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# Can We Save the College Dream?

*The death and life of California's public universities*

**F**rom the microchip to biotech, California's entrepreneurial spirit in the twentieth century shaped entirely new sectors of the state's economy, attracting talent from around the nation and the world, and building and sustaining industries through its spirit of inquiry and research productivity. Much of the credit for this success has been due to California's inclusive, comprehensive higher education system.

As this system defined our past, it will surely define our future. But if current trends continue, the story will be very different. The portents of a waning public education system in California are many: falling public funding on a per-student basis, unprecedented limits on new enrollments, cuts in faculty positions, and declining graduation rates, with a corresponding drop in numbers of degrees awarded. The comparison with economic competitors such as Germany and the United Kingdom is dire.

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The current Great Recession is partly to blame. But in reality, these are trends long in the making. The current budget and college performance problems we see suggest a very different California to come—less educated, less innovative, and less prosperous. And unfortunately, there appears no public consensus or political leadership to articulate the long-term consequences of such a dramatic breakdown. Few are attempting to reimagine how California, once the world’s most educated state, can again lead the nation, indeed the world. California’s population is growing, and more people than ever want access to higher education. Yet the state’s fractious lawmakers have for many years been reducing the state’s support of its public schools, those building blocks to higher education. Our system, once robust, is seriously out of whack.

California doesn’t have long to decide which future it will choose. Our population is projected to grow to 60 million by 2050. Most critics and observers of public education, as though transfixed by the state’s persistent fiscal problems, have been unable to engage in long-range planning. They remain focused on incremental and largely marginal improvements. While competitors around the world are making significant investments in their own educational research institutions, California has essentially stopped innovating in the policy realm of higher education.

How can we once again be in the vanguard?

In this article I will offer a *reimagined* network of colleges and universities for California—in essence, a proposed logical next stage in a system that has only marginally changed over the last five decades.

But first, some history and a dose of reality.



## A Grand Success

California, the place of boom and bust, surf and sand, alternative lifestyles and high-tech industries, is perhaps the one state that truly personifies the ideals of the American Dream. Its network of public colleges and universities has been the envy of the world, and for good reason. As early as the 1920s, Californians developed the nation’s first coherent mass higher education system, a tripartite (three-segment) system composed of a growing local community college sector, a regional set of campuses offering four-year degrees (the California State University system), and a multi-campus University of California that provided the state’s primary research institutions and advanced degrees. Each segment played a part in the larger system.

Other states had a collection of public colleges and universities, each competing for taxpayer dollars and with no formal method for coordination. California was different. Its political and academic leaders created a network of geographically dispersed public colleges and universities linked by *matriculation agreements*. This coherent approach, what I call in a recent book “the California Idea,” provided for a student to enroll at an affordable cost in a local community college to earn an Associate of Arts degree, then transfer seamlessly to a University of California campus to earn a bachelor’s degree. And this system worked. As early as the 1930s, almost half of all students at UC Berkeley and UCLA were transfer students. During the next thirty years, no other state offered so many different paths towards a higher education degree. It was a revolution.<sup>1</sup>

Equally remarkable, California managed to grow this tripartite system at a pace that kept up with a rapidly growing population. In 1963, it became the most populated state in the Union, surpassing New York; today, with some 37 million, it’s nearly twice the size of New York. And California grew its unusual network of colleges and universities at an affordable cost to taxpayers. The lower cost of the community colleges, and the distinct missions of the different parts of the system—with the UC campuses focused equally on teaching and research and the primary providers of doctoral degrees—kept costs down. Each segment focused on its realm of responsibilities, collectively forming a symbiotic network.

The state’s famed 1960 Master Plan for higher education reinforced the system, outlining a path for new campuses

to meet a projected tripling of enrollment by 1975.<sup>2</sup> Shortly afterwards, the European Organisation for Economic Development (OECD) stated that California “represents the most advanced effort to construct a system of mass higher education, while maintaining a quality of research and education at the top which is unsurpassed anywhere among OECD countries and probably in the world.”<sup>3</sup>

It was all a grand success. By the mid-1970s, the system’s apex, other states and nations looked to California for ideas and models for developing their own mass higher education systems, and for creating high-quality colleges and universities with focused missions.

But that is all in the past.

### A New Reality

California’s reputation for excellent public colleges and universities, based on this legacy of success, persists, but there is a new reality. Where we were once among the top states in high school graduation rates, access to higher education, and degree completion rates, the state now ranks among the bottom ten in most categories. In brief, California is modestly good in access and an extremely low performer in degree production.

The causes include declining investment in education, low secondary school graduation rates, and high attrition rates among college students, a pattern that correlates with an inadequate financial aid model at the national and state level and a high number of part-time students.

There is a major leak in the pipeline leading from high school to higher education. On average, some 68 percent of public secondary students in California graduate, placing it among the lowest performing states. Between 1997 and 2007, and before the onset of what we are already calling the Great Recession, this rate actually declined by 4.7 percent, the second worst in the nation.

Averages hide the fact that in many poor urban and rural communities, the graduation rate is often lower—a dismal 44 percent. Among the largest school districts in the US, Los Angeles Unified had a rate of 40.6 percent in 2007—the latest year for which we have strong data. There are alarmingly high dropout rates among African American and Hispanic students. Some later return to community colleges or take the GED, but returning or GED students

have the lowest probability to go on to gain any sort of post-secondary degree.

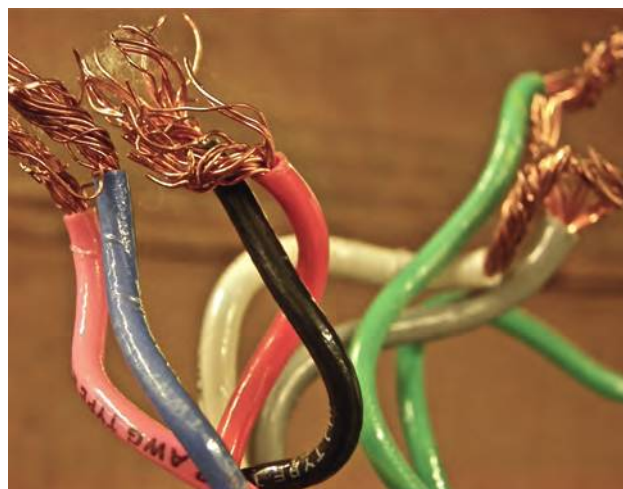
It’s a peak and valley story, with extremely high graduation rates in schools in wealthy neighborhoods and very low rates in low-income communities.

Solving this huge problem is not tied simply to school reform and improved funding. True, California spends far less than the national average on students in public schools, but the situation is symptomatic of larger forces in the society, including the growing gulf between the wealthy and the poor; huge demographic shifts, with different social norms and educational backgrounds among immigrant groups; and a decline in the social safety net.

Consider this: for those students who do enter higher education, either after high school graduation or later in their working lives, California has relatively high attrition rates. Too many students simply drop out.

