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**FROM CHAOS TO ORDER AND BACK?
A Revisionist Reflection on the California Master Plan for
Higher Education@50 and Thoughts About Its Future***

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ABSTRACT

In 1960, California developed a “master plan” for its already famed public higher education system. It was and continues to be arguably the single most influential effort to plan the future of a system of higher education in the annals of American higher education. Despite popular belief, however, the California Master Plan for Higher Education is more important for what it preserved than what it created. There is much confusion regarding exactly how the Master Plan came about, what it said and did not say, and what portions of it are still relevant today. This essay provides a brief historical tour on how California developed its pioneering higher education system, what the 1960 Master Plan accomplished, and a discussion on the current problems facing this system in the midst of the Great Recession. The immense success of California’s network of public colleges and universities has been its historic accomplishment of what I have called in a previous book, *The California Idea*: the goal of broad access combined with the development of high quality, mission differentiated, and affordable higher education institutions first articulated by California Progressives. Historically, this system has been a great success, with an ability to grow with the state’s population and effectively meet rising demand for access to higher education. However, the fiscal health and productivity of California’s higher education system has eroded over the past three or so decades. The Great Recession has greatly accelerated this trajectory. Over the past two years, public funding for higher education has been reduced by some \$1 billion. Tuition and fees have climbed, but have not produced sufficient revenue to mitigate large budget cuts. The University of California and the California State University have limited enrollment for the first time, and in the midst of growing enrollment demand. This has pushed more students toward the California’s community colleges, but they too are unable to meet demand as they cut academic staff and reduce course offerings. There is the prospect of a new round of large budget cuts in the 2010-11 fiscal year as federal stimulus funds for state governments are exhausted. California is projected to grow from its current 37 million people to some 60 million in 2050. In addition, President Obama has set a national goal for the US to once again have among the highest educational attainment rates in the world. This would require the nation to produce over 8 million additional degrees; California’s “fair share” would be approximately 1 million additional degrees – a number made larger, because of the state’s current rank among the bottom ten states in degree production relative to the size of its population. This raises a number of big questions: Can California sustain the system as outlined by the 1960 Master Plan? Even if it can, is it, as the British say, “fit for purpose?” Or is it outdated for producing robust levels of socioeconomic mobility and the trained labor needed for tomorrow’s economy? How can California retain the *California Idea* of broad access and quality academic programs? While adequate funding is a major variable, this essay identifies a number of serious problems with the structure of California’s higher education system that make meeting Obama’s goal extremely difficult, if not impossible to achieve. These include macro effects of too many part-time students, an imbalance in 2-year and 4-year college enrollment, inadequate financial aid, and the need for a new public college and university funding model. A failure to pursue “smart growth” in the public higher education system will lead to a “Brazilian Effect,” in which for-profits expand dramatically to help partially fill growing demand for higher education probably at possibly even greater cost to students and government, and with often low-quality academic degree programs.

The year 2010 marks the 50th anniversary of the California’s Master Plan for Higher Education. In April 1960, Governor Pat Brown signed legislation that placed portions of that plan into statute, what is arguably the single most influential effort to chart the future of a system of higher education in the annals of American higher education.

Generated in only a short 6-month period by a negotiating team made up of representatives from both public and private higher education in California, and using the nomenclature of architects and with some 60 recommendations, fame came quickly for California’s Master Plan. Six months after the passage of the legislative act that put some of the recommendations into statute,

* Much of this essay reflects historical analysis in John Aubrey Douglass, *The California Idea and American Higher Education: 1850 to the 1960 Master Plan* (Stanford Press, second edition 2007). Projection on California’s future reflect a paper presented at the California Studies Association conference, “Failed State,” April 16, 2010, at University of California – Davis. The author would like to thank Pat Pelfrey, Judson C. King, Richard Edelstein, and Les Goodchild for their input on earlier drafts.

Time magazine published a feature article on California's new Master Plan, with University of California President Clark Kerr on the cover, with a background illustration showing throngs of students attempting to enter Sather Gate on the UC Berkeley campus. *Science* and *Readers Digest* proclaimed California the leader in American higher education policymaking. The Master Plan was "ambitious," a pinnacle of modernist ideals of rationality and efficiency, championing democracy, inclusion, and, ultimately, promising prosperity and culture. The state was busily "meeting the skyrocketing needs of tomorrow" noted another observer.¹

Californians thought they had done something special as well. "We can indeed be proud that California's system of higher education, while accommodating more students than any other similar system in the world," noted one state official, "has produced and maintained a level of quality in its institutions that is also unparalleled."² The European Organization for Economic Development (OECD) stated at a meeting in Paris that The Master Plan, "represents the most advanced effort to construct a system of mass higher education (for a tripling of enrollment by 1975), while maintaining a quality of research and education at the top which is unsurpassed anywhere among OECD countries and probably in the world."³

Today, the Master Plan remains a powerful reference point for any and all issues related to the state's public higher education system. Yet in contemporary debates, there is much confusion regarding exactly how the Master Plan came about, what it said and did not say, and what portions of it is relevant today. It is a document that many often refer to with loud voices of authority, but few have read or understand its true historical significance.

In this essay, I attempt to provide a brief discussion of the Master Plan as myth and its real meaning, past, present, and some conjecture on the future. Despite the claims of many, California's famed public higher education was not simply the invention of a moment in 1960; indeed, the Master Plan is most important for what it preserved than for what it invented. The great success of California's network of public colleges and universities has been in its historic accomplishment of what I have called in a previous book, *The California Idea*: the goal of broad access combined with the development of high quality, mission differentiated, and affordable higher education institutions that could grow with the state's population first articulated by California Progressives.

But the grand success of California's pioneering public higher education system, and its Master Plan, is in many ways a thing of the past. Where California was always among the top states in high school graduation rates, in access to higher education, and in degree completion rates, the state now ranks among the bottom ten in most categories – actually, modestly good in access, extremely low in degree production. This changed performance record began to erode some thirty or more years ago. Now the situation has worsened considerably, California's particular fiscal weakness inflamed by the Great Recession and declining state revenues has brought a near collapse in coherency of California's higher education system. What are some of the symptoms? Public funding per student has plummeted and, for the first time, students normally eligible for the University of California and California State University systems have been denied admissions; despite growing enrollment demand, California's Community Colleges cannot accommodate any increase in enrollment. One estimate is that some 250,000 students who would normally be enrolled in public higher education in California are being denied access.

And what of the future? California is projected to grow from its current 37 million people to some 60 million in 2050. In addition, President Obama has set a national goal for the US to once again have among the highest educational attainment rates in the world. This would require the nation to produce over 8 million additional degrees; California's "fair share" would be approximately 1 million additional degrees – a number made larger, because the state's ranks among the bottom ten states in degree production relative to the size of its population.

This raises a number of big questions: Can California resurrect the system as outlined by the 1960 Master Plan? Even if it can, is it, as the British say, "fit for purpose?" Or is it outdated for producing robust levels of socioeconomic mobility and the trained labor needed for tomorrow's economy? How can California retain the *California Idea* of broad access and quality academic programs? While adequate funding is a major variable, this essay identifies a number major problems with the structure of California's higher education system that make meeting Obama's goal extremely difficult to achieve, if not impossible.

A BIBLICAL EVENT?

Fifty years after its formulation, the Master Plan has proven an enduring and dominant planning tool. Since 1960, it has undergone only a few major modifications. It has attained, in short, nearly mythic status – in California, and internationally where

¹ Cited in Coons, *Crises in California Higher Education*, p. 87.

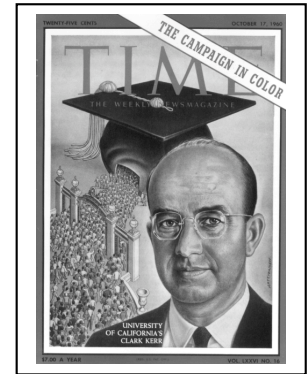
² *Ibid.* p. 86.

³ Organization of Economic Cooperation Development (OECD), "Review of Higher Education," January, 1963, p. 18.

the plan and California's highly differentiated system of public tertiary institutions strike a highly sought balance of access, quality, and in some measure the containment of costs to taxpayers.

Many contemporary observers of California's system see the Master Plan as some sort of biblical event, as a divine creation by the savant of American higher education, Clark Kerr, who gave birth to the state's tripartite structure of local community colleges (the California Community Colleges), a regionally based state university (the California State University), and a statewide, multi-campus network of research universities (the University of California). Further, the Master Plan is touted as California's first commitment to providing open access to all high school graduates, and to any others who can benefit from some form of postsecondary education.

Yet California's famed Master Plan was none of these things. Indeed, the most notable achievement of those who negotiated the Master Plan is what they preserved and, conversely, what they avoided: the threat by disgruntled lawmakers, including Governor Pat Brown, to totally reorganize California's existing tripartite system under a single governing board. California's Master Plan was the result of a heated negotiation process between representatives of the state's public and private institutions, and, in the end, essentially strengthened the state's existing higher education system. Notably, it preserved the University of California's claim as the primary research institution in the state, with the responsibility for doctoral and postgraduate professional degrees, and its claim on state resources for those purposes.



What was innovative and important about the plan was that it essentially ended a rapidly escalating turf war between the University of California and the growing number of state colleges (which became the CSU system), along with the growing predilection of many lawmakers to seek new state college campuses independently and without considering long-term statewide needs. In essence, California was on the brink of moving from a coherent higher education system, with relatively ordered expansion that matched overall population growth in the state, to an open market, chaotic process of policymaking.

AUTONOMY AND POWER

A historical view of the 1960 Master Plan must begin with the unusual legal status and role of the University of California. In 1872, California's emerging system of education was hardly innovative. It included a set of common schools largely in northern California's urban areas, a single normal school (or teacher training college) in San Jose, and a struggling and

financially poor University of California located in the Berkeley hills. The university had been created only four years earlier under *statutory* law, and was funded almost entirely by federal land grants given to California under the 1864 Morrill Act.

