

## Background

Last week at the National Press Club, Secretary of Education Margaret Spellings introduced and discussed her reactions to the final report of the National Commission on the Future of Higher Education in America.

In launching this Commission a year ago, Secretary Spellings stated, "It is time to launch a national dialogue on our shared vision for higher education. Of course, the circumstances are far different from earlier studies such as *A Nation at Risk*. Rather than facing a 'tide of mediocrity', we're starting our discussion with the finest system of education in the world—the very best. Our challenge today is to make it even better."

She went on to charge the Commission with addressing four key areas:

- **Accessibility:** How accessible is higher education? And who will be the college student of tomorrow?
- **Affordability:** Why is the cost of college rising so rapidly and how can we make college more affordable?
- **Accountability:** How well are institutions of higher education preparing out students for the workforce of the 21<sup>st</sup> century? Will our students have the skills to be leaders in the public and private sectors? How do we know what we're getting for our investment in higher education?
- **Quality:** How can we ensure America remains the world's leader in innovation and research?

NOTE: The Commission was unusually broad, with strong representation from business, industry, foundations, and government, as well as higher education. It also had as occasional participants several cabinet members and representatives (Energy, State, Commerce, NSF, NIH, and Education, of course):

## Business:

- Charles Miller (Chair), Private investor
- Nicholas Donofrio, IBM

- Gerri Elliott, Microsoft
- Jonathan Grayer, Kaplan
- Richard Stephens, Boeing
- Catherine Reynolds, Lending Company

#### Foundations

- Kati Haycock, Education Trust
- Arthur Rothkopf, U.S. Chamber of Commerce
- Sara Martinez Tucker, Hispanic Scholarship Fund

#### Government

- James B. Hunt, former Governor of North Carolina
- Arturo Madrid, former head of FIPSI
- Louis Sullivan, former Secretary of HHS

#### Higher Education

- James Duderstadt, U. Michigan
- Robert Mendenhall, Western Governors University
- Charlene Nunley, Montgomery Community College
- Richard Vedder, Ohio University
- Charles Vest, MIT
- David Ward, ACE
- Robert Zemsky, U. Pennsylvania

#### Observers

- Samuel Bodman, Secretary of Energy
- Joe Molina, Under Secretary of Defense
- Emily DeRocco, Assistant Secretary of Labor
- Michelle O'Neill, Under Secretary of Commerce
- Raymond Orbach, Under Secretary of Energy
- Sally Stroup, Assistant Secretary of Education

#### The Process

- For much of the last year the Commission has held hearings across the nation to hear from many constituencies—students and parents,

business and industry, leaders of college and universities, and many others with strong interest or concerns.

- A series of background papers were prepared by consultants on many topics such as the cost of higher education, student learning outcomes, and student financial aid, while many individuals and organizations provided their own thoughtful analysis.
- In early spring the commissioners moved into their own deliberations to begin to converge on key findings and possible recommendations
- However we suffered a bit of a setback when a group of consultants were asked to prepare an early draft of the report of the commission without adequate consultation. This report, which bore little relation to the views of the commissioners or the hearings we had conducted, for that matter, largely reflected the highly negative and opinionated views of the consultants and unfortunately set the higher education on edge when it was released prematurely.
- After a minor revolt, in which the commissioners essentially repudiated the consultant draft, the Commission resumed its work and eventually came up with its own findings and recommendations at least at the 100,000 foot level.
- Of course, the devil is always in the details, and the final draft of the report, to be released next week, represents considerable negotiation and wordsmithing. While all of the commissioners support the final recommendations at the broadest level, each of us can point to areas of the report where we still have disagreement.

Hence, most of my discussion today will try to stay at the high level where I believe there is a broad agreement on the part of the Commission.

Let me quote directly from the final draft of the report of the Commission

The Good News:

Whether America's colleges and universities are measured by their sheer number and variety, by the increasingly open access so many citizens enjoy to their campuses, by their crucial role in advancing the frontiers of knowledge through research discoveries, or by the new forms of teaching and learning that they have pioneered to meet students' changing needs, these postsecondary institutions have accomplished much of which they and the nation can be proud.

To quote last year's *The Economist*:

"There is no shortage of things to marvel at in America's higher-education system, from its robustness in the face of external shocks to its overall excellence. However what particularly stands out is the system's flexibility and its sheer diversity...It is all too easy to mock American academia. But it is easy to lose sight of the real story: that America has the best system of higher education in the world!"

The Bad News:

Despite these achievements, however, the Commission believes U.S. higher education needs to improve in dramatic ways. As we enter the 21<sup>st</sup> century, it is no slight to the successes of American colleges and universities thus far in our history to note the unfulfilled promise that remains. Our year-long examination of the challenges facing higher education has brought us to the uneasy conclusion that the sector's past attainments have led our nation to unwarranted complacency about its future.

We have seen ample evidence that some form of postsecondary instruction is increasingly vital to an individual's economic security. Yet too many Americans just aren't getting the education that they need – and that they deserve.