The attrition rate seems to correlate to the selectivity of the institution. California’s community colleges enroll a staggering 2.9 million students, but some studies indicate that only 18 percent who enter to earn an AA degree actually ever get one. California State University, with its twenty-three campuses and some 450,000 students, graduates about 45 percent within five years of enrollment. The highly selective University of California, on the other hand, graduates, within five years, nearly 90 percent of students who enter as freshmen. UC transfer students have similar graduation rates.

Two factors add considerably to the high attrition rates in community colleges. One is the huge number of part-



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time students. This is one way we differ from our economic competitors; no other developed economy has as many part-time students as the United States. California has among the highest percentage of all, with some 70 percent of its community college students working full- or part-time.

Another major departure from our economic competitors is the number of tertiary, or post-secondary, students who are in two-year colleges. Community colleges are under political pressure to grow in capacity as the nation's population grows, and currently, of all American undergraduates nearly half are enrolled in community colleges. In California, the percentage is over 70 percent and is likely to climb, particularly if public four-year institutions cannot get adequate funding.

Yet a growing body of research shows that students who enter community colleges are much less likely to go on to attain a bachelor's degree than those who start college in four-year institutions. Only 22 percent in California transfer to a four-year college. There is actually evidence that dependence on community colleges as the primary route to higher education has a deleterious effect on underrepresented minorities, who are much more likely to enroll at a two-year college and never get a degree.<sup>4</sup>

California's dismal rankings in a number of funding and other performance indicators are shown in the accompanying box. Note California's general low ranking in the US in K-12 spending, the low rate of adults with at least a high school degree, and baccalaureate attainment among eighteen to twenty-four-year-olds; then note that the US is not doing that well relative to economic competitors among the thirty-two mostly developed OECD member nations. This downward trajectory may very well get worse.

### The Great Recession

California is not adequately supporting its own colleges and universities. Before the current recession, there was already a significant pattern of disinvestment in higher education, but it accelerated mightily after the recession hit the cash-strapped state. Declining state revenues have resulted in an \$813 million cut in funding to the UC system over the past two-plus years, with the prospect of further cuts in 2012. In the last twelve months, salary cuts have ranged from 4 to 10 percent; 1,900 staff employees have been laid off; a hiring freeze has affected some 1,600 open faculty positions; and an additional 3,800 faculty positions have been eliminated. That's just some of the fallout this past year.

At campuses like UC Berkeley, this has translated into a cut of more than \$80 million in the operating budget, leading to increased class sizes, rising student-to-faculty ratios, and the elimination of classes and course sections (see box). A similar scenario can be found at CSU and the community colleges. This means that many enrolled students cannot get the classes they need to progress toward their degrees.

The decline has brought a near collapse in the coherency





of California's higher education system. Over the past decade, both UC and CSU have been taking on more and more students who are, in the parlance of university administrators, *unfunded*. The nine University of California campuses have some 15,000 undergraduates who receive no corresponding funding from the state; at UC Berkeley alone, some 18 percent of undergraduates are unfunded. As public funding per student plummeted, for the first time students normally eligible for the University of California and California State University systems were denied admission.<sup>5</sup>

There is a cascading effect. In the past, the community colleges picked up students refused admission by UC and CSU. Now, the two-year colleges cannot absorb them all, because they received an \$825 million budget cut of their own. This has led to wholesale cutting of courses and shrinking enrollment capacity. According to one study by the California Postsecondary Education Commission, some 200,000 or more prospective community college students are being denied access; in projections by the community college chancellor's office, that could balloon to 250,000 students next academic year—more than the entire enrollment of the University of California.

Chancellor Jack Scott, a former lawmaker and past president of Pasadena City College, remarked that the drop in



enrollment in 2010-11 was not for lack of demand. “There is no question that we want to serve all of the students flocking to our campuses during these tough economic times. The reality is we can’t afford to do so. Our campuses are currently educating more students than the state is paying for, which is not a fiscally sound practice. Many colleges are dipping into reserve funds to serve these students. If we continue this practice, some colleges will not survive.” Scott fears bankruptcy for some of these institutions over the next year or so.<sup>6</sup>

### The Brazilian Effect

The inability of the public system to keep up with enrollment demand has resulted in a phenomenon I call the *Brazilian Effect*. When public higher education cannot keep pace with growing public demand for access and programs, For-Profits rush to fill that gap, becoming a much larger provider. This is the pattern in many developing economies. In Brazil, more than 50 percent of student enrollment is in For-Profit institutions; Korea and Poland also reflect this model.

What’s wrong with that?

Some growth in the For-Profit sectors in California is inevitable and good. A diversified market of higher education providers is an essential component in expanding access and boosting graduation rates. But there is evidence that much of that sector is of low quality and productivity. Moreover, these schools are very expensive for the student and also for federal and state governments. Eighty percent or more of For-Profits’ operating expenses come from taxpayer-funded student

### California Education Report Card: Sample Rankings

CALIFORNIA	US Rank
K-12 Spending Per Student	44
K-12 Spending Percentage of Personal Income	46
Number of K-12 Students Per Teacher	50
Number of K-12 Students Per Guidance Counselor	49
Adult Population with at least a High School Degree	49
High School Seniors Who Enter Higher Education	49
Baccalaureate Attainment of 18-24-Year-Olds	43
18-24 Year Olds Who Enter 4-Year Institutions	50
Underrepresented Minority Students in 4-Year Institutions	47
Underrepresented Minority Students with BA/BS	45
UNITED STATES	OECD Rank
High School Graduation Rate	10
HE Graduate Rates Among 18-24-Year-Olds	15
25-34 Year Olds With Some HE Experience	12

Sources: National Center for Ed Statistics; Geiser, “Beyond the Master Plan” CSHE 2010; Thomas G. Mortenson, “California at the Edge of a Cliff” 2009; OECD Education at a Glance 2010.

grants and loans. In 2008-09, according to a recent Congressional report, students at For-Profits, who accounted for nearly 10 percent of all higher education students, received 23 percent of all federal student aid, roughly \$23.9 billion.<sup>7</sup> Moreover, in these For-Profits, the attrition rate is higher and the degree production lower than in comparable public colleges, especially among the traditional college population of eighteen to twenty-four-year-olds.

The Obama administration has proposed new though fairly minimal rules regarding the eligibility for federal student aid of For-Profits with histories of extremely high attrition rates and extremely low job placement.<sup>8</sup> Nevertheless, even with new regulatory controls on the offenders, many of which are predatory (recruiting students who cannot afford large loan debts and with low job probabilities), the market will remain robust for this growing sector of California's higher education system. There is a role for For-Profits, but it is a matter of balance. Their current surge in enrollment is largely the unintended consequence of an inability to properly structure and grow our public higher education.

The net result is that California increasingly shows characteristics simultaneously of a developed and an underdeveloped economy, with high rates of near-poverty level incomes, low high school graduation rates, limited access to public higher education, increasing reliance on For-Profits, and low production of tertiary degrees.

### How Did We Get There?

There are a number of underlying structural causes for the state's disinvestment in higher education beyond the current economic collapse. On the one hand, there are the complexities of major demographic shifts and greater income disparities among Californians. Prisons and Medicaid take an ever-greater share of the tax dollar, along with other major consumers, including pensions for state workers and mandates for funding K-12. All of these costs have squeezed out state funding support for higher education.

