Leaders in all sectors—government, business, philanthropy—are calling on American colleges and universities to enroll and graduate more students to bolster the nation's economic competitiveness and to enhance its standard of living. The urgency of strengthening college opportunity informed President Obama's articulation of what amounts to a national goal for higher education—that the U.S. will have the best-educated workforce in the world by 2020. But the collective effort to strengthen higher education performance has yet to materialize. And in the current environment, the public is wary of ambitious new initiatives that may fail to deliver. Over the last year, instead of vigorous debate about strategies for increasing educational attainment, we saw technical arguments among a few think tanks and foundations about how goals are set. Admittedly, the president made his statement of national expectations at a time of great financial stress. Economic circumstances have curtailed the flow of funds for higher education. The same circumstances have created real hardships for students and parents struggling to pay skyrocketing tuition bills when jobs are scarce and many families face declining income.

It is clear that American colleges and universities must enroll and graduate more students to meet workforce needs and help ensure the country's economic competitiveness. Yet we do not have a policy strategy to support producing the graduates we need. In fact, current funding policies are eroding rather than increasing opportunity and attainment.

But even before the recession, American higher education was underperforming in two areas critical to the national welfare: increasing the proportion of Americans who participate in and complete programs of education and training beyond high school, and closing educational gaps associated with income, race, and ethnicity. The great recession has exposed deeply rooted problems in our higher education funding system that have been developing for the better part of the last 20 years: incremental disinvestment by states, growing tuition dependency, declining affordability. Moreover, most state policymakers and higher education leaders have neglected to devote systematic attention to the urgent need to control spending and to increase institutional performance.

The challenge to American higher education is clear, yet this crisis of epic proportions has yet to spur an adequate response. This leadership failure is equally shared by institutional leaders and policymakers—too many have simply walked away from the public agenda for higher education. The public—who have for so long been so generous with their faith in, and support of, higher education—is past disenchantment. They are increasingly questioning not the value of higher education, but the values of the leaders of the institutions that provide it. And once the
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Leadership is needed now as never before, and it is essential that we provide those who are committed to the task at hand with the tools they need to lead effectively. At the state level—the real focal point for policy leadership and change in higher education—the primary tool for change is funding policy. It is clear that the funding approaches relied upon in the past are broken. While there is no question that more public resources will be required to significantly raise national and state levels of educational attainment, expectations for more funding must be tempered by the fact that the U.S. currently spends a substantially greater proportion of GDP on postsecondary education than any other country. Significant progress can and must be made through more effective use of resources already available. That will require restructuring of deeply rooted budget policies and funding practices that are disconnected from public goals and priorities and have brought us to this precipice. These counterproductive practices:

- Encourage an almost single-minded focus on increasing revenues rather than on managing costs and are often predicated on the expectation that tuitions can and must increase each year at rates that outpace inflation and the growth of family income;
- Promote a pattern of incremental cost shifting rather than cost management—tuition increases cancel out growing federal support for student financial aid (including recent increases in Pell grants)—resulting in no net national gain in college access and affordability;
- Contribute to the erosion of financial support for the educational missions of colleges and universities—the resources devoted to instruction of students—even during recent periods of revenue growth;
- Focus accountability on procedural and regulatory compliance rather than results;
- Provide few incentives for innovation in policy or practice.

The nation needs a concerted effort to build broad understanding and consensus around national higher education goals: What are the requirements of the nation and the states for education and training beyond high school? What portion of the American people should have access to and complete college-level certificate programs and associate’s and baccalaureate degrees? President Obama’s challenging goal of international leadership by 2020 is achievable, but there is little evidence of deep commitment beyond some initiatives by a few national foundations. An early proposal to use resources (freed up from the redesign of the loan program) to construct a federal-state-institutional partnership to support attainment ended up on the cutting room floor. Meanwhile, the responses of most states and colleges to economic troubles have reduced accessibility and affordability and raised new impediments to college completion, even as various initiatives to improve college participation and completion are being planned and launched.

Building consensus around goals is fundamentally a political and leadership responsibility and must be addressed as such. There is a need for a well-designed strategy for a national discourse that will build commitment to explicit national goals, from policymakers at the national and state levels, college and university leaders, and business and community leaders.

Even with goals, the nation lacks a comprehensive strategy for paying for the college opportunity and success it needs and wants. Additional public investment must be part of any strategy to significantly increase the proportion of Americans who enroll in and complete college programs. But it is unlikely that increases in funding will be commensurate with the increasing numbers of students who must be successfully served. Two tests of effective funding strategies must be that: (1) the colleges and universities bearing the greatest responsibility for improving access and completion have adequate resources; and that (2) the productivity of all institutions of higher education is substantially improved. This will require significant revision of federal and state financing of higher education to:

- Create greater clarity about the roles of the partners in funding—federal and state governments, students, and institutions;
- Ensure that state and federal programs and funding are mutually reinforcing;
- Better align the components of public finance—appropriations and grants to colleges and universities, tuition, and financial aid around public needs and priorities.

Leaders at national, state, and local levels have unique responsibilities. Failure at any level will consign the overall effort to the list of notable initiatives that have come up short.

The federal government has two critically important roles to play.

First, it must take the point more proactively in the political/leadership aspects of the strategy. To date, the Obama Administration has articulated a national goal, but its emerging strategy is federal not national, and even then, it is partial rather than comprehensive. There is no clear outline of a national strategy that would mobilize the public, state governments, campus leaders, and the business community around the goal, and it is unlikely new federal expenditures and programs, however well designed, can be successful
in the absence of such mobilization.

