New Assumptions and New Solutions for Higher Education Reform

Higher Education Strategic Information and Governance (HESIG)
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Introduction

The purpose of this essay is to question some assumptions that have guided the development of American higher education for the past 60 years, and to propose some possible means of accomplishing policy reform, for the purpose of fulfilling the promise of broad educational opportunity in a democratic society. Exploration of these matters will assist in providing a clearer conceptual framework to guide the mission of the Center for Higher Education Strategic Information and Governance (HESIG), and may have value for others engaged in analyzing, providing, and served by higher education.

HESIG’s mission is to serve as an agent for constructive higher education policy change, by recommending strategic policy action, aligned with a public agenda to serve the public good. Guiding principles include: enhancing college access, affordability, completion, productivity, accountability and public trust. Initially the Center will focus on identifying effective models for financing public colleges, public trust, and building new partnerships to achieve these ends.

During the 1990’s I was privileged to write a paper for the National Commission on Financing Postsecondary Education (Fulfilling the Promise of Educational Opportunity: Shared Responsibility for Keeping College Affordable,1993) and another essay published as an Occasional Paper by AGB (Prospective Governance,1996). Back then, some of the perplexing trends facing higher education included: funding scarcity and unpredictability; high demand/low public policy priority paradox; challenges of new technology, competition and commercialization; and a loss of sense of special purpose on the public agenda. This list of challenges sounds familiar, today.

Looking back 20 years, I am struck by how much has changed influencing some trends, but how much has not changed dramatically about some of the assumptions made then, that continue to drive higher education policy. While higher educators, public policy makers and citizens thirst for change regarding access to an affordable college education, the failure to question some old assumptions that no longer fit a new reality affecting delivery and finance of higher education, inhibit our ability to reform the enterprise, and erode a sense of trust in how colleges are managed, and accountable for educational outcomes (Jones and Wellman, 2009). Discussion of some of these outdated assumptions, new realities, and possible solutions, follow.

Old Assumptions That No Longer Fit

1. Higher education is a public good that is financed principally by public monies. New reality: Higher education is viewed as a private good, increasingly financed by, and, for individuals’ benefit.

The Zook Commission report of 1947 (Higher Education for American Democracy), appointed by President Truman was the first major study following WWII that envisioned a system of higher education built on this assumption. Viewing higher education as a public good, it suggested a comprehensive national system of higher education, including expanded missions for research and teacher colleges, and creation of community colleges.
As higher education expanded and matured, especially during the 1960’s and 1970’s, this assumption was firmly rooted and observable in many ways. American higher education experienced a tremendous growth transition fueled by the post-war baby boom and ambitious physical expansion of public colleges. In less than four decades, higher education moved from a system characterized by independent colleges that educated the majority of college-bound students, to one dominated by public colleges, educating roughly 80% of all traditional-aged students. The effect of returning GI’s and the baby boom that followed, stimulated an unprecedented commitment of state and federal government to charter, build, staff and finance expansion of public higher education. Such expansion was clearly made as a “demand side” investment in America’s future human capital and competitiveness, and national security in the Cold War Era.

Many of the coordinating and governance structures that continue to guide and regulate colleges were created during this period of strong public sector commitment. The foundations of our extensive student financial aid structure, especially at the federal level, had their beginning at this time. Even the means by which students and institutions communicated with one another to enroll in colleges, were developed or expanded then, by the College Board, ETS and ACT, which also had a large hand in creating a national system for administering burgeoning federal student financial aid programs, such as Pell Grants.

The big public investment in colleges themselves was at the state level, where billions of dollars supported creating and building new two-year colleges, and expanding the roll of teachers’ and regional colleges in most states, with the greatest expectations focused on California and its ambitious master plan for higher education.

The public commitment to expand higher education was so formidable, that it took until the early 1970’s to undertake a systematic, comprehensive study by the Carnegie Commission Policy Studies in Higher Education of what had been created, and how to rationalize policy to bring more coherence about expectations of new structures and new huge investment. Most of the 1980’s and 1990’s were spent with further rationalization of state-level and campus policy regarding access, quality, finance and accountability for educational outcomes, following the rapid expansion of public colleges.

