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"Faultlines" Shaping Higher Education Policy and Opportunity in California

Taylor K. Odle
University of Pennsylvania

Joni E. Finney
University of Pennsylvania

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Abstract

We present findings from a case study on California's higher education sector that explores the relationships between public policy, state contexts, and higher education performance over the past two decades (2000–2020). Through the collection of primary and secondary data, including interviews with 16 policymakers, education policy leaders, and researchers inside and outside of California, we document the development, manifestation, and implications of three primary faultlines: (a) **Persistent disparities** by race, socioeconomic status, and geography that combine to sharply limit individual educational and economic opportunity for many within the state. Any measure of performance in higher education must address how higher education closes these disparities relative to the magnitude of the disparities in the population. (b) **Fragmentation,** or the policy-related phenomena and structures that contribute to a lack of alignment and synchronicity in the statewide approach to postsecondary education. (c) **Volatility,** or extreme variations and unpredictability in state and local funding for higher education, with impacts that extend into institutional resource allocations and family budgets. Our case study documents a need for sustained state policy leadership in higher education or sustained public stewardship of higher education. Year-over-year, session-by-session, and sector-by-sector agreements fall short in addressing the deep faultlines outlined in this report. We make several recommendations for how public policy can begin to address these issues and better meet the needs of the state's populous.

Keywords

higher education performance, California, higher education policy, postsecondary education, state policy leadership

Disciplines

Education | Education Policy | Higher Education

Comments

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INSTITUTE FOR RESEARCH ON HIGHER EDUCATION

Taylor K. Odle, Editor & Lead Author

Authors: Melissa Bodnar, Elizabeth Dunens, Maya Kaul, Pooja R. Patel, & Lindsay Adams Van Ostenbridge

Contributors: Glen Casey, Chi Chan, Yulanda Essoka, & Arkādijs Zvaigzne

Joni E. Finney, Contributing Editor & Author

Penn GSE
GRADUATE SCHOOL OF EDUCATION
UNIVERSITY of PENNSYLVANIA

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Joni E. Finney, PhD

The research team at the University of Pennsylvania's Graduate School of Education thanks all the California state leaders and national policy experts who gave us their time, candid thoughts, and welcomed insights about higher education when the state is undergoing many crises. We admire the optimism, spirit of collaboration, and commitment to reduce the ongoing racial and socioeconomic disparities that undermine the social fabric of the state.

This project on California "faultlines" sheds understanding on public policies and the state's higher education performance. The project began as an advanced graduate course in January 2020. The course continued on a "volunteer basis" at the end of the spring semester through December 2020. During this time, Californians were confronted with unprecedented challenges: a global pandemic, an economic slowdown, deepened divides by income and race, adding fuel to social unrest. These changes coincided with the worst wildfire season the state has ever experienced. These crises caused us to be particularly mindful of the need to view higher education as one California's strategic investments in playing a prominent role in solving public problems, particularly related to reducing educational disparities by race, income, and region.

The members of our research team from January-May 2020 consisted of Taylor Odle (teaching assistant), Melissa Bodnar, Glen Casey, Chi Chan, Elizabeth Dunens, Yulanda Essoka, Gabriel Gutierrez-Aragon, Maya Kaul, Pooja R. Patel, Andrew Ukrainskyj, Lindsay Van Ostenbridge and Arkādijs Zvaigzne. Beyond May 2020, the leading report editor and author was Taylor Odle. He also served as project manager and offered substantive comments and support to the section authors. Section authors included Melissa Bodnar, Elizabeth Dunens, Maya Kaul, Pooja R. Patel and Lindsay Adams Van Ostenbridge. Yulanda Essoka continued as a supporting author, Glen Casey assisted with policy organization research, and both Chi Chan and Arkādijs Zvaigzne provided ongoing analytical support. Thanks to Elizabeth Dunens for layout, graphics, and design support, and Lindsay Van Ostenbridge for outreach and dissemination. Our thanks also go to the communications team at the Graduate School of Education for their support in editorial and media assistance.

Joni Finney was the course instructor at the University of Pennsylvania and contributing author and editor of this report. Finney is a part-time resident of California and was on the executive teams of the California Higher Education Policy Center and the National Center for Public Policy in Higher Education, headquartered in California. Her work includes numerous reports on California higher education and many national reports on state and federal higher education policy, including Measuring Up. This report builds upon the extensive state research conducted by Finney. Finney has also co-authored of several books, including Financing American Higher Education in the Era of Globalization and The Attainment Agenda: State Policy and Leadership in Higher Education. Over the last decade, she was a professor of practice at the University of Pennsylvania and director of the Institute for Research on Higher Education, where she continued her studies of states, including California.

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FOREWORD

Joni E. Finney, PhD

In January 2020, several doctoral and master's degree students from the University of Pennsylvania initiated a study of public policy and higher education through an advanced course in public policy. At the end of the semester, which concluded virtually due to the COVID-19 pandemic, these same students expanded and developed a full case of California higher education through November 2020. As their former professor, I was pleased to continue the work with them. We were guided by an overarching question: What public policies help us understand the performance of higher education in California? This adds to research on other states, including Illinois, Georgia, Maryland, Texas, Tennessee, and Washington. Some of this work is documented in The Attainment Agenda published in 2014 with coauthor Laura Perna. Other work was under the auspices of the Institute for Research on Higher Education at the University of Pennsylvania, which I directed from 2008 to 2020.

Of course, from the initiation of this work in January 2020 to its release in December 2020, the world changed. The pandemic from the novel coronavirus, the ensuing recession, and national unrest due to heightened injustice collided to change conversations about racial inequalities, individual opportunity, and economic recovery. These realities could not be ignored as we went about our work to understand how state policy influences higher education in California. The data and analyses we reviewed, the research that we drew on, and the individuals that we interviewed shaped our ideas and understanding not only of the national importance of higher education in California – simply due to its sheer size – but also the diverse, vibrant young and adult populations that the state should serve through higher education. California is experiencing this change on a scale that many other states are only beginning to understand. In this very real sense, California, with all its complexities, opportunities, and challenges, may be the harbinger of change for the larger national higher education landscape.

As we dove deeper into our research and shared insights, we came to understand that the system of public higher education in California is performing just as elected officials expect. It was designed to educate a limited population because, at the time, most Californians did not require education and training beyond high school in order to find good jobs. In 1960, it would have been hard to imagine the growth and diversity that the state would face and the changes brought about by an information economy. The context of today's population was likely unimaginable in 1960. In our research we found that three "faultlines" helped us understand how policy influences performance in California. Educational disparities by race, income and place are well documented. They cross areas of K-12 preparation, college participation, and completion and affordability. Secondly the fragmentation of public policy at every level influences institutional expectations and performance. Finally, the volatility of public funding has consequences for long-term state and institutional planning but also wreaks havoc on family budgets.

What we found in California is a system of higher education that underperforms relative to its needs for a thriving future workforce and for a more equitable society. The system that Californians often refer to as "the best in the world" is at risk of increasing educational disparities among its peoples and their opportunities. We believe that the challenges that the state is trying to address are unlikely to be resolved within the governance and finance policies that have been the bedrock of higher education since the inception of the California Master Plan for Higher Education in 1960.

While it is easy to point fingers, we understand the difficulty of reforming a mature system that has experienced international acclaim and success. We offer recommendations to contribute to the conversation about how California might undertake a process that would result in sustained public policy leadership for higher education for decades to come. Fundamentally, the challenge is one that the state must address, as it did in 1960. We are also painfully aware that the challenges of the global pandemic, the ravaging of California forests and homes by climate change, and the very serious problems of homelessness makes it difficult for the state to focus on higher education. But we are optimistic that higher education can be one of the state's strategic assets in addressing these challenges while simultaneously serving as a tool to reduce disparity and increase individual opportunity for the nearly 40 million people who call the state their home.

The authors welcome the reactions of readers to this report.

INTRODUCTION

Taylor K. Odle

Like much of the nation, California faces a series of cascading crises, including an unprecedented pandemic, an impending economic recession, and large social movements for equity and justice while also battling the harsh effects of climate change. Postsecondary education can play a key role in addressing such problems by advancing research and policy, driving economic and workforce development, and promoting social and democratic ideals. But California faces these cascading crises along with other pronounced challenges in its postsecondary sector, including the rapid diversification of its youth and adult populations, a projected decline in the number of high school graduates, and a pressing need to credential more workers for the modern economy (including those previously not served well by traditional forms of higher education). These contexts and harsh realities make this a pivotal time for higher education in California, where a challenge-ridden and constrained system must once again work to advance state goals. How the state and its leaders respond to these challenges will have lasting impacts on the sector and state at large for generations to come. To inform these actions, this case study documents the development and manifestation of a series of interrelated challenges facing California's system of higher education, with a focus on how public policy can simultaneously be used to address them and to advance a shared public agenda for higher education.

Big problems are not new to California. In the 1950s, '60s, and '70s, the state faced what were then thought to be insurmountable challenges, including an expected "tidal wave" of students following World War II, the Civil Rights and Free Speech social movements on its campuses, and a disconnected system of universities, where students faced unclear paths from community colleges to four-year institutions. The state once again faces big problems, but big problems will bend to public policy—just as they have before. University of California President Clark Kerr and Governor Pat Brown used the California Master Plan for Higher Education of 1960 to overcome many of the challenges of the mid-twentieth century, including by developing a sensible division of labor among the state's institutions, allowing a way for the systems to support democratic values and populist ideals (balancing access with excellence), and addressing systemic issues inherent in the sector's operation. This Master Plan led California into the twenty-first century and shaped one of the most prestigious public systems of higher education in the world. Today, nearly all aspects of the state's demography, workforce, and economy have changed dramatically. This means the solutions to today's problems must be different than the solutions proposed more than 60 years ago.

The Master Plan of 1960 is still in effect today, but its utility has been greatly diminished. What remains is a structural division of labor between systems. What has eroded are critical features, including a guide on where to place campuses given demographic changes and a commitment to providing access to education for all who could benefit. Even with regular "updates" across four official Joint Committee reviews since the 1970s, few meaningful revisions have been made to the Master Plan, and it has become outdated and ill-suited to reflect California's rapidly evolving

context in order to be a strategic asset to the state's future prosperity and social well-being. The few features that have been updated include some duplication of academic programs, acknowledging the state's growing diversity, and an affirmation of the state's goals of workforce preparation, accountability, and efficiency, but even these changes fall short of the state's need to coherently guide a complex system of higher education for the decades to come. Simply put, the Plan has outlived is public purpose. Even the title of the Master Plan makes clear that it was meant to guide the state only through 1975, not into the twenty-first century and beyond. As such, it was unable to anticipate the host of changes in the state since its adoption, including a more diverse populous requiring access to different levels and types of education; a sharp development of regionalism and its salience in economics, politics, and society; the escalated role of the workforce and the inextricable link between higher education and workforce development; the growing salience of attaining some education and training beyond high school for individual opportunity; and the increased complexity of the decision-making process given California's public referenda (or "direct democracy") process.

While California may not necessarily need a new Master Plan, it does need a mechanism to support sustained public policy leadership for higher education that is reflective of the state's new contexts and responsive to the needs of its populous. The state needs a process, mechanism, or entity to transcend gubernatorial and legislative terms, to leverage its postsecondary sector as a strategic asset for state economic and workforce goals, and to chart a path to a future for a very different California than the one of mid-1900s. Yet, in the absence of a steward to sustain and fuel a public agenda for California, the 60-year-old Master Plan continues to guide higher education policy in the state, and California's continued operation under principles instilled by the 1960 Master Plan have come to produce negative effects on the sector and its performance. In fact, as detailed in this report, the Master Plan reinforces values today that, while once beneficial, jeopardize the state's ability to meet its educational and labor-market goals. For example, the strong division of labor and mission between sectors that once provided clean and clear roles for institutions has created lasting divides between sectors that have solidified the state's siloed higher education system and led to policy misalignment, both of which ultimately harm the state's ability to address fundamental issues of access and success.

The lack of sustained higher education policy leadership or ongoing state policy stewardship to represent the public interest in higher education has deepened a series of "faultlines," a collection of contextual and structural challenges that separate the state, its institutions, and its people. These faultlines are the result of the collision of changing contexts (demographic, economic, geographic, political, and social) and the lack of a mechanism for sustained public policy stewardship that would link far more Californians to educational opportunities beyond high school, establish a direct connection with the workforce and regional economic development opportunities, and diminish the gaps in disparities among groups that so prevalent in the state.

In what follows, we present findings from a case study on California's higher education sector that explores the relationships between public policy, state contexts, and higher education performance over the past two decades. Through the collection of primary and secondary data, including interviews with 16 policymakers, education policy leaders, and researchers inside and

outside of California, we document the development, manifestation, and implications of three primary faultlines.

> **1.** Persistent **disparities** by race, socioeconomic status, and geography that combine to sharply limit individual educational and economic opportunity for many within the state. Any measure of performance in higher education must address how higher education closes these disparities relative to the magnitude of the disparities in the population.
>
> **2. Fragmentation**, a term we use to describe the policy-related phenomena and structures that contribute to a lack of alignment and synchronicity in the statewide approach to postsecondary education.
>
> **3. Volatility**, or extreme variations and unpredictability in state and local funding for higher education, with impacts that extend into institutional resource allocations and family budgets.

Capacity constraints—real and perceived limitations on state and sector political, fiscal, and physical resources—traverse each of these interconnected faultlines. Our research suggests that these faultlines have not only shaped the mediocrity in higher education performance that California has grown accustomed to in recent years (detailed in this report) but also make the state and its institutions especially susceptible to internal and external shocks, like COVID-19, climate change, homelessness, and economic downturns. While these faultlines have emerged and deepened over time, none have been systematically addressed through public policy. As we show, this lack of action has consequences.

California possesses unparalleled prominence given its position as a "nation state," its economic power, its growing diversity of people, and its history of social and public policy leadership. But these faultlines and a lack of sustained public stewardship for the higher education have left the state with suboptimal postsecondary success across many contexts. California has enjoyed strong performance on many traditional indicators thanks in part to the Master Plan, but this performance has seldom been to the level expected of a nation state. With notable deficiencies and a lack of excellence on standard measures of college preparation, access, attainment, and affordability detailed later in this report, the state finds itself with widening gaps in opportunity and ceding its top-ranked national position to other states. This suboptimal performance is insufficient for the state to meet growing economic and workforce demands—particularly given the fact that California has long lacked a link between higher education performance and workforce competitiveness. It is also inexcusable for the most diverse state in the nation to fail in providing the same public stewardship it once provided to students and families after WWII. A forward-thinking approach to public policy and a sustained mechanism for implementing these policies must work to serve the future populous and future economy.

California's rapid diversification means the state and its educational pipeline—from college preparation and high school graduation through postsecondary enrollment and completion—must sharply expand access and success among groups traditionally underserved by higher education. Persistent disparities between those who enroll in higher education and the population as a whole translate into unequal levels of educational attainment across dimensions

of race, socioeconomic status, and place, which in turn directly impact individuals' social mobility and economic prosperity. These disparities have, in part, led California to have one of the highest rates of income inequality in the nation. Without a public steward, California's ability to address these issues has been limited. The state houses a fragmented system where gubernatorial and legislative leaders engage with higher education policy without systematically considering the changed context of the state. This discontinuity in leadership combines with the siloed structure of the three systems of higher education and weak or nonexistent accountability measures to hamstring the state's ability to make concerted and coordinated progress toward reducing educational disparities and meeting workforce needs. This inability is further limited by exceedingly high volatility in state resources and education appropriations, which translate to unpredictable increases in tuition and fees—further widening disparities across individuals and institutional contexts.

