks, with higher compensation requirements; and new academic programs are being proposed in needed high-cost fields such as engineering and computer sciences.

In addition, bargaining units are legitimately seeking to recover lost spending capacity for their members from several years without cost of living adjustments and institutions are seeking to recover from years of under-investment in such areas as library holdings and instructional equipment. The economic recovery of California has been strong enough that progress in several of these cost generating areas has been possible without increasing the sticker price to students for enrollment. In fact, legislative actions have resulted in lowering the sticker price to students in the 1998-99 and the 1999-2000 budget years.

In *Providing for Progress*, the Commission acknowledges that the current strong economy is likely to continue into the mid-2000s, but that it is prudent to plan for the inevitable downturn. At that point, General Fund support is likely to be reduced despite continued escalation in institutional costs. In this context, the Commission offers the following recommendations to California's educational leaders:

23. ***All systems and sectors of higher education should seek to identify and implement strategies to permanently reduce or retard growth in costs*** – Educational leaders should be aggressive in their search for potential cost containment strategies. The Commission believes these steps to be necessary to balance California's commitments to broad access, high quality, and affordable sticker pricing to students. Their search should include, but not be limited to: (1) joint purchasing agreements; (2) shared use of physical facilities with other educational institutions; (3) more equal distribution of faculty among the ranks of assistant, associate, and full professor; (4) regularly reviewing academic programs to determine their continuing efficacy and responsiveness to statewide needs; (5) use of technology to reduce student time-to-degree, increase student achievement, and enhance availability of learning opportunities without regard to geographic proximity; (6) increased use of the physical plant across a broader portion of the day, week and year; and (7) other ways of providing cost-effective learning opportunities while preserving quality. Any saving derived from implementing cost containment strategies should be retained and reinvested in support of teaching and learning activities of the campus or system.

24. ***All higher education institutions should adopt the practice of providing students information on the institutional costs of providing a quality educational experience in relationship to the tuition and fees (sticker price) being charged to students*** – There is frequent confusion about the proportion of the educational cost students are asked to pay, particularly when there are increases in the sticker price. Each system should provide infor-

mation on both the instructional cost and the total cost of operating the institution as well as the proportional relationship of the sticker price compared to each of these costs. This would help clarify, for students and their families, the proportional investment of the State and the student.

25. ***Educational leaders should seek ways to reduce expenditures in any year in which mandatory tuition and fees (sticker price) are increased by a percentage that exceeds the average percentage increase in per capita personal income*** – The Commission and others have previously noted the inverse relationship between price increases and the ability of students and their families to pay more. Frequently referred to as the "boom and bust" cycle, prices tend to be increased during poor economic times when students and their families can least afford it and kept stable or reduced during good economic times. Requiring expenditures to be reduced when enrollment prices are increased beyond the marginal ability of families to absorb additional costs is consistent with the concept of shared responsibility. It is also consistent with the fact that financial exigency exists requiring extraordinary efforts to reduce institutional expenditures to more closely align with available resources and reflects a commitment to avoid using students as a "revenue balancer" during periods of inadequate General Fund support.

    Equity and fairness, however, require that increased costs of operating a higher education institution also be recognized. The Higher Education Price Index (HEPI) is frequently used as a proxy measure of institutional costs. Efforts to reduce institutional expenditures should consider all aspects of institutional operations, including freezing employee compensation. General Fund solicitation should be targeted towards acquiring a minimum budget augmentation equal to the three-year average percentage increase in HEPI. There should also be an increase in State-supported financial aid when tuition and fees are allowed to rise.

California Student Aid Commission

26. ***The California Student Aid Commission (CSAC) should calculate annually the funding required for the State to meet its goal of providing new Cal Grant awards equal to one-quarter of the public high school graduates*** – As the agency responsible for the administration of the State's financial aid programs, the CSAC is best positioned to calculate the funding requirement of meeting the State's goal for new Cal Grant awards. Data on the numbers of public high school graduates are readily available from the Demographic Research Unit within the Department of Finance. The Student Aid Commission's calculations should be shared with the California Postsecondary Education Commission and the Department of Finance.

