

A photograph of a university campus. In the foreground, two students are walking away from the camera on a paved path. The student on the left is wearing a white t-shirt with red sleeves and a black backpack. The student on the right is wearing a black jacket and blue jeans. In the background, there is a large, modern building with a wide set of stairs leading up to it. There are several trees, some with green leaves and some with autumn-colored leaves. The sky is clear and blue.

California Competes
Higher Education for a Strong Economy

Charting a Course for California's Colleges

STATE LEADERSHIP IN HIGHER EDUCATION

California Competes

Higher Education for a Strong Economy

In the second half of the twentieth century, California emerged as an economic powerhouse, the envy not just of other states but of nations. The future of every Californian is dependent on maintaining that leadership by developing the talent and productivity of Californians through higher education, the keystone of California's diverse economy.

Our colleges, universities and professional training programs have provided the intellectual and technical know-how to make California a hub of innovation and job creation. To remain competitive, we must create better pipelines from the opportunity of college and professional training to advancement in good-paying jobs. We can secure a stronger economy by building a talent pool whose creativity, innovation, entrepreneurship and industriousness match the needs of the 21st century.

THE COUNCIL

California Competes is guided by a council of independent business and civic leaders to review the postsecondary education and training needs required for a vibrant future state economy and to identify financially pragmatic avenues for addressing those needs.

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Higher education is an investment ... in social welfare, better living standards, better health, and less crime. It is an investment in higher production, increased income, and greater efficiency in agriculture, industry and government ... It is an investment in human talent, better human relationships, democracy and peace.¹

- THE TRUMAN COMMISSION REPORT

(Higher Education for American Democracy), 1947



Introduction

Across the nation states have long grappled with how best to manage higher education. The tension springs from the multitude of objectives that higher education strives to address: providing educational access to a wide range of residents, maintaining affordability, ensuring that residents become constructive citizens of their communities and gainfully employed taxpayers, and contributing to the state's long term economic growth through innovation and a well-trained workforce.

In the 1960s state governments attended to higher education by focusing on the expansion of college access. The main strategy for doing so was by establishing state governing or coordinating boards charged with the responsibility of guiding our privately and publicly funded higher education institutions and systems. Today 48 out of 50 states have state entities that provide varying levels of oversight of their higher education systems. Surprisingly, California does not.² In 2011 the state's oversight agency was defunded, a notable irony since it was California's master planning process and the establishment of an oversight agency that spawned other states to think about how best to manage their own higher education systems.

California lost its higher education coordinating agency at a time of extreme flux: states across the country are facing increasing fiscal constraints and are providing less support to their higher education institutions; new trends in education, such as the strong emergence of online education and skill-

specific credentialing, have the potential to transform educational delivery; and students and families are questioning whether a college degree is worth the cost. Never has there been a greater need for strong guidance of higher education. While many would argue that the reasons were justified, the movement of California in the opposite direction begs the question of how and to what extent states still rely on centralized planning and coordination of higher education, and to the extent they do, how those entities might best be organized.

This brief provides an examination of the functions, structures and processes for providing statewide leadership in higher education in the United States today. With its vast infrastructure, there is clearly a need in California for policy leadership and oversight. This brief is intended to provide a framework for understanding how leadership for higher education is organized in other states.

Higher Education Governance: A National Movement

Since the 1960s, policy leadership for higher education has been vested in governance structures developed to help manage the significant expansion of higher education across the nation. The expansion was spurred by two colliding trends: general population growth and an increase in the proportion of the population enrolling in college. In 1960, total enrollment in higher education was 2.5 million compared with 20.5 million some 50 years later. While the proportion of people going to college grew across the board, participation of women grew from just 30 percent of the students to 57 percent. The proportion of GDP spent on higher education tripled from 1 to 3 percent. (Table 1)

TABLE 1

Higher Education in the United States by the Numbers

	1960	2010
Total enrollment in higher education ^A	2,444,900	20,427,711
Percent of total population enrolled in higher education ^B	2%	7%
Percent enrollment in public institutions ^C	1%	5%
Percent age 25 and over with bachelor’s degree or higher ^D	7.7%	29.9%
Percent of male enrollment ^E	70%	43%
Percent enrollment of white/Caucasian ^F	95%	72%
Total higher education spending (millions of 2010 dollars)	\$41,312	\$446,483
Higher Education as a percentage of GDP	1%	3%

A Source: http://nces.ed.gov/programs/digest/d11/tables/dt11_197.asp

B Based on data from US Census population estimates and National Center for Education Statistics

C Source: http://nces.ed.gov/programs/digest/d11/tables/dt11_198.asp

D Source http://nces.ed.gov/programs/digest/d11/tables/dt11_008.asp

E Source: http://nces.ed.gov/programs/digest/d11/tables/dt11_197.asp

F These baseline data, for population ages 16-24, are for 1950 since the 1960 data were unavailable. http://nces.ed.gov/programs/digest/d11/tables/dt11_210.asp



Mindful of the need to expand yet fearful of duplicating services and wasting resources, state legislatures and governors established coordinating boards to provide oversight and develop a rational approach for providing education to the swelling demand of students. They also helped promote differentiation between the various types of state institutions. These entities were called on both to work on behalf of students while also providing a mechanism for moderating the interaction between the state and higher education institutions.³

How is state leadership for higher education organized?

The structure of state leadership for higher education varies significantly from state to state. One of the most significant issues that informs structure is that of authority, particularly how much direct authority over institutions an entity has as well as the extent of that authority. (For example, an agency with oversight for higher education may or may not have responsibility for setting tuition and fees, making recommendations about fees, or some combination depending on the type of fee.) Policies and practices across

institutions are likely to be more coherent if they are made centrally. Greater authority can also provide some inoculation from the political pressures that might emerge from a governor or legislators if they see their role as management and oversight of higher education.

The challenges with authority are often enmeshed in the specific institutional structure responsible for higher education oversight, and whether that responsibility is vested in a “coordinating” board or a “governing” board. The distinction between these entities largely rests in the formality of their authority: while consolidated governing boards hold fiduciary and managerial responsibility for the institutions themselves, statutory coordinating agencies “plan and orchestrate policy for relatively decentralized systems of colleges, universities and community colleges.”⁴ With that said, there is a spectrum of hybrid arrangements customized to fit each state’s particular needs. California with its vast higher education infrastructure has developed one such hybrid model.

California's Higher Education Governance

California's commitment to state leadership in higher education began with the development of the Master Plan for Higher Education, which in 1960 set an ambitious agenda for postsecondary education. Its primary architect Clark Kerr explained in 1999 that it represented "the first time in the history of any state in the United States, or any nation in the world, where such a commitment was made—that a state or a nation would promise there would be a place ready for every high school graduate or person otherwise qualified."⁵

Beyond guaranteeing access for all qualified Californians and differentiating the role and mission of each of the three segments, the Master Plan also called for the creation of a coordinating entity to periodically review, assess and update the Master Plan, and to provide guidance to state lawmakers about new campuses or capital-intensive facility improvements. In 1974 the Coordinating Council on Higher Education, the designated entity for Master Plan review, was renamed the California Postsecondary Education Commission (CPEC), reconstituted to include more publicly appointed members and given greater authority for and latitude in continuous planning.

