

From *Governing's* September 2007 issue

Higher Purpose

America produces the world's best universities, but not enough graduates. Can states fix higher ed?

By **ALAN GREENBLATT**

California is home to slightly more nurses than lawyers, but that's about to change. According to state projections, there will be a glut of attorneys by 2014 — 60,000 more lawyers than the legal system requires. Meanwhile, a backlog of nursing applicants awaits admission into California universities, creating a serious shortfall of nurses that is only going to get worse. In seven years, California expects to have about 40,000 fewer nurses than its hospitals and health clinics need.

There would seem to be a pretty simple response to this supply and demand mismatch: begin building more nursing schools. That's not what the regents of the University of California have in mind, however. The prestigious state system wants a new law school at its Irvine campus, in order to help crack UC Irvine into the top 1 percent of universities worldwide. When the plan came up before the California Postsecondary Education Commission earlier this year, the panel voted against the idea. "If you were going to build a nursing school," Commissioner Evonne Schultze told UC's provost, "I would come and help you lay the bricks because we need nurses desperately."

The California commission advises the governor and state legislators on higher education policy. But it wields no real authority over the state's colleges or universities — a shortcoming whose consequences soon became clear. The UC regents went ahead with their law-school plans anyway, voting recently to hire a well-paid dean to open its doors two years from now. "CPEC's view is there are enough lawyers in California," UC Provost Rory Hume told the regents. "Our view is there are not enough good lawyers in California."

It was a striking instance of a public entity expressly ignoring the wishes of state policy makers. But it wasn't the first time that had happened. All too often, public priorities such as workforce training lose out to the desires of individual institutions to seek prestige, more profitable programs and greater selectivity in their student bodies. The result is an odd paradox. The United States boasts a huge share of the most successful public universities in the world — and Irvine's new law school may well propel it to the very top. Yet the higher-ed system as a whole fails to produce the number of nurses, engineers and other skilled workers the country needs to compete in the modern economy.

It hasn't always been this way. For decades after World War II, the U.S. was the undoubted world leader in higher education. But past success bred complacency. Other developed nations now produce more college graduates per capita — the U.S. ranks 12th — while

China and India, because of their sheer size, turn out graduates in greater numbers. Out of every 100 American ninth graders, only 40 will enter college right out of high school, and just 18 of those will graduate by their 25th birthdays.

For governors, state legislatures and, increasingly, the business community, the lack of a strategic focus in higher ed has become too big a problem to ignore. About a dozen states have formed high-level commissions or task forces charged with setting a more cohesive statewide agenda for public colleges and universities. A few states, including Kentucky, Minnesota and North Dakota, have even passed laws to that effect. The details vary by state but the main idea is usually the same: to set long-range targets for producing more college graduates. If this sounds like mere common sense, it represents a new approach in postsecondary education. Up until now, when state policy makers have discussed higher ed, they've usually talked about soaring tuition rates and trying to get enrollments up. They've seldom, if ever, thought about how many of those students actually went on to earn associate, bachelor's, master's or doctoral degrees.

Will the new emphasis on graduation rates make a difference? State leaders say it must: States that can't find a higher purpose for higher ed will lag behind in the global economy. Yet the same governors and legislators demanding change are also part of higher ed's problem. University presidents complain, with some justification, that state policy makers' interest in their institutions veers between micromanagement and benign neglect.

ON THEIR OWN

The last time the states intervened heavily in higher ed was in the 1960s and '70s, when the baby boomers reached college age. States went on a building spree, growing capacity at state colleges and universities and launching community college systems. Once the construction boom faded, however, states largely lost interest in what was happening on campus — many state legislatures don't even have higher ed committees. Postsecondary education became just another item in the state budget, one that lawmakers usually cut first whenever the economy goes bad. Collectively, states still spend about \$70 billion per year on higher ed, but its share of overall spending has dropped dramatically. Where higher education made up more than 15 percent of state budgets a generation ago, today the number is more like 10 percent.