27. ***The California Student Aid Commission should request funding to complete a Student Expense and Resources Study (SEARS) on a regular, periodic basis*** - Assessing the extent to which enrollment in public California colleges and universities is affordable is dependent on having data on

the economic circumstances of students currently enrolled and, ideally, on prospective students who hope to enroll upon completion of high school. Currently, data on economic status is available only for those students who apply for financial assistance. The data obtained in the SEARS study sample is the only source of information on the economic characteristics of the total student enrollment in public higher education. Unfortunately, these data are not gathered and analyzed on a consistent basis. Assessing the effectiveness of policy and budget decisions on the goal of maintaining an affordable system of public higher education requires that this inconsistency be remedied. In the event that General Funds are not provided for this purpose, the Student Aid Commission should explore partnerships with non-state entities in order to administer the SEARS study on a regular basis.

California Postsecondary Education Commission

28. ***The Commission should request the governing boards of the California Community Colleges, the California State University, and the University of California to systematically gather socio-economic data on all enrolling students and report that data annually to the California Postsecondary Education Commission*** - The Commission routinely includes in its policy recommendations an analysis of trends by identifiable student groups. Currently, the level of detail in such analysis is limited to groups identifiable by race, ethnicity, gender, and geographic area. Concerns about equity of preparation, access, and achievement are also limited to these groupings despite the fact that research documents disparities among income groupings. California's policy environment and interventions could be enriched significantly with the addition of socio-economic data and the Commission should actively seek to add such data to its database.

29. ***The Commission should assess the extent to which the goal of providing new Cal grant awards equal to 25 percent of the high school graduating class remains an appropriate goal*** - When adopted in 1960, this goal appeared to be a reasonable one. However, in recent years wage disparity among California families has grown. Despite the strength of the current California economy, the *number* of working poor families has increased even as the average income of wealthier families has increased. In order to assure that California's pricing and financial aid policies work in tandem to keep college attendance affordable, the Commission should gather information on the income characteristics of high school students' families to determine if modifications in the state goal for new Cal Grants is warranted.

5 Accountability in Postsecondary Education

PUBLIC RESOURCES are committed in support of public colleges and universities explicitly for the purposes of educating, developing, and training responsible and productive citizens of the state and society -- purposes deemed to be beneficial to the commonwealth. California now invests more than $9 billion annually for these purposes. Because all institutions of higher education are public resources, statewide needs and public expectations are highly relevant factors in policy planning and decisions. Policy planning, however, should be sensitive to the different missions, available resources, and constituencies served by the various colleges and universities. Appropriate incentives and rewards should be employed to encourage college and university systems to plan effectively to meet public needs and expectations.

Historically, California once enjoyed the luxury of sufficient economic strength such that policymakers did not have to be concerned about whether publicly supported educational institutions were adequately meeting public needs and expectations. Additional funding has generally been made available to encourage educational innovations, curricular enrichment, and greater accessibility to teaching and learning opportunities, without the necessity of examining past mistakes and successes. Rapidly changing demographics in the state population, voter-imposed constraints on public revenue collection and expenditures, increasing competition for limited discretionary public funds, and periodic recessions have combined to render historical approaches to funding higher education untenable in the future.

It is common for State policy makers and taxpayers to raise concerns about cost effectiveness whenever the General Fund is severely constrained by recessionary pressures. Higher education has not been immune to such scrutiny nationally as increased budget requests have spurred state policymakers to become concerned about the “return on investment” represented by higher education. Such concerns have accelerated since 1990 as policy makers have sought to better understand how educational quality, productivity, and effectiveness can be assessed and used to guide state planning and budget decisions. Lessons learned from the 10 states that were early leaders in the higher education accountability movement indicate that accountability systems must be long-term endeavors. Assessment indicators adopted by those states imply an incremental policy approach that stresses continuous improvement rather than quick fixes. Moreover, the use of indicators assumes the legitimacy of proactive, state-level intentions and actions that extend beyond the purposes of a single institution.