By the late 1870s, California's rapidly growing population, escalating economic woes, rampant government corruption, and increasing political instability led to an attempt to reform all of California government through a new constitutional convention. At the 1879 convention, it was proposed that the University of California be elevated from a statutory provision to the status of a "public trust" under a new state constitution. There had been a number of attempts to alter the mission and governance of the university, including a proposed amendment to make the institution solely a polytechnic. Another proposal called for reforming the Board of Regents to enhance agricultural and labor interests.

The 1960 Master Plan: What It Is NOT

- Not the single creation of one man, Clark Kerr, but the result of negotiation built on earlier innovations and planning studies
- Did not create the tripartite system or invent existing mission differentiation or seriously alter the transfer function
- Did not expand California's commitment to mass higher education. The Master Plan shifted future enrollment demand to CCC, actually reducing access to UC and CSU
- Why? Largely to save money and create a more politically palatable proposal for expanding enrollment capacity
- Revised admissions pool never included in statute;
- Not a vision of a purposefully not in tuition free public system not in statute
- More important for what it preserved and prevented than what it invented

Many delegates to the 1879 convention opposed removing university management from the direct authority of the legislature. But in the words of one university supporter, it would be a sin to throw "the University into the hands of the Legislature, and make it a plaything of politics . . . As long as it is made subject to legislative caprice . . . it will never flourish."⁴ Distrust of corrupt legislators by convention delegates usurped their distrust of the Regents. Based on a similar provision for the University of Michigan, UC became a public trust with elements of its original charter placed in the state constitution – a highly unusual legal status shared today by only four other public universities.

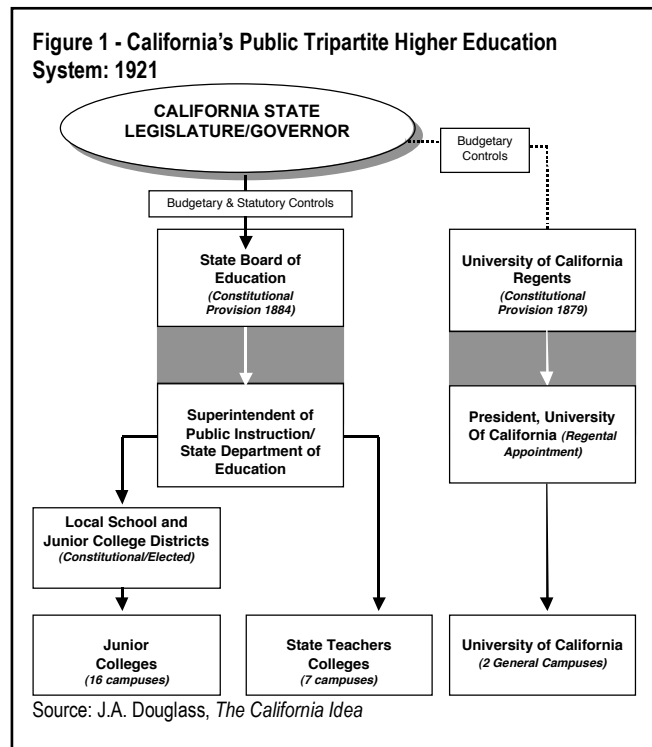
As a result, the powers of the Regents no longer derived from the legislature in any form. The internal management of the university was now shielded from lawmakers. In the long term, this remarkable level of autonomy gave university leaders and supporters an opportunity to define the mission and programs of the state's land-grant institution relatively free of legislative authority and populist demands. It would prove a seminal event in the history of California higher education. Without this peculiarity, California's higher education system would not be structured and operated as it is today.⁵

A PROGRESSIVE PATH

California's public tripartite system, and the missions of each public segment, have their roots in the wave of political and administrative reforms of the Progressive Era – roughly 1900 to 1920 – and are linked intimately with California's political culture. In that period, California took the first steps to build the nation's first coherent system of mass higher education.

The reforms of that period created what I have called *The California Idea*: the thought that a postsecondary education was no longer a privilege but a right for high school graduates; that higher education was key to socioeconomic mobility and California's economic and cultural maturity; and most importantly, that state and local government should devise institutions to rationally and equitably provide for access to higher education. There are many caveats to this altruistic image – racial segregation, discrimination. But for the sake of simplicity, I will cite the major structural innovations of the Progressive Era.

- California became the first state in the nation to pass legislation allowing and promoting the creation of public junior colleges. It was the first state to create junior college districts. No other state compares in the proliferation of this institution. Between 1910 and 1970, California established almost two new public community colleges a year.
- In no small part, the creation of the junior college allowed the University of California to focus on the paradigm of a research university, selective in admissions, focused on advanced training and research. And this meant UC actively helped conceptualize and support the idea of the junior college – part of a "smart growth" plan that preserved the ideal of the university, while providing a new and relatively low-cost mechanism to increase access to higher education.
- Under the leadership of the chair of the department of education, Professor Alexis Lange, Berkeley's curriculum was restructured into Lower and Upper UG divisions; and Lange and a group of faculty created the idea of the A.A. degree. This then allowed any graduate of a junior college to transfer to UC. A similar agreement was made with the state's collection of normal schools – what became CSU. UC also became the first multi-campus university in the nation with the absorption of the Los Angeles Normal School and its re-opening as what is today UCLA.



⁴ Joseph Winans to the convention (1880), California Legislature, *Debates and Proceedings of the Constitutional Convention of the State of California, 1878-1879* (Sacramento: State Office), p. 1476.

⁵ For an analysis on how UC attained this status, see Douglass, *The California Idea*, 46-80.

- And lastly, in 1921, the beginnings of today's CSU formed: A bill centralized governance of the state's set of seven normal schools – focused on teacher training – under the State Board of Education. The bill also elevated teacher training to a four-year postsecondary program. There also was discussion, if not the full expectation, of transforming these institutions into regional liberal arts colleges.

DEPRESSION, WAR, AND POSTWAR PLANNING

It was primarily the geographically dispersed junior colleges and later the state colleges, both with generally lower operating costs than UC, that would fulfill the seemingly insatiable appetite of Californians for access to higher education. As a result of California's pioneering tripartite structure, the state consistently had among the highest college-going rates in the nation.

In 1930, approximately 20 percent of California's college-age population matriculated to a higher education institution, while the national average was closer to a mere 10 percent. By 1960, that number increased to a record 45 percent in California, while the national average stood at close to 25 percent.

The transfer function also proved, on the whole, a tremendous success. Growth rates within an expanding number of junior colleges were in part due to the understanding of Californians that it was an excellent method to affordably matriculate to UC and to the growing number of state college campuses. But the astounding increase in junior college enrollment shown in Figure 2, particularly in the late 1930s, also reflects the growing importance of vocational programs, many created specifically to retrain workers in the later part of the Depression.

World War II transformed the California economy. Agriculture, although still extremely important, no longer dominated. Manufacturing and technology-based industries in, for example, electronics and aeronautics became the state's primary economic players, fed at first by wartime and then by Cold War-era federal spending.

California's tripartite system was well suited to the economic and social changes brought by the war and the postwar period, providing applied research and a large portion of the professional and technically trained workforce that would sustain a booming economy. This, in conjunction with the huge enrollment demand bolstered by returning veterans and the GI Bill, caused tremendous increases in student-to-faculty ratios, the construction of temporary structures, and a series of important higher education planning studies that led to new campuses.

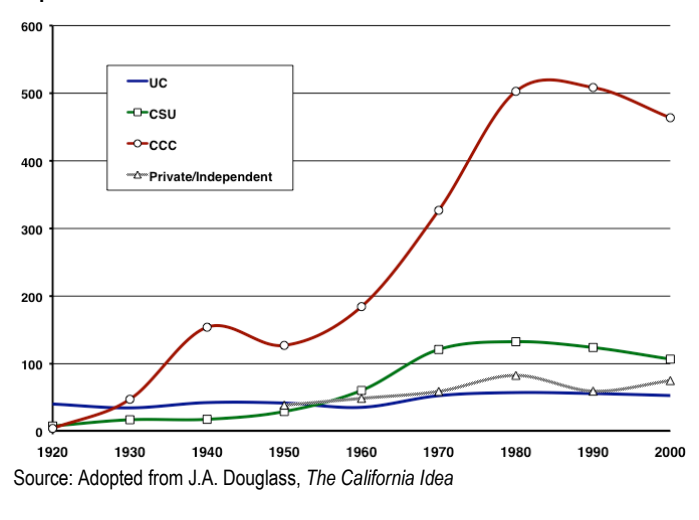
The expansion of California higher education was not without problems. For one, rapid enrollment and program expansion brought significant turmoil within the higher education community. In the halls of Sacramento, University of California officials fought persistent efforts of the regional state colleges to expand into graduate training and areas such as engineering.

At the same time, many lawmakers aggressively pursued bills for new college campuses in their districts, often with little regard for statewide needs. Other bills sought to expand state college functions, to create entirely new and independent four-year institutions out of a number of junior colleges, or to reorganize the governance of California higher education. Meanwhile, the California government faced mounting costs and an antiquated tax system. Expenditures quickly outpaced revenues. The accumulation of a huge wartime surplus in state coffers temporarily staved off demand for reform. By the late 1950s, however, the surplus was depleted. California government faced the largest deficits since the Depression.

A MASTER PLAN SOLUTION

California's 1960 Master Plan effectively ended the rancorous debate over segmental functions. Most importantly, it offered a negotiated compact between the public segments and state government over how to expand enrollment and programs at an affordable price for California taxpayers. The Master Plan strengthened the tripartite structure envisioned by Progressives and proposed ways to reduce future costs.

Figure 2 – California Higher Education Enrollment Per 10,000 of State Population: 1920 - 2000



This included quickly shifting over 50,000 prospective university and state college students into the junior colleges with their lower operating costs. This was done by lowering the eligibility pool of students who could enter the university and the state colleges as freshmen – a change in admissions standards driven solely by the need to reduce future operating and capital costs in the four-year public higher education segments.