From time to time, governors have found religion around improving higher ed. For example, the same standards movement that led to the federal No Child Left Behind law also triggered efforts to hold universities accountable for improving student achievement. But it proved harder to standardize measurements for poetry majors — or even engineers — than it was to give all 4th graders the same test in math. What's more, higher ed is a field that demands more patience than the political system can usually muster. Programs put in place for the freshmen who are starting college this September won't change graduation rates until 2011 at the earliest. "Not many governors who have four more years to serve are going to talk about what's going to happen 20 years from now," says Gordon Davies, who has run higher education coordinating agencies in Virginia and Kentucky.

States face other problems when they try to assert control. One of them is the increasingly competitive nature of the college business. Institutional anxiety is heightened by, among other things, the much criticized but closely watched college rankings published by U.S. News & World Report. Institutions are rewarded for being selective — for admitting far fewer students than apply — even as states hope their universities will admit and graduate

many more. "I had one university president tell me, 'We now receive 8,000 applications and we only take 1,000,' " says Davies, "as if that were a tremendous accomplishment."

Meanwhile, budget cuts have stripped states of their leverage over higher ed, as institutions turned to tuition, fund raising and other sources of revenue. As recently as 1980, states supplied about half of the revenues at public colleges and universities, but now state funds account for less than one-third — and much less at the wealthiest research universities. What's worse, state funding is erratic. States are generous in good times but stingy during recessions.

Individual institutions have come to believe that they're on their own — and they've learned to adapt, and even thrive, as free agents. They've seen from experience that they can wait out the latest enthusiasms of policy makers. And the most influential state universities know how to lean on alumni networks to win legislative support when it comes time to build a research facility or a football stadium. State legislators themselves are often guilty of putting the parochial needs of their local college or alma matter ahead of the wider interests of their state.

All these factors leave campus leaders skeptical about the clarion calls coming from state leaders to step up and produce more graduates. It's not that university presidents don't want to enroll more students and hand out more degrees. They're just wary that all the state commissions looking at higher ed right now will come up with ideas that sound good on paper but won't get translated into real and continuous financial commitment over the long haul.

Consider Kentucky, where higher ed shot to the top of the political agenda back in 1997. Paul Patton, who was governor at the time, persuaded the legislature to set broad new goals for education. Kentucky lags near the bottom of the 50 states in terms of the percentage of its workers holding bachelor's degrees. The state decided it wanted to reach at least the national median by 2020. That meant producing roughly twice as many graduates — 800,000 more diplomas.

In the years following passage of Patton's bill, state funding for higher education quickly shot up by 40 percent and enrollment increased by 25 percent. Starting in the recession year of 2001, however, cuts to higher education became an annual event in Frankfort. Universities raised tuition to compensate. "Budgetary decisions regarding funding for higher education at the highest levels of state government were not necessarily being made in the context of those reforms," says state Auditor Crit Luallen, who had been an architect of Patton's package. Earlier this year, Luallen released a study showing that enrollment is actually starting to go down at four-year institutions, due to the tuition hikes. Equally troubling is that a majority of new enrollees since 2003 have come from out of state.

There's no question that Kentucky is in better shape than it would have been without the changes in policy. Overall enrollments are up compared with 1997, research capacity has been vastly expanded and there's greater coordination between higher education and the business community. There's also a clarified division of labor between the flagship institution — the University of Kentucky — and the regional universities and community colleges. Still, the money crunch is reviving some old habits. When UK President Lee Todd noticed that legislators weren't coming through this year with funds to help UK meet research goals under the Patton plan, he drew up a business plan that prompted the legislature to devote \$20 million more to the cause. Now, every other institution in the state is considering drawing up copycat plans. Afraid that higher ed may devolve back into a

game of ad hoc lobbying, the state chamber of commerce has brought back Patton's original consultants to come up with a new plan for keeping Kentucky's broader reforms on track.

PURCHASING ATTENTION

The difficulties of reforming higher ed shouldn't stop states from trying. But for all the promising ideas states come up with, time and again they struggle, as Kentucky did, to sustain political interest and funding for very long. Texas, for example, implemented several new strategies recommended by a higher-ed commission at the start of this decade. The most noteworthy change was to create a college prep curriculum as the default courseload at all high schools. Completion of that curriculum recently became a requirement for admission to state universities.