Accordingly, it was axiomatic that higher education, dominated by public colleges, principally financed by public money, was without question primarily a public good, but one that also served individual and private sector needs. Much state and federal policy, as well as that of colleges themselves, remains built on this assumption, which still affects a large range of issues governing college opportunity and outcomes.

One of the big stumbling blocks to moving policy reform forward is the collapse of this assumption, and especially how colleges are financed (Greer and Klein, 2010). Public colleges are increasingly financed by private, not public dollars. In some states, such as NJ, tuition and fees pay for at least two-thirds of educational costs. 75-80% of NJ public college total spending is from other than state resources.
This supply side financing of public colleges is a growing trend in other states, fueled by economic recessions, anti-tax sentiment, growing demand for more state funds for entitlements, such as health and pensions, all leading to less investment in public colleges as a public good, and redefinition of colleges as serving the needs of individuals who finance them, as opposed to public benefit. Given these changed circumstances, the result is a huge disconnect between how we currently finance our colleges and the old assumption that they are still primarily a public good (Zumeta et al., 2012).

2. State, and especially federal student financial aid, will continue to grow as part of the public financing structure to assure expansion of college access and equity of opportunity. New reality: Student financial aid is rationed among a growing population, with performance measures added to fit the population to the monies available.

This old assumption is particularly troublesome, because it connects closely to the issue of how public colleges are fundamentally financed. It strikes at the core of what makes the American higher education so unique globally—its openness and egalitarian purposes of balancing liberty, equality of opportunity, hope for future prosperity, and participation in the American democratic experience. While some may argue that our national student financial aid system is not broken, few would disagree that it needs major reform, as grant aid at the state and federal levels is rationed, and proposals abound that would add means and performance tests to need-based aid such as Pell Grants, thereby undermining the basic purposes of the program in the first instance.

A particularly worrisome element of thinking that federal student financial aid, both grant and loan programs, will grow as they have, is that beyond financial issues, it may be time to question as a policy matter building such a huge and important investment since the 1970s on the false assumption of significant interstate mobility of students, and "one size fits all" grant programs.

The student markets for higher education are mature, and are local and regional in nature, not national. Put another way, only about 10% of all colleges are highly selective; about 20% of the student population moves from one state to another. Most students attend colleges near them, and many are enrolled simultaneously in more than one local college at the same time, whether or not matriculated.

Independent colleges and more recently proprietary schools, dependent on aid to discount higher tuition, have had much to do with shaping student financial aid policy to benefit each sectors' mission and market share. The result is a complex set of federal, state and institutional rules, that don't serve students and families well in market place of high-priced, mature institutions that are very savvy at student marketing, enrollment management and maintaining market share, often using student financial aid as a big part of business strategy.

Affordability for many students and families means acquiring high financial debt through loans in order to pay for college. There is some recent analysis (Cornell Higher
Education Research Institute, 2012) indicating that so-called “need-blind” student aid decisions exacerbate the debt problem, by creating more loan dependence. Some independent college presidents have called merit-aid, and tuition transfer plans “unsustainable,” as reported by the Chronicle of Higher Education (January 6, 2012).

While many institutions have done a good job at cutting cost and increasing revenue at the margins, the absence of a new model to finance the core educational enterprise (to control costs not just to maximize revenue) adds to the burden of an aging and sagging student financial aid structure badly in need of reform in an era of competition, technology and renewal of interest in the purposes and outcomes of a college education.

In preparation for Federal Reauthorization of the Higher Education Act, as Congress deals with the “fiscal cliff,” and states struggle to recover from the “great recession,” there is ample evidence that budget parsimony rather than expansiveness will govern decisions about student financial aid.

Put bluntly, given competition for other entitlements, there is not a big enough constituency to advocate for continued growth of federal aid to students. Student financial aid has shifted largely to loans rather than grants, since the 1990’s, further underscoring not only escalation of the cost of college, but also the responsibility of individuals to pay for it. Survey research indicates that “middle class” American’s clearly realize that student financial aid for them means more loans and greater personal debt (National Center for Public Policy and Higher Education, 2010; and NJASCU, 2011).