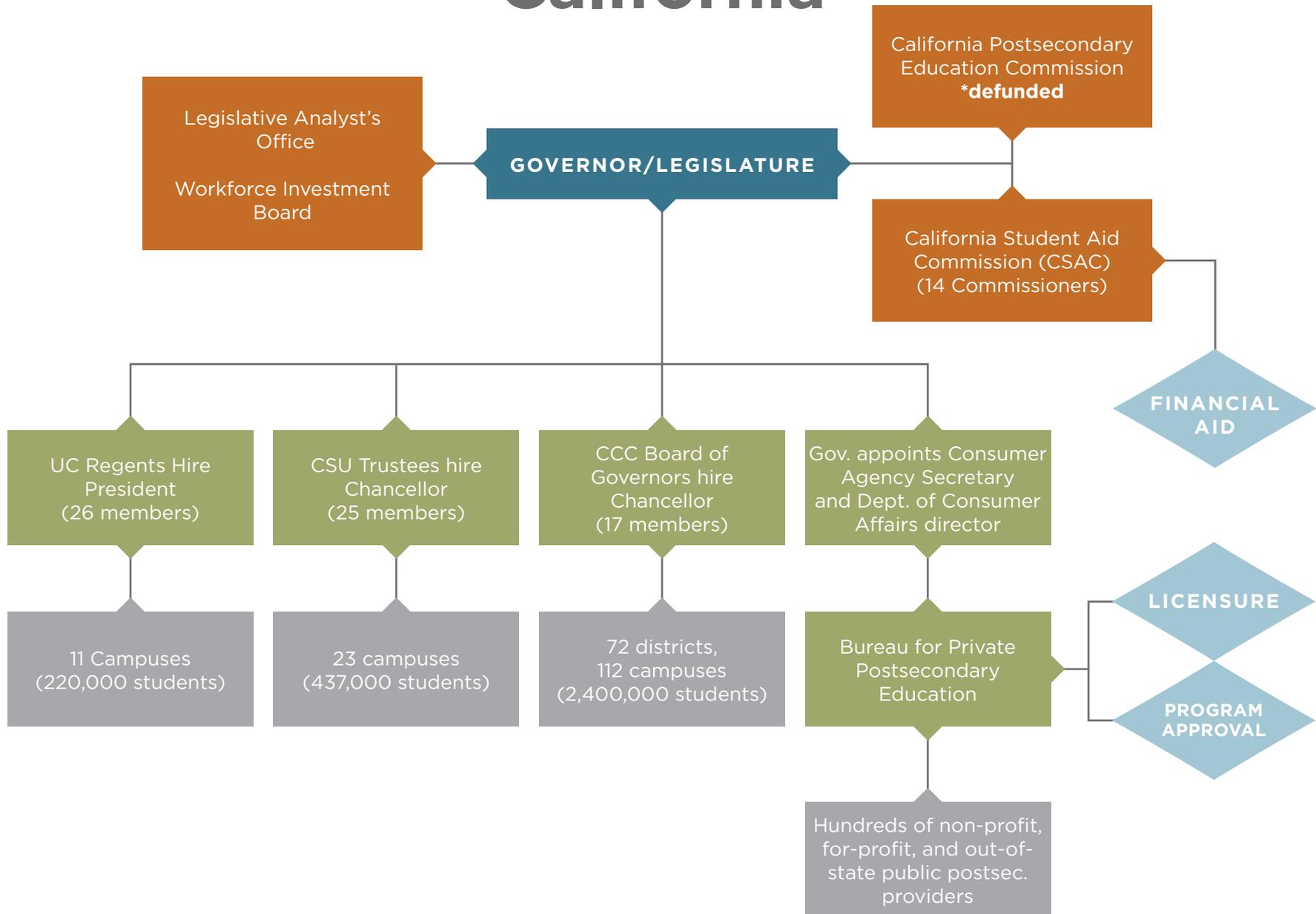
CPEC's purpose was to integrate California's "policy, fiscal and programmatic analysis" to ensure that resources were being allocated wisely in support of the mission of expanding degree attainment for Californians. The commission was charged with providing advice to the legislature and the governor on statewide policy and funding priorities for higher education—in other words, serving as the principal fiscal and program advisor to the governor and the legislature on postsecondary education policy. The law creating CPEC directed the agency to work with segments, the governor, and the legislature in preparing its analyses and recommendations, but at the same time CPEC was intended to be objective, independent, and nonpartisan.

CPEC suffered from an ongoing tension that ultimately undermined its effectiveness. It was difficult for the agency to balance its coordinating function with its charge to produce objective and critical policy analysis. In attempting to maintain positive relationships with the segments in order to manage technical issues at the campuses or cross-segmental

issues, the perception that it was producing objective and critical policy analysis suffered. Over time CPEC's credibility with lawmakers eroded, with some claiming that the segmental representatives on the commission tended to dominate CPEC's agenda and pointedly raising issues about the commission's objectivity. This resulted in policymakers ignoring CPEC's recommendations, further marginalizing the organization and making it difficult to attract effective leadership. As confidence slipped in CPEC's capabilities, policymakers reduced its funding, constraining its ability to carry out all of its statutory requirements. Between 2001–02 and 2009–10, the legislature cuts its budget by more than 60 percent. Eventually CPEC lost the political support it needed to survive: in 2011 Governor Jerry Brown used his line-item veto to completely zero out its budget.

Today California stands out as one of only two states nationwide (the other is Michigan) without comprehensive oversight or coordination of higher education. California's community colleges are governed by 72 locally-elected boards of trustees, with coordination by a relatively weak central office. The 23-campus California State University and the ten-campus University of California have their gubernatorially-appointed Trustees and Regents, respectively. And there is no state mechanism for bringing private colleges into planning or strategizing to address state and student needs. By not articulating the state's needs as they relate to higher education, California is missing an opportunity to better serve its residents, institutions, and economy well. An examination of the key functions that other states employ in guiding higher education might provide some insight as to how California might approach that task.

California



State Governance Models: Structure and Function

There is significant variation in the structure of how higher education institutions are managed. Half of all states have one or more governing boards that manage all of their public institutions. Twenty-two others have boards that coordinate plans and policy across all institutions, but do not manage. The three remaining states have higher education service agencies that take on administrative functions but possess little systemic oversight.

There are some consistent features of the two main models. Governing boards, with their direct formal authority, can readily implement broad policies across institutions and segments, particularly in the areas of academic policy and budgetary authority. They directly manage institutions, and as such tend to be designed to hold a long range view of a state's postsecondary education goals. However, as an extension of the institutional structure, they have been criticized as resistant to change and slow to respond to the increasingly market-based forces that are shaping higher education.

Coordinating agencies, with their more limited authority, do not manage institutions but are poised to be more responsive and to think broadly about state needs rather than institutional needs. They differ substantially in the amount of discretion they have in the budgetary process and in academic review, from no role whatsoever to significant influence and occasionally direct authority. Operationally they can be slow to act, held up by the imperative to achieve the broader consensus necessary to have a policy recommendation implemented.

Notably in both models there are examples of exceptions: one can easily find coordinating boards with significant authority, and governing boards keenly interested in responding to state needs. The structures in place have evolved to meet each state's specific culture, needs and preferences. Regardless of the governance model, effective leadership of higher education requires articulating an integrated set of policy priorities that address the needs of the state. The statutory, regulatory and administrative functions that must be considered and weighed are described below.

Planning and policy development

One of the main functions of a state coordinating organization is to plan for the future. The scope of planning can vary widely, from a plan to grow specific institutions to broader goals such as meeting the overarching demand for education from students or the state's business community. Targeted policy development has increasingly become an important tool for setting a public agenda rather than relying on a comprehensive master planning process. While exercising policy leadership can allow coordinating entities to be more adaptive and responsive to changing state needs, it can also result in inconsistent and erratic policies.

System coordination

This "traffic cop" function helps to mediate the respective mission and goals across all of a state's higher education systems so that the opportunities for students to obtain a quality postsecondary education are maximized. Such coordination and oversight also create efficiencies by minimizing duplication of services. The expectations for system coordination may be codified in an education master plan, such as in California and Washington, to reflect a state's broad public agenda and stipulate how each higher education segment is expected to contribute to that agenda.

Academic program review and approval

Authority over new programs allows coordinating boards to approve new degree or credential programs that are responsive to local and/or regional labor markets. This function may also include holding authority to abolish

Despite attempts to classify state governance systems into a few types, there are fifty different state governance models in this country. None is perfect, all must deal with cyclical tribulations and fluctuating confidence levels, and none is transplantable.⁶

- WILLIAM CHANCE (2002)

“[...] without consistent, long-term coordinated planning between state policy makers and university officials, and without a better understanding of what it costs to educate students, states and institutions will continue to see disjointed policy when it comes to higher education prices.⁷”

- “THE NEW ‘NEW NORMAL’”

Inside Higher Ed, June 4, 2013

certain programs as the demand for them wanes. The intent behind imbuing responsibility for program review to a state agency is to reduce the inefficient duplication of programs. As the role of state coordination has evolved, program review has also been a mechanism for assessing program quality and improving program productivity.

Capital project construction/improvement

Akin to program review, this function allows boards to express their priorities by constructing facilities consistent with the goals of a broader public agenda, and to make capital improvements, such as in laboratory facilities for priorities such as Science, Technology, Engineering and Math (STEM) education.

Data collection, analysis and monitoring

The collection of data supports many of the other functions of higher education leadership. It provides information for future planning, collects and analyzes data for ongoing monitoring of information such as program enrollments, and provides accountability to determine which decisions have had the greatest impact. As a public entity, much of this data can be shared with external stakeholders, allowing higher education advocates to serve as watchdogs representing the public interest.

Budget development and resource allocation

Budget allocation (or a formal role in making budget recommendations) is a powerful tool for enabling a coordinating entity to reflect state priorities by

Elements of a Public Agenda for Higher Education

PREPARATION

How adequately does the state prepare students for education and training beyond high school?

PARTICIPATION

Do state residents have sufficient opportunities to enroll in education and training beyond high school?

AFFORDABILITY

How affordable is higher education for students and their families?

COMPLETION

Do students make progress toward and complete certificates and degrees in a timely manner?

BENEFITS

What benefits does the state receive from having a highly educated population?

LEARNING

What is known about student learning as a result of education and training beyond high school?

– Based on the performance categories defined in *Measuring Up: The National Report Card on Higher Education*⁸



providing resources for desired programmatic improvements or performance outcomes. The degree to which higher education entities are able to use the budget to demonstrate policy priorities largely depends on the state context and the extent to which the governor and legislature demand control over higher education budgets. Nonetheless, this function is so central to the day to day operations of the colleges themselves that these allocations are rarely made without the engagement of institutional leaders.

Financial aid administration

In addition to merely administering federal and state grant and loan programs, states increasingly have turned to using student aid as a policy lever for achieving their broader postsecondary education goals. While need-based aid can be used to provide access to higher education, programs have

proliferated to enable states to reach out to specific populations, such as “Dreamers” (undocumented immigrants) or groups with low higher education participation rates. States also have increasingly turned to other strategies, such as the Free Application for Federal Student Aid (FAFSA) completion or college savings plans, to promote college attendance and completion.

