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EXECUTIVE SUMMARY

"Faultlines" Shaping Higher Education Policy and Opportunity in California

INSTITUTE FOR RESEARCH ON HIGHER EDUCATION

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California is not prepared for its future. The state is simultaneously diversifying, aging, and facing a statewide gap in workforce skills. Yet higher education, the logical place to begin addressing these budding crises, is faltering.

The state's 1960 Master Plan for Higher Education helped create a national model for how public colleges and universities could operate and set California up for its success in the second half of the 20th century. But that Master Plan has become the proverbial millstone around the state's neck. As detailed in this report, the Master Plan codifies policies that exclude prospective students, limit institutional collaboration, and ignore modern workforce needs. The realities of college, students, and financing have changed radically, but California has not kept pace.

This executive summary presents key findings and recommendations from a case study on California's higher education sector that explores the relationships between public policy, state contexts, and higher education performance over the past two decades. Through the collection of primary and secondary data, including interviews with 16 policymakers, education policy leaders, and researchers inside and outside of California, we document the development, manifestation, and implications of three primary faultlines. Based on these findings, we develop recommendations for ensuring that higher education in California is ready for the future.

We present our recommendations recognizing the serious public policy challenges consuming California elected officials, including the ravaging effects of climate change, the growing problems of homelessness, social unrest, and the pandemic and its associated economic recession. But we strongly believe these problems and others can only be addressed by rebooting California's higher education system so that it can again be a foundational strategic asset for the state. With a new plan, California's higher education sector can create opportunities for individuals across its society and build a workforce for the next century.

FINDINGS: Three Faultlines

The challenges facing higher education in California can be characterized by a set of deepening faultlines, or a collection of contextual and structural challenges that separate the state, its institutions, and its people. These faultlines are the result of the collision of (a) the changing demographic, economic, geographic, political, and social contexts in the state; and (b) the lack of a mechanism for sustained public policy stewardship that would link far more Californians to educational opportunities beyond high school, establish a direct connection with the workforce and regional economic development opportunities, and diminish the disparities among groups that are so prevalent in the state.

FAULTLINE 1: Persistent disparities by race, socioeconomic status, and geography that combine to sharply limit individual educational and economic opportunity for many within the state.

- Even though California's overall educational attainment has increased, the state is plagued by persistent and prevalent disparities in attainment by race, socioeconomic status, and place.
- Disparities in educational attainment by race, socioeconomic status, and place reflect disparities in postsecondary performance, including preparation, access, and completion along these same lines.
- These disparities yield inequities in the state's workforce and economy, directly impacting individual prosperity and social mobility on the basis of one's lived experience.

Until these disparities are addressed, California will not be able to achieve a workforce ready for the economy that can support the nation-state and its future prosperity.

FAULTLINE 2: Fragmentation, or lack of alignment and synchronicity in policy-related phenomenon and structures that comprise the statewide approach to postsecondary education.

- Fragmentation in higher education policy traces across California's political and legislative bodies, postsecondary systems, and accountability structures.
- Fragmentation in and across these domains has limited the ability of the state to comprehensively respond to policy needs and has trickle-down consequences.

Without a long-term vision and a mechanism for sustained public stewardship for higher education in the state, policy approaches to address California's most pressing postsecondary issues will continue to be short-term and piecemeal.

FAULTLINE 3: Volatility, or extreme variations and unpredictability in state and local funding for higher education, has impacts that extend into institutional resource allocations and family budgets.

- The state is especially prone to volatility given its heavy and longstanding reliance on capital gains tax and constraints on property tax revenues brought about by Proposition 13.
- Instability in state funding creates fluctuations in state fiscal support for higher education, which limits long-range planning for institutions.
- In light of funding uncertainty, higher education institutions respond by decreasing access or raising tuition—or both. These issues are exacerbated during times of economic uncertainty.

In order to maintain access and affordability, California must address the systemic problems that contribute to volatility.

RECOMMENDATIONS

If acted on, the following recommendations can place California on a trajectory toward recreating a system of higher education that can both meet the needs of contemporary life and truly earn California the often-claimed mantra as “best in the world.”