Under this scheme, California's contemporary admissions policies were formulated. The university's eligible pool of freshmen was reduced from approximately the top 15 percent of the high school graduates to the top 12.5 percent. The state college pool was reduced from approximately 40 to 50 percent to 33.3 percent – admissions patterns varied significantly among the state college campuses. By making this shift and setting more uniform admissions standards, explained the authors of the Master Plan, the state of California would save millions of dollars. More importantly, the plan provided the necessary adjustments to make it possible for state and local government to fund and maintain the promise of a high-access and high-quality public system.

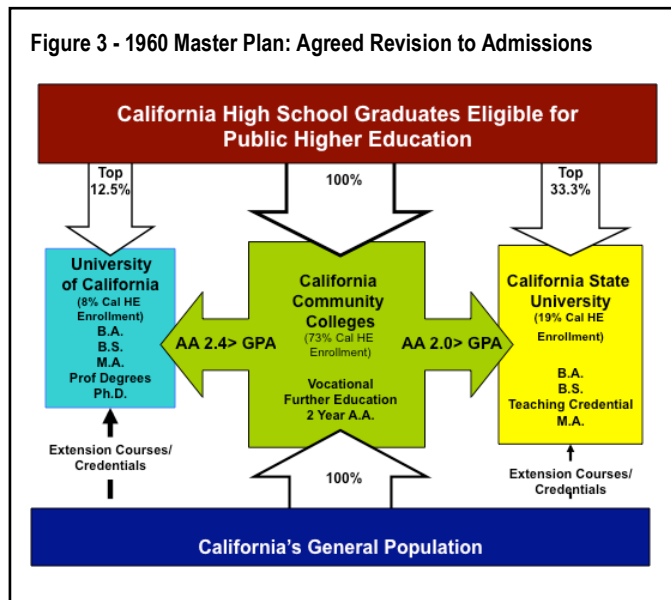
The plan also successfully proposed a new Board of Trustees and the position of Chancellor for the state colleges, what became CSU. This was necessary to improve the statewide management and planning for this segment. The Master Plan also provided a statement not only on what each segment in the tripartite system could do, but essentially what they could not do. This dictum halted the ambitions of CSU to expand into more expensive doctoral training programs – although the plan did allow for a "joint doctorate" between CSU and UC.

Despite proposals to the contrary, the plan also reiterated the existing state policy preserving the mission of the University of California as the primary publicly supported advanced teaching and research institution, and making no mention of such direct state funded support for the State Colleges. In the name of efficiency and quality, the plan thereby contained costs to the state, preserving and clarifying the "differentiation of functions" among the segments.

And finally, the Master Plan established the Coordinating Council for Higher Education to help plan and manage the system, including the power to approve new campuses and the power to review proposals for graduate programs. The Council replaced a coordinating group created by the State Board of Education and the UC Board of Regents in 1945. The new state-sanctioned Council included a director and staff, with membership on its governing board dominated by representatives of the three public segments.⁶

As noted, perhaps the most profound impact of the 1960 Master Plan is not what it changed, but what it prevented. The Master Plan averted the call of some legislators and local community leaders for the entire tripartite system to be placed under a single "superboard" – a process of centralization pursued by many states. This path would have fundamentally altered California's system. It would have created internal battles over institutional missions and budgets, and ultimately would have meant a decline in the general quality and effectiveness of the system – probably driving up costs.

Thus, the 1960 Master Plan represented a political compromise at a critical historical moment that sustained a tremendously successful network of public colleges and universities. Within the governance framework of the Master Plan, two subsequent changes occurred that then completed the contemporary system.



⁶ The overall power of the Council was limited, primarily relegated to data collection and analysis of the system, and making recommendations to the legislature and the public segments. In part, this was because of the autonomy of the University of California under its constitution. Another factor was a conscious decision by lawmakers to provide for a level of autonomy for the higher education leadership in managing enrollment and program growth—in sharp contrast to the period 1945 to 1959.

In 1967, lawmakers passed a bill that the following year created a statewide governing board for the community colleges, removing them from the rather ineffective management responsibility of the State Board of Education. The hope was to create a mechanism to help balance the power of local community college district boards with a more influential statewide board focused on college management. The position of Chancellor of the California Community Colleges was also established, reporting to the Board of Governors.

And finally, a 1973 bill renamed the Coordinating Council the California Postsecondary Education Commission (CPEC), reconstituting its members to include a greater number of laypersons – thus diminishing the previous domination by the public higher education segments. The new commission had a slightly modified charge to encourage long-term planning. But its authority remained the same – largely advisory to the legislature and governor's office, and a source of analytical information for what is the nation's largest higher education system.

The 1960 Master Plan: What it DID do

- Consolidated in one statute largely existing missions of UC, CSU, and CCC – with the exception of adding recognition of research function at CSU but without a claim on additional resources
- Removed CSU from State Board of Education and created in statute Board of Trustees (proposal first introduced in 1953)
- Adopted a plan to create new campuses for UC and CSU developed largely in 1957
- Ended lawmakers' frenzy of bills to create new campuses
- Ended heated turf war between UC and CSU
- Controlled future costs to California taxpayers
- California HE reform effort produced (under political pressure) by the HE segments, and then translated into legislation and practice

FORMULATING THE PLAN

The compact known as the *California Master Plan for Higher Education* represented, in fact, a hard-won agreement among the segments, not all of which made it into law. What was not accepted into the final legislation is, arguably, as important as what was eventually adopted.

The planning process was initiated by legislation passed in 1959 requiring the two main governing bodies of California's higher education system, the University of California's Board of Regents and the State Board of Education with control of the state colleges, to quickly formulate a document that would shape an orderly and cost-effective expansion of the state's rapidly growing higher education system. That legislation, in fact, was first offered by the new president of the University of California, Clark Kerr, and subsequently offered virtually verbatim by Assemblywoman Dorothy Donahoe.

Kerr knew that the political power of the state colleges was quickly growing. Many local politicians were also frustrated with their inability to gain a new UC campus. The *public trust* status of the university meant that only the Regents could establish a new campus, and generally manage its internal affairs. However, they simply passed legislation to create new state college campuses without any approval from the State Board of Education or Roy Simpson, the State Superintendent of Public Instruction – a constitutionally elected officer with management responsibility for the state colleges. And lawmakers were offering a myriad of legislation, creating new campuses often without respect to any logical expansion of that system, and frequently offering laws that would significantly reorganize California's higher education, all of which would have a negative effect on the University of California's future.

Kerr and his staff in the state capital, Sacramento, saw that the University of California's best hope to preserve the institution's mission and claim on public resources was to initiate a formal process of negotiation – one in which California's junior colleges and private colleges and universities would likely support the university, even as they feared increased competition for students and resources.

The legislation required a very short six-month period to negotiate the plan. Kerr and Simpson were charged with formulating a plan, submitting it to both the UC Board of Regents and the State Board of Education, and then submitting it to the governor and legislature for action into law.

The Master Plan Survey Team: 1959



Chair Arthur Coons flanked by other members of the "team" at the start of the negotiations.

After a series of false starts, Kerr and Simpson, working with a “Liaison Committee” – an informal group meant to help find compromises between the two boards – agreed on establishing a Master Plan Survey Team.

The Survey Team included representatives from each of the three public segments and the association of private colleges, and was chaired by Arthur Coons. Coons was the president of Occidental College, a private institution in southern California; his appointment was clearly to provide a nonpartisan arbiter between the main protagonists, UC and the state college presidents, a number of whom argued for the maturation of that segment into doctoral programs and for state funding for research facilities and pay for faculty.

Glenn Dumke, president of San Francisco State, and Dean McHenry, a longtime confidant of Kerr’s and a professor of political science at UCLA, emerged as the two primary negotiators. Coons and the Team created a large number of “advisory groups” to provide informed reports and advice on issues such as enrollment planning, finance, and helped consult with various higher education constituencies.

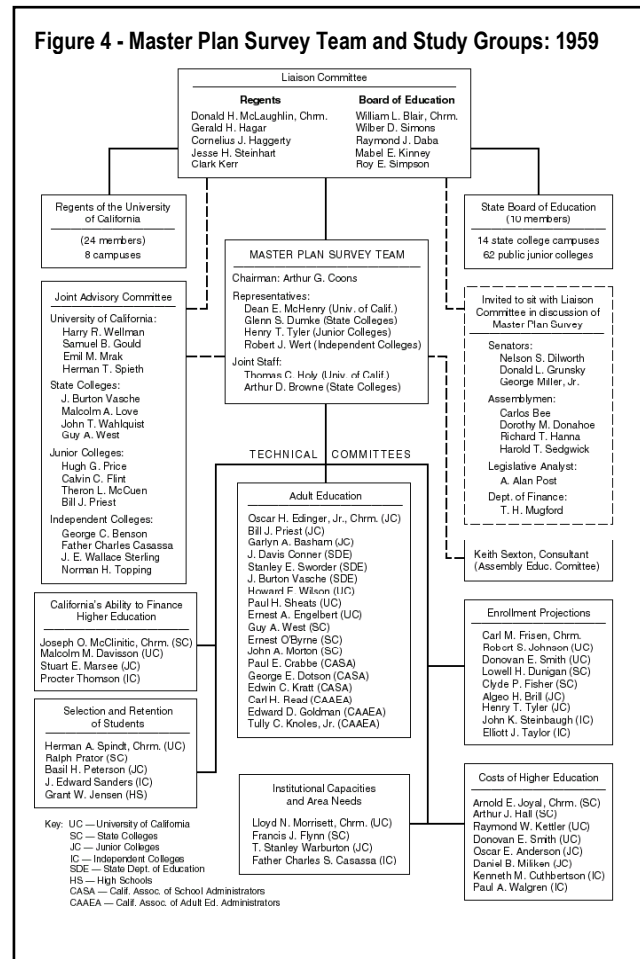
It was Dumke who provided one of the first major policy compromises, proposing that UC and the state colleges reduce access by raising admissions standards, and thereby shift more prospective California students into the junior colleges, where costs on a per-student basis were much lower. McHenry, and in effect Kerr, however, refused to give on any and all proposals by Dumke that the state colleges should be sanctioned by the state to offer the Ph.D., or gain even minimal funding for research – faculty could pursue research, but not with state funding support or with large shifts in teaching load. Dumke, along with other key state college presidents, fought hard for their larger agenda – autonomy, along with the doctorate and research funding. But Kerr in particular would not give ground. The Master Plan Survey Team came up to its legislative deadline without a compromise.