If California does not remedy its faultlines, the state's higher education performance, and related state competitiveness, is at risk. COVID-19 and the oncoming recession may be the first test of the extent and severity of shocks to California's faultlines. While our research began before the pandemic began, COVID-19 has undoubtedly deepened these faultlines by increasing volatility in state and family resources, widening disparities among the population, and contributing to misalignment between the needs of the state and its ability to meet these needs with sustained fiscal and political responses. COVID-19, the economic recession, and racial injustice present an opportunity for systematic action within California's higher education system. With new leadership at the helm of each system (including a new University of California president, a new California State University chancellor, and the installment of the new California Community Colleges chancellor in 2016), this is undoubtedly a pivotal time for the state's higher education system. In this opportune time, the state must "get to work" and consider whether some of its prevailing higher education policies or operations are suited for the state's populous and economy. The challenges the state and its leaders face are, again, different than those faced by Clark Kerr, but they are not impossible to overcome. There is extreme difficulty in changing mature systems, but today's leaders can learn from Kerr's willingness to confront reality. With bold leadership, California must confront this new reality by abandoning the "Band-Aid" solutions that have been placed across these faultlines over the past few decades, and retrofitting its higher education infrastructure (financially, politically, and organizationally) to meet new needs and prepare for the ever-present threat of more shocks.

California's problems are fundamentally state issues. The state must engage a wide range of stakeholders that represent California and plan for the future stewardship of higher education. Statewide educational needs that go unaddressed must be at the top of the public agenda. As noted, this public policy leadership need not look like a new Master Plan per se, but systemic and sustained work on these faultlines must be a priority. The higher education sector alone cannot solve these, nor was it designed for that purpose. Recent efforts, including the Governor's Council on Postsecondary Education and the California Postsecondary Education Recovery with Equity Taskforce, are important and positive steps that are likely to result in some improvement, but they are fundamentally short term in nature and unlikely to address the fundamentally fragmented and volatile funding policies that sustain them.

Our case study documents a need for sustained state policy leadership in higher education and sustained public stewardship of higher education. Public stewardship of higher education has taken many forms across the nation, but sustained leadership across gubernatorial and legislative terms is key. Year-over-year, session-by-session, and sector-by-sector agreements fall short in addressing the deep faultlines outlined in this report. While California enjoys and benefits from a rich diversity and strong bench of public policy advocacy and education research organizations, these organizations cannot change the law—and cannot substitute for sustained state policy leadership. What is needed is not the action of one governor or one legislature but rather a sustained change in the way higher education policy is carried out.

In the following chapters, we present the findings from our case study with emphasis on documenting the development, manifestation, and implications of California's faultlines. Each chapter features an analysis of primary and secondary data, including insights and quotes from internal state stakeholders and external policy and research leaders. In *A Nation State,* Maya Kaul and Melissa Bodnar provide important contextual information on the state to situate the case study, including information on the state's population, geography, economy, workforce, political context, and higher education landscape. In *Disparities: Compounding Faultlines in California's Foundation,* Melissa Bodnar documents how educational and economic opportunities in the state are sharply drawn along dimensions of race, socioeconomic status, and place. In *Surveying Fragmentation in California's Higher Education Policy Landscape,* Elizabeth Dunens and Maya Kaul document how California's political process, insufficient higher education policy leadership, and structural organization of the higher education sector have developed deep divides across the state and limited its ability to comprehensively respond to policy needs. In *Uncertain and Volatile State Funding,* Pooja R. Patel and Lindsay Adams Van Ostenbridge map the presence and growth of volatility in state and local financial support for higher education, including how public policies have exacerbated these trends and what implications they hold for institutional budgets and family finances. Joni Finney and I conclude the case study with *Policy Implications & Recommendations,* a reflection on these faultlines and how public policy may begin to address these issues and better meet the needs of the state's populous.

If California is to remedy its faultlines, it must reconsider how it approaches higher education policy leadership and prioritize reducing persistent gaps in educational attainment and economic opportunity along dimensions of race, socioeconomic status, and place. The state must leverage its higher education system as a strategic asset; a mechanism with the ability to improve individual opportunity and expand the state's economic competitiveness. If we allow these faultlines to deepen, the link between higher education and a host of individual, social, and economic disparities will only become stronger; in other words, the strategic asset of higher education could come to reinforce the very disparities it hopes to eliminate. Without a mechanism to guard against this liability and to holistically ensure that California's higher education sector works for the state and its people, the state's politically and regionally fragmented structure, and growing financial constraints on public funds for postsecondary institutions all but ensure the state cannot meaningfully improve its higher education performance, the individual prosperity of its citizens, or the economic competitiveness of its workforce. To avoid such outcomes, we recommend that California (1) establish a substantive statewide policy agenda that includes a regional approach to higher education; (2) convene a diverse and representative blue ribbon commission to holistically consider the state's long-term

higher education needs; and (3) evaluate how the state's political, structural, fiscal, and operational approach to higher education could be better formed to meet the needs of its future populous and workforce. These steps will place California on a trajectory to recreate a system of higher education that meets the needs of contemporary life while also positioning it for success in the decades to come.

A NATION STATE: THE CONTEXT OF CALIFORNIA

Maya Kaul & Melissa Bodnar, with contributions from Yulanda Essoka

- California is the most populous state in the United States. It has been aging and has become increasingly racially and ethnically diverse over the last three decades, becoming a majority-minority state in 2014.
- Given the geographic scale and diversity of the state, a regional policy analysis is necessary to address workforce and education needs.
- The GDP of California rivals that of small nations; however, the state's economy has been seriously hit by the economic recession brought on by COVID-19, and income inequality persists across the state.
- The expansion of the state's workforce is threatened by higher education failing to keep pace with the economy's rapidly changing needs.
- California is a direct democracy state with a ballot initiative system.
- The bedrock of California's higher education system is the California Master Plan for Higher Education of 1960, a strategic vision for the state that continues to guide the higher education system today.
- The vast majority of the state's 2.4 million students seeking an associate's degree or higher are enrolled in the public sector—in the University of California, the California State University, and the California Community Colleges systems.

"When you have a state that's larger than the populations of 21 plus states combined, it gives you a sense of the magnitude and scale of the nation's largest state, the world's fifth largest economy, the most diverse state, and the world's most diverse democracy—over 27% of us foreign-born. […] It's a point of pride and spirit that California has for decades seen itself in that light as our nation's largest state, with all the power and potential it has—all the resource's that reside within it: more scientists, more researchers, more Nobel laureates, more patents, more venture capital than any other place in the globe, the finest system of public higher education anywhere in the world."

- Governor Gavin Newsom, April 2020[1]

In the historic words of journalist Carey McWilliams, California is "the great exception."[2] The state is home to three of the nation's largest cities—Los Angeles, San Diego, and San Jose—and its local industries (e.g., technology, entertainment, agriculture) make the state a central player in both national and globalized economies. As the nation's first large minority-majority state,[3] California is distinctive not only in its size but also in its diversity. In this light, California has for many years seen itself as a model for the rest of the nation; however, the state faces persistent challenges in ensuring its citizens achieve what Governor Newsom has dubbed the "California

[1] Office of the Governor of California, Twitter post, April 2020, 11:55 a.m., https://twitter.com/CAgovernor/status/1249773282309468165/.
[2] Carey McWilliams, *The Great Exception* (Berkeley, CA: University of California Press, 1999).
[3] Peter Schrag, *California: America's High-stakes Experiment* (Berkeley, CA: University of California Press, 2008), 2.

dream."[4] Higher education has the potential to serve as a key strategic asset to the state in moving towards that dream. Understanding the particularities of the Californian context—including its people, landscape, economy, politics, however, is necessary before one can grapple with the interplay between public policy and the state's higher education system. In this chapter, we provide a brief overview of this context, with special attention to dynamics that have historically influenced the state's higher education system.

The People

California has experienced substantial population growth over the years. In fact, "no other developed region of similar size anywhere in the world has sustained so much growth over such a long period" as California.[5] *From 1920 to 2010, California's population grew by roughly 936%, from approximately 3.6 million to 37.3 million.*[6] The most populous state in the United States, California's population topped 39.5 million in 2019.[7]
While the state's population gains are projected to continue well into the future, the rate of that growth is slowing considerably. Between 2020 and 2060, the state's population is projected to grow by roughly 5.2 million people, a total rate of growth of 12.9% over a forty-year span, or roughly 0.32% per year.[8] Examining a comparable and earlier period of time, the state's population grew by 17.3 million people from 1970 to 2010, a total growth rate of 87%, or 2.18% growth per year.[9] As the data suggest, population growth in California will continue, but at a significantly slower rate in the coming years. This slowed rate of growth will mirror population growth trends for the nation as a whole.[10] Between 2017 and 2060, the United States' population is expected to grow at a rate of roughly 0.66%, or 2.1 million people, per year.[11]

Even as population growth slows, *California is becoming more diverse*. In 1990, California was a majority White (57.2%) state (Figure 1).[12] Hispanics were the second largest racial/ethnic group at that time, comprising 25.8% of the state's population, followed by Asian and Pacific Islanders (9.6%), African Americans (7.4%), and American Indians, Eskimos, and Aleuts (0.8%).[13] However, California became a majority-minority state in 2014,[14] with no single race or ethnic group comprising the majority of its population. While this remains true today, Latinos have officially surpassed Whites as the largest racial/ethnic group in the state (Figure 1). According to the U.S.

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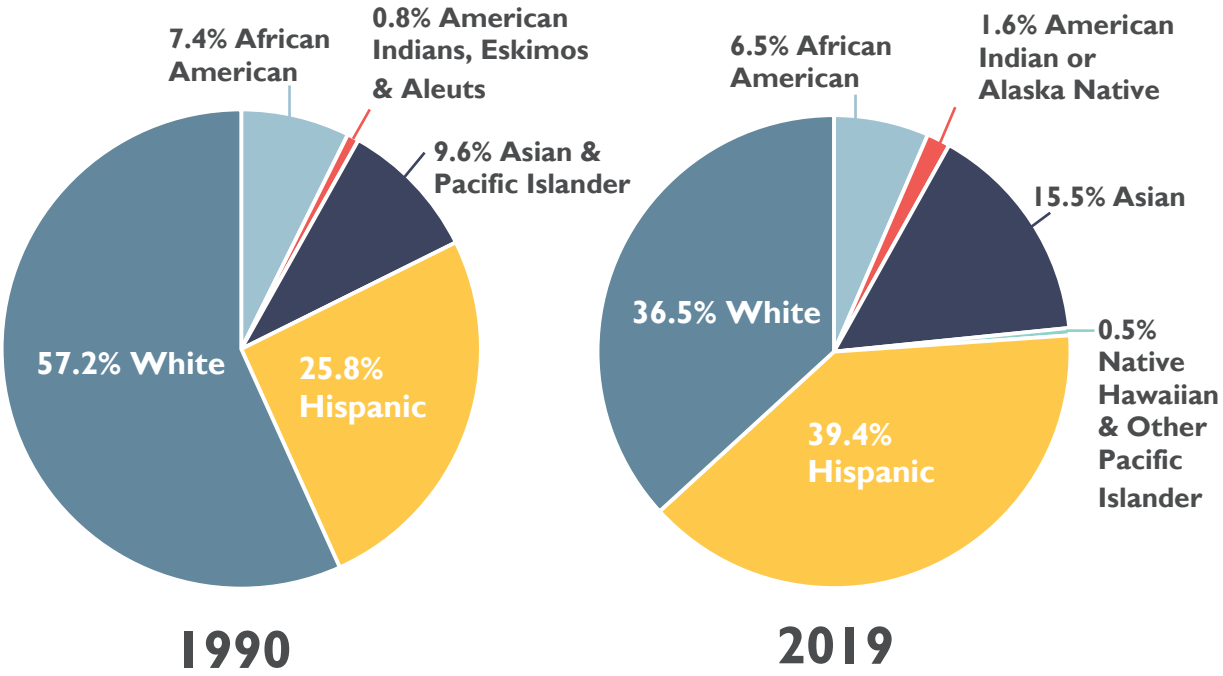
[4] Kathleen Ronayne, "Gov. Newsom Points to California Exceptionalism, Challenges," *AP NEWS*, January 8, 2019, https://apnews.com/article/6083cff250d546469dd6007ac20a1f05.
[5] "Population," *Public Policy Institute of California*, January 2016, 1. https://www.ppic.org/content/pubs/report/R_116HJ3R.pdf .
[6] Author calculation, "E-7, California Population Estimates, with Components of Change and Crude Rates, July 1, 1900-2019," [Data set] *State of California Department of Finance*, 2019.
[7] "U.S. Census Bureau QuickFacts: California," *Census Bureau QuickFacts,* 2019, accessed January 2020, https://www.census.gov/quickfacts/CA.
[8] Author calculation, "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.
[9] "E-7, California Population Estimates, with Components of Change and Crude Rates, July 1, 1900-2019," [Data set] *State of California Department of Finance*, 2019.
[10] Jonathan Vespa, Lauren Medina, and David Armstrong, "Demographic Turning Points for the United States: Population Projections for 2020 to 2060," *U.S. Census Bureau*, 2018, https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1144.pdf.
[11] Ibid.
[12] Campbell Gibson and Kay Jung, "Historical Census Statistics on Population Totals by Race, 1790 to 1990, and by Hispanic Origin, 1970 to 1990, for the United States, Regions, Divisions, and States," *U.S. Census Bureau*, 2002, https://www.census.gov/content/dam/Census/library/working-papers/2002/demo/POP-twps0056.pdf.
[13] Ibid.
[14] Mark Hugo Lopez and Jens Manuel Krogstad, "Will California Ever Become a Majority-Latino State? Maybe Not," *Pew Research Center FactTank*, May 30, 2020, https://www.pewresearch.org/fact-tank/2015/06/04/will-california-ever-become-a-majority-latino-state-maybe-not/.