Here is one reason why. Public universities, UC and CSU, have the relatively low status of "discretionary" funding because there are no constitutional mandates to keep higher education afloat as there are for elementary and secondary school.

The inability of lawmakers to manage the state has magnified the problem. In no small measure, the state

budget process has been held hostage by right wing, anti-government ("starve the beast") conservatives empowered by the unusual requirement of a two-thirds vote to pass a budget in the State Assembly. There could have been a different scenario. Prudent budget cuts, along with marginal increases in state revenues during better economic times, would have mitigated the huge cuts faced today.

There is plenty of blame to go around, that's for sure; but the fact remains that a small group of politicians in safe, heavily conservative districts have been running the budget show. For UC and CSU, raising fees and tuition has been the only major policy lever available to mitigate the state budget cuts, but it has not been enough to replace lost state funding. You simply cannot raise the scale of money needed for operational costs any other way.

### It Could Have Been Worse

Without the Obama administration's economic stimulus package, the American Recovery and Reinvestment Act of 2009, the situation would have been much worse. The

#### UC and the Great Recession 2009–2010

University of California (ten campus) system impact:

- Cut of \$813 million in state-funded operating budget (or approximately 20% over UC's 2007–08 budget)
- Cut of 2,400 freshman positions
- Salary cuts for academic and administrative staff of 4 to 10%
- Hiring freeze
- Restricted travel and equipment purchases
- Laying off of 1,900 employees
- Eliminating 3,800 faculty positions
- Deferring the hiring of 1,600 academic positions
- Student fee increases of approximately 32% since 2008

Berkeley Campus Example:

- Cutting approximately \$80 million to the campus's operating budget
- Increasing class size and reducing course offerings by 8%
- Freezing hiring of new faculty
- Increasing student-faculty ratios
- Cutting faculty lecturer and graduate student assistant positions by as much as 20% in some departments
- Cutting student services
- Reducing hours of operation of the campus
- Planning to increase the number of international and out-of-state students from 11 to 20% of bachelor's degree students, generating some \$60 million a year

ARRA funneled funds to education and construction projects to lessen anticipated cuts in state funding and boost local economies.

For California, it provided \$640 million in subsidies to UC and CSU, and another \$160 million to local community colleges. But neither income source is large enough to offset the dropping of courses, staff and faculty layoffs, cuts in salaries, and ultimately, reductions in enrollment.<sup>9</sup> California's state government, and its public higher education system, were at the brink of total fiscal collapse. The stimulus bill averted a complete disaster.

Unfortunately, it was largely a one-year fix.

The accompanying box shows, by spending sector, what ARRA funds California has received, including some \$7.97 billion for public education for the last fiscal year (2009–10). But because of the severity of the budget problems for higher education, most of the available ARRA funds for education will have been spent in 2011, forming a substantial financial hole for 2012.<sup>10</sup>

California already ranked among the bottom states in the number of students who enter higher education and then go on to attain a bachelor's degree. It seems that California will now have a significant, further decline in the educational attainment level of its population.

But beyond the immediate effects of educational aspirations denied, and the disproportional ramifications that

will have on lower- and middle-income students and their families, there is the real possibility that California's famed *approach* to higher education will unravel. And the policy response of the different higher education segments to this threat is fragmented.

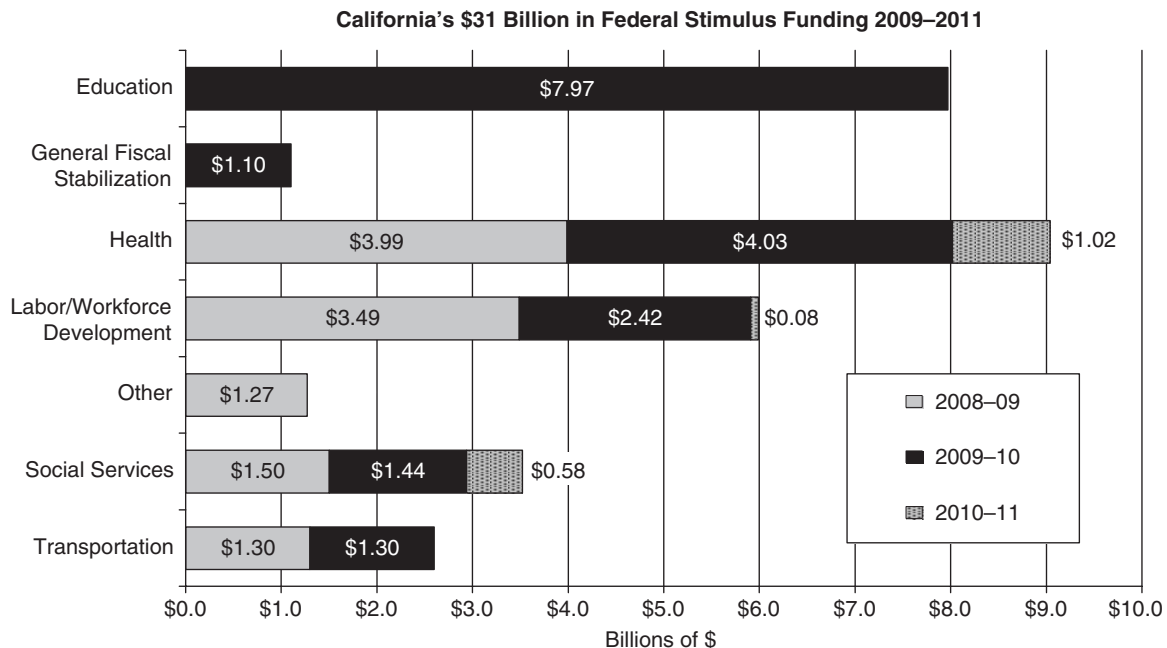
This raises a number of big questions. Can California sustain its current system of public higher education? Can it produce healthy levels of socioeconomic mobility and the trained labor needed for tomorrow's economy, or is it outdated? How can California retain *the California Idea* of broad access and quality academic programs?

The prognosis is not very encouraging.

### Fast-Forward

Let us fast-forward to a possible future. In many ways, public higher education in California, where some 80 percent of all students are enrolled, has been suffering a slow death, accelerated mightily by the current Great Recession.

Without a hearty resurrection of a healthy higher education system, and in the face of dramatic population growth, the state's public colleges and universities may further limit access because of a lack of financial resources. They will charge even higher tuition and fees. This means that gaining admissions to a University of California



## Economists are finding that educational attainment levels are linked to overall economic performance of nations, historically and projecting into the future.

or California State University campus will be even harder than it is today. It's not a good trajectory.

Developed and developing economies are all in a race to produce an ever more educated workforce. California should be no exception. Yet a number of studies indicate that California's higher education system will not keep pace with the state's labor needs, let alone afford opportunities for the upward mobility that once characterized us.