What we have learned over the last year makes clear that American higher education has become what, in the business world, would be called a mature enterprise: increasingly risk-averse, at times self-satisfied, and unduly expensive. It is an enterprise that has yet to address the fundamental issues of how academic programs and institutions must be transformed to serve the changing educational needs of a knowledge economy. It has yet to successfully confront the impact of globalization, rapidly evolving technologies, an increasingly diverse and aging population, and an evolving marketplace characterized by new needs and new paradigms.

Here there are essentially two: social justice and global competitiveness

**Social Justice:** For close to a century now, access to higher education has been a principal – some would say *the* principal – means of achieving social mobility. Much of our nation’s inventiveness has been centered in colleges and universities, as has our commitment to a kind of democracy that only an educated and informed citizenry makes possible. It is not surprising that American institutions of higher education have become a magnet for attracting people of talent and ambition from throughout the world

**Global Competitiveness:** But today that world is becoming tougher, more competitive, less forgiving of wasted resources and squandered opportunities. In tomorrow’s world a nation’s wealth will derive from its capacity to educate, attract, and retain citizens who are to able to work smarter and learn faster – making educational achievement ever more important both for individuals and for society writ large.

To this end, the Commission set as its primary goals the following:

- A world-class higher-education system that creates new knowledge, contributes to economic prosperity and global competitiveness, and empowers citizens.
- A system that is accessible to all Americans, throughout their lives.
- Postsecondary institutions capability of providing high-quality instruction while improving their efficiency in order to be more

affordable to the students, taxpayers, and donors who sustain them.

- A higher-education system that gives Americans the workplace skills they need to adapt to a rapidly changing economy.
- Postsecondary institutions capable of adapting to a world altered by technology, changing demographics and globalization, in which the higher-education landscape includes new providers and new paradigms, from for-profit universities to distance learning.

**In today's knowledge-driven society, higher education has never been more important.**

- America's national capacity for excellence, innovation and leadership in higher education will be central to our ability to sustain economic growth and social cohesiveness. Our colleges and universities will be a key source of the human and intellectual capital needed to increase workforce productivity and growth. They must also continue to be the major route for new generations of Americans to achieve social mobility.
- The transformation of the world economy increasingly demands a more highly educated workforce with postsecondary skills and credentials. Ninety percent of the fastest-growing jobs in the new information and service economy will require some postsecondary education.
- The benefits of higher education are significant both for individuals and for the nation as a whole. Over a lifetime, an individual with a bachelor's degree will earn an average of \$2.1 million – nearly twice as much as a worker with only a high school diploma.

**Too few Americans prepare for, participate in, and complete higher education – especially those underserved and nontraditional groups who make up an ever-greater proportion of the population. The nation will rely on these groups as a major source of new workers as demographic shifts in the U.S. population continue.**

- We found that access to higher education in the United States is unduly limited by the complex interplay of inadequate preparation, lack of information about college opportunities, and persistent financial barriers.
- While the proportion of high school graduates who immediately enter college has risen in recent decades, unfortunately, it has largely stalled at around 60 percent since the late 1990s. The

national rate of college completion has also remained largely stagnant. Most important, and most worrisome, too many Americans who could benefit from postsecondary education do not continue their studies at all, whether as conventional undergraduates or as adult learners furthering their workplace skills.

- While there are important actions that can be taken both by colleges and universities and by their patrons (state and federal government, private support) to improve access at the margin, major gains are not likely without a sustained improvement in secondary education.
- Inadequate high school preparation is compounded by poor alignment between high schools and colleges, which often creates an “expectations gap” between what colleges require and what high schools produce.
- Dismal high school achievement rates nationwide have barely budged in the last decade. Close to twenty-five percent of all students in public high schools do not graduate – a proportion that rises among low income, rural, and minority students.
- We are especially troubled by gaps in college access for low-income Americans and ethnic and racial minorities. Notwithstanding our nation’s egalitarian principles, there is ample evidence that qualified young people from families of modest means are far less likely to go to college than their affluent peers with similar qualifications.
- Only 8% of the bottom quartile will graduate from a four-year institution, compared to 75% of the top quartile.
- Just as dismaying, low-income high school graduates in the top quartile on standardized tests attend college at the same rate as high-income high school graduates in the bottom quartile on the same tests.<sup>14</sup> Only 21 percent of college-qualified low-income

students complete bachelor's degrees, compared with 62 percent of high-income students.<sup>15</sup> (Note: The available data do not include transfer students, and as a result it likely undercounts low-income and minority students.)

- Nearly 40 percent of today's postsecondary students are self-supported; more than half attend school part-time; almost one-third work full-time; 27 percent have children themselves. But we are not expanding capacity across higher education to meet this demand.

