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ACCOUNTABILITY AND MONEY

Testimony for
The National Commission on the Future of Higher Education.

by Paul E. Lingenfelter, President
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Mr. Chairman and members of the Commission:

Thank you for the opportunity to participate in your deliberations. This written testimony and my comments will: 1) Briefly provide general observations on the situation of higher education in the United States; 2) Summarize *Accountability for Better Results: A National Imperative for Higher Education,* the report of the National Commission on Accountability in Higher Education, co-chaired by Former Governor Frank Keating of Oklahoma, and Former Governor and U.S. Secretary of Education, Dick Riley; and 3) Provide some data and perspectives on higher education finance and the state role in support of higher education.

I. OBSERVATIONS

A. The United States built the world's leading research and development infrastructure, involving both research universities and the private sector, after World War II. Aided by the GI Bill, the post-Sputnik National Defense in Education Act, and the Higher Education Act of 1965, the U.S. workforce became the best educated in the world. Combined with our open, competitive economy, this turned out to be a powerful "recipe:" investment in world-class R&D, a well-educated workforce, and a competitive market economy, governed by fair laws, yield – social and economic prosperity. The "recipe" is no longer secret, and it is more powerful now than ever before.

B. In *The World is Flat* Tom Friedman argues that the global economic "playing field" has been flattened by ten forces: the fall of the Berlin Wall, the web browser, work flow software, open sourcing, outsourcing, offshoring, supply-chaining, insourcing, in-forming, and "the steroids:" wireless, mobile, digital communication. What does this mean? Technology enables business to leap over geographical and political boundaries, and most of the world now employs the U.S. "recipe" for prosperity. Capital investment and jobs are flowing all over the globe in search of competitive advantage. *Source: The World is Flat, 2004.*

C. Geoff Colvin observes, "American workers are enormously more expensive than their peers almost anywhere but in Western Europe. So they must confront what may be the most important question of their working lives: How can they be worth what they cost?" *Source*: "Can Americans Compete?" *Fortune* July 20, 2005.

D. The U.S. now ranks 10th in the entry rate to baccalaureate education, and 15th in the entry rate to post-secondary technical education. We still are near the top regarding the proportion of our current workforce with a college degree, but we are losing ground rapidly to developed economies in Europe, Asia, Australia, and New Zealand. *Source*: OECD *Education at a Glance, 2003*.

E. This year the U.S. will generate about 1.3 million college degrees, with roughly 70,000 in engineering. In comparison, India will generate 3.1 million degrees (all English speaking), including 350,000 engineers; China will generate 3.3 million degrees, and more than 600,000 engineers. The U.S. needs more scientists and engineers, but we can no longer compete on the quantity of our scientific workforce; we must pay attention to quality *and* quantity. *Source:* "Can Americans Compete?" *Fortune* July 20, 2005.

F. The U.S. population is aging. Every year for the next fifteen years, the "over-55" age group will grow by 1.5 million. The 6-24 age group will grow modestly, less than 500,000 each year. Meanwhile, we will see virtually no growth of workers in the prime working years, 25-54. Thus, while the "productive" age group will not increase in numbers, those requiring education and more extensive health care will grow rapidly. *Source*: U.S. Census Data.

G. These demographics, combined with revenue reducing factors such as the disproportionate growth of the lightly taxed service economy, have created structural deficits in virtually every state. (Fifty years ago services accounted for 35% of sales; today services accounts for 60% of sales, and goods account for 40%.) *Sources:* NCHEMS: Don Boyd, (Rockefeller Institute of Government), 2005 and NASBO.

H. The college participation rate is high for students from high socio-economic status families, regardless of academic ability and preparation. The college participation rate is substantially lower for students from low socio-economic status families, even when they are high in academic ability and preparation. *Source: Access Denied*, Department of Education, February 2001 (see Figure 1).

Figure 1

Affordability – does financial aid matter?

College Participation By Achievement Test and Socioeconomic Status Quartile

		SES Quartile	
		Lowest	Highest
Achievement Quartile	Highest	78%	97%
	Lowest	36%	77%

Source: Access Denied, Department of Education, February 2001

I. The population of 18-25 year olds in the U.S. will grow by about 5 million, from roughly 25 million to 30 million, by 2020. Of the additional 5 million, 18% will be white, non-Hispanic, 49% will be Latino, 16% will be African American, and 16% will be Asian. Though Latino and African-American students continue to grow as a share of our workforce, postsecondary education achievement rates for these groups continue to be well below average. *Source: Demography and the Future of Higher Education Policy*, Richard Fry, April 2001

J. In 1975, earnings for workers with a college degree were 50% higher than the earnings of similar aged workers with only a high school education. By 2002, college graduates earned 88% more. Perhaps as a result, postsecondary enrollments have been increasing steadily, more than 12% in the past five years alone. But neither the rate of participation nor degree achievement is matching the aspirations of high school students: 80% of high school sophomores indicate they plan to obtain a baccalaureate degree and more than 90% plan some postsecondary education. *Source*: NCES Survey and SHEEO, *State Higher Education Finance*.