Second, the federal government must more effectively deploy its current higher education resources to leverage change at the state and institutional levels. While numerous federal programs make contributions to the overall goal, there is nothing that parallels the impact of Race to the Top in changing the policy environment at the state and local levels. The use of federal programs needs to be much more strategic than has been the case to this point.

This strategic approach should include:
- Outreach to the states—perhaps beginning with a summit meeting of governors and state legislators convened by the president and the secretary of education;
- Establishment and legitimization of explicit national and state benchmarks consistent with the national goals—perhaps by an independent national commission of state, business, and educational leaders;
- Review of new and current federal programs to ensure that they align with national higher education goals and that federal resources encourage and incentivize state and institutional progress toward national goals and state benchmarks. The federal government must use the measures it applies to postsecondary education more consistently across all cabinet departments and agencies;
- Re-evaluation of federal regulatory and reporting relationships to emphasize policy and performance over compliance reporting. The regulatory focus is often more driven by considerations of compliance and by the federal government’s role as manager of categorical programs than by the national policy goals of increasing access and college completion. The data collection capacity is almost entirely detached from the capacity to translate data into meaningful information for the improvement of policy and practice; and
- Accountability indicators to monitor state and national progress towards goals and state benchmarks, with results communicated regularly and publicly.

State responsibilities are more extensive.

First, there is a need for a clear articulation of goals that reflect each state’s unique demographic and economic circumstances and its share of the effort for increasing educational attainment, formulated in a way that reflects the unique circumstances of each state. This extends to setting performance expectations for each sector (or individual institution) in the state’s postsecondary education system.

Second, the states must ensure that there is institutional capacity sufficient to achieve established goals. The broad access institutions must be relied upon to meet most of the increased enrollment demand. Mission creep must be constrained to preserve capacity and contain costs in the institutions that have the access and success of undergraduate students as their primary, if not sole, mission.

Third, states must create and implement new budgeting and financing approaches for higher education. This may be the hardest task of all, because it will mean abandoning well-understood and deeply ingrained practices that, in their time, served institutions and states admirably. Most are based on enrollments and equitable funding of similar institutions, rather than on contributions to goals. They serve to preserve the institutional status quo rather than creating incentives for vital changes, such as improved persistence and graduation rates, or cost containment. New funding policies should:
- Align the allocation of state resources with explicit state goals;
- Integrate policies regarding appropriations to institutions, tuition, and student financial aid within a coherent framework;
- Encourage good management practices;
- Promote productivity increases;
- Create incentives for degree and certificate completions, not just enrollments;
- Maintain affordability for students and taxpayers;
- Ensure that the state (not each individual institution) is responsible for need-based student financial aid, and restructure state student aid, as necessary, to enable students to take full advantage of changes in federal financial aid; and
- Be sustainable in good and bad economic times.

In the process of fiscal restructuring, states (1) must eliminate budgetary practices that discourage good management (e.g., prohibitions against carrying over funds from one year to the next); and (2) examine the root causes of growth in administrative costs, including the structure of pensions and health plans. Regulatory requirements that lead to unproductive use of resources must be identified and eliminated.

Because funding is at the core of higher education policy at the state level, proposed changes will encounter opposition at every step. This makes explicit and well-understood goals with public support all the more important.

Finally, states need to adopt a set of metrics consistent with established goals, publicly report each year on progress, and use this
controls costs and maintains affordability for states and students. For many institutions this agenda will involve wrenching change and will require extraordinary leadership. To support institutional leaders in this daunting work, goals must be communicated explicitly, and state and federal policy must be formulated in ways that reinforce leaders for enlisting their institutions in pursuit of the larger good.

We cannot afford to wait. For too long, policymakers and higher education leaders have engaged in a “we need to change, but you go first” conversation. Meanwhile, costs have skyrocketed, attainment has stagnated, and the public has grown skeptical. Failing to act will not result in catastrophic failure in American higher education, but a slow and steady erosion of confidence, investment, and quality. We will be able to claim only that we have the most expensive system of higher education in the world rather than the best. We encourage all in a position to lead to do so with deeds, not words. Waiting for conditions to improve or for optimum conditions for change will ensure that neither will occur. The right time for action is now.

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To support institutional leaders, goals must be communicated explicitly, and state and federal policy must be formulated in ways that reinforce leaders for enlisting their institutions in pursuit of the larger good.

College and university leaders should:

- Establish clear goals for increases in degree and certificate production;
- Develop clear metrics for measuring progress toward institutional goals and widely communicate the results each year;
- Develop a strategic financing plan that: creates and supports the capacity to achieve goals; restructures institutional budgets to assure that programs necessary for access and success have the highest priority and can be sustained; reinforces the pursuit of student success; reflects an expectation of productivity improvement; and
- information to intervene with new or revised policies when progress falls below expectations.

Colleges and universities and their leaders—presidents, trustees, and faculty—face what is arguably the most difficult challenge. They must lead in the creation of a new operational culture, one that focuses primarily on (1) cost management rather than revenue enhancement; (2) on the core instructional mission rather than extending the mission to pursue new sources of revenue and status (i.e., research, graduate programs); and (3) on strategic choices rather than short-term fixes. The new culture will have to make the successful education of undergraduates the dominant priority of all but a handful of institutions. This will require a commitment to using whatever resources are available to achieve outcomes that are enhanced in both qualitative and quantitative terms; productivity must be a mantra, not an epithet. College and university leaders should:

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