The likely path for Congress and state legislators is not to question basic assumptions about aid based on where we might want to be in the future, but instead to continue to shore up incrementally over-burdened grant programs by further rationing scarce funds through tighter eligibility requirements, means testing and performance evaluation. On the loan side, reducing federal entitlement spending, as well as protecting the lenders’ ability to operate profitably will compete head on with the financial needs of students and families. In the few states with big investments in grant- based aid, there is little reason to suspect that similar rationing of funds (meaning changing the rules to fit the funds available, rather than increasing funds to serve a growing student population) will continue, as it has in states such as NJ and CA.

3. The primary goal of college is to produce liberally educated graduates, through a coherent, sequenced curriculum, taught by full-time faculty. **New reality: The major purpose of college is preparation for the workforce, global economic competitiveness, and gaining practical skills through asynchronous, modular content delivery, using part-time faculty and technology.**

While the laudable goal of providing and acquiring a “liberal” education is alive, it is not as healthy as it once was, and from the view of many colleges and students, may be on the way to becoming an anachronism.
The dramatic shift in the refocus of the basic purpose and outcomes of a college education is clearly demonstrated during the past decade by significant change is what colleges offer academically, who teaches, and how outcomes are defined. Rather than defining educational outcomes in terms of traditional broad integrative learning, the goal of a college education is defined more by professional studies, particular technical skills mastered, preparation for work as defined by employers, workforce needs to compete in a global economy, and degree productivity and completion.

With leadership from the Gates and Lumina Foundations, the National Governors Association and others, nearly every state in the nation has conducted studies or adopted goals on college completion tied to workforce development needs and global economic competitiveness. Studies by Carnevale (Georgetown, 2012) and the Pew Charitable Trusts (2012) stress the importance of a college education in sustaining job opportunity and earnings during the global economic downturn.

Increasingly, colleges themselves define the principal value of a college education as the pathway to a job and higher earnings, rather than an investment in learning as a foundation for a contemplative, productive life. Governors, state legislators and employers urge colleges to provide more practical educational experiences, resulting in demonstrable and measureable outcomes. Changes in student academic interests triggered by social and economic events, replacing full-time faculty with adjuncts, expansion of professional schools and non-liberal arts degree production, the introduction of new educational technology (such as Massive Open On Line Courses-MOOCs), and alliances of traditional and new for-profit educational providers, globally, accelerate the trend toward defining college outcomes in practical economic terms.

This trend to define the purpose of college in practical cost/benefit terms, coupled with a breakdown in public means by which colleges are financed, and the escalating cost of college, leads to destabilization of current public policy regarding college access, affordability and completion.

For example, some relatively radical and punitive access and pricing policies have been proposed in several states, as a means of regulating who goes to college, who pays, and for what type of degree. Florida stands out in this regard, where proposals range from setting quotas on college attendance for certain populations; and limiting enrollment in low-demand fields by charging students more for liberal studies that may not lead to a job.

In Virginia, the governor has proposed prohibiting public colleges and universities from using state and tuition revenue for internal scholarships, a price discounting and enrollment management tool used by private colleges for decades, and increasingly by more selective public colleges and universities. Proposals to diminish internal income transfer through student financial aid have been considered in California and adopted in Iowa. One community college in California adopted, then dropped, a policy of differential tuition (higher for underachieving students) based on credit hour load and rate of academic progress; while Indiana’s two leading research universities are working on tuition discounting policy for students who complete the degree in four years.
On the educational delivery side, traditional faculty are threatened not only by increasing use of adjunct faculty, hired as a means of controlling salary and benefit costs, but also by emerging computer/social media technology that could provide virtual courses, anytime to students globally. A number of partnerships and consortia have been created, with technology based for-profit firms, interestingly led by a group of private US universities that are among the most expensive, and not in the vanguard historically of providing broad equitable educational opportunity.

In these examples, there is much of the economic and political tail wagging the dog, in the sense of rational policy development. As leaders earnestly look for solutions to core financial problems that create the cost-price dilemma, new pricing schemes encouraged by economic and political demands to increase productivity, and new providers introducing new teaching and assessment technology, are redefining the principal question of who goes to college for what purpose.