Licensure and oversight

All states require some type of approval for any entity to offer postsecondary education. In addition, the federal government restricts financial aid to colleges that have at least some minimal consumer protection oversight from states. This state role has grown in importance as private institutions, especially for-profit entities, have grown dramatically.

A Look at Other States

States vary in the extent to which they prioritize the various functions of state oversight. State guidance of higher education is more often dictated by that state’s particular culture, priorities and policy environment than a predominant model. To illustrate this point, below we present five accounts of how different states have organized the governance of their higher education systems.⁹ Notably, for many of these states, governance includes not only the coordinated action of multiple agencies but also the overarching leadership provided to higher education by the governor, legislature and other state policy entities. These descriptions are complemented by several graphic depictions of how states organize their higher education systems, beginning on page 22. Together they present a cross-section of the types of governance, oversight and leadership models that are employed across the nation.

Florida

Florida has experienced almost constant turmoil in its statewide coordinating and governing structures over the past two decades. Prior to the late 1990s, all the state’s public universities were governed by a single statewide Board of Regents. The locally governed community colleges were coordinated by a board within the jurisdiction of the State Board of Education and the Department of Education. A statewide coordinating board, the Florida Postsecondary Education Planning Commission (PEPC), was responsible for statewide planning, policy analysis, and making recommendations to the governor and legislature on critical issues facing the state’s higher education system. Under the leadership of PEPC and legislative action, Florida led the nation in developing transfer and articulation agreements, statewide data/information systems, and other policy innovations.

With new gubernatorial leadership in 1999 Florida adopted massive changes that reconstituted the State Board of Education to lead a P-20 system, eliminated the Board of Regents, decentralized the governance of the nine universities by establishing boards for each university, and provided broad authority for a Secretary of Education to lead and coordinate the whole system.

These changes experienced an abrupt challenge in 2002 when Florida voters adopted a Constitutional amendment establishing a statewide governing board for the University System of Florida and recentralizing governing authority for the nine universities under this board. Individual institutional boards were retained but under the authority of the new statewide board. Any significant authority of the State Board of Education and the Commissioner of Education for coordination of the university system with other elements of the intended P-20 system was eliminated.

Despite these changes, the Florida Education department, with the support of the legislature continues to pursue nationally recognized innovations including statewide P-20 longitudinal data systems and alignment of assessments and curricula between K–12 and higher education (especially at the college level). Meanwhile, in 2011 the legislature established a new coordinating entity, the Higher Education Coordinating Council (HECC), comprised of the heads of Florida’s higher education sectors and co-chaired by members of the business community. In contrast to PEPC the new entity has no formal authority with respect to the systems and sectors. The functions of HECC are to identify unmet needs and to facilitate solutions to disputes

⁹ Many thanks to Aims McGuinness for his feedback and guidance on the state descriptions.

The Principles of Effective State Leadership

Effective higher education guidance, irrespective of its specific organizational form, is largely characterized by the quality of its leadership. Both coordinating and governance boards can be successful: the extent to which one flourishes versus another is dependent on a particular state's history and culture.

Effective principles encompass:

- Focusing on developing and gaining broad commitment to long-term goals for the state (a public agenda)
- Linking finance and accountability to state goals
- Emphasizing use of data to inform policy development and public accountability
- Emphasizing mission differentiation
- Insisting on quality, objectivity and fairness in analysis and consultative processes
- Exhibiting consistency and integrity in values, focus, policy development, and communications
- Exhibiting balance in processes and decision-making
- Focusing on core policy functions (planning/policy leadership, budget/resource allocation, evaluation and accountability)
- Demonstrating willingness to take stands on matters of principle

Adapted from “State Coordination of Higher Education: Washington State in a Comparative Perspective” by Dennis Jones and Aims McGuinness of National Center for Higher Education Management Systems, in a presentation to the Higher Education Steering Committee Olympia, WA, September 19, 2011.⁹

regarding the creation of new degree programs and the establishment of new institutes, campuses, or centers by making recommendations to the legislature, the State Board of Education, and the Board of Governors of the State University System of Florida.

Florida stands out among the states for its strong, activist legislature. Whether through the previous PEPC or the more recently established HECC, the influence of a coordinating entity in Florida depends fundamentally on its link with the state legislature. The state also illustrates the potential impact of repeated structural changes which can draw attention and energy away from sustained efforts to improve student success.

Illinois

The Illinois Board of Higher Education (IBHE), established in 1961 as the first statewide coordinating board in the country, was widely recognized as one of the most effective entities of its type through the first two decades of its operation. Through its planning, finance, and academic policy authority, the board ensured the orderly development of the state's higher education system, including developing a state need-based student aid program, the state's community college system, and new campuses both in the metropolitan Chicago and downstate areas. Until 1995, all the public universities were governed by one of four systems. A statewide association provided voluntary coordination of locally governed community colleges as it continues to do today.

In 1995, the state eliminated two of the systems and established individual governing boards for nine universities. The change significantly increased the complexity of IBHE's coordinating responsibilities, and despite ongoing efforts to innovate (especially in the use of finance policy to promote improved institutional productivity and performance), IBHE's influence declined. Then in 2008, in response to a legislative resolution, IBHE engaged the state's business, civic and higher education leaders in shaping a "Public Agenda for College and Career Success." calling for long-term goals and changes in finance and other policies to align with its goals. It exercises its authority by funding aligned programs, or gradually eliminating support for programs

that do not comport with those goals. IBHE continues to pursue the Public Agenda and is planning an update in 2013–14, however turnover in state and IBHE leadership have hampered the agency's effectiveness. It is too early to judge the long-term impact of its new policy leadership role.¹⁰

Ohio

The Ohio Board of Regents, established in 1963, is a highly decentralized network of universities and colleges each of which has an independent governing board. The Board of Regents played an important role in curbing unnecessary duplication, developing funding policy for allocation of state appropriations, and advising the governor and legislature on capital developments. The Regents influence over the first three decades depended greatly on the extent to which governors made strong board appointments and looked to the board for leadership and advice.

In 2006, after a period in which the Regents' influence had declined, a newly elected governor proposed, and the legislature adopted, a restructuring plan that placed responsibility for statewide coordination under the leadership of a Chancellor who was appointed by and reported directly to the governor rather than to the Board of Regents. The changes reduced the role of the Regents to an advisory body to the Chancellor. Under the leadership of a dynamic Chancellor, Ohio developed a bold strategic plan and pursued a series of reform initiatives that were widely recognized as among the most progressive in the country. Nevertheless, with the subsequent election of a new governor and the resignation of the first Chancellor, the state abandoned the strategic plan, discontinued most of the previous initiatives, including a new finance model, and began to implement the new governor's higher education agenda. Since these changes, the governor has continued to lead reforms through special task forces rather than through the state's coordinating entity. Ohio illustrates the challenge of sustaining attention to long-term goals and strategies over changes in political leadership, especially when the state coordinating structure is linked directly to the governor.

Texas

The Texas Higher Education Coordinating Board (THECB), established in 1965, has responsibility for strategic planning, coordination, and oversight of a vast enterprise including several university systems, two public universities with their own boards, and a network of locally governed community colleges.

The THECB has statutory responsibility for overseeing the community colleges. There is no separate state community college entity in Texas. It assures public accountability by engaging a cross-section of business, political and educational leaders who sit on its board. All members of its current board of nine represent the business community across a range of industries including health, finance, manufacturing and technology. THECB stands out among coordinating boards for its sustained leadership in closing the gaps in performance of the state's higher education system by serving the state's growing Latino and African American populations. Closing the Gaps, the THECB's strategic plan, is widely recognized as one of the most significant "public agendas" in the country. The THECB is widely recognized for its leadership in developing college readiness standards and related assessments, reforming developmental education, improving student transfer, developing new outcome-based funding methodologies, maintaining one of the most comprehensive data systems in the nation, and implementing web-based systems for institutional accountability.

Despite the THECB's leadership, disturbing trends persist: the state continues to fall below the national average on most student performance measures, faces huge racial and socioeconomic disparities, and has increasingly become a high tuition low aid state, further increasing the economic disparities.¹¹ The THECB has been engaging a wide range of the state's business and civic leaders in shaping the priorities for the next phase of Closing the Gaps in an effort to mobilize support for overcoming the state's major challenges. However, the politically powerful university systems have the capacity to ignore the THECB goals and priorities and to pursue their own agendas directly with the governor and legislature. Conflicts among the state's major political leaders on state priorities continue to draw attention away from the long-term agenda. A recent state sunset review of the THECB recommended that the agency should be reauthorized and made suggestions to increase its

effectiveness. The sunset review left no question that a strong coordinating entity was essential for the state to continue to make progress toward its long-term goals.