**Our higher-education financing system is increasingly dysfunctional. State subsidies are declining; tuition is rising; and cost per student is increasing faster than inflation or family income. Affordability is directly affected by a financing system that provides limited incentives for colleges and universities to take aggressive steps to improve institutional efficiency and productivity. Public concern about rising costs may ultimately contribute to the erosion of public confidence in higher education.**

- There is no issue that worries the American public more about higher education than the soaring cost of attending college. Yet because students and families only pay a portion of the actual cost of higher education, affordability is also an important public policy concern for those who are asked to fund colleges and universities, notably federal and state taxpayers, but also private donors.
- The rapid increase in the price of a college education, driven in part by cost shifting from tax support to tuition in public institutions, by inefficiency and stagnant productivity gains, and by unbridled competition for the best students, faculty, resources, and reputations, is undermining public confidence in higher education.
- From 1995 to 2005, average tuition and fees at private four-year colleges and universities rose 36 percent after adjusting for inflation. Over the same period, average tuition and fees rose 51

percent at public four-year institutions and 30 percent at community colleges.

- One of the reasons tuition and fees have increased is that state funding has fallen to a 25 year low, dropping to less than 20% of the operating costs of the nation's public colleges and universities, on the average. Although we strongly encourage states to continue their historic and necessary commitment to the support of public higher education, this may be difficult in view of the priorities of an aging baby boomer population which will emphasis health care, retirement, safety from crime, and tax relief rather than education for their tax dollars.
- The bottom line is that state funding for higher education will not grow enough to support enrollment demand without higher education addressing issues of efficiency, productivity, transparency, and accountability clearly and successfully.
- College and university finances are complex, and are made more so by accounting habits that confuse costs with revenues and obscure production costs. The lack of transparency in financing is not just a problem of public communication or metrics. It reflects a deeper problem: inadequate attention to cost measurement and cost management within institutions.
- Institutions are spending more money, particularly the wealthiest universities with the greatest access to capital. In fact, colleges and universities have few incentives to contain costs because prestige is often measured by resources, and managers who hold down spending risk losing their academic reputations in beauty pageants such as USN&WSR.
- Next to institutional financial aid, the greatest growth has been in administrative costs for improvements in student services,

- A significant obstacle to better cost controls is the fact that a large share of the cost of higher education is subsidized by public funds (local, state and federal) and by private contributions. These third-party payments tend to insulate what economists would call producers – colleges and universities – from the consequences of their own spending decisions, while consumers – students – also lack incentives to make decisions based on their own limited resources.
- In addition, colleges and universities have few incentives to contain costs because prestige is often measured by resources, and managers who hold down spending risk losing their academic reputations.
- Another little-recognized source of cost increases is excessive state and federal regulation. Specifically, institutions of higher education must comply with more than 200 federal laws – everything from export administration regulations to the Financial Services Modernization Act.

**The entire financial aid system – including federal, state, institutional, and private programs – is confusing, complex, inefficient, duplicative, and frequently does not direct aid to students who truly need it. Need-based financial aid is not keeping pace with rising tuition.**

- There are at least 20 separate federal programs providing direct financial aid or tax benefits to individuals seeking postsecondary education.<sup>21</sup> The system is overly complicated and its multitude of programs sometimes redundant and incomprehensible to all but a few experts. This complexity has the unfortunate effect of discouraging some low-income students from even applying to college.
- Unmet financial need among the lowest-income families (those with family incomes below \$34,000 annually) grew by 80 percent from

1990 to 2004 at four-year institutions, compared with 7 percent for the highest-income families.

- The Advisory Committee on Student Financial Assistance estimates that in the first decade of the new century, financial barriers will keep nearly 2 million low- and middle-income college qualified high school graduates from attending college.
- Nearly three-quarters of undergraduate students in private, non-profit institutions graduate with some debt, compared with 62 percent in public institutions. According to the most recent College Board figures, median debt levels among students who graduated from four-year institutions were \$15,500 for publics and \$19,400 for private, non-profits.

**At a time when we need to be increasing the quality of learning outcomes and the economic value of a college education, there are disturbing signs that suggest we are moving in the opposite direction. As a result, the continued ability of American postsecondary institutions to produce informed and skilled citizens who are able to lead and compete in the 21st century global marketplace may soon be in question.**

- While U.S. higher education has long been admired internationally, our continued preeminence is no longer something we can take for granted. The rest of the world is catching up, and by some measures has already overtaken us.
- **International Comparisons**
  - **When compared to 30 OECD nations, the U.S. ranks**
    - **9<sup>th</sup> in higher education attainment**
      - **16<sup>th</sup> in high school graduation rates**
      - **24<sup>th</sup> in learning proficiency for 15 year olds**
    - **25% of students in public schools fail to graduate**
    - **17% of high school seniors are considered proficient in mathematics and 36% in reading.**

- Percentage of high school graduates going directly on to higher education has been stagnant at 60% for 20 years.
- Unacceptable numbers of students fail to complete their studies at all, while even those that graduate don't always learn enough.
- The National Assessment of Adult Literacy indicates that between 1992 and 2003, average prose literacy (the ability to understand narrative texts such as newspaper articles) decreased for all levels of educational attainment,
- Only 66 percent of four-year college students complete a baccalaureate degree within six years
- Employers complain that many college graduates are not prepared for the workplace and lack the new set of skills necessary for successful employment and continuous career development.