Simply put, accountability in higher education must be an exchange relationship wherein taxpayers, through their elected representatives, appropriate money to support public colleges and universities in exchange for explicit out-

comes. The recipient of public funds, armed with the knowledge of what is expected, then manages the expenditure of the funds received in ways that meet or exceed expectations of the funder.

Specific outcomes from educational institutions

The Commission believes that the real challenge to be met is delineating, in measurable terms, the specific outcomes expected from public educational institutions. While not an impossible task, it does require courage and an operational understanding of mission differences among the various postsecondary education systems as well as differences in the types of students served in each. The California Community College Partnership for Excellence Program initiated in the 1998-99 fiscal year illustrates the complexity of building consensus on what outcomes should be expected, the level of performance that should be expected in each outcome area, and the extent to which all campuses within the system should be held accountable for demonstrating progress in each area. It also serves as an example of balancing the expectations of policymakers – who specified the outcome areas in which they want information on institutional performance – and the governing board and Chancellor of the system – who delineated mission-specific goals in each outcome area and desired performance levels for the system.

Similar efforts should be initiated within the two public university systems. There is no reason why the considerable intellectual talent within these universities should not be directed toward assessing their collective effectiveness in achieving specific goals they set for themselves within priority outcome areas specified by elected officials and policy makers. They should be expected to exercise the same diligence in accounting for institutional use of public resources as is required for academic research activities. Additional State investment in supporting university operations should not be made without assurances that documentation will be provided on how public resources are used to meet public needs and expectations and mission-related goals.

Although California does not provide direct General Fund support to independent colleges and universities, it does provide indirect support by providing Cal Grants to needy students who enroll in such institutions. Accredited independent colleges and universities are considered to be an important part of California's Master Plan for Higher Education. Cal Grants carrying a higher maximum value than those awarded to students enrolling in public colleges and universities are used as an incentive to encourage students to enroll in an independent institution. As such, the State has an interest in assuring that independent institutions are also placing a high priority on facilitating student achievement. Independent institutions that accept Cal Grant recipients should be held to similar expectations for demonstrating institutional performance in designated outcome areas.

The growing support for public accountability in higher education can be attributed in part to a public perception that higher education institutions have claimed a special status for themselves as a prerequisite to carrying out their mission, without providing evidence that such status is warranted. While this perception may or may not be accurate in any particular instance, it inevitably

gets challenged during periods of financial constraint and, increasingly, with the rise of new competitors offering "virtual" teaching and learning opportunities.

Higher education institutions should seek to meet public expectations, which are external, but they should also seek to have internal accountability wherein they examine their policies and practices to determine the extent to which they maintain the standards for their kind of institution. While all institutions share at least one common goal – facilitating student learning and achievement – they each place different emphasis on such functions as research, academic and professional programs, and public service. The move toward increased public accountability should also seek to balance external and internal accountability so they complement, rather than compete with, each other.

Accountability recommendations

Meeting the challenge of operating postsecondary education institutions in an environment of increased public accountability requires more than moral exhortation. It also requires a clear and measurable statement of expectations and appropriate rewards and incentives to alter institutional behavior where appropriate. Moreover, it requires a commitment from educational leaders to encourage continuous self-examination and analysis of relevant data to identify effective practices and promising strategies to better achieve or exceed public and institutional expectations. Teaching and learning are the core functions of educational institutions and should receive focused attention. Research and public service are also essential activities. Evaluation of overall institutional operations should inform efforts to improve student achievement as well as institutional effectiveness. Public funding should be examined for ways to provide direct financial incentives as a reward for documented effectiveness in facilitating student achievement and institutional goal attainment. Accordingly, the Commission offers the following recommendations:

Elected Officials and Policy Makers

30. ***Identify specific outcome areas in which the CSU and UC should provide evidence of institutional performance and condition future investment on maintaining or increasing performance in each area*** – As with the California Community College system, the governing boards of both the California State University and the University of California should be given up to six areas for which the Governor and Legislature expect to receive regular information on institutional performance. Within each of these areas, the Board of Trustees and the Regents, respectively, should direct their staffs to identify mission-specific goals and performance levels towards which their campuses should direct attention and resources. Should the Governor elect to enter into an agreement with CSU and UC to stabilize or increase future funding, he should explicitly condition such funding increases on evidence provided about the performance of the system and its multiple campuses in the designated outcome areas. Among the areas in which quantifiable goals should be considered are:

- Demonstrable improvement in the knowledge, capacities, and skills of students between entrance and graduation, pursuant to Education Code §99180 and 66072;
- Changes in the participation and graduation rates of students from groups historically underrepresented in higher education, pursuant to Education Code §99182;
- Validation of graduates' knowledge and skills through external assessments such as teacher certification and professional licensure examinations; and
- Placement data on graduates, particularly those completing professional degree programs in areas of high workforce needs.

In addition, each system should be required to share the goals and performance standards being developed for their respective system with the California Postsecondary Education Commission. The Commission, in turn, should be required to review and assess each system's goals and performance standards for compatibility, alignment, and potential conflicts.

31. ***Request California independent colleges and universities to provide evidence of institutional performance similar to that requested of public colleges and universities*** – Student success at the institutions in which they enroll is a compelling state interest. This interest is not diminished because a student has elected to enroll in an independent institution. The fact that Cal Grant funds are directed to these institutions through financially needy students provides a solid foundation for seeking assurance that students enrolled in independent institutions encounter a similar educational environment as is required in public colleges and universities – one that nurtures the very best in students and that continually focuses on student achievement.

32. ***Require CCC, and CSU and request UC and Independent colleges and universities to submit annual performance reports to the California Postsecondary Education Commission for its review and comment*** – California's policymakers should be able to go to a central location in the state to acquire timely information on various performance indicators of postsecondary education institutions directly or indirectly receiving General Fund support. The Commission was created explicitly to serve this function and has been given the charge of being a clearinghouse of information [E.C. §66903 (m)] on postsecondary education and to advise the Governor and Legislature on postsecondary education policy and funding issues.

<u>California Higher Education Leadership</u>

The Commission, among others, has acknowledged that accountability has both an external and an internal component. External accountability provides evidence and assurance, largely to outside audiences, that institutional missions are being accomplished effectively and in a cost-efficient manner. Internal accountability, on the other hand, is largely campus-centered and focuses primarily on academic concerns. Most campuses need to direct increased attention to

teaching and learning – areas that are appropriate to internal accountability – and most regional accrediting bodies are proposing to shift peer reviews from an assessment of institutional quality to an assessment of internal quality control mechanisms. This shift to internal accountability measures can contribute to more effective external accountability.

The California Community Colleges and the California State University have both made significant progress in identifying mission-specific goals to which they are prepared to be held accountable. The Community Colleges have launched the Partnership for Excellence Program in which the Board of Governors has agreed to hold colleges accountable for meeting performance goals in specified areas in exchange for additional General Fund support. These goal areas include transfer, degrees and certificates, successful course completion, successful basic skills instruction, and workforce development. The Partnership for Excellence Program is in its third year of implementation and is establishing baseline information against which progress will be measured. Chancellor's office staff are also meeting with college representatives and control agencies, pursuant to supplemental budget language requirements, to determine the conditions under which allocation of additional funding would shift from up front incentive funding to "reward" funding that is earned by institutional performance.

In January 1998, the California State University Board of Trustees culminated a two-year planning effort by adopting the *Cornerstones Report*, a document which defines the future the State University has selected for itself. The report contains 10 principles organized under the following four policy goals: (1) ensuring educational results; (2) ensuring access to higher education; (3) ensuring financial stability; and (4) ensuring university accountability. The report embraces the teaching centered mission of the university system and emphasizes student learning outcomes it expects to be evident with every student that is awarded a CSU degree. This report was followed by a March 1999 Trustee adoption of a *Cornerstones Implementation Plan* that clarifies what should be done in each area and that assigns responsibility for action. Another important component to the CSU Cornerstones initiative is an expressed commitment to link public accountability of the system to stable General Fund support and future new investment in the system.