Census Bureau,[15] approximately 39.4% of Californians are Hispanic or Latino, 36.5% are White, 15.5% are Asian, 6.5% are African American, 1.6% are American Indian and Alaska Native, and 0.5% are Hawaiian and Other Pacific Islander. As these numbers suggest, Latinos, American Indians/Alaska Natives, and Asians have grown in their total share of California's total population since 1990, while representation among Whites and African Americans in the state has fallen.[16]

Figure 1. Racial/Ethnic Composition of California, 1990 and 2019



Sources: Gibson & Jung, 2002[17]; U.S. Census Bureau, 2019.[18]

Long-range projections suggest that growth in racial and ethnic diversity in California will be sustained over the course of the next forty years, even as the rate of population growth slows. The White population in California is shrinking and will continue to do so through 2060.[19] In contrast, the state will experience substantial growth among Asians and Hispanics, with marginal gains among African Americans and American Indians/Alaska Natives.[20] Far from a monolithic group, California's Asian population encompasses people with many distinctive regional and ethnic backgrounds.[21] By 2060, it is estimated that Asians, comprised of roughly 20

[15] "U.S. Census Bureau QuickFacts: California," *Census Bureau QuickFacts, 2019*, accessed July 2020, https://www.census.gov/quickfacts/CA.
[16] Variation between "Hispanic" and "Latino" reflects differentiations in reporting between data sources.
[17] Campbell Gibson and Kay Jung, "Historical Census Statistics on Population Totals by Race, 1790 to 1990, and by Hispanic Origin, 1970 to 1990, for the United States, Regions, Divisions, and States," *U.S. Census Bureau*, 2002, https://www.census.gov/content/dam/Census/library/working-papers/2002/demo/POP-twps0056.pdf.
[18] "U.S. Census Bureau QuickFacts: California," *Census Bureau QuickFacts, 2019,* accessed July 2020, https://www.census.gov/quickfacts/CA.
[19] "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.
[20] Ibid.
[21] Peter Schrag, *California: America's High-stakes Experiment* (Berkeley, CA: University of California Press, 2008).

different origin groups from across East and Southeast Asia and India,[22] will account for 22% of California's population.[23] [24] The Latino population, which became the state's largest ethnic group in 2014, will continue to grow.[25] It is estimated that Latinos will constitute nearly half, or 45.6%, of California's total population by 2060.[26] In contrast, the White population in California will fall to just 23.5% in that same time.[27]

California has always looked upon diversity within its borders as a strength, inviting people of all backgrounds to call California home. However, the driving forces of diversity within the state have evolved. While California is home to a quarter of the foreign-born population in the United States, the number of immigrants in the state has begun to level off.[28] In the 1990s, California's immigrant population grew by roughly 37%, or 2.4 million people;[29] however, from 2000 to 2010, growth among the state's foreign-born population slowed to 15%, or just 1.3 million new immigrants.[30] Between 2010 and 2017, that rate of growth slowed even further, falling to just 6%—the first time in decades that California's new immigrant population dropped below one million people.[31]

Among its foreign-born population, California has also seen shifts in representation. While the majority of California's immigrant population has historically been born in Latin America,[32] Asia replaced Latin America as the largest source of new immigrants in the state in 2006.[33] By 2015, "almost three times as many immigrants were arriving from Asia as from Latin America, and China had replaced Mexico as the leading country of origin."[34] This growth in the number of foreign-born Asians entering California has helped drive the state's overall gains in Asian representation within its total population since 1990, as outlined above.[35] [36]

In recent decades, undocumented immigrants have also come to represent a significant, and important, subset of California's total population—a new demographic group contributing to the state's overall population growth and diversity. Roughly 23% of California's immigrants are

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[22] Gustavo Lopez, Neil G. Ruiz, and Eileen Patten, "Key Facts about Asian Americans, a Diverse and Growing Population," *Pew Research Center FactTank*, September 8, 2017, https://www.pewresearch.org/fact-tank/2017/09/08/key-facts-about-asian-americans/.
[23] Author calculation, "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.
[24] The authors of this report acknowledge that a diversity of individuals comprise California's Asian population, and recognize that Asians are not a monolithic group. Reporting limitations at the time of this report do not allow for a comprehensive analysis of the varied and diverse individuals that comprise the Asian population in the state.
[25] Hans Johnson, Eric McGhee, and Marisol Cuellar Mejia, "California's Population," *Public Policy Institute of California* (April 2020), https://www.ppic.org/publication/californias-population/.
[26] "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.
[27] Ibid.
[28] Hans Johnson and Sergio Sanchez, "Immigrants in California," *Public Policy Institute of California*, May 2019, https://www.ppic.org/publication/immigrants-in-california.
[29] Ibid.
[30] Ibid.
[31] Ibid.
[32] Ibid.
[33] "Population," *Public Policy Institute of California*, January 2018, https://www.ppic.org/wp-content/uploads/r-118hj2r.pdf.
[34] Ibid., 2.
[35] Campbell Gibson and Kay Jung, "Historical Census Statistics on Population Totals by Race, 1790 to 1990, and by Hispanic Origin, 1970 to 1990, for the United States, Regions, Divisions, and States," *U.S. Census Bureau, 2002*, https://www.census.gov/content/dam/Census/library/working-papers/2002/demo/POP-twps0056.pdf.
[36] "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.

undocumented.[37] As a whole, the largest proportion of the undocumented immigrant population in the United States—nearly a quarter—resides in California.[38] [39] In 2016, California was home to approximately 2.2 million undocumented immigrants,[40] and they comprised nearly 14.7% of the state's total population.[41] Among California's undocumented immigrants, 69% are of Mexican origin,[42] contributing to the already high growth rate of the Latino population in the state.[43]

Demographically, *California is also aging* (see Figure 2 on following page). From 2010 to 2060, forecasts estimate that the largest population declines by age in California will be among those ages 0 to 19, with only small increases among 20–49-year-olds.[44] In contrast, the most substantial population increases will occur among those aged 60 and older.[45] More specifically, between 2010 and 2060, the number of Californians 0 to19 years of age will fall by 1,361,557.[46] In that same time, the number of Californians between age 60 and 100 will grow by 7,503,954.[47] While the traditional college-age population, those between 20 and 29 years of age, is expected to grow by 0.55% during that time, the pipeline of future traditional college going Californians (0–19-year-olds) will contract, falling an estimated 13.0%.[48] In contrast, the proportion of Californians over the age of 60 will grow exponentially during that time, experiencing a 122.3% spike in representation.[49] As the numbers suggest, the share of residents reaching retirement age in California is growing at a very fast pace, while the number of school-age youth is declining. These trends will have important ramifications for the state's public policy priorities and postsecondary education moving forward.

California is not compensating for its aging population with an increase in young residents. This is largely due to a sustained pattern of decline in the number of births in the state since the early-1990s.[50] At that time, the fertility rate in California rose to 2.5 children per family, the highest fertility rate in the state since 1966.[51]

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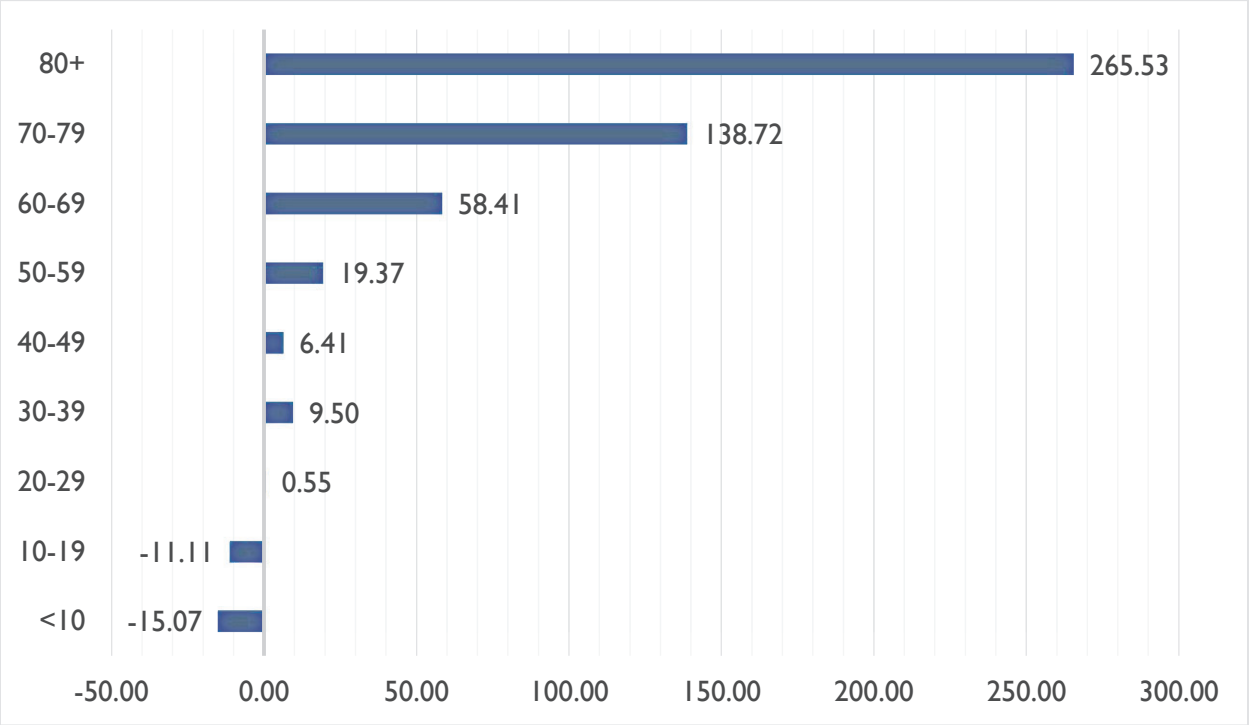
[37] Hans Johnson and Sergio Sanchez, "Immigrants in California," *Public Policy Institute of California*, May 2019, https://www.ppic.org/publication/immigrants-in-california.
[38] Jeffrey S. Passel and D'Vera Cohn, "Overall Number of U.S. Unauthorized Immigrants Holds Steady Since 2009," *Pew Research Center*, September 20, 2016, https://www.pewresearch.org/hispanic/2016/09/20/overall-number-of-u-s-unauthorized-immigrants-holds-steady-since-2009/.
[39] Joseph Hayes and Laura Hill, "Undocumented Immigrants in California," *Public Policy Institute of California*, March 2017, https://www.ppic.org/publication/undocumented-immigrants-in-california/.
[40] "U.S. Unauthorized Immigrant Population Estimates by State, 2016," *Pew Research Center Hispanic Trends*, February 5, 2019, https://www.pewresearch.org/hispanic/interactives/u-s-unauthorized-immigrants-by-state/.
[41] Author calculation, "Unauthorized Immigrant Population Trends for States, Birth Countries and Regions," *Pew Research Center*, July 2019, https://www.pewresearch.org/hispanic/interactives/unauthorized-trends/; "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.
[42] "U.S. Unauthorized Immigrant Population Estimates by State, 2016," *Pew Research Center Hispanic Trends*, February 5, 2019, https://www.pewresearch.org/hispanic/interactives/u-s-unauthorized-immigrants-by-state/.
[43] Campbell Gibson and Kay Jung, "Historical Census Statistics on Population Totals by Race, 1790 to 1990, and by Hispanic Origin, 1970 to 1990, for the United States, Regions, Divisions, and States," *U.S. Census Bureau*, 2002, https://www.census.gov/content/dam/Census/library/working-papers/2002/demo/POP-twps0056.pdf; "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.
[44] Author calculation, "P-1. State Population Projections, Total Population by Age" [Data set], *State of California Department of Finance*, 2019.
[45] Ibid., author calculation.
[46] Ibid., author calculation.
[47] Ibid., author calculation.
[48] Ibid., author calculation.
[49] Ibid., author calculation.
[50] "P-Births: Historical and Projected Fertility Rates and Births, 1990- 2040," [Data set], *State of California Department of Finance*, 2019; Hans Johnson and Qian Li, "Birth Rates in California," *Public Policy Institute of California*, November 2007, https://www.ppic.org/content/pubs/cacounts/CC_1107HJCC.pdf.
[51] Ibid.

Figure 2. Percentage Change in Population in California by Age, 2010-2060



Source: State of California Department of Finance, Total Population by Age.[52]

Despite these gains in the early 1990s, the number of births in the state has fallen year-over-year, dropping to 531,285 in 2000 and to 509,979 in 2010.[53] Long-range projections suggest that the total number of births in the state will continue to fall well into the future, dropping by 13.1% between 2010 and 2040.[54] According to these projections, the fertility rate in California will reach a 50-year low of 1.50 children per family in 2040.[55] This stands in stark contrast to fertility rates nationally in the United States, which are projected to increase from 2020 to 2030, and remain constant at 1.80 through 2040.[56]

The Landscape

"[The] reality is that California isn't a state. It's a collection of regions. And, they vary...enormously. The Bay Area is so different from the Central Valley as far as population, education attainment, the economy... It's really important to understand those differences in California and then say, okay, a problem in LA is really different than the problems in the Far North, in Sacramento, etc."

- Dennis Jones, President Emeritus
National Center for Higher Education Management System[57]

[52] Ibid.
[53] "P-Births: Historical and Projected Fertility Rates and Births, 1990- 2040," [Data set], *State of California Department of Finance*, 2019.
[54] Ibid., author calculation.
[55] Ibid.
[56] "Population Dynamics: Total Fertility (Children per Woman)" [Data set], *United Nations: Department of Economic & Social Affairs*, 2019.
[57] Dennis Jones (President Emeritus of the National Center for Higher Education Management System) in discussion with authors, March 2020.

As the third largest state, geographically, in the United States,[58] California spans 163,695 square miles[59] and comprises 58 counties.[60] Forty-seven of those counties are considered to be "mostly urban," while eight are "mostly rural," and three are "completely rural."[61] Approximately half of California's population is concentrated in just 11 counties.[62] Despite the abundance of "mostly urban" counties in the state, however, many urban areas are situated in close proximity to rural, less urban neighbors. In fact, many of California's rural communities are clustered around urban areas.[63] For example, rural clusters with less population density can be found outside of San Francisco, San Bernardino, Sacramento, Fresno, and Los Angeles.[64]

This variation in the distribution of California's vast population across urban and rural areas throughout the state underscores the need for a more granular approach when considering California as a whole. For the purposes of this study, we rely on California Competes' breakdown of the state into twelve distinct regions (Table 1).[65]

Aside from geographic variation across the state, a regional analysis of California is also warranted within the broader context of higher education: "Since proximity is an important factor in students' college decisions, California's higher education systems must coordinate and act regionally to improve student outcomes."[66] This is especially true considering that a statewide skills gap is expected in California, with forecasts projecting a shortfall of 1.1 million workers with bachelor's degrees by 2030.[67] As Dennis Jones argues, California must "establish a public agenda [for higher education] ... in ways that [are] regionally nuanced".[68] Work has already begun to address this concern, as can be seen in such initiatives as Fresno DRIVE,[69] Inland California Rising,[70] and various intersegmental partnerships, including those in Long Beach and the Inland Empire.[71] However, these regional efforts must be expanded to more broadly address the needs of California's workforce and economy in the future.

[58] "State Area Measurements and Internal Point Coordinates," [Data Set], *U.S. Census Bureau*, August 9, 2018, https://www.census.gov/geographies/reference-files/2010/geo/state-area.html.
[59] Ibid.
[60] "Regions," CA Census 2020, accessed September 27, 2020, https://census.ca.gov/regions/.
[61] "*Rural America*," [Data Set], *United States Census Bureau*, 2010, https://mtgis-portal.geo.census.gov/arcgis/apps/MapSeries/index.html?appid=49cd4bc9c8eb444ab51218c1d5001ef6.
[62] "Statewide," *California Competes*, accessed July 2020, https://californiacompetes.org/p2p/regions?region=statewide.
[63] "*Rural America*," [Data Set], *United States Census Bureau*, 2010, https://mtgis-portal.geo.census.gov/arcgis/apps/MapSeries/index.html?appid=49cd4bc9c8eb444ab51218c1d5001ef6.
[64] "Urban & Rural, 2010 DEC Summary File," [Data Set], *U.S. Census Bureau*, 2010.
[65] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.
[66] Hans Johnson, Kevin Cook, and Marisol Cuellar Mejia, "Meeting California's Need for College Graduates: A Regional Perspective," *Public Policy Institute of California*, June 2017, 4, https://www.ppic.org/publication/meeting-californias-need-for-college-graduates-a-regional-perspective/.
[67] Ibid.
[68] Dennis Jones (President Emeritus of the National Center for Higher Education Management System) in discussion with authors, March 2020.
[69] "The Plan," *Fresno DRIVE Initiative*, accessed November 13, 2020, https://www.fresnodrive.org/the-plan.
[70] Nadine Ono, "Regions Rise Together series kicks off in the Inland Empire," *California Forward,* September 16, 2019, https://cafwd.org/reporting/entry/regions-rise-together-series-kicks-off-in-the-inland-empire.
[71] Rose Asera, Robert Gabriner, and David Hemphill, "Starting and Sustaining Educational Partnerships: Two Case Studies of Intersegmental Innovation in California," *College Futures Foundation*, April 2017, https://collegefutures.org/wp-content/uploads/2017/04/Starting-and-Sustaining-Ed-Partnerships-2017.pdf.

Table 1.