Washington

In July 2012 the Washington State Higher Education Coordinating Board (HECB) was dissolved and the Washington Student Achievement Council (WSAC) was established. The immediate catalyst for the changes was the objection of the state's major universities to the HECB's opposition to proposals for significant tuition increases for Washington state residents. The broader context, however, included the governor's earlier unsuccessful proposals to establish a P-20 structure reporting directly to the governor as well as concerns among the state's universities that they were not appropriately consulted in the HECB policy-making process. Both the governor and legislative leaders agreed that, in part because of the accumulation of outdated functions and mandates, the HECB had lost its credibility and relevance in state policymaking. This pipeline P-20 approach would enable the WSAC to propose "improvements and innovations needed to continually adapt the state's educational institutions to evolving needs; and engage in public advocacy with emphasis on the economic, social, and civic benefits of higher education, and the need for increased financial support and civic commitment."¹²

In designing WSAC it was agreed that there should be a priority on having a clearer mission and a more limited set of functions than the HECB. The design criteria included continuing the critical functions of the previous HECB but increasing the emphasis on developing long-term goals for improving education attainment, strategic planning to reach these goals, making strategic financing recommendations (instead of the previous budget review), and strengthening linkages between higher education institutions and K-12 to improve student transitions and success. The agency would also continue previous functions of administering student aid programs and consumer protection (approval of educational programs). A joint Higher Education Legislative Committee was established to ensure clear communication between WSAC and the legislative policy process. At this point, it is too early to judge the effectiveness of the new structure.

Qualities Necessary for Effective Higher Education Leadership

While much of the literature on higher education coordination describes the various structural forms for higher education leadership, these configurations do not by themselves determine whether or not a state is successful in developing or stewarding a public agenda for higher education. While effective state coordination today carries forward many of the original concerns about coordinating institutions, it also incorporates the broader purview of attending to the policy leadership required for the ongoing economic competitiveness of a state.

In today's environment the collaborative and adaptive aspects of state coordination and leadership significantly influence the extent to which higher education planning effectively operates to achieve these broader state objectives.¹³ Beyond the formal responsibilities that are required for guiding higher education, three “soft” characteristics contribute to building the constructive working relationships among key stakeholders that are essential for high impact management.

Leadership

Effective leadership is considered vital at two levels: both for the board as well as for the chief executive. Effective leaders first and foremost must be perceived as fair minded. To be effective they must also hold strong relationships in the legislature and/or with the governor — this is often the case as they are political appointees — but they must do so without being perceived as subject to partisan capture. Often the board will be responsible for hiring and firing the CEO/Chancellor. Their choice of a suitable executive with the credibility to lead the state's policy conversation will prove to be a direct reflection on their leadership effectiveness.

Independence

Effective policy leadership hinges on maintaining a reputation for objectivity and fairness in making a decision about the state's public agenda for higher education, and for holding the institutional segments accountable for any higher education policy goals. They must provide trusted and credible

information to the legislative and executive branches, but doing so means getting credible data from institutional segments in order to make or recommend important decisions. The authority of an effective higher education policy function depends on the ability to gain the trust and respect of state institutional and political leaders.

Collaboration

Effective leadership entities must faithfully articulate the state's priorities, all the while knowing that doing so may run counter to the preferences of individual institutions and/or systems. At the same time, they must also work with these systems in order to both collect the kinds of data and propose the kinds of policies needed to be effective policy leaders. Maintaining a collaborative working style, while also holding and maintaining strong working relationships with the institutions, helps to promote a culture of shared decision-making necessary for bringing alignment and cohesion to an overall higher education framework.

“Absent the prospect of greater and more intrusive involvement and oversight by the Legislature, it is hard to imagine how the three segments would agree to coordinate their activities and develop joint strategies [...] such collaboration is not culturally instinctual.”¹⁴

- LITTLE HOOVER COMMISSION

A New Plan for a New Economy: Reimagining Higher Education, October 2013

Reimagining State Leadership of Higher Education in California

Over the past several decades higher education leadership has evolved from being primarily concerned with guaranteeing access to placing a significant emphasis on success and accountability. The increasing demand for outcome measures and interest in tying funding to results are signals that policy makers need independent analytical capacity to assess the state of higher education and to identify gaps and opportunities.

Given the change in priorities and California's history and culture, what would serve our state best? Should there be a CPEC 2.0, and if so, what should it look like?

Our view is that California needs an entity with responsibility for articulating a broad public agenda for higher education. The centrality of higher education to the core values of our state, and our state government's compact with its residents, is immutable. The next iteration of higher education leadership should be guided by the following principles:

- The state needs an independent agency to develop a public agenda for higher education that links the needs of the state's economy to the degree attainment outputs of the state's institutions. Independence means that the entity would not have representatives of the segments on its decision-making body to allow it to maintain its impartiality. The entity would make annual reports to the governor and the legislature.
- The state's priorities should be focused on the goals of access to quality programs, and outcomes from those programs, acknowledging that some important outcomes—such as preparing students for constructive citizenship or an appreciation for diversity—may be difficult to measure precisely. Increasing the number of graduates from high-quality postsecondary programs will contribute to economic vitality in California's diverse regional economies.

- The agency should be a coordinating agency and the segments should remain autonomous. The legacy of independence is too strong and the size and diversity of the segments too vast to superimpose a singular governance model on all the colleges.
- While the agency might have several tasks, the primary functions of the agency should be:
 - Planning and policy development
 - Data collection, analysis and monitoring
 - Administration of state financial aid programs, in coordination with the colleges' other aid sources

California needs an agency that can respect the autonomy of the existing governing structure, articulate clear goals and provide independent information to make important decisions about how our education systems can best serve students and the state.

Our proposal: A Higher Education Investment Board

We propose that California establish a coordinating Higher Education Investment Board to articulate a public agenda higher education. The Board would focus on an honest analysis of outcomes and cost-effectiveness on the road toward meeting the state's higher education needs. While other agencies and organizations provide periodic impartial analysis of higher education outcomes, the analyses provided by the Board would be unique insofar as it would calibrate the outcomes of all the higher education segments against the Board's ongoing projections of the state's needs. The Board's analyses would allow the governor and the legislature to place budget requests and other proposals into context, with options and strategies for addressing state needs that may not emerge from the systems themselves. The colleges and universities themselves would remain independent.

Information as an Accountability Tool

Detailed, expert analysis is essential for informing decisions by the governor, the state legislature, and the leaders of public and private postsecondary institutions. This kind of information is also required by prospective students as they consider where to enroll and what to study.

The Board's planning responsibilities would include:

- **Projecting Needs:** Assessing the state's current and future needs in postsecondary education training and education.
- **Identifying Gaps:** Identifying incongruences between programs currently available and those that are demanded by the economy and by students, including adult students.
- **Developing Cost-Effective Strategies:** Developing proposals for improving postsecondary outcomes that consider taxpayer costs, student costs, and quality and allow us to use resources more wisely.
- **Enhancing Accountability:** Proposing accountability plans for publicly-funded institutions, for consideration by the governor and the legislature.

We propose that the Investment Board also be responsible for the state's scholarship and student outreach programs, by either absorbing the functions currently carried out by the California Student Aid Commission (CSAC) or by positioning CSAC to assume a much broader array of responsibilities.

Delivery of most state scholarship funds would be decentralized, freeing substantial staff resources for the Board's analytical roles and allowing for a greater focus on outreach to disadvantaged students about their postsecondary opportunities and their options for covering costs.

Structure and Design

Past efforts to coordinate higher education in California have been ineffective, in part because the agency was dominated by the colleges themselves. The Board would be composed of individuals who are not beholden to particular institutions. The Board would also be responsible for recruiting the leadership and staff who can carry out these types of analyses with the Board's guidance.

To prevent short-term and partisan issues from distracting the Board:

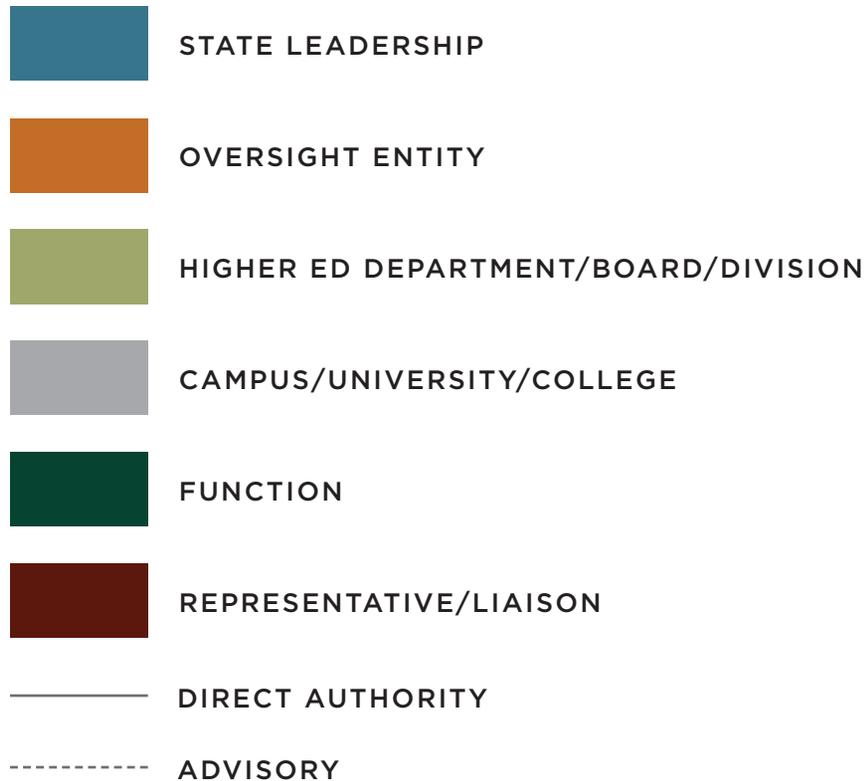
- The members would be appointed to terms that would span gubernatorial and legislative tenure;
- The Board would be created as a nonprofit public benefit corporation rather than a state agency; and,
- the Board's work would be financed by a nominal fee to colleges rather than through annual appropriations.
- The colleges' perspectives would be tapped through formal and informal advisory mechanisms.

