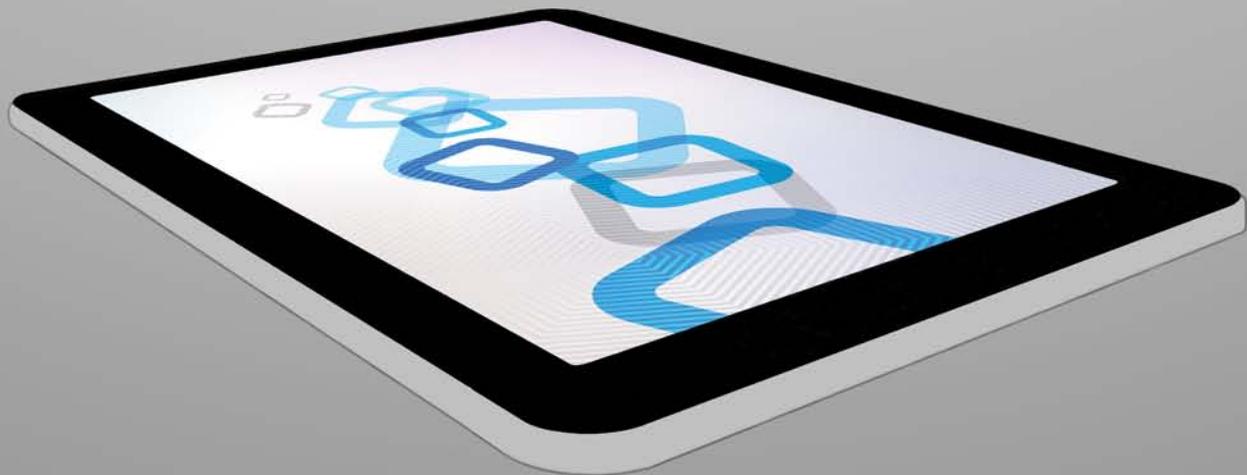


# Reforming California Public Higher Education for the 21st Century



A Bay Area Council Economic Institute White Paper  
December 2014

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# Executive Summary

The Master Plan for Higher Education in California, produced in 1960, was a visionary document for its time, but must be updated to reflect the changed economic, demographic and financial environment of the current century. California's economic future will depend on the outcome.

There have been key changes in California's economic and educational environments. When the Master Plan was written, only 11 percent of jobs in California were filled by workers who held at least a bachelor's degree; today about one-third of jobs in California are filled by college graduates. Ten-year projections point to a significant gap between the number of college-educated workers the state is expected to produce and California's workforce needs. This workforce gap can be resolved in just two ways: by improving Californian's educational outcomes, or by accepting the loss of quality jobs in the state.

A second key change is demographic. In 1960, 82 percent of the state's high school graduates were non-Hispanic whites; by 2011 that share had fallen to 28 percent. This poses new challenges for providing educational access that will allow all of California's citizens to fully contribute to and benefit from its economy.

California's higher education system is hobbled in its ability to meet these needs. Its ability to generate the workforce of the future has been impacted by deep cuts in public support, particularly in the last decade. Higher education's share of state budget expenditures has dropped from 18 percent in 1977 to 11.6 percent today. General Fund appropriations per FTE (full-time equivalent) student have also dropped precipitously for the University of California (UC), but also for the California State University (CSU) system.

Schools have responded with increased fees and reduced offerings. But fees can't rise indefinitely, and further gains from increased efficiencies may also be limited. Although Proposition 30 (2012) stemmed the decline in state support, the additional funding it provides pales in comparison to the size of cuts in previous years and won't fundamentally resolve the long-term structural challenges that public higher education faces. It is highly unlikely that state support for higher education will return to earlier levels, much less to the full funding that was provided when the Master Plan was drafted. Technology and the market for educational services are changing faster than the system is responding. To ensure that California has the skilled workforce it will need to compete globally, and that all its residents have the opportunity to contribute to its economic future, reforms are needed now. Strengthened state funding will be required but should also be linked to innovative strategies and new performance metrics.

# Key Recommendations

## Enable More Flexible Governance

- Give the UC, CSU and Community Colleges systems the flexibility and responsibility to develop innovative responses to the fiscal and other challenges they face, by reducing administrative and operating mandates.
- Allow differential course fees for high value/high cost courses at community colleges.
- Consider designating “charter” Community Colleges campuses that can experiment with service delivery free of current administrative restrictions.

## Link Academics to Workforce Needs

- Expand eligibility thresholds for UC and CSU, with an intensified focus on college readiness.
- Improve transfer rates from Community Colleges to CSU campuses.
- Create learning assessment and certification programs to enable residents with some college credits to complete their degrees.
- To better align workforce preparation with regional industry needs, support the development of regional consortia of Community Colleges (the Bay Area Community College Consortium offers a good model).
- To better leverage educational resources across the board, encourage regional consortia of UC, CSU and Community Colleges campuses, coordinated with K–12.
- Consolidate or better integrate the state’s 72 Community Colleges districts.
- Preserve the distinct role of the University of California as a research university.

## Stabilize and Strengthen State Funding

- Stabilize and strengthen General Fund support.

## Improve Performance through Innovative Management

- Develop new goals, with greater emphasis on outcomes (e.g., transfer and completion rates, and low income students enrolled).
- Continue to expand the use of digital (online) education, supporting and spreading successful pilots.
- Expand the use of public-private partnerships to fund capital (construction) projects, conserving limited public resources for educational priorities.
- Improve alignment between the UC, CSU and Community College systems through a new statewide coordinating mechanism.
- Implement a robust tracking system for student achievement, from K–12 through higher education and eventual employment.