Regions (From North to South)	Counties	Population
North–Far North	Humboldt, Lake, Mendocino, Del Norte, Lassen, Modoc, Nevada, Plumas, Siskiyou, Sierra, Shasta	702,906
Upper Sacramento Valley	Butte, Colusa, Glenn, Tehama, Trinity	355,726
Sacramento Tahoe	El Dorado, Placer, Sacramento, Sutter, Yolo, Yuba	2,498,369
Bay Area	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma	8,034,323
Central Sierra	Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne	189,687
San Joaquin	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare	4,219,489
Central Coast	Monterey, San Benito, San Luis Obispo, Santa Barbara, Ventura	2,081,587
Inland Empire	Riverside, San Bernardino	4,581,109
Los Angeles	Los Angeles	10,162,069
Orange	Orange	3,189,883
San Diego	San Diego	3,338,661
Imperial	Imperial	182,844

Source: California Competes, "California Postsecondary to Prosperity Dashboard"[72]

The Economy

The GDP of California rivals that of nations. California is an incomparable state when examining economic metrics to determine fiscal vitality. In 2019, the state boasted a $3.2 trillion gross domestic product (GDP)—the estimated value of goods and services produced within the state—due to its powerful economic engine that generates 60% more revenue than Texas.[73] California has the largest GDP of any state, comprising 15% of the national economy. When compared to global nations, California's economy ranks fifth in the world, trailing behind Germany and eclipsing India and the United Kingdom.[74]

[72] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.
[73] "Table 3. Current-Dollar Gross Domestic Product (GDP) by State and Region, 2019:Q1-2020:Q2," *U.S. Bureau of Economic Analysis*, October 2020, https://www.bea.gov/sites/default/files/2020-10/qgdpstate1020_0.pdf.
[74] Ibid.; "World Economic Outlook Database," International Monetary Fund, October 2020, https://www.imf.org/en/Publications/WEO/weo-database/2020/October.

Although California has the largest GDP of any state, it also has one of the highest state levels of income inequality across the nation—a problem that is further exacerbated by high housing costs. California ranks sixth nationally in terms of income inequality, with families in the top 90th percentile earning 12.3 times more than those in the bottom 10th percentile statewide.[75] This inequality ranges across the state by region and is most concentrated in the Bay Area,[76] where housing costs are also the highest in the state. In San Francisco and Santa Clara, for example, median home values exceed $1 million—well above the national average of around $200,000. As such, housing prices are pushing many Californians into homelessness and others toward less expensive regions, away from the coasts.[77] As the following chapter will continue to explore, identifying these disparities is key to understanding the parallel inequities in educational access and opportunity in the state.

California's diverse sectors of business and industry contribute to, and sustain, the state's economic growth. California's broad-based industrial sector does not foster reliance on the performance of one or a few industries. Hence, after the Great Recession California experienced an unprecedented 118 months of economic growth.[78] Although California is known for its technology industries, the state offers wide-ranging job opportunities. Based on Employment Development Department data, California's industries today are led by education and health services; professional and business services; and leisure and hospitality/food services.[79] This represents a shift from almost 20 years ago, when the financial services sector led the state's economy by a margin of almost two to one, and manufacturing was the second largest sector, followed by government.[80]

California's fast-growing economy is fueled by its skilled workforce; however, the expansion of the state's workforce is threatened by higher education failing to keep pace with the economy's rapidly changing needs. Although the Master Plan—the grounding document of the state's higher education system—focused on developing an "educated citizenry," it did not explicitly address workforce development.[81] Yet, maintaining a skilled population that is responsive to the shifting workforce needs in the state is foundational to sustaining a healthy and productive economy. According to the College Futures Foundation:

> By 2030, California is projected to have a shortfall of nearly 1.8 million workers. About 59 percent of that gap represents the need for workers with bachelor's degrees, and

[75] Sarah Bohn and Tess Thorman, "Income Inequality in California," *Public Policy Institute of California,* January 2020, https://www.ppic.org/publication/income-inequality-in-california/.
[76] Hans Johnson, Julien Lafortune, and Marisol Cuellar Meija. "California's housing challenges have widespread effects," *Public Policy Institute of California*, January 2020, https://www.ppic.org/wp-content/uploads/californias-future-housing-january-2020.pdf.
[77] Ibid.
[78] Gavin Newsom, "State of the State Address," *Office of the Governor,* February 19, 2020, https://www.gov.ca.gov/2020/02/19/governor-newsom-delivers-state-of-the-state-address-on-homelessness/.
[79] "California Industries Payroll Jobs by Biggest Month-Over Change," *State of California Employment Development Department*, October 16, 2020, https://edd.ca.gov/newsroom/unemployment-october-2020.htm.
[80] "Just the Facts: California's Economy," *Public Policy Institute of California*, October 2004, https://www.ppic.org/content/pubs/jtf/JTF_EconomyJTF.pdf.
[81] Master Plan Survey Team, "A Master Plan for Higher Education in California, 1960-1975," *California State Department of Education*, 1960; "The Master Plan for Higher Education in California and State Workforce Needs," *Governor's Office of Planning and Research*, 2018, https://opr.ca.gov/docs/20181226-Master_Plan_Report.pdf.

another 9 percent is for workers with graduate degrees. Employees with an associate degree or some college education make up the remainder of the shortfall.[82]

If the state is to sustain its economic productivity, this "perennial tension" between what the economy needs and what higher education offers must be resolved.[83] Increased degree attainment is only one piece of the puzzle, however; the state also needs to work towards producing the *types* of degrees relevant to burgeoning workforce needs across the state. Given the significant regional diversity of the state, identifying which credentials are necessary to support the economy can be a regionally specific question. Recognizing this need, Governor Newsom established the Future of Work Commission in 2019 to bring together leaders from across sectors to develop a public agenda for the state, focused on "creat[ing] inclusive, long-term economic growth and ensur[ing] workers and their families share in that success,"[84] with attention to differing regional needs across the state.

In the wake of COVID-19, California's booming economy has been seriously impacted. Despite making the difficult decision to shut down the state in March in response to the pandemic, the anticipated economic benefits of such action have been disappointing. In June 2020, David Shulman, Senior Economist at UCLA Anderson School, forecasted that, after a 42% annual rate of decline in real GDP, the state will not return to pre-recession levels of output until early 2023.[85] Additionally, the state continues to experience high rates of unemployment as a result of the pandemic. California recorded an exceptionally high unemployment rate of 16.4% in May 2020, outpacing the national average at that time of 13.3%.[86] While the state's unemployment rate lowered to 10.8% in October 2020, California is still grappling with the economic repercussions of the COVID-19 pandemic, and will continue to do so for the foreseeable future.[87]

However, the state's rainy day (i.e., reserve) fund, strengthened by Governor Jerry Brown in 2014 via a constitutional amendment with bipartisan support, provides some fiscal buffer in times of recession by prioritizing one-time investments that address affordability. The state annually sets aside 1.5% of the general fund, and half of the money is allocated as rainy day funds to provide a safety net during economic downturns.[88] Funds are withdrawn only when the governor and legislature declare a fiscal emergency. Reserves in the 2019–2020 budget stabilization account totaled $19.2 billion, and Governor Newsom allocated $16.5 billion to the rainy day fund that year.[89] Between March and October 2020, California withdrew $9.6 billion.[90]

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[82] "Making Room for Success: Addressing Capacity Shortfalls at California's Universities," *College Futures Foundation*, October 2019, 4, https://collegefutures.org/wp-content/uploads/2019/10/Making-Room-for-Success_2019Oct.pdf.
[83] Jennifer Pacella (Deputy Legislative Analyst at the Legislative Accountability Office) in discussion with authors, March 2020.
[84] "Governor Gavin Newsom Announces Members of the Future of Work Commission," *California Office of the Governor*, September 11, 2019, https://www.gov.ca.gov/2019/08/30/governor-gavin-newsom-announces-members-of-the-future-of-work-commission/.
[85] David Shulman, "The Post-COVID Economy," *UCLA Anderson Forecast*, (June 2020): 13, https://www.anderson.ucla.edu/documents/areas/ctr/forecast/reports/uclaforecast_June2020_Shulman.pdf.
[86] "California Unemployment Improves to 14.9 Percent in June," *State of California Employment Development Department*, July 17, 2020, https://edd.ca.gov/newsroom/unemployment-july-2020.htm.
[87] "Monthly Labor Force Data for Counties," *State of California Employment Development Department*, November 2020, https://www.labormarketinfo.edd.ca.gov/file/lfmonth/countyur-400c.pdf.
[88] Chris Megerian, "Californians OK Proposition 2, on Rainy Day Fund," *Los Angeles Times*, November 4, 2014, https://www.latimes.com/local/political/la-me-pc-california-rainy-day-fund-20141103-story.html.
[89] "Citing Decision to Save for a Rainy Day, Major Credit Agency Upgrades California's Credit Rating," *California Office of Governor Gavin Newsom*, August 16, 2019, https://www.gov.ca.gov/2019/08/16/citing-decisions-to-save-for-a-rainy-day-major-credit-agency-upgrades-californias-credit-rating /.

As such, the economic future of California is mixed with promise and unpredictability. Shulman portends, "It will take all the king's horses and all the king's men to put the economy back together again."[91]

The Political Context

A Direct Democracy State

California's political context is largely defined by its ballot initiative system. Since the initiative system was adopted in the state constitution in 1911, California voters have had the right to "propose statutes and amendments to the Constitution and to adopt or reject them."[92] Heralded as "the modern world's most ambitious experiment of direct democracy,"[93] the California initiative process was originally introduced as a democratic check on the influence of big businesses and politicians.[94] Since the passage of *Proposition 13* in 1978, however, the ballot initiative system has evolved into a highly contentious "fourth branch of government."[95] Reforming property tax policy for decades to come, Proposition 13 limits property taxes to 1% of the assessed value at time of purchase, restricts annual increases, and requires any state tax increases to be approved by a two-thirds majority of the state legislature.[96] Property taxes previously served as a major source of funding for both the K–12 system and the California Community Colleges (CCCs).[97] In response to these dynamics, voters passed *Proposition 98* in 1988, "which requires the state to dedicate a minimum of roughly 40% of its General Fund to K–14 education each year."[98]

The power of the ballot initiative system has largely gone unchecked—empowering California voters and interest groups to use the initiative system to gain statewide traction for their interests and to diversify the state's political agenda. Unlike other U.S. states with initiative systems, California "is the only state that does not permit some form of legislative repeal or amendment of statutory initiatives, either directly after passage or after a specified number of years."[99] The only exception to this is for propositions that explicitly stipulate a process for amendment by the legislature. For example, in the 2020 election, Proposition 22 included drafted language that a 7/8th "supermajority" legislative vote has the power to amend the bill.[100]

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[90] Barb Rosewicz, Justin Theal, and Joe Flemming, "COVID-19 Prompts States to Start Tapping Financial Reserves," *The Pew Charitable Trusts* (October 13, 2020), https://www.pewtrusts.org/en/research-and-analysis/articles/2020/10/13/covid-19-prompts-states-to-start-tapping-financial-reserves.
[91] David Shulman, "The Post-COVID Economy," *UCLA Anderson Forecast,* June 2020, 13, https://www.anderson.ucla.edu/documents/areas/ctr/forecast/reports/uclaforecast_June2020_Shulman.pdf.
[92] California Legislative Information, *Article II Voting, Initiative and Referendum, and Recall (Section 1-Sec 20]*, https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CONS&article=II.
[93] Shaun Bowler and Todd Donova,. "California's Experience with Direct Democracy," *Parliamentary Affairs* 53, no. 4 (2000): 644–656.
[94] Mark Baldassare, Report, "Reforming California's Initiative Process," *Public Policy Institute of California*, October 2013, https://www.ppic.org/content/pubs/atissue/AI_1013MBAI.pdf.
[95] Peter Schrag, *California: America's High-stakes Experiment* (Berkeley, CA: University of California Press, 2008), 134.
[96] Mark Baldassare et al., "Proposition 13: 40 Years Later," *Public Policy Institute of California,* June 2018, https://www.ppic.org/publication/proposition-13-40-years-later/.
[97] "Proposition 13," Public Policy Institute of California, accessed November 13, 2020, https://www.ppic.org/blog/tag/proposition-13/.
[98] Ibid.
[99] Peter Schrag, *California: America's High-stakes Experiment* (Berkeley, CA: University of California Press, 2008), 148.
[100] Ben Christopher, "Changing Proposition 22 Takes 'Super-Duper' Majority," *Cal Matters,* October 7, 2020, https://calmatters.org/politics/post-it/2020/10/california-amendment-threshold-proposition-22/.

Regional Divides Persist

Although California has gained an international reputation for being one of the most liberal states in the nation, a closer look at both the history and regional differences of the state today tells a more nuanced story. Until the 1992 gubernatorial election, California was viewed as a moderately Republican state with conservative politics.[101] In 1998, Gray Davis was elected the first Democratic governor in the state in nearly 20 years[102]—after a historic recall election in which Davis was portrayed as "a prisoner of liberal special interests with an undistinguished record" by his opponent.[103] This shifting leadership was just the tip a deeper shift happening among California voters that is intricately rooted in the very demographic and economic shifts this chapter highlights: "the dramatic turnaround was a convergence of economic, demographic and cultural factors, along with years of denial by Republican leaders."[104] In particular, the out-migration of defense workers, following the end of the Cold War, and the in-migration of a new wave of individuals from Latin America, rapidly changed the demographics of the state.[105]

Today, the electorate continues to be defined by largely regional factors, which are themselves associated with demographic and economic factors. According to a 2020 Public Policy Institute of California (PPIC) analysis of California's "political geography," "the land area of the state is evenly balanced between [support for] the two [political] parties"—with the eastern, more rural half of the state more Republican leaning.[106] These urban–rural partisan divides are largely subsumed by the growing concentration of the state's population living in urban centers, such as the Bay Area and Los Angeles.[107] Some political issues in the state are not strongly influenced by location, however: "at least a majority—but never more than two-thirds—in every place in the state believes taxes are too high."[108] Other issues, such as housing affordability, are strongly influenced by regional differences—with coastal regions much more likely to support policies in favor of affordable housing than inland regions.[109] Together, these factors suggest that any public policy analysis of the state of California cannot assume the state's monolithic liberal status but must instead recognize regional political differences and the evolving demographics of the state.

The Higher Education Landscape

California Master Plan: A Vision for Excellence and Access

As discussed in the Introduction, the bedrock of California's higher education system is the *California Master Plan for Higher Education of 1960* (henceforth, the "Master Plan"). Developed through a collaboration between the University of California (UC) and the State Department of Education, the Master Plan was initially envisioned as a 15-year plan for the state's higher education system but continues to guide the system, now sixty years later.

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[101] Peter Schrag, *California: America's High-stakes Experiment* (Berkeley, CA: University of California Press, 2008), 1.
[102] Peter Schrag, *California: America's High-stakes Experiment* (Berkeley, CA: University of California Press, 2008), 1.
[103] Dan Balz, "Calif. Gov.'s Race Heads into Great Divide," *The Washington Post*, July 7, 1998.
[104] Dan Walters, "The Rise and Fall of California's Republican Party," *The Mercury News* (The Mercury News, December 1, 2019, https://www.mercurynews.com/2019/12/01/the-rise-and-fall-of-californias-republican-party/.
[105] Dan Walters, "The Rise and Fall of California's Republican Party," *The Mercury News*, December 1, 2019, https://www.mercurynews.com/2019/12/01/the-rise-and-fall-of-californias-republican-party/.
[106] Eric McGhee, "California's Political Geography 2020," *Public Policy Institute of California*, April 1, 2020, https://www.ppic.org/publication/californias-political-geography/.
[107] Ibid.
[108] Ibid.
[109] Ibid.