Higher Education Structures in Other States

State Management of Higher Education Flowcharts

The following pages present graphic depictions of how higher education systems are organized in 10 states. Some of these states share similarities to California in size and complexity while others are vastly different. All offer lessons for how California might consider structuring a state oversight system with the potential for articulating a public agenda for higher education.

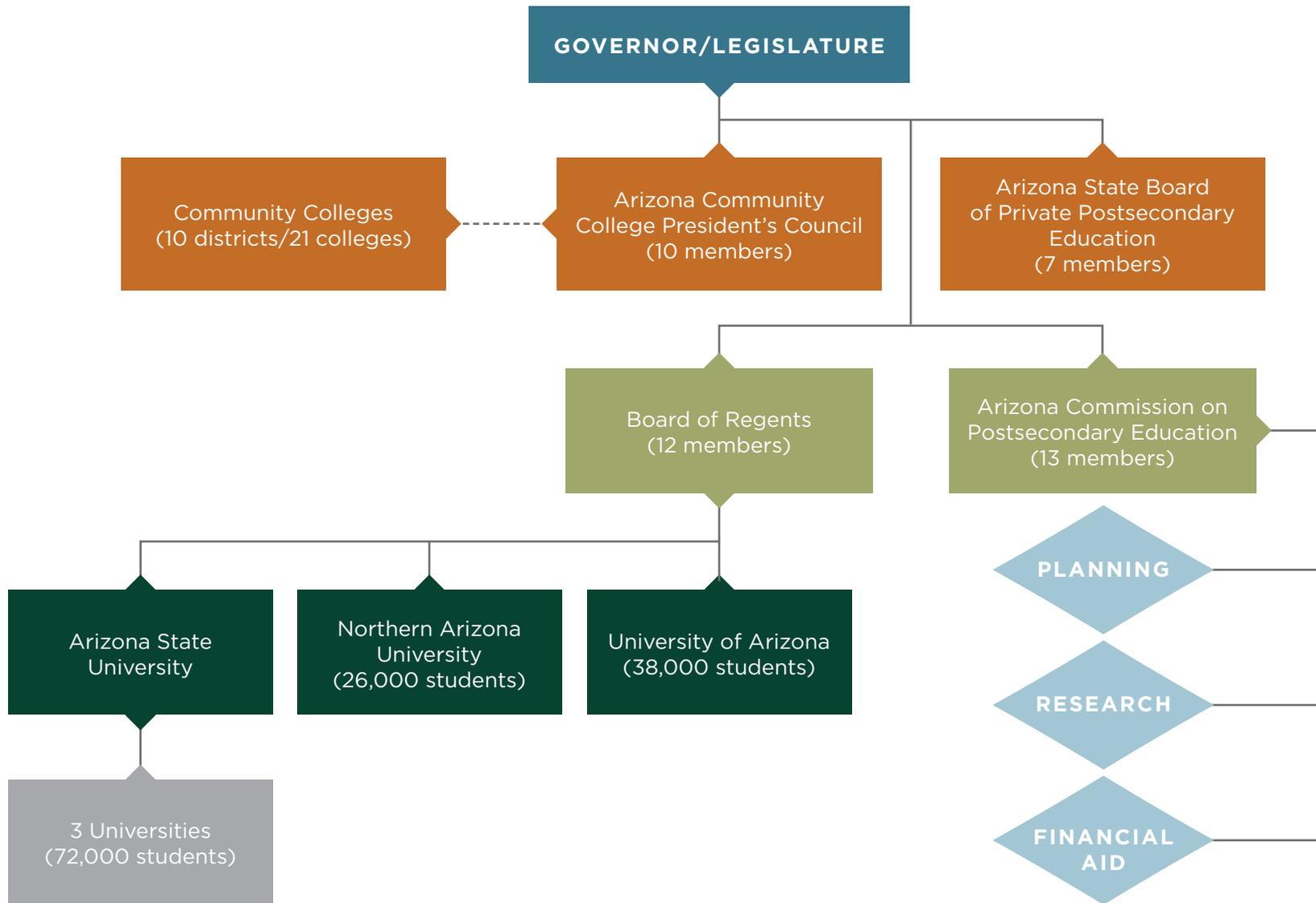
KEY



For a more detailed description of governing boards and coordinating boards, see page 14 “A Look at Other State Entities”

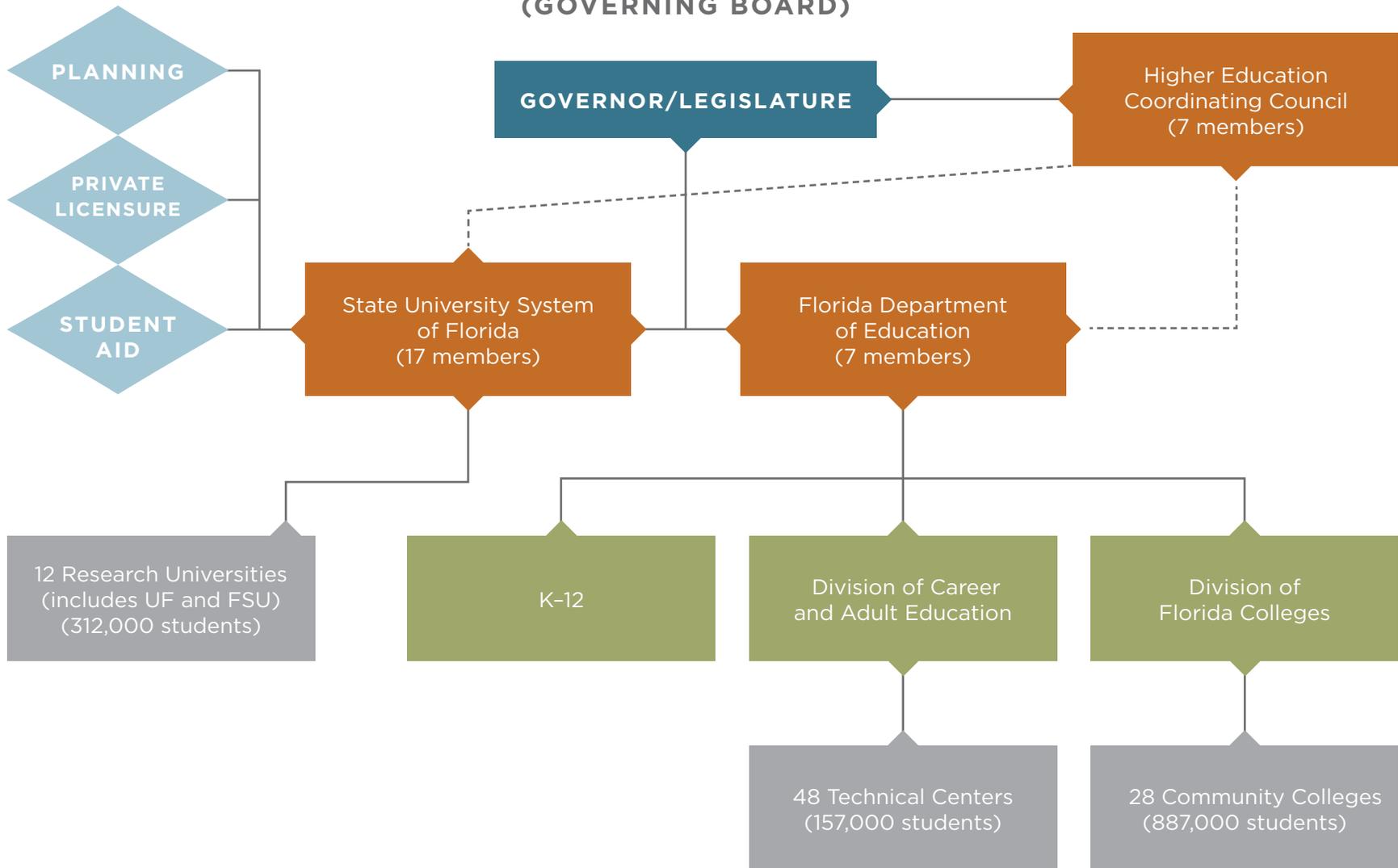
Arizona

(GOVERNING BOARD)