The University of California has not produced a written document that reflects a coherent vision of the future that is driven internally by the University and its unique mission among public colleges and universities. The University has been responsive, however, to specific legislative directives contained in supplemental budget language in such areas as (1) ensuring that undergraduate students can graduate in four years; (2) increasing the involvement of faculty in undergraduate instruction; and (3) ensuring University access for well prepared students. The number of programs and initiatives reported in these areas is impressive but largely document past and current activities. The University does not go as far as either of the other two public higher education systems in committing to external accountability. Nor is there any public expression of a University commitment to exchange greater public accountability for stable General Fund support and future new investment.

The Commission acknowledges the progress that has been made in commitment to greater external accountability and the focus on internal accountability that is evident in California's public systems of higher education. The Commission also notes that progress has been uneven across the three public systems. In this context, the Commission offers the following recommendations:

33. ***Each public college and university system and regionally accredited independent college or university should declare the mission-specific goals and performance standards it seeks to achieve. To provide for statewide coordination and compatibility, review and comment should be sought from the Commission prior to finalizing performance goals for each of the public systems*** - A number of outcome areas for which performance goals should be specified have been suggested earlier in this section of the report. They derive from existing statute but each system is likely to specify additional goals and different performance standards for their type of institution. The Commission believes this is appropriate but observes that performance goals should be sufficiently challenging that they are not likely to be achieved as a natural product of current trends. The Commission also believes that each system would benefit significantly from soliciting advice and suggestions from individuals and groups external to the system, such as business representatives, the Legislative Analyst Office, the Department of Finance, and others.

34. ***All systems and sectors of regionally accredited higher education should regularly collect data on institutional effectiveness in facilitating student achievement, including placement data and success of its graduates in meeting external certification and professional licensure examinations*** - Successful implementation of strategies designed to achieve particular goals requires consistent monitoring of outcomes to assess progress and make corrections as needed. While such data may also be used to meet external accountability reporting requirements, their primary value are to provide valid information upon which to assess institutional progress in meeting the goals it has set for itself. They also inform decisions on reallocation of resources and modification of institutional policies and practices.

    The Commission is cognizant of some of the constraints in using data from other agencies to assess the outcomes of college and university graduates. A good example is looking at placement data of graduating students available through the Employment Development Department (EDD). Available employment and income data are limited by the fact that it is not sufficiently detailed to determine if employment is at all related to the major or training completed by the student. In addition, no data are readily available for those students who elect to start their own business and, therefore, could not be incorporated into institutional assessment efforts. Nonetheless, the Commission believes that efforts to obtain external validation of student achievement in appropriate areas are a worthwhile undertaking.

35. ***The Bureau for Private Postsecondary and Vocational Education should be required to provide annually to the California Postsecondary Educa-***

tion Commission data on specific outcomes required to be reported to the Bureau pursuant to Education Code §94808 by academic degree-granting institutions approved to operate in California - The Bureau has been given the charge, among others, of protecting the integrity of academic degrees offered by private, for-profit, institutions by approving them to operate in California. This responsibility must be diligently exercised to assure Californians and the broader publics that degrees earned from these more customized academic programs adhere to common academic standards that are respected by both employers and other academic institutions. The Commission has a responsibility to serve as a clearinghouse of information on all postsecondary learning opportunities in California and, therefore, the Bureau should enable the Commission to incorporate information on the private, state-approved degree-granting sector.

