

# CollegeProductivity

## TRACKING MOMENTUM:

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### Higher Education Productivity in America

Experts say that for a stronger nation, at least 60 percent of Americans should have high-quality postsecondary degrees or credentials. Over the past four decades, only about 40 percent of Americans have held at least a two-year degree. Working with our partners at the state level, Lumina Foundation for Education is changing that through its Four Steps to Finishing First public policy agenda.

# Tracking Momentum:

## Building Will for Higher Education Productivity Through Knowledge and Understanding

The current way of doing business is simply not getting the job done and cannot meet the nation's workforce needs. America's colleges and universities have to be more efficient and effective, but they can't do it alone. National and state leaders understand this and are joining forces with elected officials, policymakers, community leaders, parents, and students to call for changes in America's postsecondary system that reflect Lumina's Four Steps to Finishing First public policy agenda.

In the media...

- The *Washington Examiner's* Glenn Reynolds and *National Review's* Michael Barone talk of a higher education bubble that will soon burst. Barone writes: "America leads the world in higher education, yet there is much in our colleges and universities that is amiss and, more to the point, suddenly not sustainable. The people running America's colleges and universities have long thought they were exempt from the laws of supply and demand and unaffected by the business cycle. Turns out that's wrong."

State policymakers and postsecondary education leaders...

- University of **California** law school dean Dr. Christopher Edley continues to push for a statewide, virtual University of California as a way to keep California's public commitment to serve the top 12.5 percent of college-aged students in the state.

Q&A

Civil rights leader and legal scholar Dr. Christopher Edley making the connection between embracing lower-cost, alternative models for postsecondary education and opportunity:

Q. Why is an online campus an urgent issue?

A. My primary passions are in the racial-justice arena, and it's perfectly predictable that underrepresented minorities will increasingly be left behind unless we find new strategies."



## The Four Steps to Finishing First (The Productivity Policy Agenda for States)

Lumina's state policy agenda for increasing the number of graduates with existing resources and without sacrificing quality:

1. Reward institutions that focus on students completing quality programs, not just attempting them
2. Reward students for completing courses and degree or certificate programs
3. Expand and strengthen lower-cost, non traditional education options
4. Invest in institutions that demonstrate the results of adopting good business practices

- Prominently featuring attainment and productivity in his speech at an August higher education summit, **Missouri** Governor Jay Nixon admonishes, "We must take a hard and unsentimental look at all academic programs, and cull those that are of low productivity, low priority, or duplicative."
- **Virginia** Governor Bob McDonnell's Commission on Higher Education Reform, Innovation, and Investment recognizes the state will need some combination of new resources and internal restructuring to graduate 100,000 more people over the next 15 years. Governor McDonnell encouraged the Commission to make hard calls, saying, "Not every university needs to be all things to all people."
- In **Indiana**, campus constituencies are starting to show understanding that the status quo in higher education is unsustainable. Governor Mitch Daniels has urged college trustees, "Please work on how to use the money you have for the maximum educational success of every student." In her state-of-the-university address, Ball State University President Jo Ann Gora echoed Daniels, saying, "We have entered a new era in higher education. This scrutiny will not go away even when the economy improves or the political party changes."

# Tracking Momentum:

## Leading Through Action: States Demonstrate Commitment and Conviction, Advance Productivity

In this quarterly report, HCM Strategists highlights the Four Steps to Finishing First public policy agenda where we see considerable state commitment and conviction: Steps 1 and 4.

### *Step 1. Reward Institutions*

More states are rewarding colleges for the number of students who complete courses and programs. Two states enacted funding policy reforms during the 2010 session; at least nine others are actively considering changes that would strengthen the focus on completion and increase the stakes for performance.<sup>1</sup>

- State higher education boards in **Tennessee** and **Louisiana** are working with colleges to implement new performance-funding policies requiring a greater percentage of state support be spent on completion.
- Through Lumina's new Productivity Strategy Labs, **West Virginia** officials conferred with peers in Indiana, Louisiana, and Tennessee and gained confidence to make policy changes. After meeting higher education finance officers, policy staff, and legislators from these states at a site visit to Indiana, West Virginia's governor's office and Higher Education Policy Commission learned about specific performance metrics and got advice about how to connect performance funding to the broader completion and productivity agendas. They also discussed effective messaging and how to engage institutions early and often. The Commission's announcement of a new policy directly acknowledged the momentum for these types of changes in other states. Legislative action will have to occur in the 2011 session.
- The **Illinois** Higher Education Finance Study Commission, co-chaired by two legislators, heard from Ohio Chancellor Eric Fingerhut about how to change funding policies (including financial aid) so completion is rewarded, not enrollment.
- **Washington** Governor Chris Gregoire outlined the expectations of her higher education funding task force: develop a realistic long-range funding strategy; improve accountability and performance; and consider if governance changes would improve performance and accountability.