**There is inadequate transparency and accountability for measuring institutional performance, which is more and more necessary to maintaining public trust in higher education.**

- Traditionally, institutional quality is measured primarily through financial inputs and resources. In today's environment, these measures of inputs are no longer adequate, either within individual institutions or across all of higher education.
- Despite increased attention to student learning results by colleges and universities and accreditation agencies, parents and students have no solid evidence, comparable across institutions, of how much students learn in colleges or whether they learn more at one college than another.
- Colleges and universities can also use more comparable data about the benchmarks of institutional success – student access, retention,

learning and success, educational costs (including the growth in administrative expenses such as executive compensation), and productivity – to stimulate innovation and continuous improvement.

- Accreditation, the large and complex public-private system of federal, state and private regulators, has significant shortcomings.

**American higher education has taken little advantage of important innovations that would increase institutional capacity, effectiveness and productivity. Government and institutional policies created during a different era are impeding the expansion of models designed to meet the nation's workforce needs. In addition, policymakers and educators need to do more to build America's capacity to compete and innovate by investing in critical skill sets and basic research.**

- Institutions as well as government have failed to sustain and nurture innovation in our colleges and universities. Reports from those working at the grassroots level in fields such as teacher preparation and math and science education indicate that the results of scholarly research on teaching and learning are rarely translated into practice. Little of the significant research of the past decade in areas such as cognitive science, neurosciences, and organizational theory is making it into American classroom practice, whether at the K-12 level or in colleges and universities.
- With the exception of several promising practices, many of our postsecondary institutions have not embraced opportunities for innovation, from new methods of teaching and content delivery to technological advances to meeting the increasing demand for lifelong learning.
- Accreditation and federal and state regulations, while designed to assure quality in higher education, can sometimes impede innovation and limit the outside capital investment that is vital for expansion and capacity building.

- It is fundamental to U.S. economic interests to provide world-class education while simultaneously providing an efficient immigration system that welcomes highly educated individuals to our nation.

A series of recommendations aimed at all the parties whose efforts will be needed to ensure that reform takes root: colleges and universities; accrediting bodies and governing boards; state and federal policymakers; elementary and secondary schools; the business community; and parents and students themselves.

## Recommendations

1. REMOVING THE BARRIERS TO ACCESS AND SUCCESS: Every student in the nation should have the opportunity to pursue postsecondary education. We recommend, therefore, that the U.S. commit to an unprecedented effort to expand higher education access and success by improving student preparation and persistence, addressing non-academic barriers and providing significant increases in aid to low-income students.

- A high school degree should signify that a student is college and/or work ready. States must adopt high school curricula that prepare all students for participation in postsecondary education and should facilitate seamless integration between high school and college.
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- **NOTE: While there are important actions that can be taken both by colleges and universities and by their patrons (state and federal government, private support) to improve access at the margin, major gains are not likely without a sustained improvement in secondary education.**

2. RESTRUCTURE FINANCIAL AID: To address the escalating cost of a college education and the fiscal realities affecting government's ability to finance higher education in the long run, we recommend that the entire student financial aid system be restructured and incentives put in place to improve the measurement and management of costs institutional productivity.

- We propose replacing the current maze of financial aid programs, rules and regulations with a system more in line with student needs and national priorities. That effort would require a significant increase in need-based financial aid and a complete restructuring of

the current federal financial aid system. Our recommendations call for consolidating programs, streamlining processes, and replacing the FAFSA with a much shorter and simpler application.

- **NOTE: The key is to focus financial aid at the national, state, and institutional level primarily to address need, rather than subsidize the well-to-do (as much of it does today through “merit” aid and tax benefits).**
- The federal government, states and institutions should significantly increase need-based student aid. To accomplish this, the present student financial aid system should be replaced with a strategically oriented, results-driven system built on the principles of (i) increased access, or enrollment in college by those students who would not otherwise be likely to attend, including non-traditional students; (ii) increased retention, or graduation by students who might not have been able to complete college due to the cost, (iii) decreased debt burden, and (iv) eliminating structural incentives for tuition inflation.
- Federal grant programs should be consolidated to increase the purchasing power of the Pell Grant. Whatever restructuring of federal financial aid takes place, the Pell Grant will remain the core need-based program.
- Policymakers and higher education leaders should develop, at the institutional level, new and innovative means to control costs, improve productivity, and increase the supply of higher education.
- At the same time, the Commission opposes the imposition of price controls.
- Federal and state policymakers and accrediting organizations should work to eliminate regulatory and accreditation barriers to new models in higher education that will increase supply and drive costs down.

- Federal and state policymakers should relieve the regulatory burden on colleges and universities by undertaking a review of the hundreds of regulations with which institutions must comply and recommend how they might be streamlined or eliminated.