What is driving policy, then, in this instance is the issue of who pays. The confluence of these issues, as indicated earlier, accelerates higher education being defined increasingly as a private good, placing even greater stress on the question of broad public purpose and who is accountable for governing the ever increasing complexity of the enterprise, and protecting the public trust.

4. Academic and financial accountability should be left to educators and governing boards that hold the institutions is public trust. New reality: Reformation of core financial and educational practices, and greater business complexity, require greater transparency and new accountability structures to sustain public trust.

While some observers might argue that it is not productive to put governance reform at the center of a search for new policy to guide 21st Century colleges, this matter remains central to maintaining public trust as business and educational policy changes. Governance influences how colleges’ missions are defined, the leadership and administrative organization of the enterprise, and ultimately affects what gets accomplished. Governance structure informs how educational values are translated, and how goals are integrated with a larger public agenda. Accordingly, governance is central to maintaining the integrity of our colleges, and sustaining public support for the value of investment, especially for the majority of citizens not immediately engaged in higher education.

While campus and especially state-level governance structures have not been stagnant, existing forms need to change to meet current and prospective challenges. Current structures of system boards, coordinating boards and local boards of trustees evolved over time, and were built incrementally on top of a higher educational system that was largely private and autonomous.

Local trustee boards are still the minority among public colleges, which are governed primarily by systems. System boards and state-level coordinating boards developed to regulate and distribute resources during a time of growth. These structures tend to
aggregate functions and compartmentalize rather than integrate policy to assure continuity of policy and equitable distribution of resources among numerous institutions. Until recently, they have emphasized a command and control, and constituency management style of leadership that inhibits rather than enhances administrative flexibility for individual colleges, thereby creating hierarchical accountability routines for delivery of educational service.

Conversely, some system boards, such as in PASSHE in PA, SUNY in New York, and in smaller states such as Utah and Maine, have created more balance between central and local management of institutions, by delegating more authority to campuses. Coordinating boards in states such as Indiana have found new means of balancing state-level interests with institutional flexibility.

Public colleges with autonomous boards of trustees, operate much as they have for decades, except for the fact that they have accreted more responsibility for overseeing financial, legal and educational policy, largely created by more state and federal law and regulation. In states with autonomous local boards of trustees, such as Virginia and New Jersey, colleges have succeeded in gaining greater administrative freedom from state regulation of personnel, purchasing, contracting, and construction, and have expanded into more non-educational businesses that help to create revenue or provide administrative support to the colleges.

While boards of trustees have much more to learn about contemporary legal and administrative complexities, and more to do to accomplish reasonable policy oversight, boards still operate in a traditional manner, with about the same number of individuals serving as trustees, but with expanded committee structures to handle growing legal and financial matters.

Neither has the manner in which public college trustees are appointed changed. Principally, with few exceptions they are selected and appointed as part of a political process, with institutional leaders negotiating with governors and legislators about nominations and confirmation. The changing economics of higher education, and its increasing business complexity suggests that reform of both state-level and campus governance structures is needed not only to support effective operation of colleges, but also to maintain public trust in the integrity of the institutions.

The search for new means of financing colleges requires more flexible, nimble and transparent governance, providing direct accountability where educational service is delivered, at the local campus level. This will be especially true, as colleges enter into new business partnerships for service delivery, substitute technology for traditional faculty instruction, and outsource to others academic advising and assessment responsibilities. With so much change on the horizon, signs of an erosion of public trust in traditional structures and practices based on old policy assumptions are evident.
Erosion of Trust

Taking together polling research and other policy trend data, citizens, public policy makers, presidents and governing boards of colleges appear to be on a collision course on the matters of reforming the cost/price structure, and accountability for outcomes. Whereas citizens view college a key component in workforce preparation and hope for their economic futures, they are increasingly dissatisfied with the rising price of college, mounting personal debt, and college leaders’ inability to control escalating costs. Many feel that college opportunity for their children will be diminished without structural reform.

The response of governors and state legislators, largely responsible for funding public colleges, has been to demand greater accountability by introducing budget, enrollment or programmatic reforms, and limiting tuition and fee revenue increases. With state budgets stressed by current unsettling global economic conditions, states have reduced discretionary funding to public colleges and rationed student financial aid, while at the same time demanding greater degree productivity.