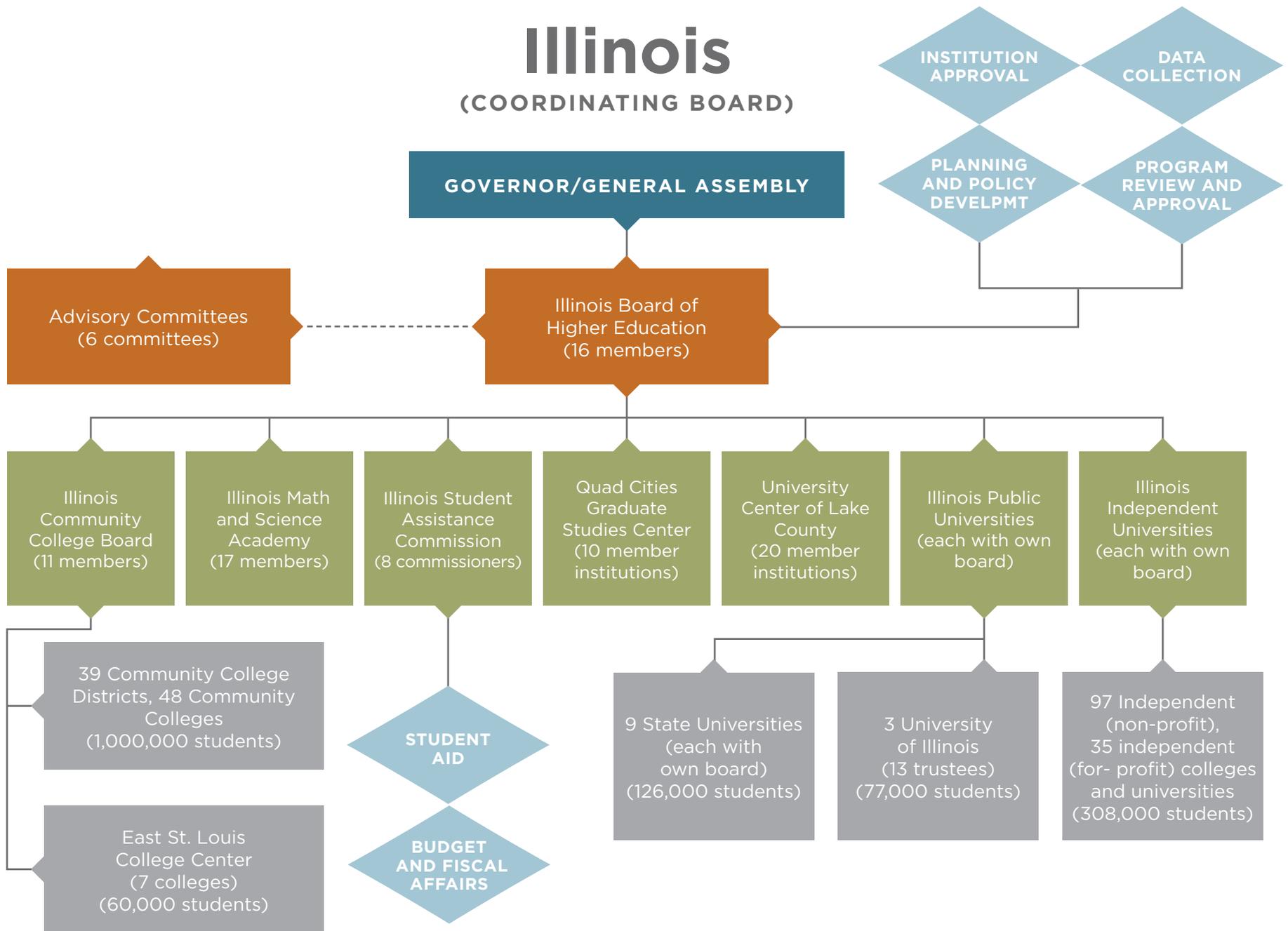
Florida

(GOVERNING BOARD)



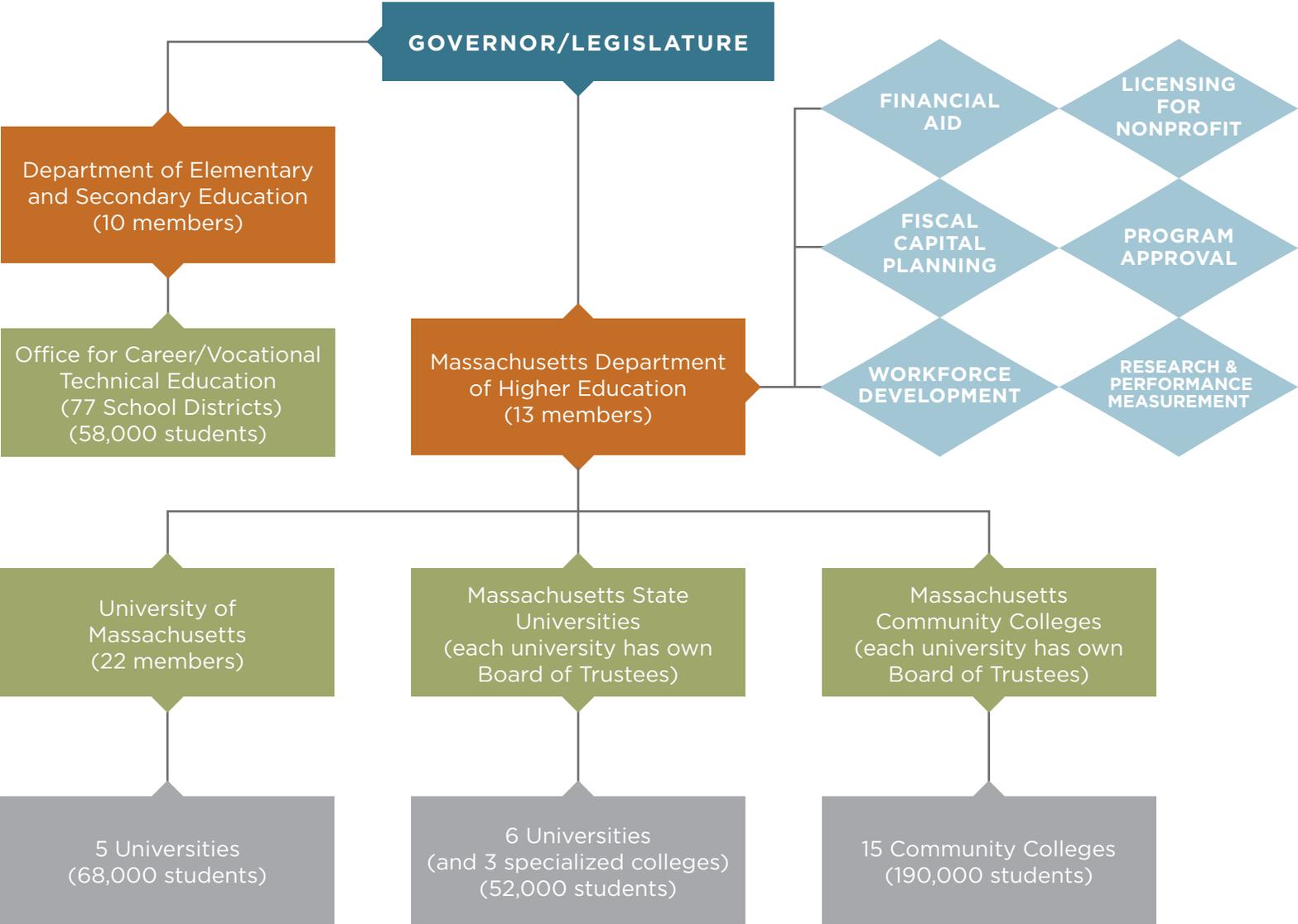
Illinois

(COORDINATING BOARD)