The original impetus for the development of the Master Plan was the dueling dynamics of the growing crisis of higher education governance in the state and, in the historic words of then UC president Clark Kerr, the "tidal wave" of new students associated with the aging-up of the Baby Boomers and the passage of the GI Bill.[110] From 1940 to 1960, individual higher education institutions were "practically ungoverned," there was a growing fear of mission creep among the three segments of public higher education, and there was a burgeoning power imbalance amongst the segments due to the limited financial powers of the Community Colleges and the constitutional autonomy of the UC.[111] Together, these dynamics left the underlying governance structures of the higher education system incapable of adapting to meet the needs of the anticipated boom in enrollment. As Patrick Callan, former president of the National Center for Public Policy and Higher Education and the former Executive Director of the now retired California Postsecondary Education Commission (CPEC), suggests, capacity issues were at the heart of this crisis:

> [In] '59 there was a huge Baby Boom population. The kids of the GIs and all the people who moved to California after World War II [were] in the pipeline, and the question was: how much college and education California would provide, and how much that would be organized, and what kind of sectors, and which kinds of institutions would get which students?[112]

Clark Kerr saw it as necessary to clearly define the missions of each segment of higher education, and to more broadly find a way to reconcile what had previously been seen as a conflict in the state's education system between excellence and access.[113] To achieve this balance, the Master Plan, as codified in law through the *Donahoe Higher Education Act of 1960*, made several key contributions to the design and function of the California public higher education system. As future chapters will explore, the logic of these contributions undergirds today's system, although the system has not been able to fully deliver on the initial aims of the Master Plan. In the words of Dennis Jones, President Emeritus of the National Center for Higher Education Management System, the Master Plan "was much less a plan than it was a pact amongst the sectors that kept them from fighting over turf. It divided up the turf." In particular, the Master Plan "divided the turf" in five ways:[114]

1. Differentiation of Function & Admissions Pools: To more clearly differentiate both missions and functions of the three segments of California's public education system—the University of California (UC), the California State Universities (CSUs), and the California Community Colleges (CCCs) —one of the most significant contributions of the Master Plan was to differentiate the *functions* and *admissions pools* of the segments.[115] The Master Plan posited that the UCs would receive the top eighth of the applicant pool and would specialize in research

[110] Clark Kerr, "Testimony of Dr. Clark Kerr, California Master Plan for Higher Education," *University of California Office of the President*, August 24, 1999, https://www.ucop.edu/acadinit/mastplan/kerr082499.htm.
[111] Chad Aldeman, "The California Master Plan: History," *American Institutes for Research*, April 25, 2010, https://www.air.org/edsector-archives/blog/california-master-plan-history.
[112] Patrick Callan (Former President of the National Center for Public Policy and Higher Education and former Executive Director of California Postsecondary Education Commission) in discussion with authors, February 2020.
[113] Simon Marginson, "And the Sky is Grey: The Ambivalent Outcomes of the California Master Plan for Higher Education," *Higher Education Quarterly*, 72, no. 1 (2018): 51–64.
[114] "California Master Plan for Higher Education," *University of California Office of the President*, accessed October 28, 2020, https://www.ucop.edu/institutional-research-academic-planning/content-analysis/academic-planning/california-master-plan.html.
[115] Ibid.

and the conferral of doctoral and professional degrees; the CSUs would admit the top third of the applicant pool and would focus on undergraduate through master's degrees, with a focus on teacher education; the CCCs would admit any student and would include 2-year degrees, remedial instruction, ESL instruction, adult education, and workforce training.[116] In reflecting on the Master Plan in a 1993 interview, Clark Kerr shared that he saw this differentiation of functions to be the most essential function of the Master Plan.[117] More recent reviews of the state's higher education system show that segment eligibility pools have historically exceeded those originally set out in the Master Plan: CSU enrolls nearly 41% of the state (compared to the Master Plan's aim of 33%), and the UC is at 13.9% (compared to the Master Plan's aim of 12.5%).[118]

2. Community College Transfer: The establishment of a plan for community college transfer was critical for ensuring that the system had the capacity to deliver on the Master Plan's promises of equity and access. The Master Plan called for the UC and CSU "to establish a lower division to upper division ratio of 40:60 in order to provide transfer opportunities into the upper division of Community College Students."[119] In other words, the Master Plan suggested that each CSU and UC campus reserve spaces in their upper division (e.g., junior and senior classes) to ensure that there is sufficient space for CCC juniors to transfer into upper division majors at a 4-year public institution. By articulating that eligible community college transfers receive priority in CSU and UC admissions, the Master Plan designed a safeguard for ensuring that students who went through the community colleges eventually had access to a receiving a degree from a 4-year institution. As a result of a 2015 budget process, the UC today has updated its transfer expectations to enroll "only two new in-state freshmen for every in-state transfer student."[120]

3. Affordability, Fees, and Cal Grant: In the words of the UC Office of the President, the Master Plan "reaffirmed California's prior commitment to the principle of tuition-free education to residents of the state"— with the exception of auxiliary costs—and also included provisions for student aid (i.e., Cal Grant) "designed to ensure the needy and high performing students have the ability to choose a California institution of their choice."[121] These provisions were designed to ensure that all students in the state would not merely be admitted to California institutions of higher education but that they would also be able to afford to attend those institutions.

4. Separate Governing Boards: Although the UC Board of Regents existed prior to the enactment of the Donahoe Education Act, the Act effectively shifted governance authority over the CSUs from the State Board of Education to a newly established CSU Board of Trustees. Shortly after, in 1967, a Board of Governors was appointed for the California Community

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[116] Ibid.
[117] "An Interview: Clark Kerr," *National Crosstalk*, Spring 1993, http://www.highereducation.org/crosstalk/ctbook/pdfbook/ClarkKerrInterviewBookLayout.pdf.
[118] David Silver, Elisabeth Hensley, Yihua Hong, Peter Siegel, and Denise Bradby, "University Eligibility Study for the Public High School Class of 2015," *RTI International*, July 2017, https://opr.ca.gov/docs/20190823-RTI_Eligibility_Report_071417_FINALtoOPR.pdf.
[119] "California Master Plan for Higher Education," *University of California Office of the President*, accessed October 28, 2020, https://www.ucop.edu/institutional-research-academic-planning/content-analysis/academic-planning/california-master-plan.html.
[120] Jacob Jackson, "UC May Struggle to Meet Transfer Requirement," *Public Policy Institute of California*, May 23, 2019, https://www.ppic.org/blog/uc-may-struggle-meet-transfer-requirement/.
[121] "California Master Plan for Higher Education," *University of California Office of the President*, accessed October 28, 2020, https://www.ucop.edu/institutional-research-academic-planning/content-analysis/academic-planning/california-master-plan.html.

Colleges.[122] These three boards continue to exist today as the primary leadership of California's public postsecondary systems (Figure 4). Although the Master Plan stipulated that there should be separate governing boards among the segments, it left the UC Board of Regents with relatively more authority, as per the constitutional authority afforded to the UC. Additionally, each of the CCC campuses have a local governing board that influence many policies, whereas the Chancellor's offices have greater authority within the UCs and CSUs.

5. Higher Education Coordinating Agency: Central to the vision of the Master Plan was that there would a be a central organizing body—a "coordinating council" composed of 12 members with equal representation from the UCs, CSUs, CCCs, and independent colleges and universities.[123] Since the initial proposal for a coordinating council, the state established the *California Postsecondary Education Council (CPEC),* whose duties extended to monitoring higher education performance, participating in the segmental budget processes, supporting statewide planning, and providing a forum for policy articulation.[124] CPEC was effectively disbanded by Governor Brown's veto in 2011,[125] leaving the state to rely on voluntary "coordination" amongst segment leaders and private institutions. The state today lacks any independent policy body to assess the state's educational needs and the use of state tools of governance, finance, regulation, and accountability to ensure public needs are addressed.[126] Although the state does not have the sort of coordinating agency as originally envisioned in the Master Plan today, there have been efforts to create groups to address statewide higher education need—such as the Governor's Postsecondary Council, which brings together representatives from across the segments, K–12, and the Association of Independent California Colleges and Universities to work on higher education issues.

California's Higher Education System Today

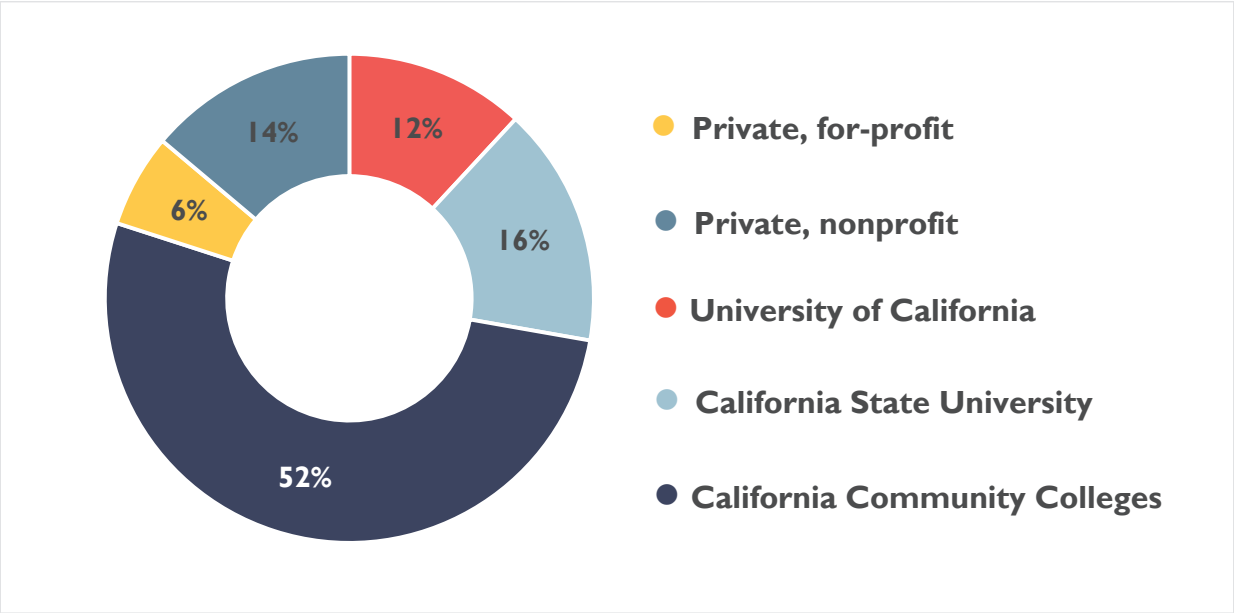
The structure of California's higher education system today is largely grounded in the initial blueprint of the Master Plan, which established a tripartite system of public higher education. Although California's public higher education system today does not exactly mirror the system envisioned in the Master Plan, it remains centrally organized around the same underlying structures and principles at the heart of the Master Plan.[127] In addition to the public higher education system, the state today is also home to 161 private nonprofit colleges and 143 for-profit institutions (Figure 3). These private colleges and institutions were part of the original statewide vision of the Master Plan, which commended "the great contribution private colleges and universities have made and will continue to make to the state" and suggested that private higher education institutions have representation on the proposed statewide coordinating board.[128]

The vast majority of the state's 2.4 million students seeking at least an associate's degree or higher are enrolled within the public sector. Although the focus of our report is on the state's public system of higher education, California is also notable for its robust private sector of

[122] Ibid.
[123] Paul Warren, "Coordinating California's Higher Education System," *Public Policy Institute of California,* March 7, 2019, https://www.ppic.org/publication/coordinating-californias-higher-education-system/.
[124] Ibid.
[125] Ibid.
[126] Ibid.
[127] Ibid.
[128] Master Plan Survey Team, "A Master Plan for Higher Education in California, 1960-1975," *California State Department of Education*, 1960.

higher education, and is home to many of the most highly regarded private higher education institutions both nationally and internationally.

Figure 3. Higher Education Percentage Enrollment by Institution Type



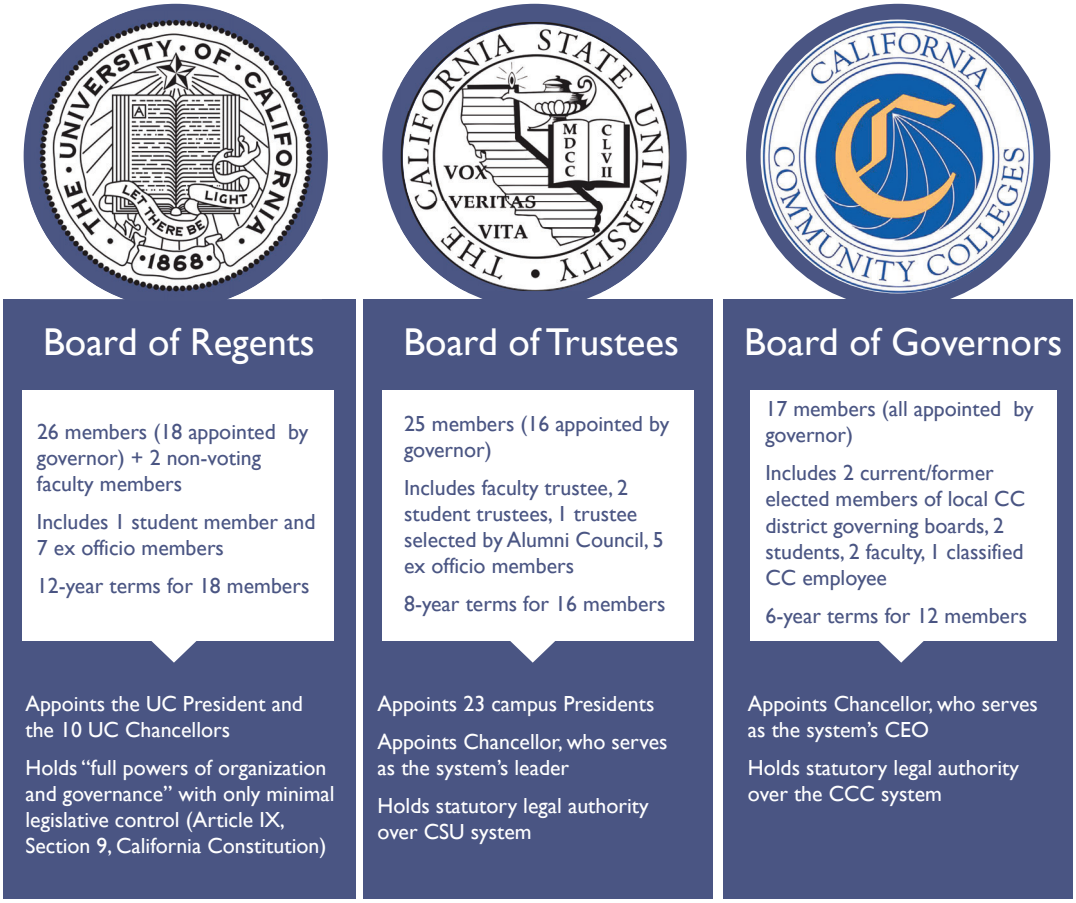
Source: IPEDS.[129]

The *University of California (UC)* system educates 12% of undergraduate students in the state and is composed of 10 major campuses and three national research laboratories: Lawrence Berkeley National Laboratory, Los Alamos National Laboratory, and Lawrence Livermore National Laboratory.[130] This commitment to research is central to the mission of the UC, and it is the primary public segment in the state responsible for educating graduate students, in addition to undergraduate and professional students. The *California State University (CSU)* systems consists of 23 campuses and educates 16% of enrolled higher education students in the state. With the exception of a few doctoral degree offerings, the CSU's primary function is to provide undergraduate education and graduate education though the master's level.[131] Finally, composed of 114 colleges and educating 52% of higher education students, the *California Community College (CCC)* system is the nation's largest system of higher education.[132] The CCC system is broadly committed to providing academic and vocational instruction to California residents, and also offers remedial instruction, English as a second language (ESL) instruction, noncredit offerings, and workforce training.[133] In response to a growing population of

[129] Fall 2018 enrollment data from the National Center for Education Statistics, https://nces.ed.gov/ipeds/datacenter/InstitutionByName.aspx.
[130] "UC National Laboratories," *University of California Office of the President*, accessed October 25, 2020, https://www.ucop.edu/laboratory-management/.
[131] "Graduate: Choosing a Program," *The California State University*, accessed October 25, 2020, https://www2.calstate.edu/attend/graduate/Pages/choosing-a-program.aspx.
[132] Hans Johnson and Marisol Cuellar Meija, "California's Higher Education System," *Public Policy Institute of California,* October 2019, https://www.ppic.org/wp-content/uploads/higher-education-in-california-californias-higher-education-system-october-2019.pdf.
[133] "California Community Colleges," *University of California Office of the President*, accessed October 25, 2020, https://www.ucop.edu/acadinit/mastplan/cccmission.htm.