Some relatively radical and punitive ideas to regulate use of college and university revenue for student financial aid, from public and non-public sources, such as those proposed in FL and VA, which if ever implemented would require significant changes in colleges subsidization of access for certain student populations. Fundamentally, with a large part of the blame for the college opportunity/price squeeze placed on public policy makers, they are responding to the need to reform the cost structure of higher education simultaneously through a mix of rational bureaucratic budgetary, political and even ideological remedies, not all of which may be responsive to individual and national needs.

Add to this picture the findings of the 2012 AGB survey, which indicates that college trustees- the critical actors trusted by the public to do the right thing to sustain access to an affordable and useful college education- may be out of touch with public perception of substantive financial problems, as well as needed reforms.

With huge funding investments by foundations such as Gates and Lumina, to increase college completion rates nationally, it is very surprising that one-fifth of trustees surveyed believe that the US does not need more college graduates to compete in a global economy. It is also disquieting to find that a majority of trustees see the cost-price squeeze as “the other guy’s problem,” but not at their institution, where tuition is seen as “about right.”

Finally, a 2012 survey of college presidents, by Inside Higher Education, indicates that most presidents think their colleges are doing a good job educationally (75%); and managing financial resources well (70%). About 65% of presidents responding see tuition increases as a major challenge; but tend to worry at least as much about funding and budget shortfalls. This may indicate a tendency among college leaders to focus on increasing revenue at least as much, if not more than controlling costs, as a remedy to the cost-price spiral challenge.
At the same time, national polls indicate that students and families view the high price of college and increasing personal debt as the major barrier to access. They correctly perceive that student financial aid, other than loans, will not be available to them, and question the value of investment in college for entry into the workforce (HESIG Working Paper #2 “Troubled Waters: Higher Education, Public Opinion and Public Trust, 2012 ).

Possible Solutions to Fit the New Reality

The new realities facing higher education require significant policy reform regarding access and completion, affordability, educational core financial support, definition of outcomes and accountability structures, if colleges are to continue to uphold public trust. To fit the new environment, some of the specific policy reforms that higher education should consider are as follows:

1. **Adopt new policies to sustain the core educational enterprise, by increasing degree productivity.**

Reports from Moody’s, NASBO and SHEEO indicate that public colleges cannot depend on state governments to return to the rate of increase in appropriations experienced in past decades. While colleges have increased productivity by squeezing marginal costs and increasing marginal revenue, and by significantly increasing tuition and special fees, these practices are unlikely to be enough to sustain the core educational business in the future, as state appropriations for higher education flatten, or grow modestly. Accordingly, beyond containing costs for personnel and facilities, where 75-80% of college spending occurs, institutions will have to build new financial partnerships, both educational and business, and increase educational productivity by expanding service to emerging populations using new delivery and assessment technologies that reduce costs, support maintaining quality, and increase degree completion.

While some practitioners believe that new technological/pedagogical delivery systems, such as MOOCs provide the key to future effectiveness and efficiency, it is more likely that it will take time to develop a workable business model around MOOCs, and that more practical reforms are readily available to colleges, especially not non-well endowed and relatively non-selective private and public colleges. The key to success of MOOCs for these institutions, (which will not be in the vanguard of bringing the new approach to the marketplace), is not content or delivery technology; but instead rests in assessment and certification of learning. An investment, then in these colleges' traditional strengths of facilitation and evaluation of learning will be an important ingredient of financial success for the student populations they serve- first and second generation, and adult students.

In order to accelerate degree completion, colleges need to adopt several “best practices” that help to contain cost, increase retention and affordability, and strengthen core business practices. Some of these practices include:
• Reducing degree credits required for graduation to 120 hours in most fields; strengthening transfer/articulation policy; and promoting year-round study;

• Partnering with schools, labor, business, government and other colleges to grant degree credits for experiential learning and credit for prior practical learning and skills;

• Creating special divisions for outreach to adult learners, who need to complete college;

• Reexamining the coherence of general education and required courses for majors; the interaction between academic choices, student financial aid and persistence to graduation; and investing more funds in academic counseling to help students move smoothly through a coherent curriculum;

2. Reform federal, state and campus student financial aid policy to help keep college affordable.

One of the biggest mistakes that could be made at the federal level would be to pursue policy initiatives that assume that large financial and accountability policy reforms can be accomplished by leveraging federal student financial aid spending. Federal spending for college opportunity programs through student financial aid, while important and significant, is not substantial enough to affect large state-level change on the issues of quality assurance and educational productivity. Indeed, reductions in federal spending for entitlements, such as health, would have a more dramatic negative effect on state spending for higher education than would any direct higher education policy intervention, by forcing states to reduce discretionary spending on colleges.