3. **TRANSPARENCY, ACCOUNTABILITY, AND PUBLIC PURPOSE:** To meet the challenges of the 21<sup>st</sup> century, higher education must change from a system primarily based on reputation to one based on performance. We urge the creation of a robust culture of accountability and transparency throughout higher education. Every one of our goals, from improving access and affordability to enhancing quality and innovation, will be more easily achieved if higher education embraces and implements serious accountability measures.

- **NOTE: To restore public trust and confidence, we suggest that higher education should emulate the capital markets through transparency and accountability that demonstrates their public purpose, e.g.:**
  - Agreeing on how to measure costs, prices, and values (e.g., FASB)
  - Full public disclosure of both learning outcomes and financial performance.
- We recommend the creation of a consumer-friendly information database on higher education with useful, reliable information on institutions, coupled with a search engine to enable students, parents, policymakers and others to weigh and rank comparative institutional performance.
- In addition to this new consumer-oriented database, more and better information on the quality and cost of higher education is needed by policymakers, researchers and the general public.
- The philanthropic community and other third-party organizations are urged to invest in the research and development of instruments

measuring the intersection of institutional resources, student characteristics, and educational value-added.

- Postsecondary education institutions should measure and report meaningful student learning outcomes.
- Faculty must be at the forefront of defining educational objectives for students and developing meaningful, evidence-based measures of their progress toward those goals.
- Accreditation agencies should make performance outcomes, including completion rates and student learning, the core of their assessment as a priority over inputs or processes.

4. INVESTING IN INNOVATION: With too few exceptions, higher education has yet to address the fundamental issues of how academic programs and institutions must be transformed to serve the changing needs of a knowledge economy. We recommend that America's colleges and universities embrace a culture of continuous innovation and quality improvement by developing new pedagogies, curricula, and technologies to improve learning, particularly in the area of science and mathematical literacy.

- We encourage broad federal support of innovation in higher education from multiple agencies (Departments of Education, Energy, Labor, Defense, and Commerce; the National Science Foundation; the National Institutes of Health; and the National Aeronautics and Space Administration) in order to align and coordinate federal investment of innovation in higher education.
- "The Commission encourages the creation of incentives to promote the development of information-technology-based collaborative tools and capabilities at universities and colleges across the United States, enabling access, interaction, and sharing of educational materials from a variety of institutions, disciplines, and educational perspectives. Both commercial development and new collaborative

paradigms such as open source, open content, and open learning will be important in building the next generation learning environments for the knowledge economy."

- **NOTE: More on this in a moment**

5. **LIFELONG LEARNING:** America must ensure that our citizens have access to high quality and affordable educational, learning, and training opportunities throughout their lives. We recommend the development of a national strategy for lifelong learning that helps all citizens understand the importance of preparing for and participating in higher education throughout their lives.

- The Secretary of Education, in partnership with states and other federal agencies, should develop a national strategy that would result in better and more flexible learning opportunities, especially for adult learners.
- **NOTE: This is important! Just as in earlier critical moments in our nation's history when federal initiatives expanded the role of education, e.g. the Land Grant Acts in the 19<sup>th</sup> century to provide higher education to the working class, universal access to secondary education in the early 20<sup>th</sup> century, and the G. I. Bill enabling the college education of the returning veterans of World War II, today a major expansion of educational opportunity could have extraordinary impact on the future of the nation. The Commission believes it is time for the United States to take bold action, completing in a sense the series of these earlier federal education initiatives, by providing all American citizens with *universal access to lifelong learning opportunities*, thereby enabling participation in the world's most advanced knowledge and learning society.**

6. **RESPONDING TO THE IMPERATIVES OF A GLOBAL, KNOWLEDGE ECONOMY:** The United States must ensure the capacity of its universities to achieve global leadership in key strategic areas such as science, engineering, medicine, and

other knowledge-intensive professions. We recommend increased federal investment in areas critical to our nation's global competitiveness and a renewed commitment to attract the best and brightest minds from across the nation and around the world to lead the next wave of American innovation.

- The Commission supports increasing federal and state investment in education and research in critical areas such as the STEM fields, teaching, nursing, biomedicine, and other professions along the lines recommended by the American Competitiveness Initiative, *Rising Above the Gathering Storm*, and the National Innovation Initiative.
- In an effort to retain the best and brightest students and professionals from around the world, the federal government must address immigration policies specifically aimed at international students. The Commission recommends that these international students who graduate with an advanced STEM degree from a U.S. college or university should have an expedited path to an employer-sponsored green card and also be exempted from the numerical cap for green cards.