In a last-minute compromise orchestrated by Coons, UC officials agreed to offer their support for a previous proposal: that the state colleges gain their own governing board as a state constitutional provision and with autonomy similar to the University of California. The lack of support and the bureaucracy of the State Department of Education, under Superintendent Simpson, were major sources of frustration for state college presidents. They could not make any major shifts in their budgets, or make any management decisions, without the explicit approval of the board; or had to meet state regulatory rules meant largely for overseeing local school districts.

Further, UC would initiate with the state colleges a “joint doctorate” program in which UC faculty would engage with state college faculty to create doctoral programs largely in fields such as education – the traditional area of strength among the state colleges.

But the price of the universities’ support for the autonomy of the state colleges under a proposed constitutional provision was to place the existing missions of each of the public segments into the constitution as well. Dumke agreed to the compromise, in part knowing that Kerr had the university’s legal counsel formulate a constitutional provision on the mission of the state colleges, and knowing that Kerr intended to simply call the negotiations a failure and, using UC’s still-powerful political influence in the legislature, push forward UC’s preferred solution.

In Kerr’s office on the UC Berkeley campus, the compromise was struck, with Coons leading a discussion that included Dumke; William Blair, chair of the State Board of Education, Superintendent Simpson; UC president Kerr, the chair of the Board of Regents Donald McLaughlin, and Dean McHenry.



In explaining the compromise to his state college colleagues, Dumke insisted that, "the implications of this power and autonomy for the State Colleges are tremendous. We should be able to solve, in our own way, such things as faculty travel, research, use of college facilities, relations between instructional and foundation funds, determination of salary levels, and, in fact, all the basic financial and personnel problems that have beset the State Colleges. State College policy will henceforth be made by the State Colleges and their new governing board." He concluded that the new Master Plan was "the greatest step forward we could possibly take at this time."⁷

AN ALTERED PATH

Literally exhausted by the negotiating process in which a deal was narrowly won, Arthur Coons urged the UC Regents and the State Board of Education to approve the Master Plan document as a whole, and not to dissect it and thereby compromise the delicate agreement. He also urged the legislature to do the same, and both Kerr and Simpson joined him in a deliberate lobbying effort to explain the Master Plan as a "compact."

A little more than a month later, on February 1, 1960, Clark Kerr and Roy Simpson forwarded the *Master Plan for Higher Education in California: 1960-1975* to the legislature. They again asked that the recommendations be viewed as a package deal, and urged lawmakers not to unravel it. In their transmittal letter to Assembly Speaker Ralph Brown, and president of the Senate Glenn M. Anderson, they noted that the report was "unanimously approved in principle" by the two boards. "Because of the enthusiastic endorsements of these recommendations by our two boards and their wide acceptance by our faculties, the press in California, and many informed citizens," concluded Kerr and Simpson, "we are anxious to have them fully implemented."⁸

If the recommendations are carried out and the Constitution is amended as indicated, California's tripartite system of public higher education, long admired by other states, will be saved from destruction by unbridled competition . . . California will again pioneer in the field of higher education, its system a model of cooperation for the whole nation.

Master Plan Survey Team, 1960

Within a myriad of some 60 proposed recommendations in the Master Plan Survey Team's document, three came under significant scrutiny by California lawmakers: one, the creation of yet another public trust to govern and manage the state colleges (what would eventually become the California State University); two, the insistence that major elements of the plan, including the function of each segment, be placed within the California constitution; and three, the proposal by the Master Plan Team that there be no central authority for higher education policymaking and budgeting as found in many other states. The proposed Coordinating Council was, in large part, no more than a replacement for the Liaison Committee; it would have no direct powers, only an advisory function for the higher education community and California lawmakers.

Signing the Donahoe Act April 1960



Glenn Dumke, Governor Brown,
Roy Simpson, and Clark Kerr

Governor Pat Brown generally endorsed the Master Plan, including the creation of a new board for the state colleges, but left the details to the leaders of the Assembly and State Senate, including powerful state senator George Miller, chair of the Senate's education committee and part of a new Democratic majority in the legislature. Miller in particular rejected the proposal to create yet another "public trust" in the state constitution. Most lawmakers were already frustrated by the independence of the UC Board of Regents. The uniting of the university and the state colleges under a single board also promised to create formidable political power that few legislators, including Miller, found attractive. Keeping them independent, thought Miller, would provide more room for lawmakers to set policy.⁹

Miller and other lawmakers, including Donahoe, also rejected Kerr's insistence that the mission and other key factors in the plan be placed into the constitution as well. Similar to his position on state college autonomy, Miller argued that fixing the functions of each of the public higher education segments – the University of California, and state and junior colleges – would again reduce the authority of the legislature to modify policy.

The Master Plan represented an important step in coordinating enrollment expansion and, Miller hoped, to induce efficiencies in the California's burgeoning higher education system. Keeping the state colleges out of the business of doctoral training and research would help contain future costs. But he and other lawmakers, including Donahoe, were now adamant that placing

⁷ *Ibid.*

⁸ *Master Plan*, p. xii.

⁹ Keith Sexton interview, May 3, 1989.

admissions standards and the functions of each public segment in the constitution would destroy the ability, and rightful authority, of the legislature to make changes in the future.¹⁰

Miller insisted that the statewide Coordinating Committee offered by the Master Plan Team, and in effect the public segments, was purposely weak in its legal powers to coordinate three large and growing public higher education segments. Further, the membership was to be largely drawn from the UC Board of Regents and the new Board of Trustees for the state colleges.

Working with his counterpart in the Assembly, Dorothy Donahoe, Senator Miller formulated a much different bill and constitutional amendment than imagined by Kerr, or the Master Plan Survey Team. A constitutional amendment was still required. However, its purpose was singular: to wrest the state colleges from the authority of the State Board and to describe their charter and membership. Miller's statutory bill proposed that the "differentiation of functions" be placed in statute. There was no mention in his bill of admissions policies, and specifically the recommendation of the Survey Team that the University of California admit students from the top 12.5 percent and the state colleges the top 33.3 percent of high school graduates. Also absent was any stipulation that California's public higher education system remain tuition-free. Miller felt that these were operational elements of the tripartite system that might need changing in future years.

Finally, Miller's bill established a fifteen member "Coordinating Council for Higher Education" (CCHHE) under statute – and not as a constitutional entity as proposed by the Master Plan survey team.

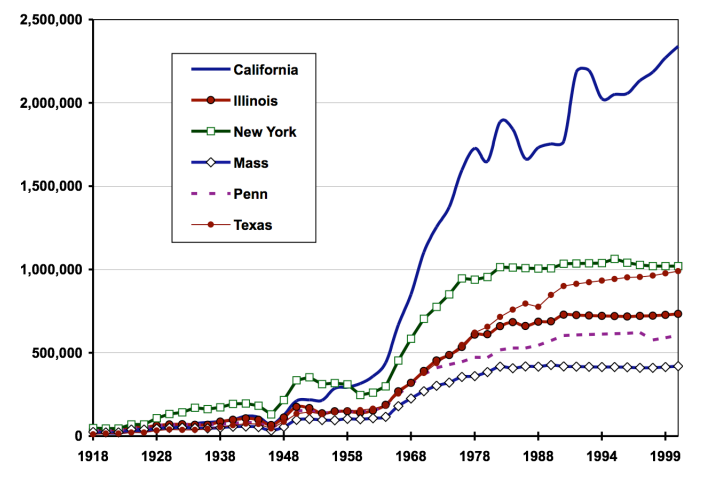
The Assembly and the Senate proceeded to overwhelmingly approve the "Donahoe Higher Education Act." A week later, on April 26, 1960, Governor Edmund G. Brown signed the Donahoe Act in a public ceremony that included George Miller, Arthur Coons, Clark Kerr, and Roy Simpson. Six months later, in the November general election, a constitutional amendment passed creating the Board of Trustees for the California State Colleges (what would be renamed by the early 1970s the California State University).

In 1960, the retention of the advisory board model in California was not a unique choice among state governments. It was, however, the exception to a national trend. In 1939, a total of thirty-three states had no form of state coordination of higher education; by 1969 there were only two who did not – Delaware and Vermont, both with relatively small populations. More significantly, the number of governing boards that had regulatory powers over all or most public four-year colleges and universities within their states increased from sixteen in 1939, to thirty-three in 1969, including New York, North Carolina, Oklahoma, Ohio, Oregon, Tennessee, Texas, Utah, and West Virginia.

In the face of concerns over the spiraling costs of public higher education to a burgeoning population, California's 1960 Master Plan provided a structure for planning. And in subsequent years, the plan proved successful for two major reasons.

1. It provided a rigid definition of the role of each of the public segments that avoided the high cost of isomorphism – of all four-year public institutions attempting to provide the same academic programs.

Figure 5 - Higher Education Enrollment in Six Comparative States: 1918 - 2000



¹⁰ Keith Sexton, Rowland interview, 1978.
CSHE Research & Occasional Paper Series

- The Master Plan clarified the role of the legislature in policymaking.