Enrollment capacity in the public sector will lag behind demand for access. This will cripple the capacity we have to produce the talented labor pool required by California's economy. The Public Policy Institute for California (PPIC)<sup>11</sup> estimates that if current trends persist, California will fall short by over one million of the college graduates it needs for its economy by 2025. Depending on in-migration patterns of highly educated professionals, only about 35 percent of California's population will have some sort of post-secondary degree. Yet PPIC projects that the state will need at least 41 percent with a college or university degree. While enrollment capacity shrinks, demand will grow in California, in the US, and throughout the world. Another and more recent study by an independent commission of civic and business leaders estimates that California will need to produce more than 2 million degrees by 2025—a total that includes baccalaureate and associate degrees, along with new types of vocational certificates.

Take these projections with a grain of salt; the variables of future labor needs are numerous. We can only guess which economic sectors will grow or shrink. But we must not ignore the projections. All of our economic competitors are betting that the most competitive economies will be those with the highest educational attainment levels. Even with the emergence of austerity measures, much of Europe and Asia are pursuing higher education investment strategies

to outdistance the education attainment levels of the US. Many have already succeeded.

Their efforts are based on a growing body of research. Economists are finding that educational attainment levels are linked to overall economic performance of nations, historically and projecting into the future. Indeed, America's and California's economic growth over the past one hundred years have had less and less to do with our abundance of natural resources and more to do with the talent and education of our people. We also know that whereas a high school degree was once the threshold requirement for a middle-class family income, today it is a college education. And although in the current recession plenty of Ph.D.s are out of work, increasingly and for certain professions, access to graduate education will increase in value.

Add to this mix the changing labor market. A recent study published by the National Bureau of Economic Research predicts a "growing mismatch between the jobs that will be created over the next decade and the education training of our adult workers." Those jobs that rely on workers with a high school education or less are quickly receding in numbers and importance. The Great Recession is only accelerating these trends. Many manufacturing jobs and work in farming, fishing, and similar industries will not be coming back. When the economy does recover, the overwhelming number of new jobs will require a college degree or at least some post-secondary education. These are national trends, but they are all the more exaggerated in California.

### Obama's Goal

California's poor performance reflects a national need to increase the number of young people with college degrees. Cognizant of these changes in the labor market, and the efforts of our economic competitors, President Obama in the first year of his presidency took a page from his European counterparts and outlined a goal for the US to match or exceed the educational attainment rates of other developed economies. In a special address to the US Congress shortly after his inauguration, he announced that by 2020, "America will once again have the highest proportion of college graduates in the world."<sup>12</sup>

But how will the US get there in only ten years? It is probably an impossible task when you look at the numbers.



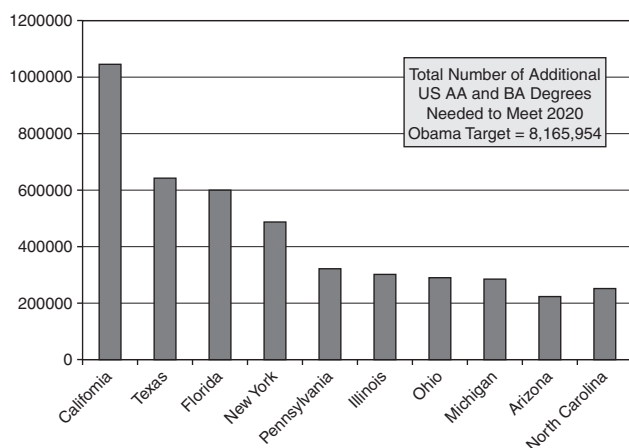
Today, the US enrolls about 19 million students in degree-granting colleges and universities and produces approximately 2.4 million degrees. To meet Obama's goal will require a quantum leap in degree production rates. One study estimates that the nation would need to produce 8.2 million additional degrees over an 11-year period (2008–09 to 2019–20). That would require an annual increase of 123,000 AA and bachelor's degrees each year above that projected by the US Department of Education.<sup>13</sup>

And what would California's role be in providing its fair share of the national objective set out by the president? The National Center for Higher Education Management Systems (NCHEMS) has projected that of all the states, California will need to make by far the largest contribution.

California produced 198,620 undergraduate degrees in 2009; by 2020 it would need to produce a yearly total of 330,000 degrees—a nearly 40 percent increase. Cumulatively, that would mean that in a decade California would need to produce a startling 1.1 million additional degrees beyond its current projection.

The accompanying chart indicates the relative magnitude of California's "fair share" compared to nine other states with the largest production quotas. The underlying concept is that each state needs to reach or nearly reach the goal of 60 percent of all twenty-five to thirty-four-year-olds with a college degree.<sup>14</sup> Because California is both the largest state in the Union and a low degree production state, our challenge is more dramatic than any other state.

If the US is to reach Obama's goal, it is fair to say that as California goes, so goes the nation. We will not get there without California delivering the goods. Yet to date, there has been no significant assessment about how the country



and mega-state of California can possibly meet their fair share target.

### The Rub

California's resurrected governor, Jerry Brown, entered office in January with an estimated \$26 billion deficit in the state budget. Once again, in the middle of a fiscal year, all government services face another round of deep budget cuts, including public higher education. This time, the federal stimulus funds are nearly gone, and all the smoke and mirror tactics to delay a day of budget reckoning seem nearly exhausted.

A big part of the problem for higher education and other state-funded operations is that well into the fiscal year one never really knows what the budget is. How do you plan austerity measures when the terms keep shifting?

Over the past summer, for example, California went one hundred days into the fiscal year without a budget agreement, breaking a record for the state and forcing state agencies and public universities and colleges to borrow funds to keep their doors open, meet payroll, and pay vendors for goods and services. At the same time, low-income students who would normally receive Cal Grants have had to borrow money to help meet expenses or drop out entirely. In a not unusual case, a twenty-eight-year-old community college student and mother of two in San Bernardino borrowed \$400 from Payday Loans at a cost of about \$100 to help keep her enrolled.<sup>15</sup>

Governor Brown served two terms in office in the 1970s and was not terribly supportive of higher education at that



time. Now he is confronting a state budget hole that is unprecedented, one that has grown worse as the economic recovery slowly grinds away, making previous estimates of projected tax income moot. State revenues are down, and so a mid-year correction in the budget means the situation for higher education will worsen.

That means UC and CSU will attempt to go to the tuition and fee well once again, and will also need to make further cuts in their operations. In the near term, one can imagine further reduction in enrollment capacity and further delays in the ability of students to get the courses they need to graduate. What will happen at the community college level will be even more exaggerated.

California's plight is perhaps the worst among the states, but similar stories can be found throughout the nation. As in other eras of scarce resources, there will be a disproportional impact on low-income and middle-class families, and in particular the state's growing Chicano-Latino population and other disadvantaged groups. Hearty growth of the California higher education system is, in the end, one of the most important affirmative action issues for contemporary society.

You can take that to the bank.

### Seeking Smart Growth

Even if California could vastly elevate high school graduation rates, lower the attrition rates among colleges students, and devote more funding resources, there are strong indicators that the state's higher education system is not structured properly to both grow the enrollment capacity of its

existing public higher education system to keep pace with population growth and increased labor needs, and promote the kind of socioeconomic mobility experienced in the past.