Texas Governor Rick Perry has appointed yet another commission to conceive more college readiness strategies. In the meantime, however, the state has made only limited progress toward its overarching goal, set in 2000, of enrolling 630,000 additional college students by 2015. This year, the state agency that coordinates higher education recommended that the legislature fully fund community colleges, since they are expected to bear the bulk of the new enrollment load. But the legislature fell short of that request by about a third. What's more, Perry vetoed \$154 million that would have covered employee health care costs at community colleges. Frank Coleman, the president of Texarkana College, complains the state isn't backing up its wishes for higher ed with the money to make it happen. "They've put a lot of pressure on all of higher ed in the state to improve not only in enrollment but in completers," Coleman says. "I'm just about at the point of calling it an unrealistic request, given the support that we're getting."

Higher ed has something of a chicken-and-egg problem. Colleges are often willing to change direction in exchange for more funds. But governors and legislators don't like offering more funds until they see change. In response to this dilemma, it's become fashionable for states to institute financial incentives that are tied to some form of performance measurement.

In Minnesota, for example, Governor Tim Pawlenty is promising individual colleges and universities a 1 percent bump in funding if they meet three out of five broad goals, including increasing graduation rates, improving affordability and producing graduates with the skills required to help Minnesota compete internationally. If states have lost their leverage over higher ed, performance budgeting is offered as a way to "purchase" the attention of colleges and universities toward meeting a public agenda.

But there are two problems with this approach. One is that it's like drawing up a contract with your own children. If they fail to meet the goals, you're not going to end the relationship. The other is that these types of efforts are usually too small to make a difference. One percent is not much of an incentive, even though Minnesota was careful to craft its goals in conjunction with the strategic plans of the campuses themselves. "The landscape is littered with failed performance-budget regiments," says Nancy Shulock, executive director of the Institute for Higher Education Leadership and Policy at Sacramento State. "What happens is, you marginalize performance. Legislators start micromanaging and asking, 'Why don't you do all the things we ask?' Then the small pool of performance money gets cut at the first sign of budget problems. Institutions then say, 'We tried to implement the changes, but now the money's gone.' "

Shullock argues that states, in fact, have been successful at “purchasing” what they’ve wanted from higher education institutions. Not long ago, states were complaining that universities didn’t have enough slots open for incoming freshmen, and the universities, by and large, responded by finding space for more students. But this emphasis on access has skewed university policies in perverse ways. For example, California pays institutions for enrollment based on attendance during the third week of classes. Colleges therefore make it easy for kids to sign up for classes, yet don’t do much to make sure they stay enrolled. If California wants its students to succeed and earn degrees, it might do better to withhold half of a college’s appropriations until enrollment numbers for, say, the 15th week of classes start to roll in.

CHECKS AND BALANCES

But this may be the least of California’s higher-ed problems. As the case of the Irvine law school suggests, the California Postsecondary Education Commission lacks the clout, legitimacy, resources and persistence to represent the public’s interest in higher ed.

There is some irony in this. For nearly half a century, most states viewed California’s 1960 master plan for higher education as something of a model. There were clear and separate missions for the state’s research institutions (the University of California system), its teaching universities (California State University) and its community colleges. Separation solved many problems, such as keeping liberal arts schools like San Francisco State from trying to compete with research powerhouses like UC Berkeley. Lately, however, state legislators have begun thinking this system requires more checks and balances.

A bill making its way through the state Senate would set up a new postsecondary education commission. Every two years, it would examine whether the three higher-education systems are making progress toward specific goals for graduation rates and preparation of their students for the “new economy.” The bill wouldn’t give the new commission any greater sway over the UC regents or the leaders of the other higher-ed systems. But it would require the chancellors of the various systems to answer to the legislature about their performance in measuring up to the state’s broad goals.

That may not be enough. If states want more college graduates, they’ll need more than a set of goals and measurements. They’ll need to figure out a way to leverage the shrinking share of dollars that they have to spend on higher ed in order to achieve their priorities. They’ll also have to demonstrate, over time, that those dollars won’t be diverted suddenly to new priorities or swallowed by the next budget deficit. In short, the job will require more political will than governors and state legislators have been willing to lend. It’s time they rise to the occasion, says Patrick Callan, the president of the National Center for Higher Education and Public Policy. “All that’s at stake,” Callan says, “is our economy and our way of life.”