This ended the open-market approach of lawmakers and local communities toward creating new campuses, and toward reorganizing California higher education. After 1960, lawmakers gained a fuller understanding of the functions of each segment, and the role of their respective boards in creating new campuses and academic programs. They also had a new sense of their obligation to fund enrollment expansion – an obligation that did not wane to any significant degree until the prolonged economic downturn of the 1990s.

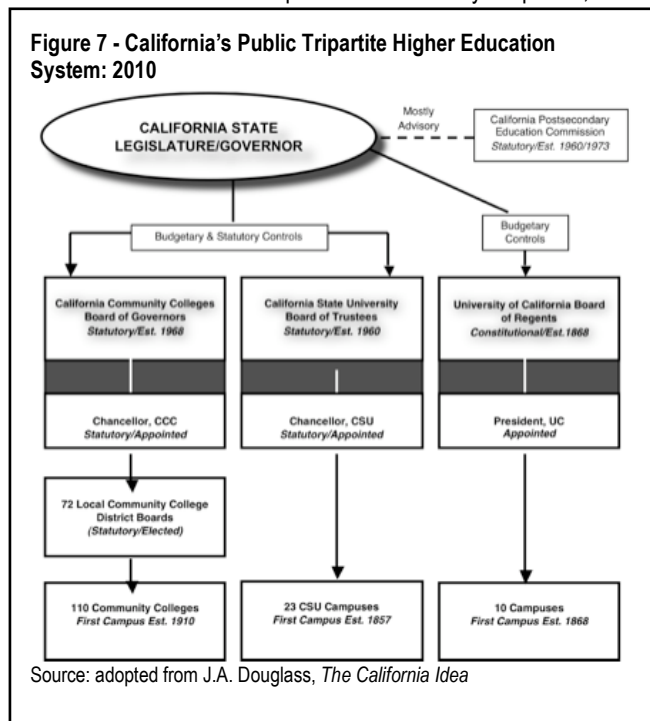
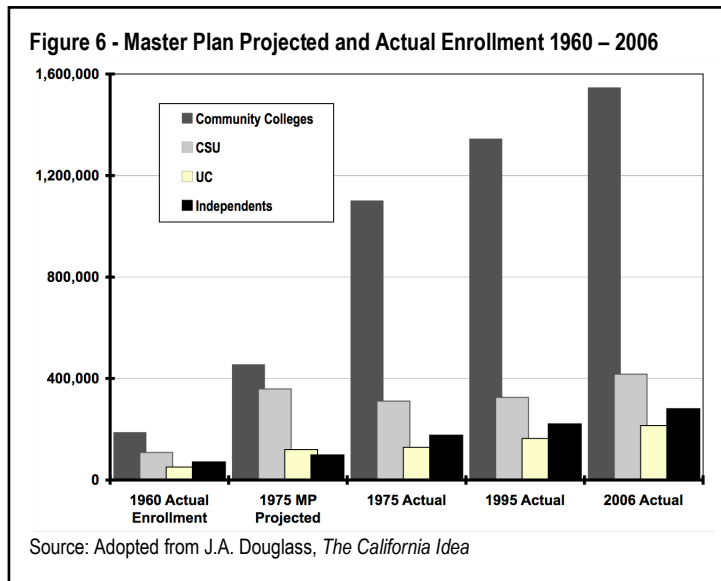
In stark contrast to the political battles and entrenched infighting between the University of California and the state colleges prior to the 1960 Master Plan, California proceeded to fund a massive and relatively orderly expansion of higher education. It is a remarkable record unparalleled by any other state, in part because of the sheer size of California's higher education system – nearly double the enrollment of any other highly populated state (see Figure 5).

Yet those who negotiated the Master Plan did not anticipate the rapid growth in California's population, or the popular desire for some form of higher education. The plan provided a projection of enrollment under the plan over a fifteen-year period, 1960 to 1975. Actual enrollment grew at a much faster pace, fueled by California's rapidly expanding population, with spectacular growth at the community colleges (see Figure 6). Much of that enrollment growth came not in students who would gain an A.A. degree and be eligible for transfer, but in vocational and adult learning classes, including English as a second language.

The Master Plan projected a relative balance between those enrolled in community colleges – with at least half of these students in programs that would make students eligible to transfer to UC or CSU – and those enrolled in public four-year institutions.

By 1975, some 60 percent of all California undergraduate students were in Community Colleges; by 2006, that figure rose to approximately 70 percent.

As noted in the following, this dramatic shift in the balance between two-year and four-year enrollment, combined with other factors, including demographic factors and declining public funding relative to costs, has had major implications for California.



CALIFORNIA'S MASTER PLAN TODAY

And what of the contemporary relevance of the Master Plan? The maladies of California's current system of higher education are related to larger challenges facing the U.S., in general, and can be evaluated in a number of ways, including:

- Access rates to higher education among high school graduates;
- Degree attainment rates, and specifically the number of students who gain a bachelor's degree or higher;
- The quality of academic degree programs;

4. Academic research and productivity; and
5. The financial costs to society to achieve these goals.

Under this rubric, and relative to other states and other nations, California's higher education system had perhaps its highest performance around 1968 – with the exception of research productivity, which has continued to grow dramatically. In 1960, and in the decade before, California already led the nation or was among the top five states in access from high school to higher education, and in degree attainment rates for the Associate of Arts and Bachelor's degree among the state's youth (18 to 24 year olds). This was achieved at a cost to California taxpayers that was around or just below the average cost of other states for their systems on a per student basis – in no small part because of the growth and vibrancy of the California Community College system.

Indeed, the success of California's higher education system, before and immediately after the 1960 Master Plan, garnered the attention of the world as a model system of mass higher education. California was the clear leader in the US, and the US remained the clear leader across the globe in its broadly accessible and differentiated network of public and private tertiary institutions.

Now fast-forward to today, and a very different picture emerges. The overall health of the system is in decline, buffeted by large-scale decreases in public funding, rising tuition and fees, dramatic changes in demography, and uneven quality at the economically challenged local community colleges and four-year public institutions. What is particularly troubling is how far California has fallen in the educational attainment race.

What Parts of the Master Plan are Dead or Nearly So?

- State commitment to subsidize most of the costs of student enrollment.
- In turn, the commitment to a low fee/tuition model.
- A wavering commitment by UC and CSU to enrolling Master Plan eligibility pools.
- The inability for CCC to meeting growing enrollment demand.
- Unforeseen imbalance between enrollment in 2-year and 4-year public institutions.
- The ideal that California will plan and fund enrollment growth in its public higher education sector. What would be a "Smart Growth" plan to meet the future socioeconomic and labor needs of society?

Today, California is mediocre in terms of access rates among the 50 states, and ranks among the bottom ten in the proportion of its youth who achieve a bachelor's or associate of arts degree. California is losing ground, relative to other states, and, just as important, to emerging economic competitors throughout the world. For the first time in the state's history, the older generation has a higher educational attainment level than the younger generation.

What has helped to fill the gap in higher education degrees to support the state's numerous high tech industries? California relies heavily on imported talent. That pool is attracted to places like Berkeley and Stanford and to the Silicon Valley and other meccas of high-tech culture and business in the state. But such a high reliance on talent from outside of the state, and more specifically outside of the U.S., may increasingly prove problematic!

Global labor markets for highly skilled people are expanding rapidly. For example, Europe is now the number one destination for international students; new research centers are being aggressively nurtured in emerging economies like China, India, and Brazil. Berkeley, UCLA, Stanford, and other major research universities will continue to attract talent from throughout the world. But more and more of these students will seek academic opportunities and jobs in other parts of the world.

Three factors explain why California's ordered development of its higher education system is now devolving back into a contemporary form of chaos – in policymaking, and in effectively reaching the goals of high access and degree attainment rates.

1. *CONTINUED POPULATION GROWTH* combined with large-scale demographic changes in the socioeconomic and racial/ethnic background of students that have contributed to large disparities in access rates among many racial/ethnic and lower income groups.

All of the complexities of the postmodern society seem more exaggerated and pronounced in California. As the largest state in the nation, with the most diverse demography, and with the largest projection of total population growth over the next several decades, California faces a significant challenge to place itself once again in the vanguard of educating its people. Population growth is a policy constant in California, and the scale of potential enrollment growth over the next ten, let alone 50 years, will be dramatic.

By 2020, for example, the California Postsecondary Education Commission estimates that enrollment demand for public higher education will grow by 387,000 additional students, a 16 percent increase.¹¹ This assumes high school graduation rates among various racial and ethnic groups that are extremely low relative to many other states will remain largely constant. If there were a significant improvement in secondary graduation rates among, for instance, Chicano-Latinos, the fastest growing component of California's population, the increase demand would be even more dramatic.

One might hope that the state and the leaders of California's higher education segments would actually plan for this more hopeful scenario. Like other parts of the US, there has been a growing disparity between the rich and the poor, and a relative decline in financial position among middle-class families. Improving the educational attainment rate of the state's population will be a key variable in creating a more vibrant, equitable, and economically mobile society.

2. *LONG-TERM DISINVESTMENT BY STATE AND LOCAL GOVERNMENT* in higher education, and K-12 as well, and a seemingly inability of state government to deal with structural deficits or any short-term hope to reinvest in higher education. The analogy I like to use is that California's public higher education segments – the University of California, the California State University, and the California Community Colleges – have suffered from a million small cuts in their budgets over the past three or more decades. Now the Great Recession has brought a bludgeoning budget-cutting blow. State support for the tripartite public system has decreased by more than \$1 billion since 2007-08.

Raising fees and tuition has been one policy lever employed to mitigate the state budget cuts. The Obama administration's economic stimulus package has also funneled much-needed funds to education during the 2009-10 fiscal year, including some \$640 million to UC and CSU, and another \$160 million to local community colleges. But neither income source is large enough to offset the dropping of courses, staff and faculty lay-offs, cuts in salaries ranging from 4 to ten percent, and reductions in enrollment – an emerging tool for cutting costs.¹² California's state government, and its public higher education system, was at the edge of a cliff; the stimulus bill averted a free fall. But it remains largely a one-year fix.