NOTE: During the past several years there have been several studies suggesting the need for renewed investment in research and education that address the needs of a 21<sup>st</sup> century global, knowledge-driven society. Most prominent among these are:

- *Rising Above the Gathering Storm: Energizing and Employing America for a Brighter Economic Future*, National Academies (Augustine, 2005)
- *The National Innovation Initiative*, Council on Competitiveness (Council on Competitiveness, 2006)
- *The President's American Competitiveness Initiative* (Marburger, 2006)

- Engineering Research and America's Future: Meeting the Challenges of a Global Economy, National Academy of Engineering (NAE, 2005)
- The Science and Engineering Workforce: Realizing America's Potential, National Science Board (NSB, 2003)
- The Federal Science and Technology Budget, Committee on Science, Engineering, and Public Policy (COSEPUP, 1999-2003)
- Critical Choices: Science, Engineering, and Security, Department of Energy Task Force on the Future of Science Programs at the Department of Energy (Vest, 2003)

#### Example: American Innovation Initiative

- Doubles, over 10 years, funding for innovation-enabling research at key Federal agencies that support high-leverage fields of physical science and engineering: the National Science Foundation, the Department of Energy's Office of Science, and the National Institute for Standards and Technology within the Department of Commerce;
- Modernizes the Research and Experimentation tax credit by making it permanent and working with Congress to update its provisions to encourage additional private sector investment in innovation;
- Strengthens K-12 math and science education by enhancing our understanding of how students learn and applying that knowledge to train highly qualified teachers, develop effective curricular materials, and improve student learning;
- Reforms the workforce training system to offer training opportunities to some 800,000 workers annually, more than tripling the number trained under the current system;
- Increases our ability to compete for and retain the best and brightest high-skilled workers from around the world by supporting comprehensive immigration reform that meets the needs of a growing economy, allows honest workers to provide for their families while respecting the law, and enhances homeland security by relieving pressure on the borders.

In summary:

1. Demand (and assist) K-12 education in preparing every student for post-secondary education
2. Refocus federal, state, and institutional financial aid programs on need-based aid.
3. Disclosure and transparency requirements
4. Stimulating more innovation in higher ed
5. Make a national commitment to lifelong learning
6. Endorse ACI, RAGS, and NII

# Responses Thus Far

9/9/06 1:32 PM

Secretary Spellings (National press Club, 9/24/06)

In agreement with most of recommendations. Will move immediately with those items under her control, and begin a dialog with higher education and other constituencies (including Congress) on steps to achieve longer term objectives.

Senses some urgency, both because of importance (and because time is running out on this administration).

1. Complete agreement on the need to involve higher education more thoroughly in the improvement of secondary education, but details not established yet. (She agrees with all recommendations in this section.)

2. Pledge to simplify FALSA and other application processes for federal financial aid (...a 50% reduction?...), something ED believes it can do without Congressional approval.

3. Will affirm the importance of raising federal support of need-based financial aid in general and Pell Grants in particular, but no numbers yet since still in negotiation with OMB.

4. Will provide "seed funds" to the states to help them work with higher education to design ways to measure learning outcomes.

5. Will also provide seed funds for a voluntary pilot on a privacy-protected student unit record system (although she will not use those words).

6. Will convene a meeting for the regional accreditation agencies to help them develop ways to better measure

learning outcomes.

7. Will have a "leadership summit" in the spring, bringing together business, government, and higher education leaders to discuss further steps on the Commission recommendations.

She stressed that she wanted the commissioners to stay involved, and that ED will develop a regular communication process perhaps with further meetings to assess from time to time how things were going.

### One Dupont Circle

- One Dupont Circle
  - VERY important that they don't just circle the wagons and resist change (as they tend to do all too frequently)
  - Letter preceding Spellings speech was very important!
    - Use new technologies to control costs
    - Make every effort to calculate cost and net price
    - Improve teaching using learning research
    - Coordinated national effort to smooth H.S.-College
    - International issues in the curriculum
    - Public service campaign to help students prepare
    - Increase production of STEM teachers
    - Increase % of H.S. graduates ready for college
  - But still many recalcitrant (particularly private colleges)
- Accreditation?
  - More outcomes based? More public disclosure?
  - The regional accreditation bodies are already moving in these directions. They should be strongly encouraged.
  - Summit meeting in November
  - (Sidebar conversation with John Wiley)
  - JJD will meet with North Central group in November

### States

- The states are being challenged.
  - To restore their investments
  - To demand quality (graduation rates, learning outcomes)
- But they will find it hard to invest adequately in the next generation in the face of the demands and political clout of an aging generation.

### Colleges and Universities

- They have been challenged. The ball is now in their court!
- Return to this in a moment

### Markets

- In the end, this may be the most powerful force for change of all.

## Dangerous recommendations such as:

- No standardized testing (even the Collegiate Learning Assessment tool)
- No national accreditation process
- No "No Child Left Behind" and No "Nation at Risk"!!!

## But also some important things:

- A stronger challenge to the nation to support higher education
  - We were never able to agree on whether the glass was half-empty or half-full...that is, whether there will be any new capacity for reinvestment in higher education with public funds (particularly at the state level) or whether the private marketplace would have to provide most of any new resources).
  - New paradigms? (Learn Grants?)
- Commission's efforts were focused almost entirely on undergraduate education—and general education, at that—with little consideration of grad/prof education and research.
- The financial equation: cost, price, value...