K. For American workers to be worth what they cost, for our economy to be competitive in the global economy, and for America to sustain the "dream" of continuing increases in social mobility and living standards, ***we must double the degree production of the 1960s with no compromise in quality.*** Participation in higher education has grown since the 1960s, but neither high school nor college graduation rates have kept pace.

II. ACCOUNTABILITY FOR BETTER RESULTS

A. Why "better accountability" and what will it look like?

1. We need to change what we are doing to get better results. Neither our society nor our economy can afford to leave the *status quo* undisturbed.

2. Current accountability practices frequently reflect worry, frustration, and pique, more than confident, well-designed strategies for improvement. Much of current practice is a barely meaningful reporting exercise. At its worst, current practice is a tool for placing blame on others and deflecting blame from oneself. Accountability must become an instrument for improving performance, not merely a tool for measuring or rewarding performance, or punishing the lack of performance.

3. "Better accountability" will employ pride, not fear as its organizing principle. It will become a tool for self-discipline, not finger-pointing. It will be driven by a common vision, but decentralized in most important details, recognizing that excellence requires many "divisions of labor," empowered workers, and room for creativity. It will be collaborative, because improved performance requires common purpose and an enormous amount of cooperation. It will energize, inspire, and guide teachers and learners, not demoralize them. But it will be neither unfocused about objectives nor uncertain about results. Effective accountability must measure what we value.

B. Federal responsibilities

1. Focus attention and sufficient resources on programs to assure access to opportunity, especially need-based financial assistance.

2. Sustain and enhance support for research and development, with more attention to strategic priorities and quality assurance.

3. Develop and support data systems to support improved performance at every level of our higher education system.

C. State responsibilities

1. Set broad, clear goals for higher education, including student preparation and rates of success and research and service productivity.

2. Stay focused on a policy agenda; stay out of institutional operations.

3. Measure results, including statewide student learning, while avoiding the trap of "holding institutions accountable" for student learning.

4. Provide necessary resources for institutional operations and student financial aid.

D. Institutional responsibilities

1. Improve teaching and learning, in part by establishing clear learning goals both for general education and individual academic programs, and then by assessing learning, disclosing results, and working for improvement.

2. Assure access to opportunity in tuition and financial aid policies.

3. Assure research quality and value by appropriately allocating faculty talent to different kinds of scholarly endeavor and employing rigorous standards in all of them.

4. Improve productivity by: working with K-12 educators to improve teaching and student preparation; increasing the coherence and focus of curricula; employing technology to increase quality *and* efficiency; streamlining and outsourcing where feasible and appropriate; and, reallocating toward higher priorities.

E. Accrediting association responsibilities

1. Establish learning goals appropriate to different degrees and certificates.

2. Assess institutional performance and capacity against established standards, and promote improved teaching and learning within institutions.

3. Expand and enhance publicly available information on the findings of accrediting reviews.

III. MONEY

A. Three wrong ideas about money.

1. There is a "right" amount.

2. The only way to get better results is to spend more money.

3. We can get the results we need (more quality and more student success) without spending more money.

B. Three right questions about money.

1. What do we need from higher education?

2. What can we do better with the money we now have?

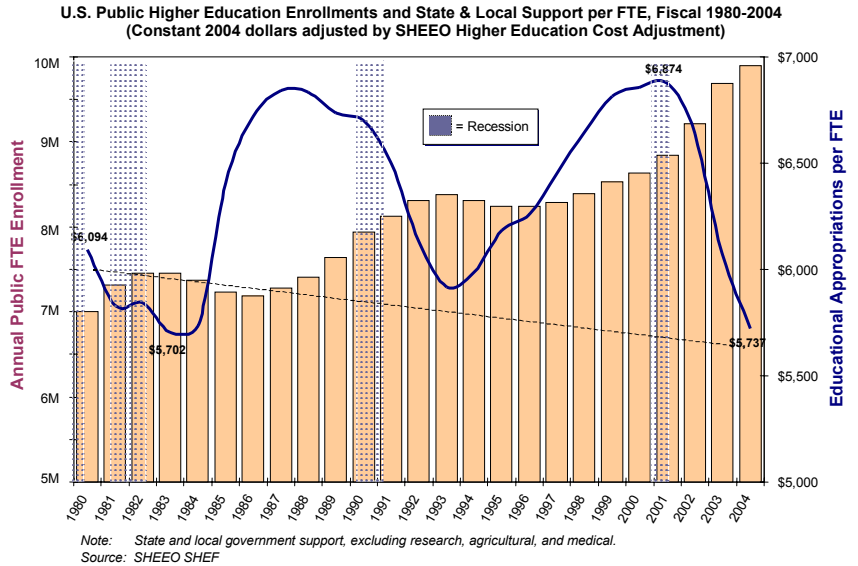
3. Where can additional investment help us obtain what we need?