"stranded" and underemployed Californians, the CCC's new institution, Calbright, was introduced in 2019 as the first online public higher education institution in the state.[134]

Figure 4. Segment Governing Boards of California Higher Education System[135]



As established by the Master Plan, each of the three segments of the state's public higher education system are led by an organization board (Figure 4). Though each board varies slightly in its composition, both the UC Board of Regents and the CSU Board of Trustees include a number of ex officio members, such as the state governor and lieutenant governor. The state governor also plays a key role by appointing a majority of board members—or all of them, as in the case of the CCCs. The UC Board of Regents is notably the most autonomous of these three boards, as the state constitution affords it the UC system at large "full powers of organization and governance" with minimal legislative control.[136] The CCC is unique in that each campus—with the exception of Calbright—also has its own local board. In the case of

[134] Ashley A. Smith, "California's New Online Community College to Open after Months of Planning," EdSource, September 29, 2019, https://edsource.org/2019/californias-new-online-community-college-opens-after-months-of-planning/618006.
[135] "About the Regents," University of California, accessed November 13, 2020, https://regents.universityofcalifornia.edu/about/index.html; "About the Board of Trustees," The California State University, accessed November 13, 2020, https://www2.calstate.edu/csu-system/board-of-trustees/Pages/about-the-bot.aspx ;Office of the General Counsel, "Procedures and Standing Orders of the Board of Governors," California Community Colleges, July 2020, https://www.cccco.edu/-/media/CCCCO-Website/Files/BOG/Procedures-and-Standing-Orders/7-2020-procedures-and-standing-orders-of-the-board-of-governors-july-2020-a11y_updates.pdf?la=en&hash=47BDB9B0BEB39AAA2D28467EDEA119E183A2B65C
[136] "About the Regents," University of California, accessed October 27, 2020, https://regents.universityofcalifornia.edu/about/index.html.

Calbright, the Board of Governors is in charge of decision-making for the virtual campus.[137] Each of the three public systems also have an academic senate, which operates in a shared governance structure with each segment board. The senates are focused on dealing with academic matters, and their responsibilities include establishing curriculum, setting grading policies, setting the conditions for the granting of degrees.[138]

Straying from the initial vision of the Master Plan, today's system has had no coordinating body for public higher education since the dissolution of the California Education Commission (CPEC) in 2011.[139] When the CPEC was introduced in 1973, it had four primary purposes: (1) monitoring higher education performance, (2) participating in each segment's budgetary processes, (3) developing a statewide education plan, and (4) providing "a forum for addressing issues such as transfers from colleges to four-year universities, common course numbering, and the A–G course requirements for university eligibility."[140] From its outset, however, CPEC had fundamental design issues: a lack of clear state goals for higher education; a lack of a clear mission in CPEC's statutory charter; and a focus on establishing *consensus* amongst stakeholders rather than leadership.[141] Under the current state leadership of Governor Newsom, there has been some initial movement towards establishing a Governor's Advisory Board, although no formal coordinating board has been established. As will be explored in the later chapter of this report focused on fragmentation, a number of alternative groups and initiatives have been developed by the Governor's office and the individual segments to help the state work toward a public agenda since the dissolution of CPEC.

Conclusion

The distinctiveness of California's context has made the state at once a "model and antimodel for the nation and sometimes the world."[142] The context presented in this chapter serves as the foundation for understanding the dynamics presented in the following chapters—on the disparities in performance, fragmentation of the state's political and higher education systems, and volatility of higher education finance. The dynamics highlighted in this chapter suggest that any policy analysis of California's higher education system must consider the role of shifting demographics, regionalism, economy, and political context because these dynamics set the stage for public policy at large in the state. As the state today grapples with the fallout of COVID-19, climate change, an economic recession, and a national push for racial justice, higher education has the potential to serve as a strategic asset to the state—only if it attends to these contextual features of the state's identity.

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[137] "Board of Trustees," *Calbright College*, accessed October 21, 2020, https://www.calbright.org/about/board-of-trustees/.
[138] "Welcome to the Academic Senate," *University of California*, accessed October 25, 2020, https://senate.universityofcalifornia.edu/.
[139] Paul Warren, "Coordinating California's Higher Education System," *Public Policy Institute of California*, March 2019, https://www.ppic.org/publication/coordinating-californias-higher-education-system/.
[140] Ibid.
[141] Ibid.
[142] Peter Schrag, *California: America's High-stakes Experiment* (Berkeley, CA: University of California Press, 2008), 1.

DISPARITIES: COMPOUNDING FAULTLINES IN CALIFORNIA'S FOUNDATION

Melissa Bodnar

- Even though California's overall educational attainment has increased, the state is plagued by persistent and prevalent disparities in attainment by race, socioeconomic status, and place.
- Such disparities in educational attainment reflect disparities in postsecondary performance, including preparation, access, and completion, by race, socioeconomic status, place. Existing postsecondary access and attainment rates do not reflect the growing diversity of California's population.
- These disparities yield inequities in the state's workforce and economy, directly impacting individual prosperity and social mobility on the basis of one's lived experience.

The State of Opportunity

"If we are serious about closing the achievement gap and income gap, we must get serious about closing the opportunity gap. That begins with education."

- Governor Gavin Newsom, 2018[143]

A nation founded upon the belief that anyone can achieve success through hard work and determination, the United States has long embraced the idea of the American Dream.[144] For many, "America is known as 'the land of opportunity'. But whether it deserves this reputation has received too little attention."[145]

Perna and Finney[146] argue that the responsibility for ensuring opportunity, particularly as it relates to postsecondary education, largely resides with the states. Because "state policy is highly consequential to the performance of colleges and universities in meeting societal needs for individual opportunity and national and state prosperity," a systematic assessment of state-specific factors influencing postsecondary education is essential for understanding higher education performance and ensuring access, opportunity, and success for a state's residents.[147] To that end, an examination of California would be incomplete without a consideration of educational opportunities and the performance of higher education for those who call it home. What factors advance or hinder an individual's likelihood of being able to thrive? What role

[143] "From Cradle to Career: Newsom's Vision for Education Reform in California," *EdSource*, June 6, 2018, https://edsource.org/2018/from-cradle-to career-newsoms-vision-for-education-reform-in-california/598614.
[144] Christopher Ingraham, "Still Think America is the 'Land of Opportunity'? Look at this Chart," *The Washington Post*, February 22, 2016, https://www.washingtonpost.com/news/wonk/wp/2016/02/22/still-think-america-is-the-land-of-opportunity-look-at-this-chart/.
[145] Isabel V. Sawhill, "Still the Land of Opportunity?" *The Brookings Institution*, March 1, 1999, https://www.brookings.edu/articles/still-the-land-of-opportunity/.
[146] Laura W. Perna and Joni E. Finney, *The Attainment Agenda: State Policy Leadership in Higher Education*, (Baltimore, MD: Johns Hopkins University Press, 2014).
[147] Ibid., viii.

does education—in particular, higher education—play in promoting individual prosperity and well-being for Californians of all backgrounds?

In this chapter, I examine which Californians flourish, which struggle, and why. I first document how educational attainment is unequally distributed across the state's population by dimensions of race, socioeconomic status, and place. I then show how these disparities are linked to gaps in indicators of state postsecondary performance, including: K-12 Preparation; Postsecondary Access; and College Progression & Completion. Next, I show how these disparities subsequently persist into the workforce, driving disparity in individuals' employment and economic prosperity. I conclude by showing the pressing implications of these disparities: Given the state's rapidly diversifying population and persistent disparities in educational opportunity and related economic prosperity, California will face an uphill battle in realizing its equal opportunity ideals if it does not first systematically address these gaps.

Educational Attainment

California is not prepared for its future: the state is simultaneously becoming more diverse;[148] aging;[149] and facing a statewide gap in workforce skills, with forecasts projecting a shortfall of 1.1 million workers with bachelor's degrees to meet the needs of the economy by 2030.[150] When considering those Californians age 25 to 64 with short-term credentials in addition to an associate degree or higher, the state's educational attainment rate is roughly 51.1%.[151] By this measure, California ranks 26th in the nation,[152] falling just below the national average of 51.3%.[153] This reality is insufficient to sustain the needs of the state's economy.[154] Yet, even if the state were able to greatly expand educational attainment, it must simultaneously reduce persistent gaps by race, socioeconomic status, and place.

Even though California's overall educational attainment increased by 12.5 percentage points from 2008 to 2018 (38.6% to 51.1%), the state is plagued by prevalent disparities in attainment by race. Asian and Pacific Islanders have the highest attainment levels (63.9%) in the state, followed by Whites (54.8%), African Americans (36.4%), American Indians (25.2%), and Hispanics (19.9%).[155] Given the fact that Hispanic individuals represent the largest ethnic group in California,[156] and are projected to comprise a growing portion of the state's population well into the future,[157] their low attainment rates illustrate a lack of equality in postsecondary access and success in the state, which translates to unequal economic prosperity and social mobility.

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[148] "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.
[149] "P-1. State Population Projections, Total Population by Age" [Data set], *State of California Department of Finance*, 2019.
[150] Hans Johnson, Kevin Cook, and Marisol Cuellar Mejia, "Meeting California's Need for College Graduates: A Regional Perspective," *Public Policy Institute of California*, June 2017, https://www.ppic.org/content/pubs/report/r_0617hjr.pdf.
[151] "A Stronger Nation: Learning Beyond High School Builds American Talent," *Lumina Foundation*, accessed October 2020, https://www.luminafoundation.org/stronger-nation/report/2020/#state/CA.
[152] Author calculation, "A Stronger Nation: Learning Beyond High School Builds American Talent," *Lumina Foundation*, accessed October 2020, https://www.luminafoundation.org/stronger-nation/report/2020/#nation&n-tsid=byAttainment.
[153] Ibid.
[154] Hans Johnson, Kevin Cook, and Marisol Cuellar Mejia, "Meeting California's Need for College Graduates: A Regional Perspective," *Public Policy Institute of California*, June 2017, https://www.ppic.org/content/pubs/report/r_0617hjr.pdf.
[155] "A Stronger Nation: Learning Beyond High School Builds American Talent," *Lumina Foundation*, accessed October 2020, https://www.luminafoundation.org/stronger-nation/report/2020/#nation.
[156] "U.S. Census Bureau QuickFacts: California," *Census Bureau QuickFacts, 2019*, accessed July 2020, https://www.census.gov/quickfacts/CA.
[157] "P-1. State Population Projections, Total Population by Race/Ethnicity: Hispanic Combined" [Data set], *State of California Department of Finance*, 2019.

Increasing attainment in California will depend on the ability of the state and its system of higher education to enroll and graduate a larger share of its diverse populous, including those traditionally underserved by higher education. The state's economic and workforce competitiveness depend upon this.

In addition to gaps in educational attainment along students' race, significant disparities by socioeconomic status also exist. Nationally, students from families in the highest-income quartile are 3.9 times more likely to graduate with a bachelor's degree by age 24 than those in the lowest-income quartile (62% compared to 16%).[158] This gap has persisted over time, declining only slightly since 1970, when the highest-income students were 6.6 times more likely than the lowest-income students to graduate with a bachelor's degree by age 24 (40% compared to 6%).[159] Additionally, students from the top two income quartiles accounted for 73% of all bachelor's degrees awarded in 2018.[160] In comparison, students from the lowest two income quartiles accounted for only 27% of degrees awarded.[161] Large gaps in educational attainment also emerge when considering net worth. Nearly 54% of students from families in the highest net worth quintile attain a postsecondary credential, compared with only 9.1% of those from families in the lowest net worth quintile.[162] These disparities persist when considering outcomes for students who are eligible for the federal need-based Pell Grant.[163] In 2017-2018, the federal government provided Pell Grants to 7 million students from low-income families.[164] Despite the grant's success in providing low-income students with needed financial support to access postsecondary education, there is a 15.5 percentage point gap between the 8-year completion rates for first-time, full-time Pell-eligible (39%) and non-Pell eligible students (54.4%).[165] For those low-income students who attend college, access is not a proxy for success. If California is to realize statewide increases in educational attainment, it must address gaps in opportunity and success for students from low-income families. The door to higher education for socioeconomically disadvantaged residents must not only be opened wider, but the state must also ensure these students receive support for their progress towards a degree.

Disparities in educational attainment in California also emerge when considering place. Among California's 12 regions,[166] educational attainment, defined here as those with an associate or bachelor's degree or higher, is highest in the Bay Area (59%), Orange (49%), and San Diego (48%) regions.[167] In contrast, degree attainment is lowest in the Imperial (23%), San Joaquin (25%), Central Sierra (30%), and Inland Empire (30%) regions.[168] The 36 percentage point difference in attainment between the state's highest performing (Bay Area) and lowest

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[158] Author calculation, Margaret W. Cahalan, Laura W. Perna, Marisha Addison, Chelsea Murray, Pooja R. Patel, and Nathan Jian, "Indicators of Higher Education Equity in the United States: 2020 Historical Trend Report," *Pell Institute*, 2020, http://pellinstitute.org/downloads/publications-Indicators_of_Higher_Education_Equity_in_the_US_2020_Historical_Trend_Report.pdf.
[159] Ibid.
[160] Ibid.
[161] Ibid.
[162] Chichun Fang, "Growing Wealth Gaps in Education," *University of Michigan Survey Research Center*, June 20, 2018, https://www.src.isr.umich.edu/blog/growing-wealth-gaps-in-education/.
[163] Victoria Yuen, "New Insights into Attainment for Low-Income Students," *Center for American Progress,* February 21, 2019, https://www.americanprogress.org/issues/education-postsecondary/reports/2019/02/21/466229/new-insights-attainment-low-income-students/.
[164] Ibid.
[165] Ibid.
[166] "Statewide," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p/regions?region=statewide.
[167] Author calculation, "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[168] Ibid., author calculation.

performing (Imperial) regions underscores the stark regional differences in educational attainment that exist within the state.[169] In this regard, where you live in California is closely linked to postsecondary opportunity and individual likelihood for success. For those in the Imperial region, where 53% of residents have no college experience, the chance for postsecondary success looks significantly different than for those in the Bay Area, where 52% of residents have a bachelor's degree and only 24% have no college.[170] Improving educational attainment in California as a whole will, as the data suggest, require regionally based efforts to address access and success.

California's public colleges and universities play an important role in increasing educational attainment in the state, and reducing persistent gaps in opportunity. Educational attainment—and subsequent social mobility and economic prosperity—is determined by several key facets of higher education performance, including preparation, access, and completion. A fundamental question remains: which Californians have the chance to engage in learning opportunities and, subsequently, enjoy the associated benefits that access yields on completion? Large disparities in higher education performance, from enrollment to completion, persist along the dimensions of race, socioeconomic status, and place, limiting students' abilities to equally share in the lifelong outcomes associated with postsecondary education.