## Charles Miller's weekend letter:

In my opinion, it seems likely that higher education will undergo major transformation in coming decades from the same forces which are changing the world in other economic sectors and at other institutions. As noted in the Conclusion section of the Spellings Commission Report, "The future of our country's colleges and universities is threatened by global competitive pressures, powerful technological developments, restraints on public finance and serious structural limitations that cry out for reform."

Of particular serious concern to me is the dysfunctional nature of higher education finance. In addition to the lack of transparency regarding pricing, which severely limits the price signals found in a market-based system,

there is a lack of the incentives necessary to affect institutional behavior so as to reward innovation and improvement in productivity. Financial systems of higher education instead focus on and reward increasing revenues---a top line structure with no real bottom line.

More pointedly, from a book by Luc E. Weber and James J. Duderstadt, Universities and Business: Partnering for the Knowledge Society: "The highly competitive nature of higher education in America, where universities compete for the best faculty, the best students, resources from public and private sources, athletic supremacy and reputation, has created an environment that demands excellence. However, it has also created an intensely Darwinian, 'winner-take-all' ecosystem in which the strongest and wealthiest institutions have become predators, raiding the best faculty and students of the less generously supported and more constrained public universities and manipulating federal research and financial policies to sustain a system in which the rich get richer and the poor get devoured."

Effective accountability systems will be needed to develop the most productive financial structure for higher education. We cannot address critical issues of affordability effectively without dealing with this effectively. Today, the dysfunctional financial system combined with the lack of transparent systems of accountability leave higher education in a dangerous position.

What particularly concerns me is the special resistance to accountability exhibited by a large set of "private" colleges and universities. There is resistance to measuring student learning. There is also strong resistance to financial and other accountability systems inherent in their opposition to a unit record system. What elevates this concern is the fact that so-called "private" colleges and universities receive a large amount of support from the public, that is, from the taxpayer. These institutions receive on average an estimated twenty-five percent of revenues from the federal government in the form of financial aid and research funding. In addition, they receive a significant level of state and local support and benefit from tax policies regarding earnings and contributions. In financial terms, it is difficult to classify most institutions as truly private, raising serious issues about

transparency, accountability and public trust. These are issues that need to be addressed by policymakers who appropriate and spend public funds, as well as those institutions who receive and benefit from public funds.

Another particular concern I have relates to our "elite" colleges and universities. Notably, our great research universities are looked upon as world-class and treated with respect. When they talk, we listen; and when they ask, we usually give. However, research expenditures are a major "cost-driver" in higher education and need the same intense examination and skeptical analysis other financial issues require, especially since most of these are public funds. I think there is ample evidence that our great universities have much to account for---and have great intellectual and financial resources to contribute---yet often come to the public arena without taking full responsibility for their own imperfections while at the same time demanding more of the scarce public resources.

Tying these elements together is the theme that there is a need to examine higher education in financial terms with full accountability for sources of funds: Which institutions get them and why and how productively those funds are utilized for the benefit to the public providers of those funds. This should mean an examination of the whole system, with no special rights for any recipient of public funds and no free pass for any type of institution, no exception for those ranking high in the "top tier," or no exception for those bearing the arbitrary and often inaccurate label as a "private" institution.

# What can UM do in response?

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A series of recommendations aimed at all the parties whose efforts will be needed to ensure that reform takes root: colleges and universities; accrediting bodies and governing boards; state and federal policymakers; elementary and secondary schools; the business community; and parents and students themselves.

## Recommendations

1. REMOVING THE BARRIERS TO ACCESS AND SUCCESS: Every student in the nation should have the opportunity to pursue postsecondary education. We recommend, therefore, that the U.S. commit to an unprecedented effort to expand higher education access and success by improving student preparation and persistence, addressing non-academic barriers and providing significant increases in aid to low-income students.

### Possible UM Responses:

**Challenge:** UM has been relatively inactive in addressing challenges of K-12 education in the state. Earlier attempts to pull together a strategic, University-wide effort have been unsuccessful (e.g., Cecil Miskel's efforts in the 1990s).

**Opportunity:** With a new SOE dean, Deborah Ball, who has extensive experience in K-12 math education, we might consider pulling together a university wide effort aimed at strengthening K-12 in the state and launching a major education campaign (with other Michigan universities) to convince parents, students, and other constituencies of the importance of a college degree in the global knowledge economy.

UM might also look closely at Cal State's model of outreach and engagement with secondary education.

2. RESTRUCTURE FINANCIAL AID: To address the escalating cost of a college education and the fiscal realities affecting government's ability to finance

higher education in the long run, we recommend that the entire student financial aid system be restructured and incentives put in place to improve the measurement and management of costs institutional productivity.

Possible UM Response:

Challenge: UM should first conduct a critical internal audit of its own financial aid programs to make certain that adequate resources are being directed toward need-based financial aid and avoid merit-based programs or enrollment management.