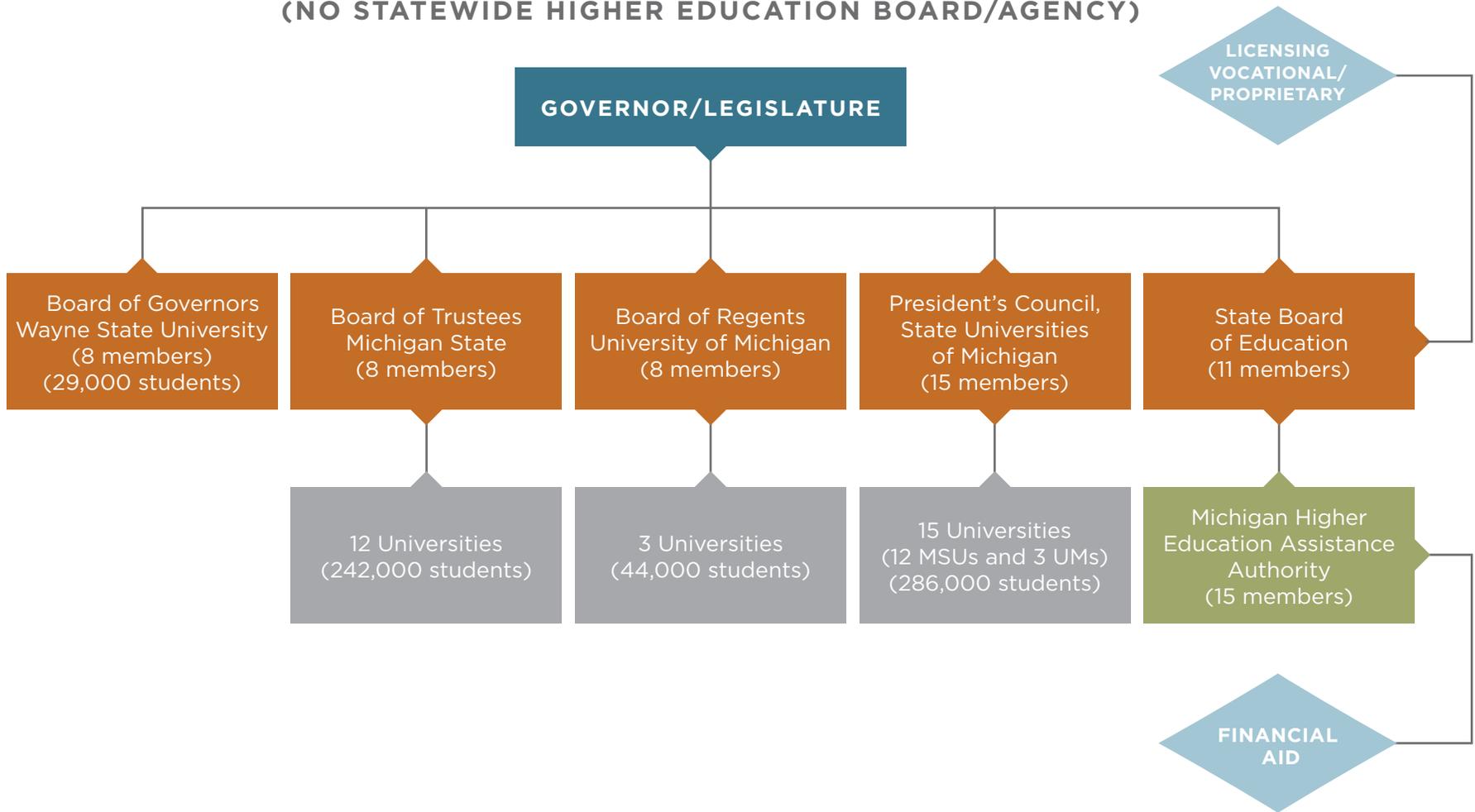
Massachusetts

(COORDINATING BOARD)



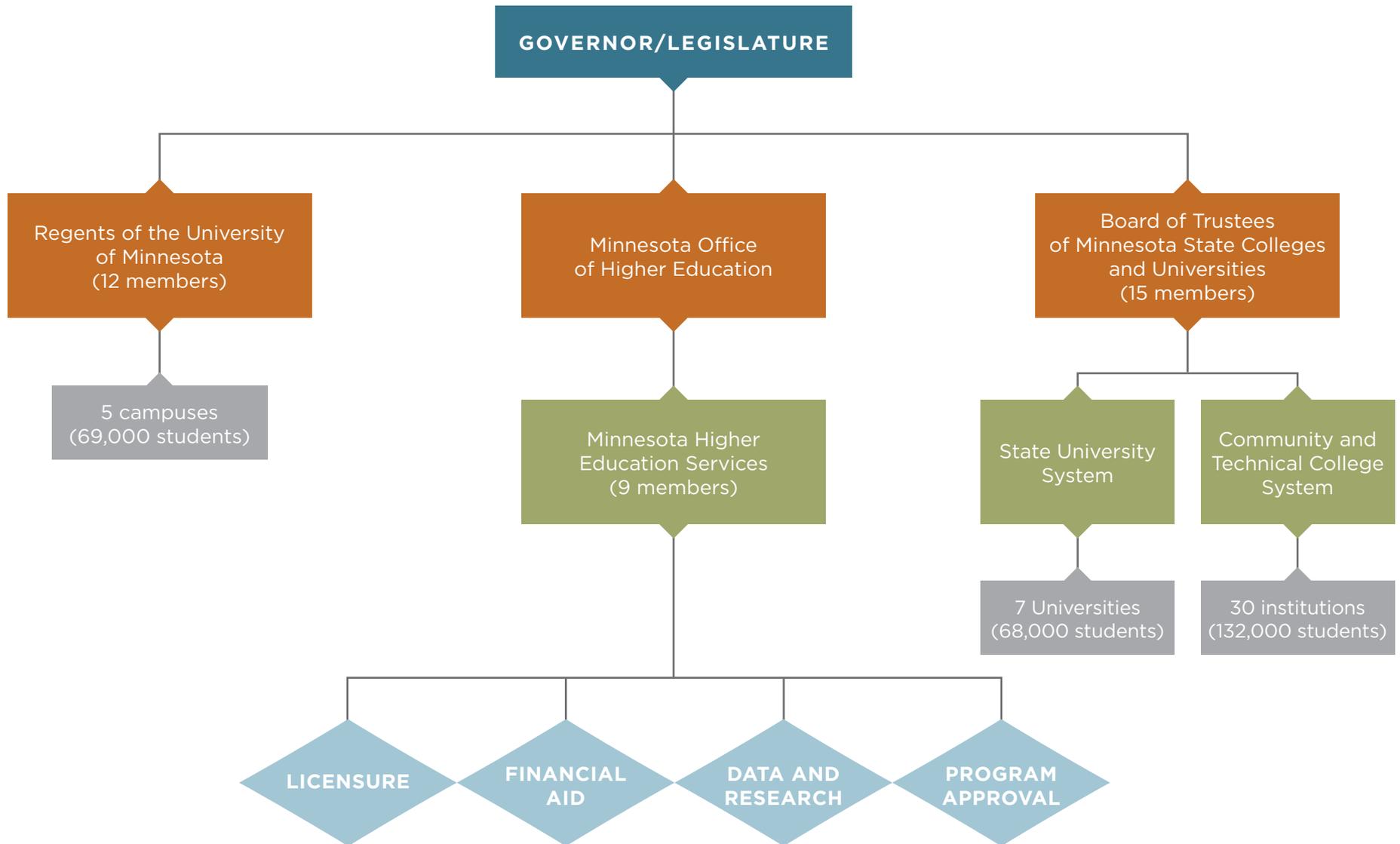
Michigan

(NO STATEWIDE HIGHER EDUCATION BOARD/AGENCY)



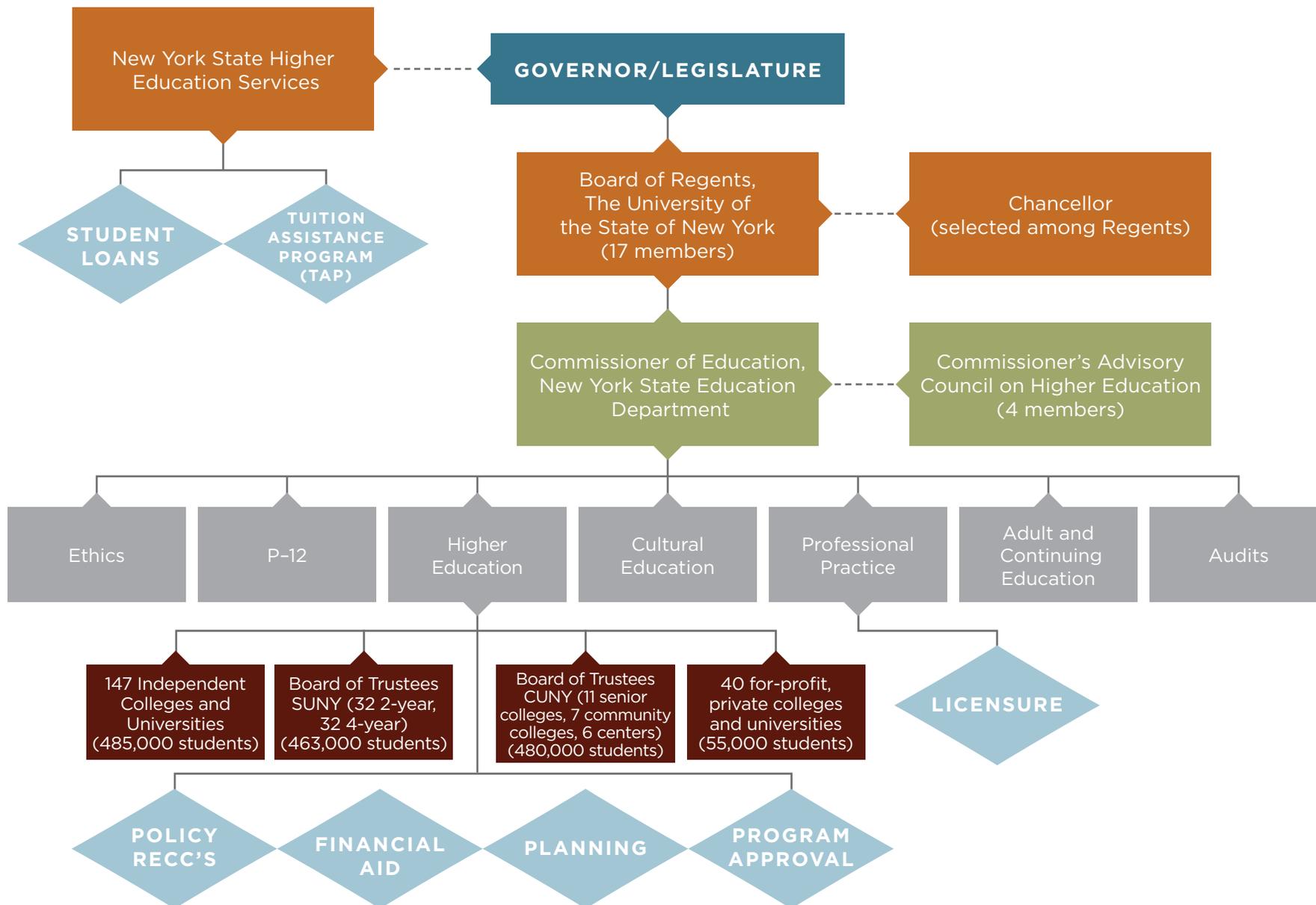
Minnesota

(HIGHER EDUCATION SERVICE AGENCY)