As noted, in 2009, and for the first time, CSU and UC have chosen to limit enrollment of normally eligible students as one means to cut operating costs – an unprecedented move that may be a harbinger of the future. There is a rising sense at UC and CSU that meeting ever increasing enrollment demand without adequate resources can no longer be sustained, and that now their major concern is to protect the quality of academic programs. CSU, which enrolls some 450,000 students, is more than twice the size of UC. This academic year, it has already turned away some 20,000 students that would normally be eligible for admission. CSU plans on cutting another 20,000 enrollment spots in the 2010-11 academic year.

This has long been a tension – access versus quality – in light of shrinking resources on a per-student basis. After years of threatening to limit enrollment without appropriate resources from the state, and using that threat to garner attention from the public and lawmakers about the seriousness of declining state subsidization, CSU broke from the social contract in a big way. Sacramento legislators and the governor, overwhelmed with the size of the state's budget deficits and political gridlock, have offered no significant political opposition to this historic shift in California's public higher education system. "The California Dream of a higher education is disappearing. We are grappling with the results of massive budget cuts and unfortunately have been faced with little choice but to raise student fees and decrease enrollment," stated California State University Chancellor Charles B. Reed.¹³

UC has refused some 2,300 UC eligible freshmen entrance to its campuses - equal to a 6 percent overall reduction in the university's system-wide undergraduate enrollment.¹⁴ This is a much smaller number than CSU. But the question is if UC will follow CSU's lead.

Combine this with dramatic cuts in funding for California's Community Colleges that has reduced the number of faculty and part-time lecturers, and reduced the number of courses offered. The result is a significant reduction in access to higher education – this at a time in which demand goes up during economic downturns. California currently faces another huge

¹¹ Stacy Wilson, Mallory Newall and Ryan Fuller, Ready or Not, Here They Come, California Postsecondary Education Commission, March 2010: <http://www.cpec.ca.gov/completereports/2010reports/10-05.pdf>

¹² California Legislative Analyst's Office, "LAO Federal Economic Stimulus Package: Fiscal Effect on California, March 10 2009: www.lao.ca.gov/2009/bud/fed_stimulus/fed_stimulus_031009.pdf

¹³ Quoted in California State University press release, November 12, 2009: <http://www.calstate.edu/pa/News/2009/ppic.shtml>

¹⁴ "UC Regents Warn Freshman Enrollments Will Be Curtailed Without Sufficient Funding," University of California Press Release, Nov. 20 2008: <http://www.universityofcalifornia.edu/news/article/19016>

budget deficit for 2010-11 estimated at about \$20 billion. With the worsening state budget, CPEC estimates that further funding cuts will likely mean some 277,000 students who would normally be enrolled will be denied access.

3. *THE ETHOS OF GROWTH AND AN EROSION IN COORDINATED POLICYMAKING* among the public higher education segments, accentuated by declining public funding on a per student basis which makes planning for enrollment growth and maintaining quality academic programs extremely difficult. To a large degree, the ideas and ideals of the 1960 California Master Plan reflect a political culture that was essentially optimistic, that viewed population and economic growth as good and inevitable, and that believed that government and public institutions could and should collectively plan for a future that would be better than in the past. Those sentiments have waned considerably.

Pessimism has replaced optimism; simply getting by each budget year has replaced the seeming “luxury” of long-term strategic thinking. In short, the coordinated approach to expanding capacity and building academic programs envisioned by the 1960 Master Plan has devolved into each of the segments attempting to simply cope with dramatic funding shortfalls. The question of how California might effectively grow its contemporary higher education system has been lost in the battle to simply survive, with both UC and CSU looking increasingly at how to maintain quality and less at issues of access.

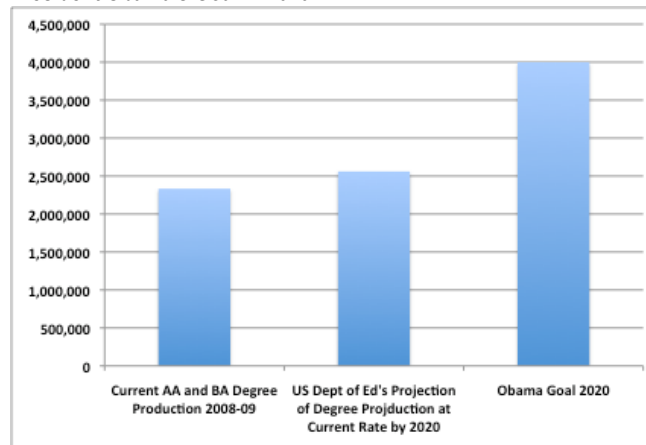
It should be noted that at the time of writing this essay, there are efforts to think ahead. There is a joint committee of the California State Assembly and Senate to review the Master Plan – one of a series of legislatively derived reviews of state level higher education policy since 1960. The University of California is in the midst of a review of its future development, seeking ideas on the “right size and shape” of the university, alternative “educational delivery models,” and “maximizing traditional and alternative revenue streams.” The California State Legislative Analyst’s Office (a non-partisan state agency) has also published a number of short reports reflecting on the Master Plan and what it calls the “unfocused” character of current policymaking.¹⁵ These are all good, and may lead to important changes in policy. But I sense that they still suffer from not having a sense of the macro-challenges facing California.

GAUGING THE CHALLENGE AHEAD

California faces more than the difficulties of resurrecting the promise of its once pioneering higher education system. It must also contemplate how to grow in enrollment and program capacity, and how to match the rapid progress of economic competitors – within and outside of the US’s national borders. Many of the problems and challenges facing California’s higher education system are, indeed, also those that face the US.

In the first year of presidency, Barack Obama took a page from his European counterparts and outlined a goal for the US to match or exceed the educational attainment rates of other developed economies. Obama and his administration seemingly reflected on OECD and other data showing relative declines or stagnation in US educational attainment rates. Some three decades ago, the US was number one in the world in access to higher education among both younger and older students; it was also number one in the number of students who entered a postsecondary institution and then received a degree. But for a number of reasons, that has all changed. Economic competitors have expanded and improved the quality of their higher education systems.

Figure 8 – Current and Additional Degree Production to Meet President Obama’s Goal in 2020



Source: NCHEMS, “Closing the US Degree Gap”, March 2010

¹⁵ ACR 65 created the Joint Committee on the California Master Plan for Higher Education, chaired by Assemblyman Ira Ruskin. They are scheduled to complete their review in November 2010; the UC Commission On the Future is chaired jointly by UC Board of Regents chair Russ Coud and UC President Mark Yudof, and include various subcommittees consisting of regents, faculty, a staff. See the draft report: <http://ucfuture.universityofcalifornia.edu/>; California State Legislative Analyst’s Office, “The Master Plan at 50: Assessing California’s Vision for Higher Education,” November 12, 2009: http://www.lao.ca.gov/2009/edu/master_plan_intro/master_plan_intro_111209.aspx

By 2020, he announced, “America will once again have the highest proportion of college graduates in the world.” He also asked that every American commit to at least one year or more of higher education or career training. “This can be community college or a four-year school; vocational training or an apprenticeship. But whatever the training may be, every American will need to get more than a high school diploma.”¹⁶ But how will the US get there in only ten years?

Such pronouncements are an important first step to a long-delayed and challenging debate. The US, and California in particular, has essentially stopped innovating and investing in its higher education systems. Obama’s stated goal helps frame a debate on what the US needs to do to remain competitive and to promote socioeconomic mobility. It also helps frame the magnitude of the challenge for California – the largest state in the Union in population and in the size of its economy.

Today, the US enrolls about 19 million students in degree-granting colleges and universities and produces approximately 2.4 million degrees (741,000 AA degrees, and some 1.4 million bachelor’s degrees). To meet Obama’s goal will require a huge increase in degree production rates. One study estimates that that the nation would need an increase of 37 percent in the production of tertiary degrees - over 8.2 million over an 11-year period (2008-09 to 2019-20). That would require an annual increase of 123,000 AA and Bachelor’s degrees each year above that projected by the US Department of Education.¹⁷ As indicated in Figure 8, achieving such a quantum leap will be a daunting task.

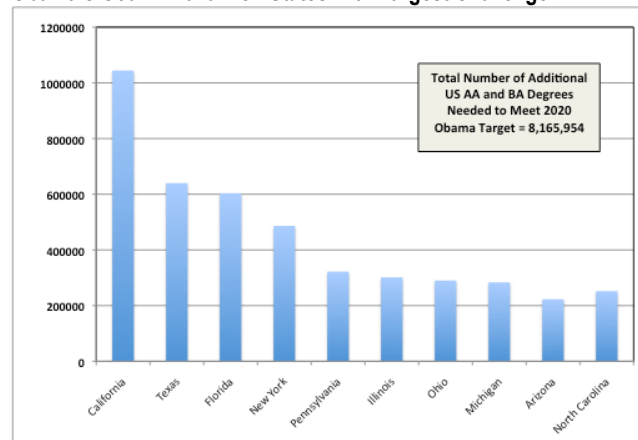
And what would California’s role be in providing its “fair share” of the national objective set out by the president?

The National Center for Higher Education Management Systems (NCHEMS) has projected that of all the states, California will need to make the largest contribution. California produced 198,620 undergraduate degrees in 2009; by 2020 it would need to produce a yearly total of 330,000 degrees – a nearly 40 percent increase. Cumulatively, that would mean that between 2010 and 2020 California would need to produce just over 1 million additional degrees over what it is currently projected to produce – that is, if no further effort is undertaken to increase the state’s degree production rates.

Figure 9 gives a sense of California’s “fair share” with adjustments for population growth for California and nine of the other states with the largest production quotas – under the concept that each state needs to reach or nearly reach the goal of 60 percent of all 25 to 34 year olds with a college degree.¹⁸ Because California is now a low degree production state, the challenge is more dramatic than for many other states.