Challenge: UM should also analyze carefully the socioeconomic distribution of its own undergraduate students (longitudinally if possible) to understand whether our current tuition and financial aid policies are transforming us into an "institution for the rich".

UM should challenge the State of Michigan's merit grant program (and perhaps also tax policies), conducting the analysis necessary to demonstrate how this is shifting dollars away from those with need.

UM should be more aggressive in defending instate tuition as a mechanism of reducing subsidies to the wealthy in order to provide maximum assistance to students with need.

The UM should re-establish a major strategic effort to recruit and sustain under-represented minorities among students, faculty, and senior leadership.

Finally, UM should publicly embrace much more strongly its commitment to provide "an uncommon education for the common man" by wrapping a series of initiatives into a major strategic effort similar to U. North Carolina and U. Virginia and avoiding actions elsewhere in the institution that send strong signals that we have become an institution for the rich (e.g., the current efforts to professionalize intercollegiate athletics).

3. **TRANSPARENCY, ACCOUNTABILITY, AND PUBLIC PURPOSE:** To meet the challenges of the 21<sup>st</sup> century, higher education must change from a system primarily based on reputation to one based on performance. We urge the creation of a robust culture of accountability and transparency throughout higher education. Every one of our goals, from improving access and affordability to enhancing quality and innovation, will be more easily achieved if higher education embraces and implements serious accountability measures.

Possible UM Response:

**Opportunity:** Although UM apparently has little current faculty expertise in developing methods of learning outcomes assessment, it is fortunate in having a new provost (Terry Sullivan) with extensive experience in using learning assessment mechanisms such as the Collegiate Learning Assessment tool to measure educational effectiveness.

UM should begin by challenging faculty in all academic units to define carefully and publicly the objectives of their academic programs and identify evidence-based measures of student progress toward meeting these objectives.

UM could develop its own version of "a report card to the state and the nation" including measures of

educational effectiveness (evidence-based measures)

access (student socioeconomic distributions)

quality (reputation measures of academic programs)

key financial information

cost of academic programs (per student)

sticker vs. discounted tuition pricing (inc financial aid)

who pays (state? feds? student? private?)

Here it could work closely with AAU to develop measures appropriate for leading research universities.

4. **INVESTING IN INNOVATION:** With too few exceptions, higher education has yet to address the fundamental issues of how academic programs and institutions must be transformed to serve the changing needs of a knowledge economy. We recommend that America's colleges and universities embrace a culture of continuous innovation and quality improvement by developing new pedagogies, curricula, and technologies to improve learning, particularly in the area of science and mathematical literacy.

Possible UM Response:

**Opportunity:** UM is actually a very important leader in innovation in higher education (e.g., technology-based activities such as the Sakai Project and Google digitization project; CRLT; school and college-based efforts such as UROP, freshman seminars, business school team service and global outreach, etc.) It should begin with an inventory of these efforts and a strategy to give them much more visibility and clout.

The UM should give very high priority to investing internal resources in stimulating innovation in learning and scholarship. Here it might consider creating a "corporate R&D" unit similar to the Lockheed "skunkworks" with the charge of identifying and supporting highly innovative approaches to education and research across the academic and professional disciplines.

5. **LIFELONG LEARNING:** America must ensure that our citizens have access to high quality and affordable educational, learning, and training opportunities throughout their lives. We recommend the development of a national strategy for lifelong learning that helps all citizens understand the importance of preparing for and participating in higher education throughout their lives.

Possible UM Response:

**Challenge:** Aside from continuing education programs conducted by several professional schools (e.g., Business, Law, Medicine, Engineering, Nursing),

the UMAA campus has relatively little experience in adult education with most programs focused on traditional students. UMD and UMF have a bit more experience here, but still far short of the strategic effort suggested by the Spellings Commission.

The UM could launch a major research project to examine the implications of lifelong learning to the nation in general and American higher education, using its considerable strength in areas such as the social sciences, public policy, and technology to assess needs, possible organizational structures, financial issues, and policy implications.

6. RESPONDING TO THE IMPERATIVES OF A GLOBAL, KNOWLEDGE ECONOMY: The United States must ensure the capacity of its universities to achieve global leadership in key strategic areas such as science, engineering, medicine, and other knowledge-intensive professions. We recommend increased federal investment in areas critical to our nation's global competitiveness and a renewed commitment to attract the best and brightest minds from across the nation and around the world to lead the next wave of American innovation.

Possible UM Response:

Opportunity: Here the UM is already heavily involved in these activities both through the National Academies, the Council on Competitiveness, the federal government (ED, NSF, DOE, DOD, NASA, etc.), as well as internal initiatives such as the Rising Above the Gathering Storm conference being planned for May 2007, the new Michigan Memorial Phoenix Energy Institute, and the Ford School's new program in science, technology, and public policy.

However it could do much more in pulling together these activities (probably under the leadership of the VP Research), giving them much higher visibility both within and beyond the University, and creating the necessary external advisory groups to help guide these efforts.

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