Prioritize reducing and eliminating gaps in performance related to race, socioeconomic status, and region.

Make addressing these gaps the primary and substantive statewide policy agenda for California higher education. This goal should inform all policy decisions going forward.

Establish transparent accountability policies at the state level to understand performance in closing persistent and obstinate gaps in higher education access and attainment. Such an understanding is the only way that state government is accountable to Californians for establishing a fair playing field for educational opportunity and its associated benefits.

Report to the public on the outcomes and actions taken to reduce disparities.



Establish regional education systems with regional governing bodies to improve educational opportunities and reduce disparities.

As the state has developed, California has experienced a sharp increase in regionalism. Most students in California access postsecondary education in their local community and must navigate a complex maze of articulation and transfer agreements among

different institutions. Many also remain employed in the region in which they were educated or lived. But this reality is not reflected in the current siloed higher education system, a situation that contributes to regional educational disparities and remains insensitive to regional contexts.

Create a map identifying specific regions that would be organized across the higher education sectors and link to (or develop) workforce opportunities of the region.

Simultaneously develop a statewide mechanism for the sustained public stewardship of higher education, including policies to support the work of regional activities, particularly in the areas of finance and accountability.



Consider the public finance principles to guide a statewide strategy to reduce educational disparities.

When considering changes to tax policy, rainy day funds, public pensions, ballot initiatives that influence education funding, or other similar matters, policymakers must intentionally consider the impact of changes for higher education.

Take steps to minimize the effect of economic swings on higher education. For example, during difficult times some states have dedicated tax revenues for higher education to draw on in economic downturns and developed a higher education rainy day fund from general tax revenue.

Set expectations for productivity improvements from higher education. Many options for productivity can be explored for different types of institutions. Even within each of the three existing public segments of higher education, there is a fairly wide range of productivity outcomes related to their missions; these productivity issues are not limited only to undergraduate education but apply to graduate education and research competitiveness as well.

Develop state appropriations for institutional operations, state need-based financial aid, and tuition policies that work in concert to support regional systems in reducing educational disparities. Progress to reduce disparities is nearly impossible under the current mix of state appropriations, state financial aid, and tuition policies.

Prioritize the most productive and promising research programs that address critical priorities in the state, such as educational disparities, workforce needs, climate change, and homelessness.

Address limitations in the Cal Grant program by ensuring that all eligible students can access scholarships and expand the program to cover total educational costs rather than just tuition.

Reduce the burden of tuition for students and families, who pay a growing portion of family income for tuition, room and board, and mandatory fees.

 **Establish a system of public accountability to monitor regional efforts to address educational disparities.**

Reporting publicly on how state dollars are spent and on progress in reducing educational disparities is a central role of state government.

Consider the data needed to monitor California’s progress in reducing disparities and to inform decision making.

 **Establish a statewide Blue Ribbon Commission representative of California’s stakeholders in higher education.**

Business leaders, leaders of major advocacy groups, regional representation, and educational leaders should comprise this Commission.

The governor, with input from legislative leadership, should empower the Commission to consider policy recommendations for improving California’s higher education system—including recommendation in this report—and make suggestions for implementing those transformative policies.

 **Establish a mechanism for sustained state policy leadership for California Higher Education.**

This mechanism must transcend gubernatorial and legislative terms and taskforces, to leverage its postsecondary sector as a strategic asset for state economic and workforce goals, and to chart a path to future that reflects California economic, demographic, and political realities.

CONCLUSION

Leaders will come and go, but policies must be put into place that ensure that the disparities in higher education be ameliorated. This report offers that regionally governed systems supported through strong finance and accountability policies may be a way forward. Having said this, ***an entity or entities must represent the state and public interests in overseeing this agenda.*** States have different ways to provide for the public stewardship of higher education, and California may learn from some aspects of these models. There is no one right model for all states. The model for California will be one that ensures that the public interests are paramount in the public discourse of higher education and that the public provide for individual opportunity and workforce options for all students who enter some form of postsecondary education.



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