In short, as the British like to say, I think the current tripartite system is not "fit for purpose."

Over many decades California, one of the largest economies in the world, has stopped innovating when it comes to its higher education system. It's time to innovate, to think a bit out of the box. How might the state, to borrow the terminology of urban and suburban planners, promote *smart growth* in its once pioneering system? Smart growth would seek clear goals on future degree attainment rates, a restructuring of the state's higher education model, containment of costs for taxpayers and students, and a revised funding model. I will call this *the California Idea Revisited*.

It is an expansive vision with many political and financial hurdles. An objective is to not let current fiscal woes completely dominate thinking on a possible future—to paint a picture that California could achieve and afford. Here are some particulars.

### Setting Goals

California's political leadership should set an ambitious goal that the state match or exceed the access *and* degree production rates of the highest-achieving states in the US, or, better yet, a grouping of international economic competitors. Bachelor degree production rates, and some assessment of the quality of a nation's tertiary institutions, offer perhaps the best single benchmark regarding the productivity and impact of a higher education system. Setting such a goal might seem arbitrary; but, as in Europe, it can serve as a powerful strategic policy tool. It focuses discussion on the respective roles of the various public and private college and university systems and what they need to achieve collectively.

### Rebalancing Where Students Go to College

California must reconsider where students go to college. The state's heavy reliance on community colleges made sense for a twentieth-century economy but, I postulate, not for meeting the needs of the state in the future. As noted, California and the US in general push too many students, many of them struggling with their finances, into two-year colleges that are often underfunded.

A 1968 seminal study looked at national data and concluded that “community college students cost more, pay less, and hence receive a greater annual financial subsidy than do lower division university students.” The lowest cost on a per-student basis, and hence the lowest public subsidies, were found at public research universities.

This is counterintuitive, contradicting the impulse and rhetoric of most observers of American higher education. From Washington to university think tanks, there appears to be a consensus that community colleges are the primary route to increasing educational attainment rates. The grand solution offered for increasing educational attainment levels is to funnel more and more resources into community colleges.

At least part of the rationale for this was the notion that it was a cheaper way to provide for mass higher education. But was it actually less expensive? A 1968 seminal study looked at national data and concluded that “community college students cost more, pay less, and hence receive a greater annual financial subsidy than do lower division university students.” The lowest cost on a per-student basis, and hence the lowest public subsidies, were found at public research universities. More recent studies indicate similar results, and at the same time show much higher rates of degree attainment for students who enroll at the university level.<sup>16</sup>

This is not to diminish the key role of community colleges. In California, we need to improve the number of students who get a high school degree and then enter a college or university; we need to improve the fiscal condition and vibrancy of our network of over one hundred community colleges; and we need to reduce the number of part-time students in these institutions or find a way to work with them, such as changing the course schedule to provide

more afternoon and evening meetings of the classes students will need to transfer to a four-year university.

But I sense that even with these improvements, pushing so many students into two-year colleges will not significantly improve our degree production rates. After all, some 75 percent of all students in California are in these colleges already. In the end, it is probably a matter of striking the right balance. More specifically, finding the proper balance between two-year and four-year enrollments that will meet America’s need for skilled and professional labor for a twenty-first-century economy at an affordable cost to taxpayers and students’ families.

Clearly, California needs to shift more students to four-year institutions. There are two major paths to achieve this. The first is to increase access to the California State University and the University of California—in other words, the exact opposite of the current trend of reducing enrollment in these universities.

Some real problems will be generated by this shift. Already, many students entering CSU, and to some extent UC, are in need of remedial programs. Without improved college preparation at the high school level, both UC and CSU would need to bolster programs intended to prepare students for university-level courses. The College of Marin in Kentfield, a California community college, recently implemented a Basic Skills Initiative to provide tutoring and other resources for students who are not yet prepared to take college-level English or math classes at the time they

enroll. A more sweeping option would be to create a *gap* year remedial program at designated community colleges—essentially adding a year to the path to a bachelor’s degree.

The second structural reform is to designate a key number of community colleges, perhaps ten or more, as four-year degree-granting institutions. Some ten states are in the process of extending a set of community colleges into bachelor degree-granting institutions. It is not clear, thus far, how successful this will be, particularly in regard to the quality of the academic programs and employability of graduates. But these experiments, taking place in Florida, Texas, Washington, and Nevada, give California models to study, and the opportunity to more fully analyze the costs and benefits of such a reform.<sup>17</sup>

Some twenty-four community colleges in Florida have been authorized to offer the bachelor’s degree, with most offering programs in workforce-related fields, and often creating significant debate over *mission creep*. More than 1,000 students are enrolled in a four-year program at Miami Dade Community College, where the average age is thirty-three and more than half are Latinos. “We supply the area’s nurses and the teachers,” says MDCC President Eduardo J. Padrón, “and we respond quickly to new workforce needs in our community, training people for real jobs. You won’t see us starting a B.A. in sociology. We’re offering degrees in things the universities don’t want to do.”<sup>18</sup>

But one could imagine a more expansive role for these new hybrid colleges in California.

In evolving some select group of California community colleges into four-year degree granting institutions, I advocate keeping them as part of the larger California Community College system, but pulling them from local district control. California has seventy-two local community college districts, which makes statewide coordination difficult. Developing and managing the four-year colleges could include the creation of a separate council to guide their development, reporting directly to the CCC Chancellor and the lay Community College Board of Governors.

Beyond shifting more students to CSU and UC, and elevating a select group of community colleges to four-year programs, California could revise the institutional missions among the two-year colleges to help increase the degree attainment rates of Californians. One option is that the state could designate and fund a key number of these colleges to

focus almost entirely on transfer programs—a proposal that has been floated in previous years.

Why has this not transpired? One reason, I suspect, is the dominant culture among the faculty, administrators, and local college boards, who increasingly view the role of their colleges as vocational and serving adult learning. There is also a strong egalitarian impulse, in which having one community college focused on a seemingly more elite function (like transfer), while others are more vocational in orientation, is not a politically accepted path.

The fact is that we ask too much of community colleges, which attempt to be all things to all people without adequate resources. It is time to seek some mission differentiation among the institutions.

There is also a role for the For-Profit sector to help expand access to four-year degrees. But this would require much greater regulatory review of these institutions, both by national accrediting agencies and the state of California, and an assessment of the cost-effectiveness of such a plan.

#### *New Institutions: Build a Polytechnic Sector and a new California Open University*

California should consider establishing a new polytechnic sector and a California Open University offering online courses, modeled on similar and highly successful universities in other parts of the world. Both should be managed independently of UC and CSU. Both would help shift more students to four-year institutions.

The major benefit would be to the state’s future economic growth. Such new institutions would increase the supply of young talent in technology and applied skilled fields such as engineering, biotechnology, and communications, and would also focus on adults and lifelong learning and retraining.

Within the state’s public higher education system, both the community colleges and CSU have exceedingly low degree production trends in these fields. Broadening student options and creating academic communities focused on bolstering science and engineering education are vital. Current liberal arts institutions can improve in this regard, too, and grow in enrollment.