The Public Policy Institute for California (PPIC) has generated a similar estimate, based on its assessment of future labor needs in the state.¹⁹ A PPIC report claims that with only “modest” improvements California could approach 1 million additional degrees, primarily by raising student graduation rates at UC, CSU and CCC. But they greatly underestimated the challenge to increase degree production. Indeed, while funding is a big part of the problem, along with the health of the pipeline between secondary and tertiary institutions, academic preparation and a host of other factors discussed previously, one needs to contemplate if California’s pre-1960 higher education system is, as the British like to say, “fit for purpose?”

Figure 9 - Additional Degree Production to Meet President Obama’s Goal in 2020: Ten States with Largest Challenge



Source: NCHEMS, “Closing the US Degree Gap”, March 2010

¹⁶ President Barack Obama, Address to the Joint Session of Congress, February 24, 2009, White House Press Office: http://www.whitehouse.gov/the_press_office/remarks-of-president-barack-obama-address-to-joint-session-of-congress/

¹⁷ National Center for Higher Education Management Systems (NCHEMS), “Closing the College Attainment Gap Between the US and Most Educated Countries, and the Contributions to be made by the States,” April 2010.

¹⁸ *Ibid.*

¹⁹ Public Policy Institute of California, “California’s Education Skills Gap: Modest Improvements Could Yield Big Gains,” April 16, 2009: <http://www.ppic.org/main/pressrelease.asp?p=938>

Seemingly coming to the same conclusion, in April 2010 PPIC published a proposal to increase the admissions pool at the UC to the top 15 percent of high school graduates (its historical, pre-1960 target), and to 40 percent for CSU – up from 33 percent.²⁰ This is a worthwhile idea that has been floated before. As I have stated previously, the 1960 shift to reduce enrollment at UC and CSU was all about lowering future costs, and not due to a careful analysis of the future labor needs of the state. But such a reform is probably not enough alone. There is a need to contextualize any possible reform efforts – whether it is to increase funding, or changing the structure or responsibilities of the various public segments.

In a nutshell, here is a list of variables or problems that are not often discussed but are crucial for meeting, or at least approaching, Obama's 2020 goal in California. Each is related to one another in some form.

- **Too Many Part-Time Students:** No other developed economy has so many part-time students as does the US. California has among the highest percentage of these students, with some 70 percent of all community colleges work full- or part-time. This is one of the largest reasons for high attrition rates, particularly at CCC and CSU, and a direct cause of low-degree production rates.
- **Too Many Students in 2-Year Community Colleges:** Another major departure from our economic competitors is the number of tertiary students who are in 2-year colleges in the US. Of all undergraduates, nearly 50 percent are enrolled in community colleges institutions. In California, as noted, the percentage is over 70 percent and is likely to climb, particular if public 4-year institutions like those in California can not get adequate funding and political pressure to grow in capacity as the nation's population grows. At the same time, the number of students in community colleges who plan to eventually transfer to a four-year institution has declined significantly. In 1960, approximately five out of ten students intended to transfer and complete a bachelor's degree; today it is approximately two out of ten. A Legislative Analyst's Office estimates that some 11 to 18 percent of first-time CCC students transfer to a four-year institution within six years of starting; only 4 percent obtain an associate's degree, two percent receive a certificate, and 76 percent do not achieve any of these outcomes within six years. With these levels of attrition, some economist have argued that providing access to public four-year institutions might be a more economically productive means to increase degree production rates.

In the end, it is a matter of balance. More specifically: What is the proper balance between 2-year and 4-year enrollments that will produce a healthy level of socioeconomic mobility and meet the US's need for skilled and professional labor for a 21st century economy. California's heavy reliance on community colleges made sense for a 20th century economy, but I postulate not for meeting the needs of the state in the future. In the modern world, students who enter 2-year institutions are much less likely to achieve a bachelor's degree, and have in addition lower chances for an Associate of Arts degree as well.

- **Inadequate Financial Aid Relative to Costs:** In the past, federal grants and loans, combined with state generated financial programs like Cal Grants, combined with low fee or tuition costs, made public higher education extremely inexpensive for students and their families. As fees and tuition costs have gone up, in part because of declining state investment in public higher education, the federal role shifted from grants to largely loans, and financial aid for lower and middle-income families have not by any means kept up with those costs. Public universities have in part stepped in to relieve this problem, largely by raising fees and redirecting about a third of additional revenue toward financial aid for lower income families.

In the modern world, however, this system is essentially broken. On the one side, colleges and universities need to reduce their operating costs; but the big variable is the investment level of federal and state governments to create a much more robust and well-funded national financial aid program. The Obama administration has made a number of major and much needed reforms to federal financial aid, specifically ending federal subsidies for private banks for federal loans and using that savings to increase the pool of federal dollars for loans, and to increase Pell Grants for low-income students. Relative to costs, however, these changes should be viewed largely as a first step to a much larger federal financial aid program. Nothing less will mean a huge obstacle remains for increasing the educational attainment level of Americans.

- **An Inadequate Funding Model for Public Higher Education:** The future of California's higher education system, and that of the US in general, will depend on the ability to move toward a *moderate tuition and high financial aid* model. It is highly unlikely that state governments will be able to return to the institutional subsidy levels of some five decades ago. The fact is that public universities and colleges have raised fees largely in reaction to declines in public subsidies, and without a defined plan on the proper balance of government and student cost for services rendered. One reason for this inability of

²⁰ Public Policy Institute of California, "Higher Education in California: New Goals for the Master Plan," April 2010: <http://www.ppic.org/main/publication.asp?i=916>

institutions, and states, to define the proper role of fees and tuition relates to the political risks of an open discussion on expanding the role of fees and worries over the potential impact on low and moderate income students. The result is great uncertainty for students and their families over the actual cost of attendance, and uncertainty for institutions regarding their revenue stream and costs for financial aid support.

Whether it is in Europe or in the US, the move toward a large role for student fees and tuition for public universities is relatively new territory, without good research on the elasticity in pricing. But there are a few things we do know. For one, tuition can be too high, but it can also be too low. By that I mean that low pricing is associated with two realities. First, low fees correlate with high to very high rates of attrition. When there is low cost, there is less investment by students to actually complete a course or a degree. Indeed, very high fee institutions have very high completion rates. The reasons are complex, including usually greater selectivity in admissions, and almost always full-time status of undergraduate students. But there is a relationship and an argument to be made that a moderate fee and tuition rate may well lead to better course and degree completion rates in 2- and 4-year public institutions.

Second, we know that if public institutions do not have an adequate revenue stream that includes fee and tuition income, they can not offer programs and courses that can lead to a degree in a timely way. For example, the California Community Colleges have extremely low fees – among the lowest in the nation. They also have among the highest attrition rates. Because they have a completely inadequate funding model, tied to local and state funding formula that relegates them to near poverty funding, and with no political ability to raise fees and tuition, they have cut courses and, in effect, limited enrollment. In this case, low fees neither means high access nor high degree completion rates. Some moderate fee increase, plus a change in state policy that allows community colleges to keep fee income (currently, that is not the case), could have translated into more courses being offered, and more students being served. This is counterintuitive to the heartfelt argument that any fee increase has a detrimental social effect.

The University of California is moving toward this moderate fee and high financial aid model, but not in a well articulated manner. CSU is moving in this direction also without much clarity. But arguably, California's community colleges are in the most need for a major revision in their funding model, tied more fully to a fee structure and aid program that is based on their market for students. Whether at 2-year or 4-year institutions, public higher education needs to now move more overtly to what might be termed a Progressive Fee System: in effect, because the progressive tax system for state government is not adequate to provide for public higher education, these public institutions are adopting a system that taxes (charges) the more wealthy student to help subsidize low and middle income students.

Currently, California's community colleges not only charged among the lowest fees in the nation, they also don't get to keep the revenue – it filters back to state government, which then underfunds these colleges. Without a suitable fee and tuition policy for the community colleges, California will never be able to improve the performance of this vital sector.

- **Not Enough International and Out-Of-State Students:** The US is far behind our economic competitors in recognizing global trends in the search for talent. California needs to be the first state in the US to overtly recognize that its state chartered public colleges and universities are not simply a state or local asset, they are a national and really a global asset. The US is a good performer in attracting talent at the graduate level, but extremely poor performers in attracting undergraduates from abroad. Attracting many more students from other states and nations can bring huge benefits for upgrading the talent pool for local businesses, for promoting innovation, and as part of a strategic reformulation of funding for California's cash-starved public colleges and universities.

In the UK, for example, international students now produce some 10 percent of the entire income of the higher education system. In Australia, they fund some 15 percent of all income for the national universities.²¹ New Zealand also relies heavily on international students to support its national higher education system; Japan is now following a similar path. But the economic benefits of foreign students extend beyond higher education. In Australia, for instance, international students and university ventures abroad generate about \$12 billion (US), making higher education the nation's third largest export.²²

²¹ Brendan O'Malley, "OECD 1: US Share of Foreign Students Drops," *University World News*, October 21, 2007.

²² Simon Marginson, "Is Australia Overdependent on International Students?" *International Higher Education*, No. 54, Winter 2009.

In the US, international students inject over \$15 billion directly into the economy through tuition and living costs, making it a bright spot in an otherwise rather dismal balance of trade. States like California receive some \$1.4 billion from foreign students in tuition and fees alone, and a total of \$2.4 billion when counting living expenses and related costs.²³

The key to a properly framed strategy for attracting and enrolling international students is to insure that it will not crowd out domestic students, including detrimental effects on access for disadvantaged groups. This means California will need to be much more expansive in its thinking about building its physical and possibly virtual enrollment capacity. Thus far, individual campuses, such as Berkeley are attempting to increase the number of international students in a search for additional revenue. They can charge these students a much higher tuition rate than California residents.

But such efforts have not, thus far, been integrated into a long-range plan that insures access to California students. As Richard Edelstein and I note in a policy paper on this issue: "Attracting talent in a global market *and* increasing degree attainment rates of the domestic population are not mutually exclusive goals. Indeed, they will be the hallmarks of the most competitive economies."²⁴

CONCLUSION – "FIT FOR PURPOSE?"