New York

(COORDINATING BOARD)



Ohio

(COORDINATING BOARD)

GOVERNOR/LEGISLATURE

University System of Ohio
(Chancellor and 9 Regents)

DATA

FINANCIAL AID

AUTHORZTN

FINANCIAL AID

University System

Ohio Association of
Community Colleges

Workforce Training and
Adult Education
(120 centers)
(152,000 students)

14 Main Campuses
(each with own Board of Trustees)
(290,000 students)

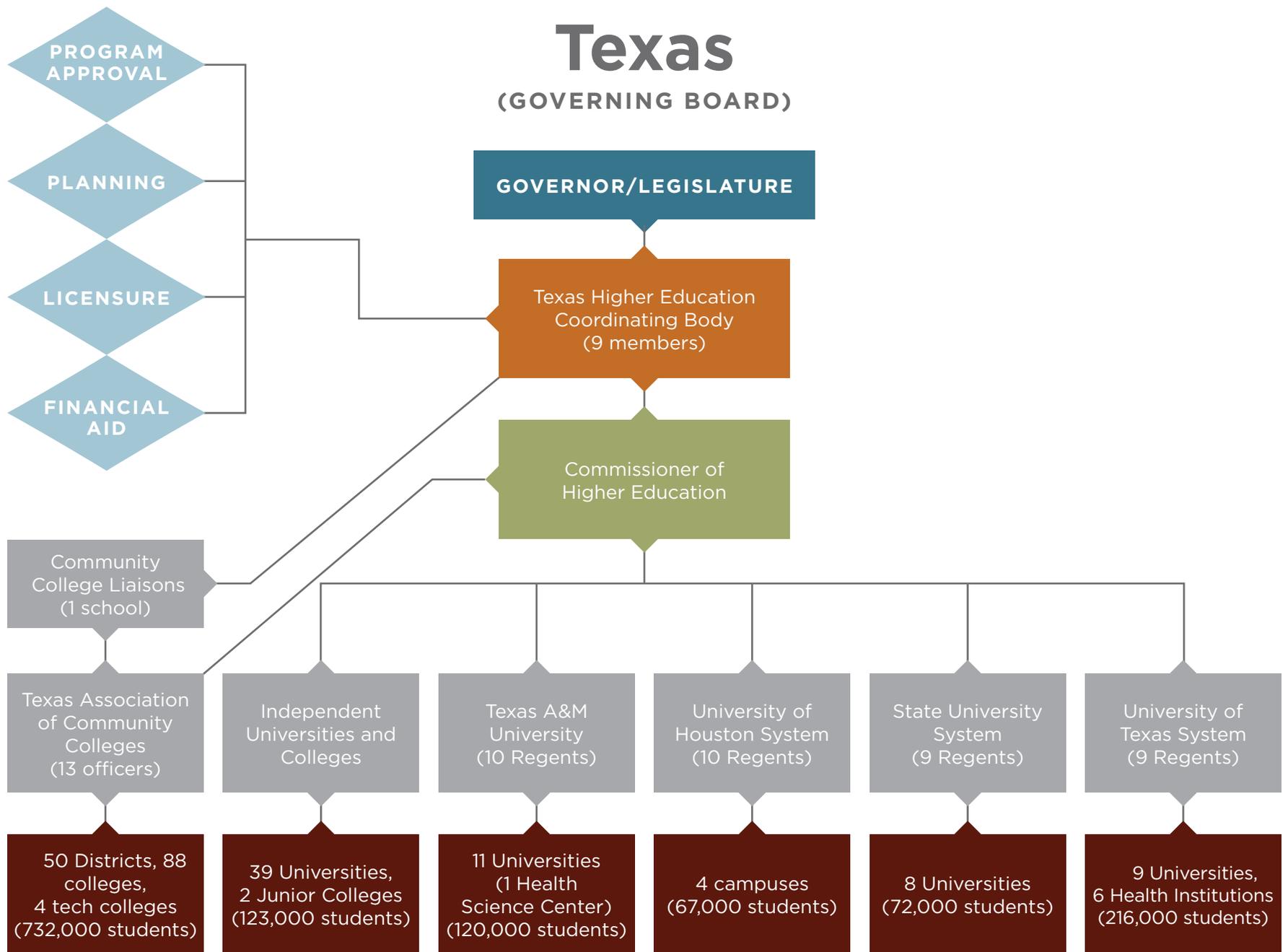
23 Community Colleges
(each with own Board of Trustees)
(300,000 students)

24 Regional Campuses
(62,000 students)

FINANCIAL AID

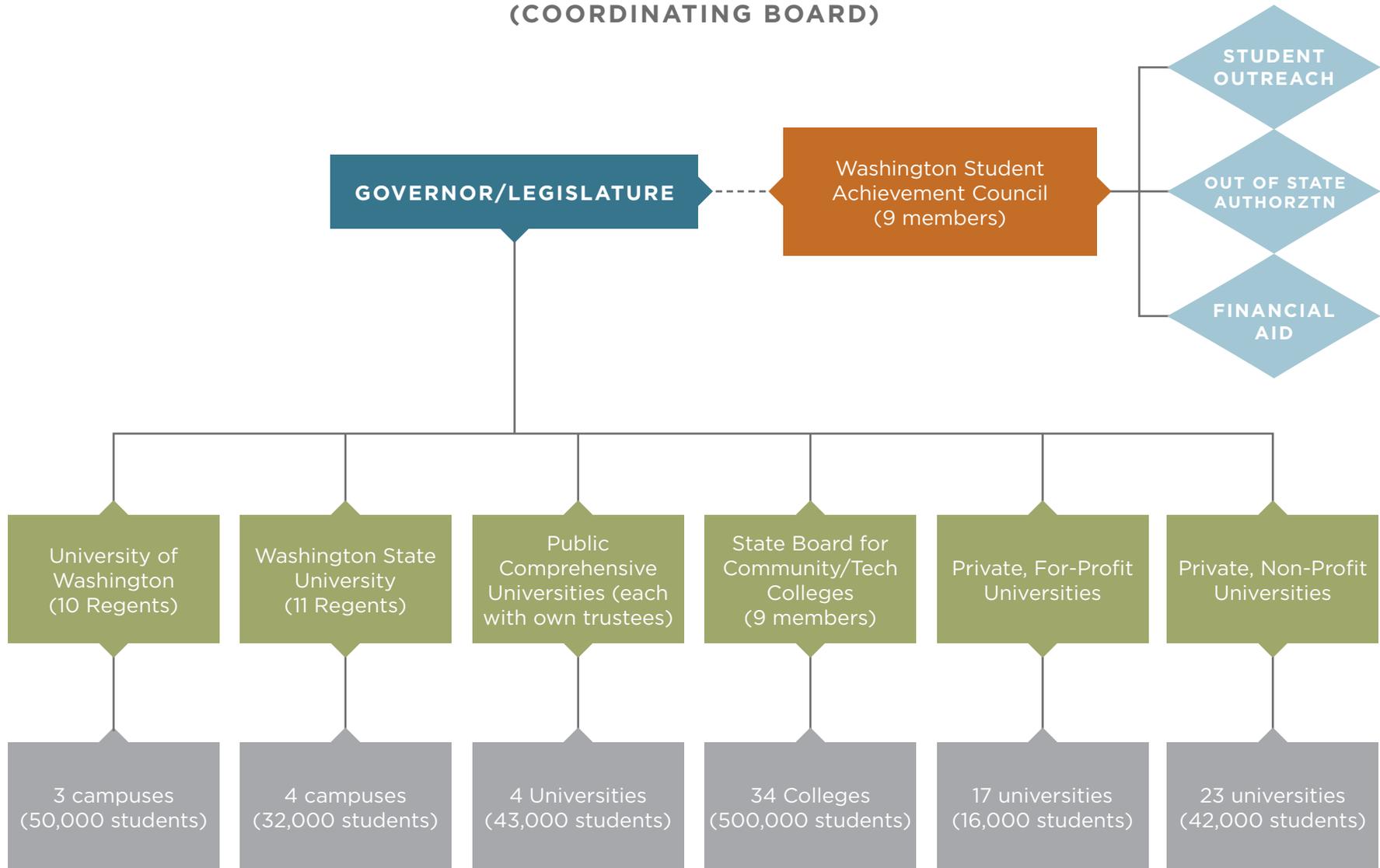
TUITION POLICY

PROGRAM REVIEW



Washington

(COORDINATING BOARD)



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California Competes

Higher Education for a Strong Economy

Opportunity, creativity, enterprise, efficiency and growth are the hallmarks of economic development and the lens through which California Competes develops non-partisan and financially pragmatic recommendations to improve postsecondary education.

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