California should create a new type of public segment, based on an extremely successful model: a set of polytechnic colleges awarding degrees up to the MA level.



One could imagine having CSU simply add more of these types of institutions (in addition to San Luis Obispo and Pomona, and with perhaps more science and technology-driven charters), or establish distinct colleges within existing or future CSU campuses. However, there are major advantages to establishing a new and distinct segment with its own governing board power, focused on a mission to support science, engineering, and technology-based businesses in California.

The polytechnic model has grown in importance in developed economies, linking higher education with the labor needs of major industries. California could benefit by investigating these models and plan for two or more institutions, strategically placed, as the state's population and economy grow.

Remember, California is projected to expand by some 22 million people over a forty-year period. If this is anywhere near a real number, the state needs to make a stronger effort to create a viable, publicly supported, alternative university system. Perhaps the most famous model is England's Open University; but throughout the world, nations have created similar institutions, focused on adult learners and increasingly offering online courses that lead to degrees and credentials.

In the US, there are a few examples of such institutions. In the 1990s, California embarked on an effort, pushed by then-Governor Pete Wilson, for a *virtual* university. But it suffered

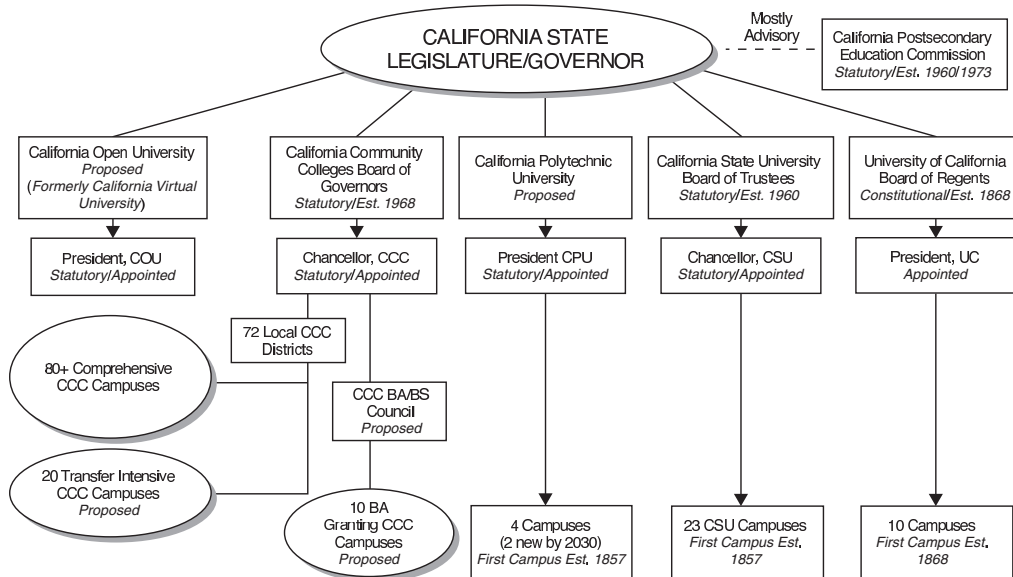
two maladies. Each of California's public universities, CSU and UC, were wary of a seeming competitor and agreed to help develop the California Virtual University only if it provided a portal for their online courses. This meant that, unlike other models from the UK to South Africa, the CVU had essentially reluctant partners and no faculty of its own. Another major problem was that in the early 1990s, the technology for online courses was relatively primitive and untested.

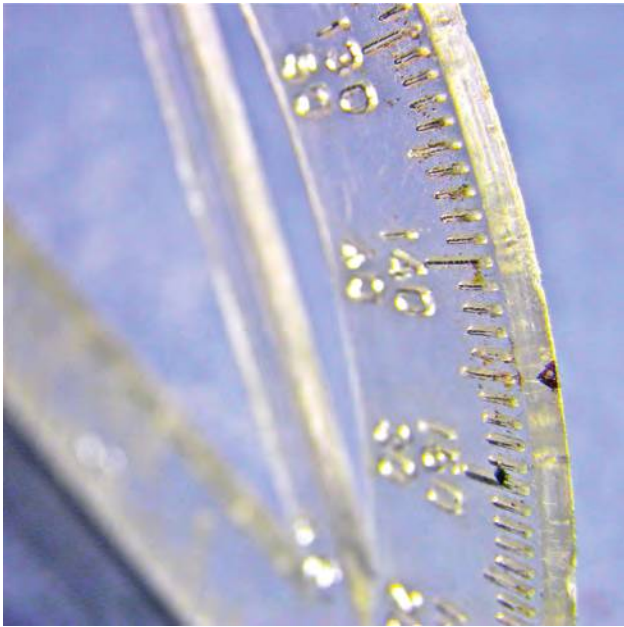
Now would be an opportune time to revisit and reinvent by creating a stand-alone California Open University that might be publicly chartered and partially privately funded. UC and CSU have plans to expand their online offerings. UC recently made noise by announcing the *intention* to substantially expand online courses that led to a degree. This is reminiscent of the 1990s effort that collapsed when confronted by limited faculty interest. Judging from patterns in other parts of the world, the likelihood is that these will be tangential arrangements—important, but not vigorously pursued.

### California as an International Higher Education Hub

The US is far behind our economic competitors in recognizing global trends in the search for talent. California needs to be the first state in the US to overtly recognize that its state-chartered public colleges and universities are not simply a state or local asset; they are a national and, really,

A Reimagined California Public Higher Education System by 2030





a global asset. There are large economic benefits to such a reconceptualization.

Here's the bottom line: attracting talent in a global market and increasing degree attainment rates of the domestic population are not mutually exclusive goals. Indeed, they will be the hallmarks of the most competitive economies.<sup>19</sup> California is a good performer in attracting talent at the graduate level, but an extremely poor performer in attracting undergraduates from abroad. There are potentially huge benefits to increasing the numbers of students from other states and nations, including upgrading the talent pool for local businesses, promoting innovation, and boosting funding for California's cash-starved public colleges and universities. All this requires a strategic reformulation.

In the UK, for example, international students now produce about 10 percent of the entire income of the higher education system. In Australia, they fund some 15 percent of all income for the national universities.<sup>20</sup> New Zealand also

relies heavily on international students to support its national higher education system; Japan is trying to follow a similar path, offering an increasing array of degree programs in English. The Great Recession, and austerity budgets in England and in other parts of the world, may temporarily alter this shift toward a global market for higher education, but in the long term, the *race for global talent* will continue.

The economic benefits of foreign students extend beyond supporting the higher education sector. They are good business.<sup>21</sup> The key to a properly framed strategy for attracting and enrolling international students is two-fold. State lawmakers and the higher education community need to work together to create networks and even regions, such as the Bay Area, that generate programs catering to both graduate and undergraduate students from around the world. They need to provide financial aid packages similar to those offered by competitors, and effectively to market California as a higher education hub.

When will we wake up to this growing market opportunity?