California Student Aid Commission

36. ***The California Student Aid Commission, in collaboration with the California Postsecondary Education Commission, should evaluate the degree to which increased Cal Grant funding has expanded access and improved affordability of enrollment at California independent colleges and universities*** – In adopting the Master Plan for Higher Education, California's policymakers determined that independent colleges and universities should be an integral part of the State's strategy to provide broad access. California's Cal Grant program was structured with the objective of facilitating student choice by providing sufficient financial assistance to students such that enrollment in higher priced independent colleges and universities would be affordable. Recent efforts have been made to increase the maximum Cal Grant award level for students attending non-public institutions with the hope of lessening enrollment demand at the public institutions. Few efforts have been made to assess the effectiveness of the Cal Grant Program in achieving this objective. The Student Aid Commission, in collaboration with the Commission and the Association for Independent California Colleges and Universities (AICCU), should undertake such an evaluation.

37. ***The California Student Aid Commission should initiate an evaluation of the Cal Grant program to determine its effectiveness in facilitating student achievement*** – One of the objectives of the Cal Grant program is to contribute to successful completion of degree or certificate programs among needy students by reducing the need for them to work while enrolled in college. Reducing the need to work removes a major burden for students and permits more time to be devoted to study and other learning activities. Few, if any, resources have been directed to assess the effectiveness of the Cal Grant Program in increasing student achievement and completion of degree or certificate programs. The Student Aid Commission should collaborate with the California Postsecondary Education Commission and higher education systems to undertake and complete such an evaluation.

38. ***The Commission should review and comment on the mission-specific goals and performance standards adopted by each system*** - The Commission has a responsibility to engage in long-range planning and coordination of postsecondary education in the state to assure compatibility and elimination of undesirable duplication of effort. As such, it is well placed to apply a statewide perspective to system-specific goals, to identify possible areas of conflict and opportunities for greater collaboration, and to assess the extent to which the collective goals of higher education give appropriate attention to student achievement. The Commission should seek to provide feedback to each system in a timely manner such that its concerns can be considered and possibly incorporated by each respective system prior to finalization of system goals and performance standards.

39. ***The Commission should reconstitute its advisory committee to review the indicators contained in its annual report on institutional performance indicators and the data that will be included in system accountability reports to align these reports and eliminate duplication of effort*** - The Commission has strongly recommended that public colleges and universities be required to submit annual accountability reports on mission-specific goals and performance standards they have set for themselves in consultation with the Commission. Furthermore, independent and private institutions should also be requested to submit annual accountability reports on mission-specific goals and performance standards they have set for themselves. The Commission is already charged with the responsibility of issuing an annual performance indicator report pursuant to Education Code §99182. There is the potential for these reports to contain similar information if not coordinated. The Commission has an obligation to advocate prudent use of public resources by identifying and eliminating undesirable duplication of effort.

40. ***The Commission should review and comment on the annual accountability reports provided by each system and sector of postsecondary education*** - The Commission was created, in part, to provide objective advice and assessment of the performance of California's system of higher education as delineated in the Master Plan for Higher Education and subsequent statute. These observations lend greater confidence in and, occasionally, contribute to the understanding of legislators and other policymakers when reviewing reports by institutions and systems containing detailed data. They can also be helpful to educational leaders by pointing out where institutional goals may be too ambitious or not challenging enough or where potential strengths have been overlooked.

41. ***The Commission should conduct a review and analysis of "pay for performance" initiatives in other states and develop a proposal for a pilot effort among California universities*** - Performance funding, where information, data, and appropriations are used to achieve desired reforms in higher education, has existed since at least 1979. Currently, nearly half the

states have either implemented or are considering some type of performance funding program. Not all share the same goal and some of the older programs have been modified over time. The Commission should seek to understand the various goals being pursued and changes that have been undertaken with performance funding initiatives and advise the Governor and Legislature on (1) the efficacy of initiating a performance funding program with the California State University and the University of California; and (2) possibilities for improving the likelihood of success with the Community Colleges Partnership for Excellence Program.

42. **The Commission should provide policy and programmatic guidance to the State in setting academic standards and review procedures that establish and maintain integrity of private postsecondary education institutions operating in California** – The Commission currently has responsibility for reviewing new academic programs proposed by public colleges and universities. This experience could prove useful in discussions about institutional integrity in the private postsecondary sector.

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