C. What's going on with state support for higher education?

1. State appropriations have generally kept pace with enrollment growth and inflation for the past thirty five years, but not without dramatic periods of decline and recovery. In recessions enrollments typically grow rapidly, state support falls, and tuition increases dramatically. In the past after economic recovery state support resumed growth, the pace of enrollment growth receded, and (usually due to public and political reactions) tuition increases have been moderated (see Figure 2).

Figure 2

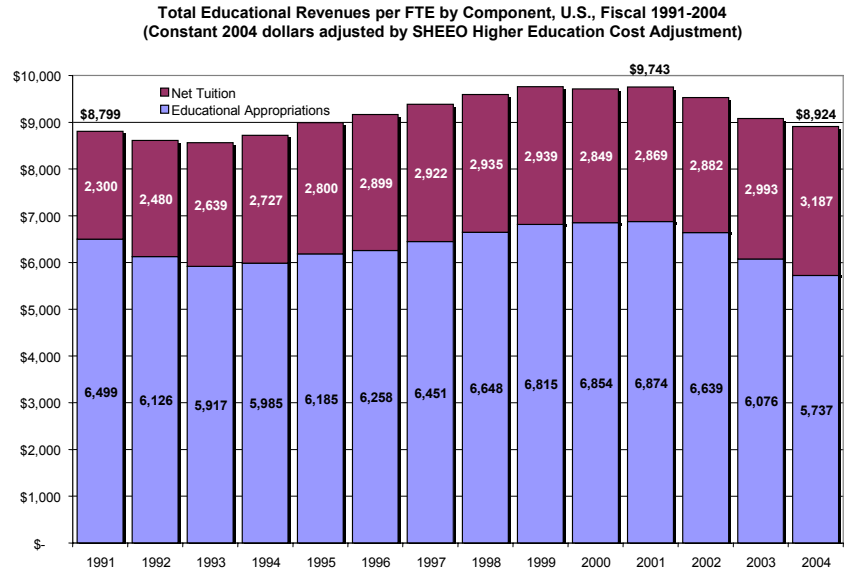
State & local support per student, 1980-2004



2. From fiscal year 2001 to fiscal year 2004 higher education enrollments grew 11.8 percent and inflationary costs grew 10.4% while total state support was essentially flat at $70 billion. Despite *constant dollar* net tuition increases of 10.7%, total constant dollar spending per student (state support plus net tuition) decreased by 8.7% from 2001 to 2004. Fiscal year 2001 was the high point in state support per student over the past 25 years (see Figure 3).

Figure 3

Educational revenues per FTE, 14 years



3. State appropriations have increased in fiscal year 2005 and 2006, (roughly 4% to 6% each year) halting the decline in real dollar support per student. Continuing enrollment growth and inflation are roughly matching those increases.

4. The variation among the states in appropriations trends and enrollment growth is enormous; the national average represents the experience of very few states.

5. State appropriations for higher education have fallen dramatically as a percentage of per capita income in the past 30 years. Of course, growth in per capita income substantially outstripped consumer prices during this period. Real dollar increases in tuition charges have largely "replaced" state revenues, leading to considerable growth in the percentage of costs borne by students and families. Sorting out "who pays, who benefits," and assuring access and student success for low-income students remains a fundamental policy issue.

D. Why do prices and costs keep rising?

1. Competing for students by enhancing quality and amenities?

2. Competing for faculty?

3. Tuition Discounting?

4. Program proliferation?

5. Technology costs?

E. The higher education cost spiral is unsustainable. How can productivity be increased?

1. *"Micro" interventions.* Improve student preparation; utilize technology to improve instructional quality and efficiency; employ many "little savings" through operational efficiencies, improving student course-taking patterns, outsourcing, etc.

2. "*Macro" interventions*. Develop more coherent curricula and reallocate from lower to higher priorities.

IV. IN CONCLUSION

I am grateful for the invitation to discuss the work of the National Commission on Accountability in Higher Education and SHEEO's studies of State Higher Education Finance with you., and I have provided copies of both the Commission report and the Executive Summary of *State Higher Education Finance, 2004*.