#### *A Revised Funding Model*

A concrete effort to recruit international students is one component of a revised funding model. But of more importance is some recommitment of state and local funding, and a recognition that tuition and fees will need to grow to achieve the goals previously mentioned—increasing the number of full-time students, increasing access to four-year institutions, creating a polytechnic sector and a California Open University, and expanding the enrollment capacity of the public system.

Here are some thoughts on funding. While not giving up on the importance of state and federal funding, the future of California's higher education system will depend on moving toward a *moderate tuition and high financial aid* model. It is

Here's the bottom line: attracting talent in a global market and increasing degree attainment rates of the domestic population are not mutually exclusive goals.

highly unlikely that state governments will be able to return to the institutional subsidy levels of some five decades ago.

Fees in California, despite recent increases, remain below the national average in helping to cover instructional costs—e.g., those costs related to enrolling a student. But what about the future? Thus far, public universities and colleges have raised fees largely in reaction to declines in public subsidies, and without a defined plan on the proper balance of government and student cost for services rendered. Students and their families face great uncertainty far beyond the actual cost of attendance. Meanwhile, public colleges and universities cannot accurately predict their revenue stream and costs for financial aid support.

Whether it is in Europe or in the US, the move toward a larger role for student fees and tuition at public universities is relatively new territory. We lack good research on the elasticity in pricing and its differentiated impact on society. But there are a few things we do know. For one, tuition can be too high, but it can also be too low. By that I mean that low pricing is associated with two realities.

The first is that low fees correlate with high to very high rates of attrition. When costs are very low, there is less investment by students to actually complete a course or a degree. For example, the California Community Colleges have extremely low fees—among the lowest in the nation. They also have among the highest dropout rate. Very high-fee institutions have very high completion rates. The reasons for this are complex, including generally greater selectivity in admissions and almost always full-time status of undergraduates. But there is a relationship, and an argument can be made that a moderate fee and tuition rate may well lead to better course and degree completion rates in two- and four-year public institutions.

Second, we know that if public institutions do not have an adequate revenue stream that includes fee and tuition income, they cannot offer programs and courses that can lead to a degree in a timely way. Because they have a completely inadequate funding model, tied to a local and state funding formula that relegates them to near-poverty funding, and with no political ability to raise fees and tuition, colleges have cut courses and, in effect, limited enrollment. In this case, low fees mean neither high access nor high degree completion rates. Worse, community college fees in California have been so low—covering only 10 percent of the instructional costs versus the national average of 31 percent



for two-year institutions—that these colleges have missed out on millions of dollars in federal grant subsidies.

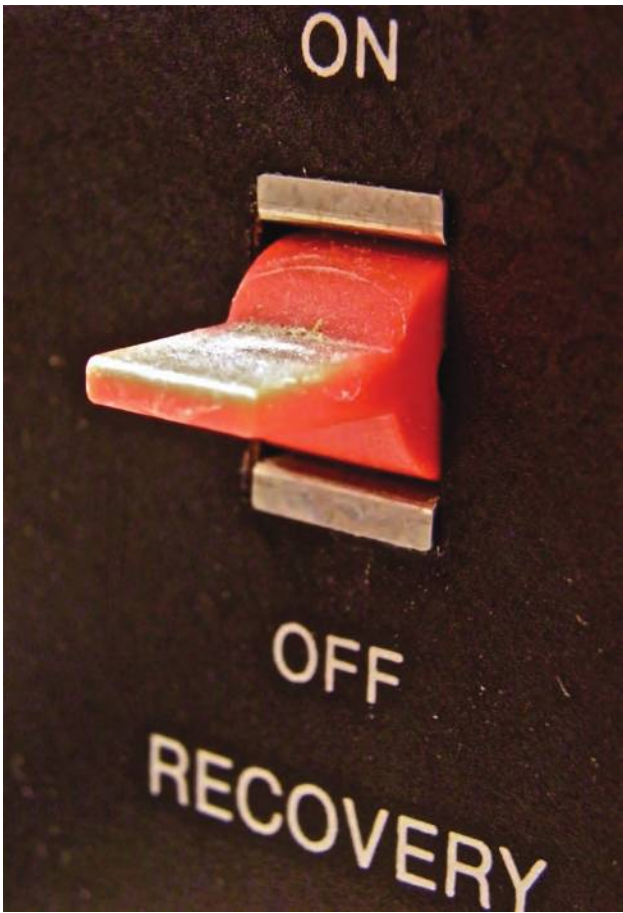
Some moderate fee increase, plus a change in state policy that allows community colleges to retain fee income (currently not the case), could translate into more courses being offered and more students being served. This is counterintuitive to the heartfelt argument that any fee increase has a detrimental social effect.

Whether at two-year or four-year institutions, public higher education needs now to move more overtly to what I might term a *Progressive Fee System*. In effect, because the tax system for state government is not adequate to provide for public higher education, these public institutions are adopting a system that progressively taxes (charges) the more wealthy students to help subsidize low- and middle-income students.

#### *A Federal Role*

Eventually, the federal government must become a bigger partner in the expansion of America's economically challenged higher education system. In the current environment, this may seem a remote possibility. House Republicans want to eliminate the Department of Education and cut federal financial aid. But the fact remains that California, along with most other states with growing populations, cannot make big strides to expand access and graduation rates alone

For the near and possibly long term, most state governments are in a fiscally weakened position that makes any large-scale investment in expanding access improbable. So what might the federal government do?



Ignoring for now the inconclusive although passionate debate over the appropriate size of the federal deficit during a monstrous economic downturn, there are two traditional levers that Washington could employ. First, the financial aid system in the US is grossly inadequate and, in some instances, it is funneling money to the wrong institutions—specifically, For-Profits with very high federal subsidization, high attrition rates and, sometimes, inferior programs.

Second, the federal government should revisit its 1960s higher education support programs that greatly helped public colleges and universities expand enrollment capacity by building brick and mortar buildings. Virtual universities and online education are an important and a growing avenue to increase access, but it is highly unlikely that they will abrogate the need for real campuses and the need of students for real-life contact with other students and faculty mentors. This kind of connection is particularly important for eighteen to twenty-year-olds. There is abundant research demonstrating that attending a college or university

is also about developing social networks and people skills. For younger students, higher education is the transformative period from home life to work and full citizenship.

In both cases—increasing federal financial aid funding and creating funding support for expanding enrollment capacity—California and other states with projected population growth need to lobby Washington to make these investments, and to play a larger role in driving up degree attainment rates. Admittedly, that is a long-term strategy that may need to await a much-improved economy and a more enlightened political climate.

### The Vision Thing

My proposed path toward a more robust California higher education is politically doable and affordable (although I'm ignoring, for now, many other important issues and conundrums). Ultimately, the goal is a stronger middle-class and a California economy that attracts the best and the brightest throughout the world.

There are other ideas for how to reshape our famed system to best meet the socioeconomic needs of America's most populous state. There are advocates for increasing college *readiness*—ongoing efforts to decrease attrition rates and improve time-to-degree; new bills to ease the transfer process from community colleges to UC and CSU; and efforts to create alternative delivery systems for higher education that incorporate new technologies, competency-based approaches, and other innovations. Reducing the operational costs of colleges and universities is also an ongoing quest. These are all important ideas and initiatives.