A more fruitful approach for the federal policy on student financial aid policy may lay in restructuring grant and loan programs to fit the needs of different student populations in a different era. Disaggregation of programs to fit the needs of different student populations, attending different types of institutions would better serve the goals of access, affordability and completion. For example, students attending relatively high-priced proprietary institutions for short-term training and certification are not well served by traditional student loan programs. Similarly, adult students returning to non-traditional colleges have limited access to student aid beyond loans; while many part-time students are disadvantaged by program rules that favor full-time enrollment.

At the state level, affordability in most states has been accomplished by low-tuition policy, meaning funding institutions’ core needs at a high enough level to hold down tuition rates, thereby foregoing the need to invest significantly in grant-based aid. Only 10 states account for about two-thirds of state funded grant-based aid. And while Pell grants have increased significantly over two decades, the growing population served, inflation and tuition increases have eroded the buying power of the grant to cover growing educational costs.
Colleges in each segment of higher education have grown increasingly dependent on state and federal loan and grant programs to help make college affordable for low and middle-income students. But as the cost of college has risen, the relative value of grants eroded, and dependence on loans has increased student and family debt; colleges have turned more to creating internal financial aid programs. Scholarships and price discounts to assist lower income students and to attract higher achieving students have been created through a mix of fund raising and internal transfers of tuition revenue. While this has been a long standing practice in the independent sector, such an approach is newer to regional public colleges. Public policy makers in some states are beginning to question the efficacy of redistributing tuition revenue, viewed politically as an income transfer disadvantaging some, to benefit special student populations.

Accordingly, traditional policy guiding student financial aid and basic assumptions about keeping college affordable at the federal, state and campus levels require review and reform. Some policy approaches that may work to advance college affordability include:

- Link student financial aid at the federal and state levels by disaggregating programs by educational purpose, and institutional mission for different student populations;
- Remove student financial aid as a discretionary part of state budget funding, by creating educational trust accounts supported by dedicated tax revenue;
- Analyze the educational and financial effect of using tuition discounting to generate internal scholarships, and the effect of decreasing average price;
- Reduce the loan burden in the first two years; and encourage support for year-round study;
- As programs and policies are reformed, clarify explicitly the shared responsibilities for paying for college, emphasizing the need for predictability for all funding partners.

3. Create more explicit accountability measures that fit a new era of expectations about the purposes of college.

As discussed earlier, the public policy decision to expand the capacity of American higher education consciously preceded the matter of determining how new and developing institutions would accomplish their missions and account for educational outcomes. Educational capacity was expanded without clear definition of goals and markets, made as a social policy decision, thereby trusting colleges and universities to fill in the substance about missions and outcomes over time.

Beyond the immediate concern of how to fund college and how to keep it accessible, affordable, and accountable, is a basic need to rationalize (justify) purposes, and to improve the structural integrity of the system, following its maturity. The need to access the purposes and value of higher education stems from a fundamental need to measure its value, both internally and externally, in relation to a public agenda in the 21st Century.
This search for accountability, necessarily involves evaluation, which requires making political as well as economic choices leading to authoritative decisions about strategic allocation of resources. The new era of “enterprise” in higher education, and a shift to more of a private rather than public good, leads to different questions than in the past, about accountability. For example, accountability issues of the 1970’s and 1980’s focused more on counting students, programs, faculty and facilities. The newer accountability focuses on completion, students outcomes, jobs after college and overall value added. Earlier accountability focused on inputs (design integrity); where as today’s assessment of colleges rests on outcomes (performance integrity).