Disparity & Higher Education Performance

The term "disparity" is often used to describe social or economic conditions that are considered to be unfair, unequal, or dissimilar.[171] In examining California, I consider disparity through three major lenses: race and ethnicity; socioeconomic status; and place. Over the course of a person's lifetime, these factors influence *individual chance for success,* which I define as access to a combination of educational, workforce, and economic opportunities. Given the increasingly important role of postsecondary education in promoting the well-being of individuals and society, I examine these three lenses—and, by extension, the various disparities that they yield—through state performance indicators, including: : K-12 Preparation; Postsecondary Access; and College Progression & Completion.

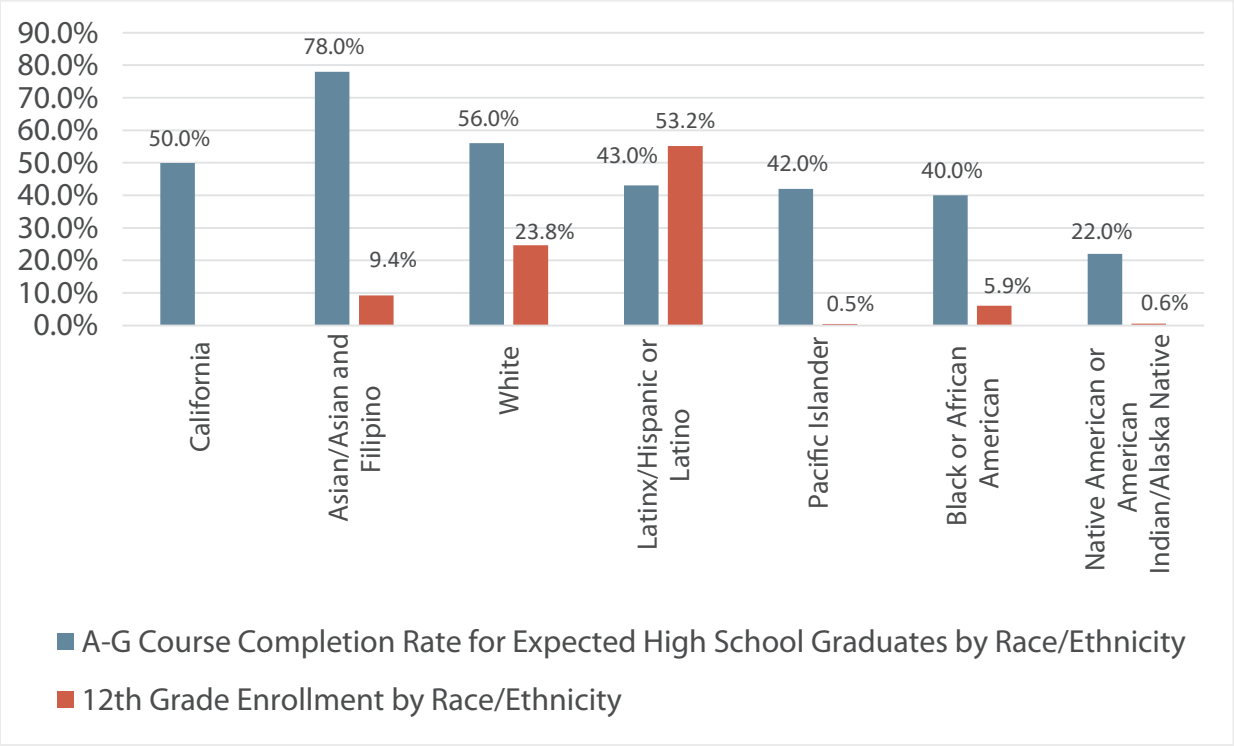
In considering disparities in the state of California, I examine current point-in-time data rather than historical trends, given our focus on the state's immense population of increasingly diverse individuals. While various gains in higher education performance over the years are a sign of improvement, such progress is not sufficient given California's population demographics and the changing needs of its people, economy, and workforce. The growth and diversification of California's population has rapidly outpaced these improvements. My analysis reveals that opportunity for postsecondary education is unevenly distributed and individual chance for success is limited for many Californians by the intersection of race and ethnicity, socioeconomic status, and place. Each Californian's unique, lived experience, as manifested in these areas, dictates whether they will thrive in the state.

[169] Ibid., author calculation.
[170] Ibid.
[171] "Disparity," Merriam-Webster, accessed September 30, 2020, https://www.merriam-webster.com/dictionary/disparity.

Race & Ethnicity[172]

An important component of postsecondary access and success is *preparation* at the high school level. California's A–G sequence, a set of college preparatory courses that are required for admission to the University of California (UC) and California State University (CSU), has become an indicator of college readiness among high schoolers in the state.[173] Approximately 50% of all California high school graduates complete A–G courses, but completion varies greatly by race and ethnicity (Figure 5).[174] Asians and Whites complete this coursework at much higher rates than California high schoolers as a whole.[175] In contrast, Latinx,[176] Pacific Islander, Black, and Native American or Alaska Native high schoolers complete A–G coursework at significantly lower rates than their Asian and White peers.[177] These differences alone increase disparities in who can attend a UC or CSU institution.

Figure 5. A–G Course Completion Rate for Expected High School Graduates & 12th-Grade Enrollment by Race/Ethnicity, 2018–2019



Sources: California Competes, 2020[178]*; California Department of Education, 2019.*[179]

[172] The author reports racial and ethnic groups as provided (e.g., "Latinx," "Hispanic," "Latino," "Asian," etc.) in the sources referenced, and cannot make distinctions between or within due to the limitation of existing data.
[173] Sara Adan, "More Students Completing College Prep Courses," Public Policy Institute of California, April 5, 2017, https://www.ppic.org/blog/more-students-completing-college-prep-courses/.
[174] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," California Competes, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[175] Ibid.
[176] Use of "Latinx," "Hispanic," or "Latino" in this report reflects language used in the data source. Variation exists across so urces referenced throughout.
[177] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," California Competes, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[178] Ibid.

Beyond college readiness, there is similar variation in *high school graduation rates* for California's youth. In 2018–2019, the four-year adjusted cohort graduation rate was highest for Asian high schoolers at approximately 94% and Whites at 88.4%.[180] In contrast, American Indian or Alaska Native (74.8%) learners had the lowest graduation rates, followed by African American (76.8%), Hispanic or Latino (82.1%), and Pacific Islander (84.6%) students.[181] These unequal rates in college preparation and high school graduation translate to unequal rates of enrollment in postsecondary education.

California's average *college-going rate,* or the percentage of California public high school graduates who enroll in postsecondary education within 12- to 16-months of graduation, is 64.4%.[182] Approximately 84% of Asian and 70% of White high school graduates immediately enroll in college, compared with only 60% of African American, 59% of Pacific Islander, 58% of Hispanic or Latino, and 50% of American Indian or Alaska Native students.[183] While the data highlight racial disparities in the percentage of California's high school learners who enroll in college, it is important to note that college-going rates overestimate college enrollment among high school graduates because they do not take into account those students who dropped out of high school. In fact, the high school cohort dropout rate in California is roughly 9%.[184] Of those students who enter ninth grade and dropout prior to graduating, the majority are from historically underrepresented groups: 15.6% American Indian or Alaska Native; 14.2% Black or African American, and 10.2% Hispanic or Latino.[185] In contrast, a much smaller proportion of high school dropouts are Asian (3%) or White (6.7%).[186]

In 2018–2019, the number of students *enrolled in postsecondary institutions* in the United States reached 26.3 million; of this population, California enrolled approximately 3.8 million students.[187] Despite the fact that Latinx students comprise roughly 50.8%[188] of California's high school graduates, they represent only 39% of total college enrollments in California.[189] In contrast, Asians in the state comprise roughly 10.5%[190] of high school graduates but represent nearly 14% of all college enrollments.[191]

While the enrollment rates of underrepresented groups highlight overarching inequities in access to postsecondary education for high school graduates, enrollment patterns among these groups also reveal *significant differences in enrollment patterns by institution type*. As the Public

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[179] Author calculation, "2018-19 Enrollment by Ethnicity," California Department of Education, 2019, https://dq.cde.ca.gov/dataquest/dqcensus/EnrEthGrd.aspx?cds=00&agglevel=state&year=2018-19.
[180] "2018-19 Four-Year Adjusted Cohort Graduation Rate," *California Department of Education*, 2020, https://dq.cde.ca.gov/dataquest/dqcensus/CohRate.aspx?cds=00&agglevel=state&year=2018-19.
[181] Ibid.
[182] "2017-18 College-Going Rate for California High School Students by Postsecondary Institution Type," *California Department of Education*, 2018, https://dq.cde.ca.gov/dataquest/DQCensus/CGR.aspx?agglevel=State&cds=00&year=2017-18.
[183] Ibid.
[184] "California Public Schools: Cohort Dropouts," *Ed-Data*, 2019, https://www.ed-data.org/state/CA.
[185] "California Public Schools: Cohort Dropouts by Race/Ethnicity," Ed-Data, 2019, https://www.ed-data.org/state/CA.
[186] Ibid.
[187] "Trend Generator," *National Center for Education Statistics*, 2019, https://nces.ed.gov/ipeds/TrendGenerator.
[188] Author calculation, "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[189] Author calculation, "Trend Generator," National Center for Education Statistics, 2019, https://nces.ed.gov/ipeds/TrendGenerator.
[190] Author calculation, "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[191] Author calculation, "Trend Generator," National Center for Education Statistics, 2019, https://nces.ed.gov/ipeds/TrendGenerator.

Policy Institute of California (PPIC) notes, "greater numbers of underrepresented students enroll at CSU and the community colleges than at UC."[192] More specifically, among Latinx students, an overwhelming 74% enroll at a California Community College, while only 4% enroll at a UC.[193] Among Black Californians, 64% enroll at a CCC, while only 2% enroll at a UC.[194] Black Californians also disproportionately enroll at private for-profit institutions (19%) compared with their peers from other ethnic groups.[195] Equally concerning is the fact that, of those students entering a California Community College in 2009–2010 who were on track to transfer, only 38% ever did.[196] Recall, as outlined in *The Nation State*, nearly 40% of California's total population is Hispanic.[197] For underrepresented students in the state, particularly the nearly three-fourths of all Latinx learners who enroll disproportionately in the state's two-year institutions,[198] patterns in access and enrollment by institution type matter given variations in institutional outcomes. Inequities in access for a significant and growing subset of California's population, in turn, can negatively impact students' chance for completion and long-term prosperity and success.

While educational attainment is an important measure of the proportion of individuals in California who have earned a degree, certificate, or credential beyond high school, it does not account for in-migration.[199] As a result, educational attainment is not a true indicator of the number of postsecondary credentials the state of California *produces*. Thus, the performance of higher education, or how well California's higher education systems are working for the state's residents, is better measured by examining college *graduation rates*, or the percentage of students who began college at a California institution that ultimately attained a credential. California's graduation rates within three years at two-year institutions and within six years at four-year institutions in California have fluctuated over time. Between 2005 and 2019, graduation rates within 150% of normal time increased by 3.3 percentage points at four-year nonprofit institutions in the state, while falling by 4.6 percentage points at two-year nonprofit institutions.[200] Despite minimal gains and even slight declines in graduation rates over time, approximately 50% of Californians that began college in 2013 graduated with an associate or bachelor's degree within three or six years, respectively, compared to 42% nationally.[201] Looking specifically at California's public postsecondary sector, graduation rates within 150% of normal time vary greatly, but are highest at UCs (84%) and lowest at CSUs (59%) and CCCs (31%).[202]

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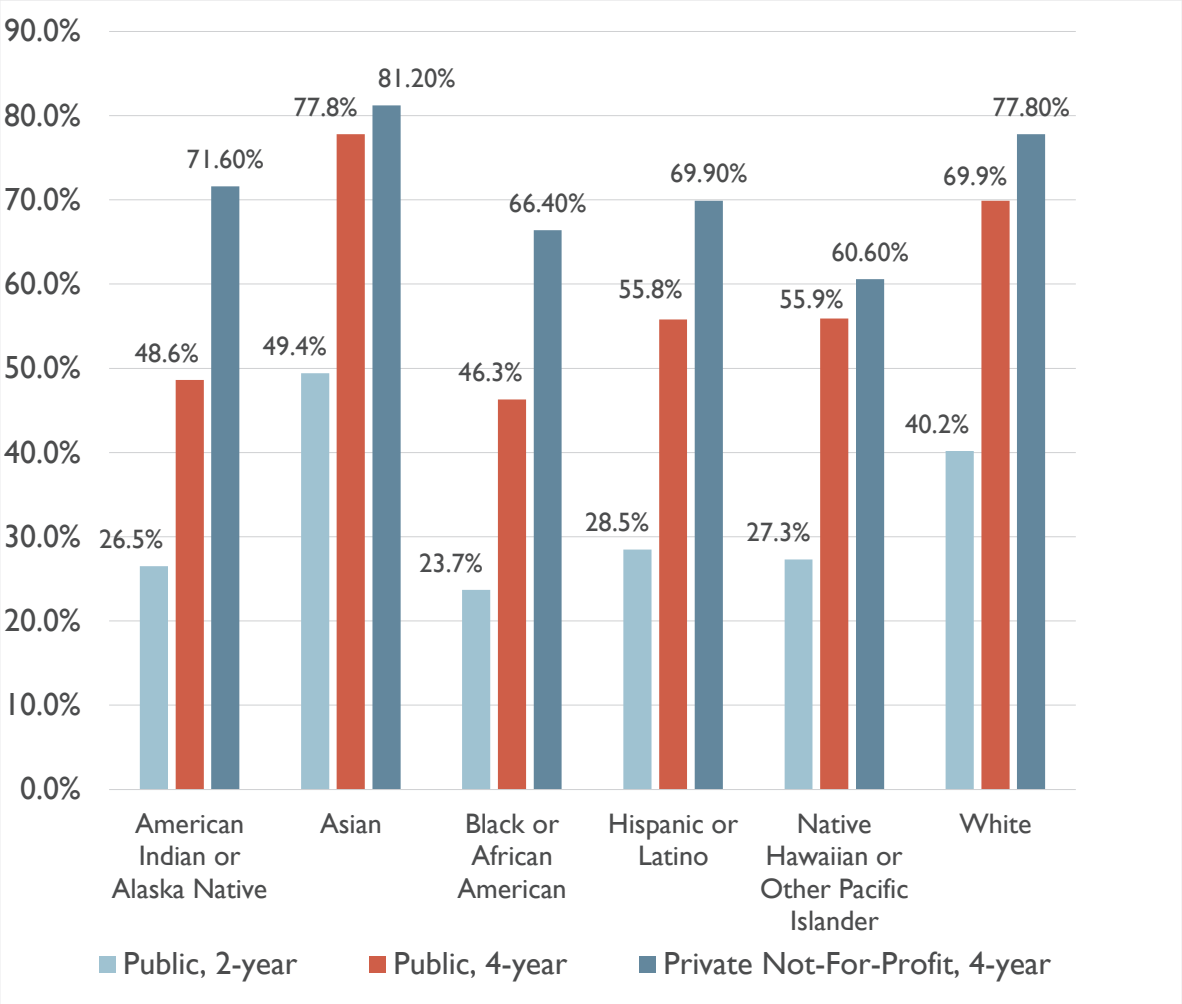
[192] "Expanding College Access," *Public Policy Institute of California*, October 2019, 2, https://www.ppic.org/wp-content/uploads/higher-education-in-california-expanding-college-access-october-2019.pdf.
[193] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[194] Ibid.
[195] Ibid.
[196] "Expanding College Access," *Public Policy Institute of California*, October 2019, 2, https://www.ppic.org/wp-content/uploads/higher-education-in-california-expanding-college-access-october-2019.pdf.
[197] "U.S. Census Bureau QuickFacts: California," *Census Bureau QuickFacts, 2019*, accessed July 2020, https://www.census.gov/quickfacts/CA.
[198] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[199] "A Stronger Nation: Learning Beyond High School Builds American Talent," *Lumina Foundation*, 2020, https://www.luminafoundation.org/stronger-nation/report/2020/#nation.; In-migration includes individuals who contribute to overall attainment levels in California by way of accessing postsecondary educational opportunities in other states and then taking up residence in California after degree completion (i.e., degrees that were not produced by California but rather by educated individual moving to California).
[200] Author calculation, "Trend Generator," National Center for Education Statistics, 2019, https://nces.ed.gov/ipeds/TrendGenerator.
[201] Ibid., author calculation.
[202] Jacob Jackson, Kevin Cook, and Hans Johnson, "Improving College Completion," *Public Policy Institute of California*, October 2019, https://www.ppic.org/publication/higher-education-in-california-improving-college-completion/.