But they are incremental Band-Aid approaches. The fact is that thus far, expansive thinking of a reimagined future, the California Idea Revisited, seems far beyond the imagination of state lawmakers, the state's higher education community, and even public policy think tanks. Because of the never-ending economic and political morass that has engulfed Californians for so long, it's hard to conjure an alternative future, but that future is possible. It is one in which there are improved high school graduation rates, particularly among low-income families; where access to higher education is enhanced; and where California offers a greater variety of institutional types and paths to a degree.

How to get to the Promised Land?



If history is any guide, one key is an active partnership among the higher education community lawmakers and stakeholders, including businesses, to debate and articulate my or some other vision of an alternative path. In particular, it requires a governor who is willing to make higher education a central theme of his (or her) tenure. In the past, major reforms, whether during the Progressive Era under Hiram Johnson, the post-World War II period of growth in higher education under Earl Warren, or the 1960 Master Plan under Edmund “Pat” Brown, had as an essential component aggressive leadership by the governor and key lawmakers in times of economic expansion and in charting the future of California’s system.

Without the strong vision and interest of a governor, it is unlikely that California can buck its current trajectory. Other pieces have to fall in place, including an improved economy, sensible budget and tax-and-spend policies by state government, and improved public schools. One might postulate that whatever the path taken, California’s famed higher education system will be very different in fifteen years.

Let’s hope for a rebirth. **B**

## Notes

- <sup>1</sup> John Aubrey Douglass, *The California Idea and American Higher Education* (Stanford: Stanford University Press, 2000).
- <sup>2</sup> See John Aubrey Douglass, “From Chaos to Order and Back? A Revisionist Reflection on the California Master Plan for Higher Education@50 and Thoughts About Its Future,” Research and Occasional Paper Series, Center for Studies in Higher Education, CSHE 7.10 (May 2010): <http://cshe.berkeley.edu/publications/publications.php?id=358>.
- <sup>3</sup> Organisation of Economic Cooperation Development (OECD), “Review of Higher Education,” January, 1963, p. 18.
- <sup>4</sup> Saul Geiser and Richard C. Atkinson, “Beyond the Master Plan: The Case for Restructuring Baccalaureate Education in California,” Research and Occasional Paper Series, Center for Studies in Higher Education, CSHE 16.10 (November 2010): <http://cshe.berkeley.edu/publications/publications.php?id=369>.
- <sup>5</sup> “UC Regents Warn Freshman Enrollments Will Be Curtailed Without Sufficient Funding, Adjust Budget to Clarify no Student Fee Increase Assumed,” University of California Press Release, November 20, 2008: <http://www.universityofcalifornia.edu/news/article/19016>.
- <sup>6</sup> Kelly Johnson, “Community College Enrollment Falls for the First Time in Five Years,” *Sacramento Business Journal*, February 24, 2010: <http://www.bizjournals.com/sacramento/stories/2010/02/22/daily46.html>.

- <sup>7</sup> U.S. Senate, Health, Education, Labor and Pension Committee, “Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education,” June 24, 2010: <http://help.senate.gov/newsroom/press/release/?id=2a870217-b476-492b-aace-d015d22bd13d&groups=Chair>.
- <sup>8</sup> According to *The Economist*, “Shares in Apollo Group, which owns the University of Phoenix, are worth half what they were at the start of 2009. The Washington Post Company has lost nearly one-third of its value since April. Shares in Corinthian Colleges have fallen 70% in the same spell.” See “Schools of Hard Knocks: Facing Heavy-Handed Government Regulation, America’s For-Profit Colleges Are Reforming Themselves,” *The Economist*, September 9, 2010: <http://www.economist.com/node/16990955>.
- <sup>9</sup> California Legislative Analyst’s Office, “LAO Federal Economic Stimulus Package: Fiscal Effect on California,” March 10, 2009: [www.lao.ca.gov/2009/bud/fed\\_stimulus/fed\\_stimulus\\_031009.pdf](http://www.lao.ca.gov/2009/bud/fed_stimulus/fed_stimulus_031009.pdf).
- <sup>10</sup> *Ibid.*
- <sup>11</sup> Public Policy Institute of California, “California’s Education Skills Gap: Modest Improvements Could Yield Big Gains,” April 16, 2009: <http://www.ppic.org/main/pressrelease.asp?p=938>.
- <sup>12</sup> He also asked that every American commit to at least one year or more of higher education or career training. “This can be community college or a four-year school; vocational training or an apprenticeship. But whatever the training may be, every American will need to get more than a high school diploma.” President Barack Obama, Address to the Joint Session of Congress, February 24, 2009, White House Press Office: [http://www.whitehouse.gov/the\\_press\\_office/remarks-of-president-barack-obama-address-to-joint-session-of-congress/](http://www.whitehouse.gov/the_press_office/remarks-of-president-barack-obama-address-to-joint-session-of-congress/).
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- <sup>14</sup> *Ibid.*
- <sup>15</sup> Canan Tasci, “Budget Crisis Delays Big Outlay to 2-Year Colleges,” *Contra Costa Times*, September 28, 2010.
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- <sup>17</sup> For a discussion on California community colleges possibly offering a four-year degree, see John Levin, “Baccalaureate

Attainment and Community College Students,” *Policy Perspectives*, C4 California Community College Collaborative, UC Riverside, January 2009.

- <sup>18</sup> Tamar Lewin, “Community Colleges Challenge Hierarchy with 4-Year Degrees,” *New York Times*, May 2, 2009: <http://www.nytimes.com/2009/05/03/education/03community.html>.
- <sup>19</sup> John Aubrey Douglass and Richard Edelstein, “The Global Competition for Talent: The Rapidly Changing Market for International Students and the Need for Strategic Approach in the US,” CSHE Research and Occasional Papers Series, CSHE.8.09 (October 2009): <http://cshe.berkeley.edu/publications/publications.php?id=341>.
- <sup>20</sup> Brendan O’Malley, “OECD 1: US Share of Foreign Students Drops,” *University World News*, October 21, 2007.
- <sup>21</sup> Data is from the National Association of International Educators “Economic Impact Statements: 2007–08,” which are generated by Jason Baumgartner at Indiana University—Bloomington’s

Office of International Services. NAIE states that the total US impact of HE of \$15.54 billion is a “conservative” figure. Their report does not rely on a “multiplier effect.” Although this might provide a more accurate estimate of actual economic impact, there is no consensus on the appropriate size of such a multiplier. Many international graduate students gain institutional-derived grants and scholarships, particularly in the sciences, and an estimate is made to determine the net economic “export” income generated. The methodology of their study is provided in the appendix of each yearly report: [http://www.nafsa.org/public\\_policy.sec/international\\_education\\_1/eis\\_2008/](http://www.nafsa.org/public_policy.sec/international_education_1/eis_2008/). For a discussion of the challenges of calculating the economic impact of international students, see the entry “Measuring the Impact of Export Education” in the blog Global Higher Ed from February 7, 2009: <http://globalhighered.wordpress.com/2009/02/07/measuring-the-economic-impact-of-export-education-insights-from-new-zealand/>.