The new accountability paradigm focuses more squarely, too, on mission-based assessment of institutions, meaning whether they accomplish the particular objectives for specific student populations and regions served, as contrasted to broader system-level goals. Coupled with the funding shift to place greater responsibility for paying for college on individuals, it follows that colleges should be assessed on the basis of what they accomplish instead of comparing one college to another. This means that citizens, who pay a bigger personal share of college costs, and carry a larger stake in outcomes, should have greater direct involvement in the accountability process. Within this framework, assessing college outcomes, then, as both a public and private good suggests that institutions should be given more, not less, operational autonomy which will add to the ability to assess performance where service is delivered- at the college level.

In developing new accountability models, especially as financially challenged colleges seek new business partners, it is useful to separate ends (outcomes) from means (processes) by which strategic goals are accomplished. A simple framework for this effort might be:

**Measures of College University Effectiveness**

**Ends:**

- Student achievement, measured by retention, degree credits earned v. required, completion, time to degree, job attainment, and post-graduation engagement;
- Affordability, measured by net price and student debt;
- Integration of academic and student life and faculty engagement, measured by surveys
- Number, purposes and outcomes of school, college business and labor collaborations and partnerships;
- Growth in gifts, grants, planned giving and contracts;
- Number, purposes, and outcomes of community, regional and state economic/service engagements.
Means (regular internal and external assessment of):

- Budget/resource allocation;
- Strategic evaluation of policy and procedure/risk management;
- Leadership/administration;
- Governance.

In this manner colleges can assess comprehensively not only what businesses they are in, but also measure more accurately, in ways that policy makers and citizens can understand and participate, how well they are fulfilling the promise of college opportunity and upholding public trust.

4. Create new governance models at the state and campus levels to promote accountability and public trust.

How colleges organize themselves clearly influences what they can accomplish and how. Effective governance is about more than structure. It requires making authoritative decisions that have integrity, that are efficacious, sustainable, and that can be accounted for and evaluated openly based on collective goals. Effective governance has the attributes of:

- Focusing on common goals and collective purpose rather than simple aggregation of particular objectives, negotiation, consensus building and adjudication;
- Promoting effective communication about the values of the enterprise within the institution, and between it and the broader community it serves;
- Providing and promoting participation, innovation, choice and competition for ideas and resources that is not adversarial;
- Promoting effective strategic decision making simultaneously at many levels, rather than incrementally, by clarifying boundaries of decision making and “rules of the game” regarding responsibility for action;
- Acknowledging and nurturing evaluation and assessment as a means of accomplishing mission and financial accountability, and sustaining public trust.

In the final analysis effective governance promotes vision, sense of collective engagement, and outcomes that reflect that the whole is greater than the sum of the parts.

Higher education cannot improve or achieve its mission without strong support from state government. Regardless of particular state-level governance structure, states
have an important role in helping to coordinate institutions, beyond assuring financial accountability for public investment. However, just at new financial realities affecting the goals of college access, affordability and productivity require new business models, so too, higher education needs to reform and find new ways to govern colleges that assist in accomplishing mission and sustaining public trust.

**Public Service Corporations/Accountability Councils**

Public service corporations (PSC) provide one promising new model that requires state-level and campus cooperation (Greer and Klein, “A New Model for Financing Public Colleges,” 2010). These emerging entities, which should not be confused with traditional college boards of trustees or auxiliary corporations, would have two primary purposes:

- To create and maintain private and nonprofit business partnerships outside of traditional state regulatory structures, for the purpose of generating non-educational business income that help to finance the core academic mission;

- To protect the core educational enterprise from financial exposure while generating greater transparency and accountability for new or extended college business relationships.

The public service corporation would supplement, not supplant traditional governance. The structure of such corporations is reflected in actions or policy proposals in states such as Oregon, Virginia, Maryland (St. Mary’s College), Maine and New Jersey. The PSC is more than privatization or deregulation. For example, the Claremont University Consortium in California supports 28 different administrative services for seven campuses, including health, safety, physical plant, payroll and accounting, information technology, risk management, real property acquisition and legal services. Nonprofit organizations with some of these attributes exist at several state colleges and universities in NJ, and have existed in complex research universities and health science centers for many years. But they are only emerging at regional public colleges, with limited scope of activity.