- A higher education summit in early September in **Hawaii** put implementation of performance funding squarely on the agenda for the next governor and legislative session.

*"We must take a hard and unsentimental look at all academic programs, and cull those that are of low productivity, low priority, or duplicative."*

Missouri Governor Jay Nelson

### *Step 4. Better Business Practices*

As Wall Street Journal headlines warn of the need for pension reform and the federal National Commission on Fiscal Responsibility and Reform contemplates cost restructuring in entitlement programs, higher education is starting to grapple with better business practices for benefits policies.

- The University of **Nebraska** restructured its retirement benefit pools and eliminated the inflationary pressure its retirement policies placed on tuition. Before the cost restructuring, Nebraska estimated that it would have to increase tuition 10 percent a year just to pay for its unfunded retirement liabilities.
- The University System of **Maine** restructured its retirement benefits and reduced its unfunded liability by 57 percent and its annual contribution costs by 55 percent. An internal task force, actuarial consultant, external auditors, bond advisors, and other universities contributed ideas for restructuring these costs.

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<sup>1</sup> The two states are Tennessee and Louisiana; the nine states are Arizona, Hawaii, Illinois, Missouri, Montana, Pennsylvania, Texas, Washington, and West Virginia.

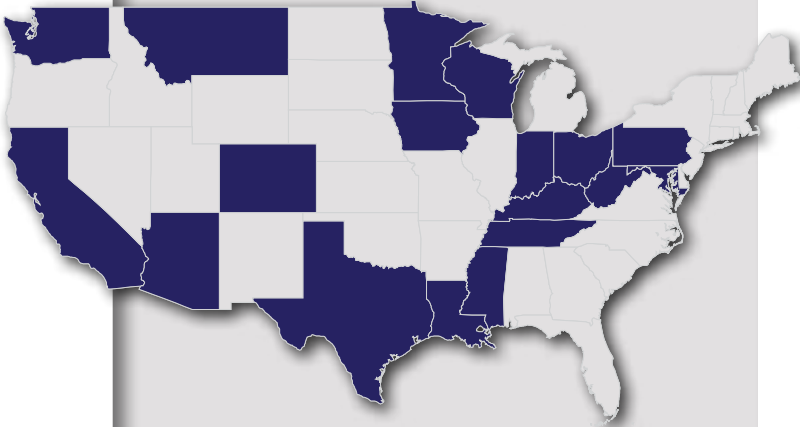
# Data Results:

*Pennsylvania's state colleges and universities are a model for sticking with performance funding, increasing the stakes over time, and getting results: graduation rates are up 10 percentage points and persistence rates for Hispanic students are up 15 points since the policy was enacted.*

**10-15%**  
*Graduation Rates Up*

## Results

- The **Pennsylvania** State System of Higher Education shows us how funding colleges for completion can drive institutional behavior and completion rates. Seven percent of state funding is now allocated for completion. Since performance funding was adopted in 2001, graduation rates have increased nearly 10 percentage points and second-year persistence rates for Hispanic students have jumped nearly 15 points.
- Metropolitan State University (Metro State) in **Colorado** demonstrates what it means to enlist the hearts and minds of faculty to spend money differently. The president and faculty reallocated existing resources to hire over 200 new tenure and tenure-track faculty – assigning many of them to lower-division courses. Nine out of ten freshmen participating in the pilot First Year Success Program were retained; this month, all Metro State first-time freshmen will participate.



## WHERE WE HAVE FOCUSED OUR SUPPORT

Arizona	Mississippi
California	Montana
Colorado	Ohio
Kentucky	Pennsylvania
Indiana	Tennessee
Iowa	Texas
Louisiana	Washington
Maryland	West Virginia
Minnesota	Wisconsin

Cohort 1 Strategy Lab states;  
[bolded] states with Lumina productivity grants