Also, in preparation for this event I came across a statement, "The National Agenda for Postsecondary Education and the Higher Education Act," developed by the members of SHEEO in the summer of 2002. This statement, on a single piece of paper, efficiently summarizes much of what I've said today. I'm pleased to provide copies for your review.

THE NATIONAL AGENDA FOR POSTSECONDARY EDUCATION AND THE HIGHER EDUCATION ACT

-- Statement of the State Higher Education Executive Officers –
September, 2002

THE NATIONAL AGENDA FOR POSTSECONDARY EDUCATION

More than ever before, prosperity, democracy, and the quality of life in succeeding generations depends on the knowledge and skills of the American people. Accordingly, the nation is expecting postsecondary education to generate –

- More opportunities for students to participate in postsecondary education
- Widespread, affordable access to high quality programs
- Higher levels of student learning
- More students who complete degrees and certificates,
- More capable teachers, and
- More high quality research.

The upcoming reauthorization of the federal Higher Education Act should be used to advance the national agenda for postsecondary education.

The states' higher education executive officers are committed to working with state, federal, and institutional leaders to reach these national goals.

ACHIEVING THE NATIONAL AGENDA WILL REQUIRE:

- A persistent commitment to excellence and continuing improvement.
- A greater effort and commitment from:
  - Institutions, who will need to become more effective and productive in facilitating student learning and generating high quality research;
  - Students, who will need to work harder;
  - The public, who will need to invest more in postsecondary education.
- A clear focus on the national goals and accountability systems for achieving them. Effective accountability systems, which are primarily a state responsibility, must:
  - Focus on student benefits – learning, readiness for work, and a capacity for future learning;
  - Motivate and guide institutions, faculty, and students with clear, relevant goals;
  - Build the capacity to succeed;
  - Provide flexibility for experimentation and creative approaches;
  - Be efficient and effective – not cumbersome, complicated, or regulatory.

- A sensible division of responsibilities and roles among the federal government, the states, the private sector, institutions, and academic leaders. Everybody cannot play every role, just as every institution cannot be excellent in every mission.
- Wise choices among competing demands and priorities
- Good stewardship in preserving and strengthening the nation's educational resources, along with the courage to innovate and challenge outmoded approaches.

TO ADVANCE THE NATIONAL AGENDA …

States must:

- Continue the design and implementation of state accountability systems that focus attention on public priorities, monitor results, assure quality, and promote greater achievement.
- Take all steps necessary to assure that the next generation of students is well-prepared for postsecondary education, with special attention to those who have received inadequate preparation.
- Develop and implement tuition and financial aid policies that, in partnership with federal programs, assure that higher education is affordable and accessible to low-income and middle-income students, without assuming inordinate debt.
- Provide adequate direct support to colleges and universities to meet the demand for high quality postsecondary education and to sustain the vitality of the nation's research infrastructure.
- Mobilize and engage every available institutional resource in advancing the public agenda – public, private non-profit, and private for-profit institutions.
- Identify and eliminate regulations and constraints that increase the cost of education without increasing its quality or effectiveness.
- Develop policies and operating procedures that enable the states and institutions to use limited resources effectively in advancing the public agenda.

The federal government must:

- Assure sufficient support for federal financial assistance programs so that low and middle income students are enabled and encouraged to participate in higher education.
- Simplify federal student aid programs to increase their operating efficiency and to reduce obstacles to students in need.
- Expand the federal financial commitment to programs, such as Gear Up and TRIO, that demonstrate results in encouraging and enabling students to prepare for success in college.
- Support the further development and maintenance of national data systems that will help states and institutions monitor their progress and increase achievement.
- Continue funding high quality research.
- Identify and eliminate regulations and constraints that increase the cost of education without increasing its quality or effectiveness.

Institutions must:

- Focus continuing and increased attention on practices that increase teaching effectiveness and student learning.
- Utilize and develop technological applications that engage students and increase the quality and effectiveness of instruction.
- Develop stronger collaborative relationships with pre-K-12 educational systems in order to strengthen the quality of teaching and the preparation of the next student generation.
- Develop new approaches to instruction, research, and administration that increase access, reduce costs, and increase the quality and productivity of postsecondary education.
- Identify and eliminate the factors, both within and among institutions, that unduly slow student progress and impede the achievement of educational goals.

ABOUT SHEEO

The members of State Higher Education Executive Officers (SHEEO) are the chief executive officers serving statewide coordinating boards and governing boards of postsecondary education.

The mission of the association is to assist its members and the states in developing and sustaining excellent systems of higher education.