Public service corporations would have authority to enter on behalf of the college contracts for goods and services; financing and construction and maintenance of facilities; and to raise revenue through bonds, grants, rents, investment and securitization of assets. PSC would be exempt from state and federal taxation, in order to enter joint ventures and alliances with other for profit businesses. Finally, PSC would be entitled to representation and indemnification from tort claims, in the performance of its responsibilities, similar to public boards of trustees. PSC would have to be in compliance with Sarbanes-Oxley accountability standards, financial reporting and conflict of interest and ethical standards established by state and federal law.

Benefits of public service corporations include the ability to:
• focus squarely on the core business of public institutions – that is serving the public good and the educational needs of twenty-first century students;

• provide a financial model that is mission-focused, based on recognition that different types of institutions serve different types of students, in different parts of the country;

• create a new explicit and viable public-private partnership model that replaces the failing existing model to sustain the core educational business;

• focus creatively on operating non-educational business-related functions as stand-alone revenue-generating enterprises, not only to enhance revenue, service innovation and entrepreneurialism, but to build new partnerships that promote educational mission, educational productivity, quality and public service;

• create a sustainable financing model that not only provides predictability and equity for all partners, but also one that engages and promotes accountability, transparency, and public trust as an important outcome measure for the investment; and

• provide for continuous assessment and strategic alignment of resources and educational priorities within the context of mission and broader regional, state, and national needs in an environment of global providers, thereby helping to keep American public colleges global leaders.

The transparent relationship between the institutional governing board, the state’s citizens, and the public service corporation is essential to ensure that the public corporation is accountable for serving the public interest.

College boards of trustees, under such an arrangement should appoint a permanent council consisting of senior administrators and board members and faculty to review regularly alignment of mission and strategic academic and financial goals. Furthermore, the council would report annually to the governing board and externally on how findings affect the goals of access, affordability, completion and the broader public service mission of the college.

**New Coordinating Organizations**

At the state level, the work of traditional governing and coordinating boards should be reformed by focusing on deregulation, making the unit of analysis citizens and how effectively they are served, as contrasted to evaluating colleges comparatively. Assessment of colleges would mission driven, based on each college being accountable for how well it fulfills its mission within the context of citizens’ needs, within a statewide plan. Evaluation of outcomes would fall more directly to the campuses themselves, where educational service is delivered, and would emphasize effective analysis and implementation of strategic options to achieve explicit goals.
A new governance approach should include, too, new policy research and policy advocating organizations, outside of state government and traditional governing and coordinating bodies to facilitate policy coordination, inter-institutional cooperation and public information about the effectiveness of higher education in relation to a larger public agenda. The new nonpartisan, non-profit organizations (foreseen by John Millett, 1984) would be funded by the institutions, and grants, and would be governed by a board of directors of practitioners and citizens, appointed by the colleges.

Headed by nonpartisan policy experts, these quasi-public bodies would be held accountable for how well they help to identify long-term issues; analyze the interactive effect among policy options, within a public agenda for higher education; recommend responsibility for action; and help to aggregate interests within and outside of higher education to evaluate outcomes. Organizations such as the NJ Association of State Colleges and Universities, and the National Center for Higher Education Management Systems serve as examples of such free standing policy advocacy, and policy research organizations, respectively.

**Avoiding Pitfalls**

None of this will be easy to accomplish. While new governance approaches may promise greater coherence of policy and clarity about outcomes where service is delivered, making a transition requires leadership and vision. It will require significant confidence among educators and policy makers to embrace change that stresses continuously assessing performance on multiple levels and a public manner.

The suggested new approach also requires a high level of policy integration and organizational coordination and cooperation, that if not effectively managed could lead to aberrational policy regarding pricing policy, related business practices, and fragmentation rather than coherence of institutional efforts to achieve educational missions.

Yet even with these possible pitfalls, it remains that change is the norm, and higher education as a highly valued public and private good will continue to be challenged by internal and external economic, political and social forces to change. Beyond possessing the knowledge and talented human resources to manage the scope and pace of change, higher education holds a key element to help envision and achieve constructive change- public trust in the enterprise to serve uniquely the individual needs of citizens to prosper and to participate in the American democratic experience, as well as to serve the broader public good.
References


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