Over the past century, California distinguished itself by its development and investment in its public higher education system. California created a highly differentiated network of colleges and universities built around the concept of broad access *and* high quality academic programs that could grow and meet the future needs of society – what I have called the *California Idea*. And it did this at a reasonable cost to taxpayers.

In this essay, I have attempted to provide a brief tour on the origin and development of California's present-day public higher education system, what the 1960 Master Plan did and did not accomplish, and a sense that the state is in the midst of a redefinition of its social contract related to access and degree attainment. In large part, this redefinition is the result of a decline in public funding. Over the past two decades, state funding for higher education on a per-student basis has plummeted while enrollment growth has steadily climbed.

Now the trend has accelerated mightily and the policy implications are unprecedented. One might at least contemplate the thought that the current tripartite system may not be properly structured to meet the current and future needs of the largest state in the Union, and with an economy that ranks among the eight largest in the world. To borrow the terminology of urban and suburban planners, how might California once again pursue a policy of "Smart Growth" in its higher education system?

Smart Growth in California's higher education system would seek clear goals such as degree attainment rates, with an appropriate restructuring of higher education, containment of costs for taxpayers and students, and a seriously revised funding model. But the details of this prescription are beyond the scope of this essay. My objective here is to probe the diagnosis and the likely prognosis.

California is projected to grow from approximately 37 million people in 2010 to some 60 million in 2050.²⁵ With that growth will come the complexity of an increasingly multi-cultural society. The peaks and valleys in the current network of schools, colleges, and universities will not adequately serve a society that, one hopes, strives to retain California's allure of strong socioeconomic

²³ Data is from the National Association of International Educators "Economic Impact Statements: 2007-08, which are generated by Jason Baumgartner at Indiana University – Bloomington's Office of International Services. NAIE states that the total US impact of HE of \$15.54 billion is a "conservative" figure. Their report does not rely on a "multiplier effect." Although this might provide a more accurate estimate of actual economic impact, there is no consensus on the appropriate size of such a multiplier. Many international graduate students gain institutional derived grants and scholarships, particularly in the sciences, and an estimate is made to determine the net economic "export" income generated. The methodology of their study is provided in the appendix of each yearly report: http://www.nafsa.org/public_policy.sec/international_education_1/eis_2008/ For a discussion of the challenges of calculating the economic impact of international students, see the entry "Measuring the Impact of Export Education" in the blog *Global Higher Ed* from February 7, 2009, <http://globalhighered.wordpress.com/2009/02/07/measuring-the-economic-impact-of-export-education-insights-from-new-zealand/>

²⁴ John Aubrey Douglass and Richard Edelstein, "The Global Competition for Talent: The Rapidly Changing Market for International Students and the Need for Strategic Approach in the US," CSHE Research and Occasional Papers Series, CSHE.8.09. (October 2009): <http://cshe.berkeley.edu/publications/publications.php?id=341>

²⁵ California Department of Finance, "California Projections by Race/Ethnicity for California and Its Counties 2000-2050," July 2007: <http://www.dof.ca.gov/research/demographic/reports/projections/p-1/>

mobility and an economy that is among the most competitive in the world. Historically, there is strong evidence that those nations with the highest educational attainment levels have the highest levels of economic productivity. Indeed, California's progressive effort to expand its higher education system in years past is one major reason for the state's previous economic success.

Let us suppose that some form of resolution is found in budgeting California's higher education system after the Great Recession fades away and there is some resurrection of state funding for that system. Would the goals of expanding degree attainment rates, of supporting research and other higher education benefits or society and industry, be accomplished simply by expanding the current 1960 Master Plan set of institutions? I think not, but also realize that any alternative is a difficult political enterprise. At the time of this writing, the likely scenarios are twofold.

- **MUDDLE THRU OPTION – Survival of the Fittest:** Each segment strives to survive increasingly focused on how to maintain quality in the face of continued decline in public funding; enrollment limits are maintained or expanded at UC and CSU; fees continued to go up at UC and CSU, although not at a pace to cover lost state funding; CCC continues to have limited financial ability to serve increased student demand caused by growing population, by those who can no longer get into UC and CSU, and by the rising demand of employers for students with tertiary degrees and credentials.

Within the UC and CSU systems or “segments”, we will likely see a decline in the coherence of each. An adequate flow of core funding from Sacramento has long been a powerful force for maintaining access, promoting coordination between the segments, and limiting unnecessary program growth. It seems that those days are over.

Campuses, particularly the more prestigious and wealthy, seek to chart their own financial futures, increasingly see themselves as semi-private, publicly subsidized but not publicly funded, and part of a federation of institutions as opposed to a system with common sense of mission, common admission and tuition policies, faculty salary scales, and personnel policies. Some campuses within UC are already pushing to charge different and much higher undergraduate tuition and fee rates than other members of the UC system; many are already altering the mix of in-state and out-of-state students to gain higher fee income without consideration on the overall impact of access by Californian's into the UC system.

Some campus leaders, such as a group of department chairs at UC San Diego, even argued for the closing of UC campuses at Riverside, Merced, and Santa Cruz in order to shift state funds to San Diego, UCLA and Berkeley. It was a poorly thought out notion, but indicative of a decline in the understanding of UC's historical development, success, and purpose.

These and other ideas, options and policies portend a significant structural change in California's higher education system. The emerging revised model is not terribly coherent and, as I noted, will emphasize quality and autonomy (e.g., the ability of Berkeley to recruit high quality faculty and graduate students) over access and segmental coordination. It is, to some degree, a model of the survival of the fittest, with lower access, and differential impacts on lower income and disadvantaged students.

One possible outcome is what one might call the “Brazilian Effect”: when public higher education can not keep pace with growing public demand for access and programs, For-Profits rush to fill that gap, becoming a much larger and sometimes dominant provider. This is the pattern in many developing economies – Brazil where some 70 percent of student enrollment is in For-Profit institutions; Korea, and Poland reflect also this model. There is currently a steep rise in enrollment in For-Profits in California precisely because of cuts in enrollment at UC, CSU, and the Community Colleges.

In essence, California is increasingly having the characteristics of a developed and developing economy, a society with peaks and valleys in family income, in high school graduation rates, a society with limited access to public higher education, and relatively low tertiary degree production rates. Some growth in the For-Profit sectors in California is inevitable and good. But there is also evidence that much of that sector is of low quality and productivity, and very expensive for the student and the federal government, which provides grants and loans to students. Some 80 percent or more of For-Profit operating expenses come from taxpayer funded student grants and loans. Particularly at the traditional college cohort of 18 to 24 year-olds, there is very high attrition in these institutions and, in turn, low degree production rates.

- **MODERATE SOLUTION:** After a period, resumption of some state funding for higher education but at 80 percent or so of per-student funding before the Great Recession; UC and CSU raise fees and gain other revenues; CCC gain some funding support via Federal Government and improved financial aid. Community colleges gain some ability to raise fees. The net result is some recovery but little ability to expand capacity that can keep pace with long-term demand.

The symbiotic nature of the system will also continue to decline, with an increasing disjuncture between the priorities and goals of each of the public segments with the needs of California society. For UC and CSU, quality will continue to trump access, and California will retain a huge under-funded community college sector, and a relatively small university sector.

There are two variables that might slightly or significantly alter scenarios noted above. One is the effort of lawmakers to propose a specific new tax or reform in the state budget allocation that insures a dedicated flow of state funding to higher education. One lawmaker has proposed taxes on oil revenues in the state to create a new \$1 billion fund for higher education. That initiative seems unlikely in the face of a still strongly anti-tax political culture and concern among politicians that any new revenues help with the short- and long-term budget deficits faced by California. Higher education must compete with prisons, schools, health care, and a myriad of other public services for scarce tax dollars.

The other variable is a spectacular improvement in the state's economy and tax revenues, combined with the interest of a new governor to make higher education a central component of their tenure. In the past, major reforms, whether it be during the Progressive Era under Hiram Johnson, the post-World War II period of growth in higher education under Earl Warren, or the 1960 Master Plan during Pat Brown's governorship, aggressive leadership by the governor and key lawmakers in times of economic expansion was an essential component in charting the future of California's system.

Neither variable seems likely at this point in time. In the governor's race, the leading Republican and Democratic candidates have little to say about higher education. Indeed, there is the prospect that next budget year will be the worst yet, accentuated by the depletion of federal stimulus funding to states and a projected \$20 billion or so state deficit. As noted previously, the federal Recovery and Reinvestment Act was essentially a lifeline for states like California; without it, the impact on access and the hit to public institutions would have been far worse. As of May 2010, there is a much needed new proposal sponsored by Senator Tom Harkin in Congress to funnel \$23 billion to state governments to mitigate anticipated further cuts in the teaching staff in K-12 and higher education. This would be a significant help in maintaining in some form access to higher education. But its full impact on California is not fully understood at this time.

Even with these variables in mind, the Muddle Thru and Moderate Solution are the likely scenarios. Both are the paths of least resistance, or a default for the lack of a larger state plan; neither will likely result in a public system that will once again place California in the vanguard of supporting and growing a mass system of higher education.

There is a need to more fully assess what California and the US require from its public higher education system in the next twenty plus years – *The California Idea* redux. This should include imagining alternative models that in some instances may be informed by the reforms of our economic competitors. Some analysis and thoughts on that proposition will follow in another CSHE based essay.

What made the reforms in the Progressive era and in 1960 so powerful was the focus of their promoters on the long-term. They generated a "Smart Growth" approach designed for their era. In the current environment, long-term thinking is a difficult task what with constant budget cutting and the contemporary mantra of doing more with less. The financial collapse, the implosion of California higher education system, and its real consequences for California families and businesses may ultimately force the first serious reconsideration of how to match our societal goals with institution building. It may need to get worse before it gets better.