Within racial and ethnic groups, graduation rates are highest at both two- and four-year institutions for Asians and Whites, and lowest for Black, Hispanic, and American Indian or Alaska Native learners (Figure 6).[203] Within California's public higher education systems, including the UCs, CSUs, and CCCs, graduation rates are also higher for Asians and Whites than for Hispanic, American Indian/Alaska Native, and African American students.[204] Thus, even when historically underserved populations of learners are able to access higher education in the state, they are still disadvantaged in moving toward completion, graduating at lower rates than their Asian and White peers in all of the state's public sectors.

Figure 6. Graduation Rates within 150% of Normal Time (Bachelor's in 6 years for cohort year 2013; Associate in 3 years for cohort year 2016) by Race & Ethnicity



Source: National Center for Education Statistics, 2019.[205]

[203] Ibid.
[204] Jacob Jackson, Kevin Cook, and Hans Johnson, "Improving College Completion," *Public Policy Institute of California*, October 2019, https://www.ppic.org/publication/higher-education-in-california-improving-college-completion/.
[205] "Trend Generator," National Center for Education Statistics, 2019, https://nces.ed.gov/ipeds/TrendGenerator.

Socioeconomic Status

Bohn and Thorman[206] contend that "the gap between rich and poor is especially wide in California," a reality that is difficult to reconcile with the sheer size and immensity of the state's economy. Despite the fact that California's economy is the largest of any state, and the fifth largest in the world,[207] its wealth is unevenly distributed, with families at the top of the income distribution earning approximately 12.3 times more than the families at the bottom of the distribution.[208] In 2019, approximately 11.8%, or roughly 4.6 million, Californians were living below poverty,[209] and, in 2018, roughly 17.6%, or 6.8 million, lacked enough resources to meet basic needs.[210] Further, more than a third (35.2%) of Californians at that time were considered poor or "near" poor.[211] Given that poverty and education level are closely linked, access to opportunity and chance for success in California is inextricably tied to socioeconomic status.[212] At the K–12 level, the proportion of socioeconomically disadvantaged students in California has grown significantly over time. In 1990, 36% of students were approved for free or reduced-price lunch; by 2019, that number nearly doubled to 63%.[213] This increase in the proportion of schools serving largely economically disadvantaged learners has important implications for *college readiness.* In fact, A–G course completion rates are significantly higher at more economically advantaged high schools.[214] At the student level, "socioeconomically disadvantaged students are half as likely to be prepared [for postsecondary education] as their more prosperous peers,"[215] with only 39% of economically disadvantaged high schoolers completing A–G coursework.[216] In addition to lagging behind their wealthier peers in overall A–G course completion, economically disadvantaged students also graduate from high school at lower rates than the total population. In 2015–2016, California's overall high school graduation rate was 84%, but lower income students graduated at a rate of 79%.[217]

For those low-income students who do graduate high school, more than half (58%) enroll in postsecondary education after completing high school.[218] However, *college-going rates* for students from the lowest-income families in the state fall short of those from high-income families. Roughly 67% of recent high school graduates with family incomes under $30,000 enroll in postsecondary education, compared with 88% of recent high school graduates with family incomes over $150,000.[219] While *postsecondary enrollment* among low-income students is

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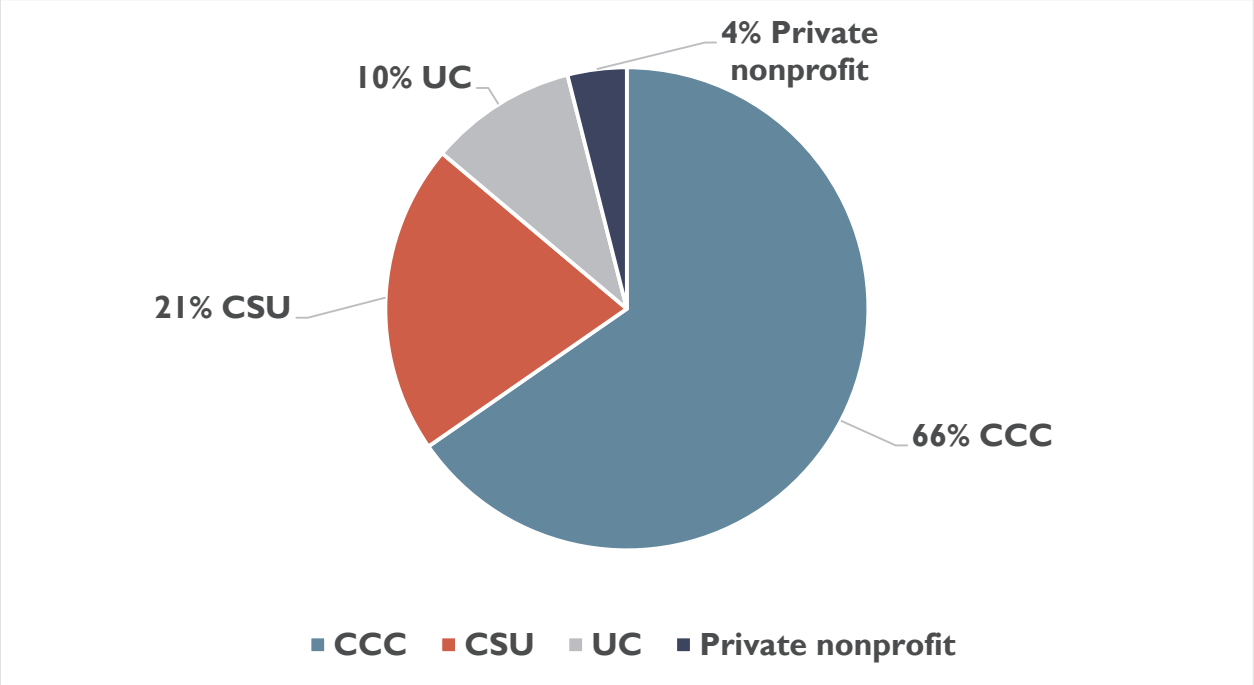
[206] Sarah Bohn and Tess Thorman, "Income inequality in California," *Public Policy Institute of California*, January 2020, https://www.ppic.org/publication/income-inequality-in-california/.
[207] "Best States for Business 2019: California," *Forbes*, accessed July 2020, https://www.forbes.com/places/ca/#5a1cfd9b3fef.
[208] Sarah Bohn and Tess Thorman, "Income Inequality in California," *Public Policy Institute of California*, January 2020, https://www.ppic.org/publication/income-inequality-in-california/.
[209] "Poverty Status in the Past 12 months," United States Census Bureau, 2019, https://data.census.gov/cedsci/table?q=Poverty&g=0100000US_0400000US06&tid=ACSST1Y2019.S1701&hidePreview=false.
[210] Sarah Bohn, Caroline Danielson, and Tess Thorman, "Poverty in California," *Public Policy Institute of California*, July 2020. https://www.ppic.org/publication/poverty-in-california/.
[211] Ibid.
[212] Ibid.
[213] Margaret W. Cahalan, Laura W. Perna, Marisha Addison, Chelsea Murray, Pooja R. Patel, and Nathan Jian, "Indicators of Higher Education Equity in the United States: 2020 Historical Trend Report," *Pell Institute*, 2020, http://pellinstitute.org/downloads/publications-Indicators_of_Higher_Education_Equity_in_the_US_2020_Historical_Trend_Report.pdf.
[214] Niu Gao, "College Readiness in California: A Look at Rigorous High School Course-Taking," *Public Policy Institute of California*, July 2016, https://www.ppic.org/publication/college-readiness-in-california-a-look-at-rigorous-high-school-course-taking/.
[215] "A-G Courses," *Public Policy Institute of California*, accessed October 27, 2020, https://www.ppic.org/blog/tag/a-g-courses/.
[216] Hans Johnson, Marisol Cuellar Mejia, and Sarah Bohn, "Higher Education as a Driver of Economic Mobility," *Public Policy Institute of California*, December 2018, https://www.ppic.org/wp-content/uploads/higher-education-as-a-driver-of-economic-mobility-december-2018.pdf.
[217] Ibid.
[218] Ibid.
[219] Ibid.

relatively high overall, they predominantly enroll in CCCs.[220] Of those socioeconomically disadvantaged students enrolled in the state's public sector, more than half (69%) matriculate at CCCs, while only 10% enroll at UCs—a reality that is likely tied in part to this population's low A–G course completion rates (Figure 7).[221] In contrast, among students from families earning more than $75,000, only 6% enroll at a CCC, while 58% enroll at a UC or CSU, and 30% enroll at a private nonprofit.[222] Thus, equitable access to opportunity, as afforded through the type of institution attended, is significantly skewed against socioeconomically disadvantaged students in California.

Figure 7. Low-Income Student Enrollment by Institution Type, 2017



Source: California Competes, 2020.[223]

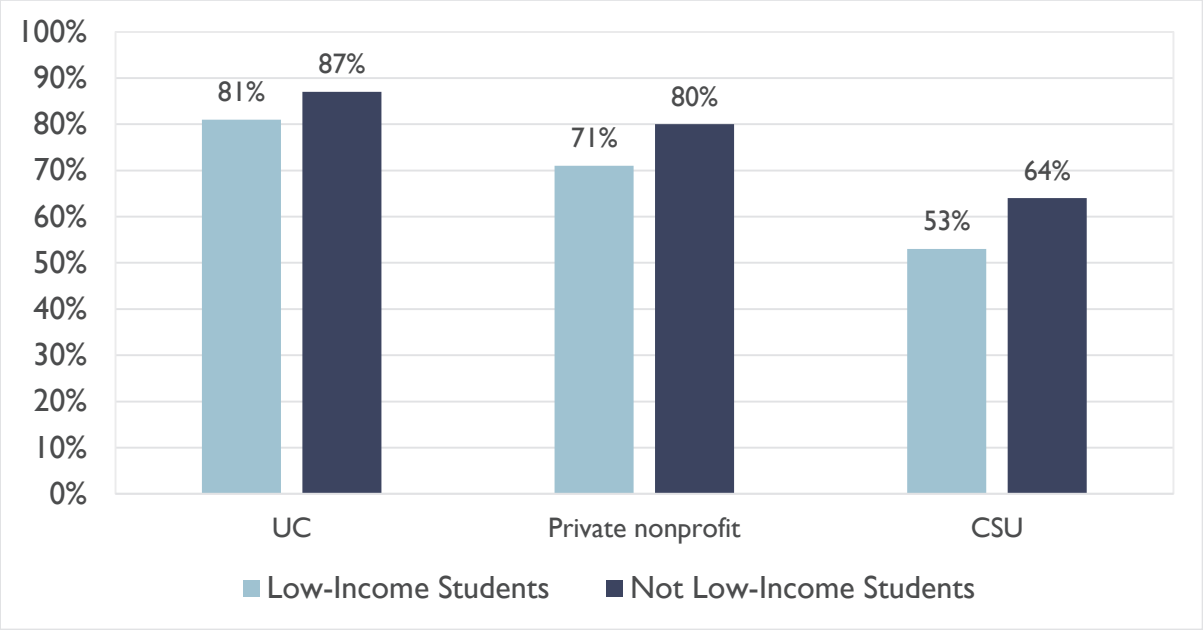
Unfortunately, for socioeconomically disadvantaged students, access to postsecondary education is not enough. Where a student enrolls has implications for their *postsecondary outcomes.* Less than half of all community college students transfer or obtain a degree or certificate within six years.[224] In fact, "students who start at a community college are less likely to earn a bachelor's degree than those who start at a four-year institution."[225] This puts low-income students, 66% of whom enroll in the CCC system,[226] at a distinct disadvantage—particularly in terms of long-term economic prosperity. However, even when enrolled at four-

[220] "Statewide," California Competes, accessed October 2020, https://californiacompetes.org/p2p/regions?region=statewide.
[221] Ibid., author calculation.
[222] "Expanding College Access," *Public Policy Institute of California*, October 2019, https://www.ppic.org/wp-content/uploads/higher-education-in-california-expanding-college-access-october-2019.pdf.
[223] Author calculation, "Statewide," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p/regions?region=statewide.
[224] Hans Johnson, Marisol Cuellar Mejia, and Sarah Bohn, "Higher Education as a Driver of Economic Mobility," *Public Policy Institute of California*, December 2018, https://www.ppic.org/wp-content/uploads/higher-education-as-a-driver-of-economic-mobility-december-2018.pdf.
[225] Ibid.
[226] Author calculation, "Statewide," *California Competes*, accessed July 2020, https://californiacompetes.org/p2p/regions?region=statewide.

year institutions in the state, socioeconomically disadvantaged learners still face barriers to *completion* (Figure 8).

On average, low-income students graduate at lower rates at UC, private nonprofit, and CSU institutions than their more economically advantaged peers.[227] Equity gaps in degree completion between student populations that are low-income and not low-income are largest (11 percentage points) at CSU and private nonprofit schools (9 percentage points), and smallest at UC (6 percentage points).[228] Considering that approximately 55% of CSU students are considered low-income, and that more socioeconomically disadvantaged Californians enroll at CSUs than UCs overall, this population's lower graduation rates are particularly concerning.[229]

Figure 8. Six-Year Graduation Rates at Four-Year Institutions by Student Type



Source: Johnson, Cuellar Mejia, & Bohn, 2018.[230]

Place

In a state as large as California, where you live matters. Geographic location within the state not only influences the availability of job opportunities but also impacts a host of educational and economic outcomes, including: educational experience and preparation, the types of postsecondary institutions you can attend, whether or not you can access those opportunities, and your long-term economic prospects. Despite California's vast size and geographic diversity, most public elementary and secondary schools in the state are concentrated in cities and

[227] Hans Johnson, Marisol Cuellar Mejia, and Sarah Bohn, "Higher Education as a Driver of Economic Mobility," *Public Policy Institute of California*, December 2018, https://www.ppic.org/wp-content/uploads/higher-education-as-a-driver-of-economic-mobility-december-2018.pdf.
[228] Ibid., author calculation.
[229] Author calculation, "Statewide," *California Competes*, accessed July 2020, https://californiacompetes.org/p2p/regions?region=statewide.
[230] Hans Johnson, Marisol Cuellar Mejia, and Sarah Bohn, "Higher Education as a Driver of Economic Mobility," *Public Policy Institute of California*, December 2018, https://www.ppic.org/wp-content/uploads/higher-education-as-a-driver-of-economic-mobility-december-2018.pdf.

suburban areas.[231] Approximately 7% of schools are located in towns, defined as territories inside an urban cluster that surround a denser, more urbanized area, and 11% are located in rural communities.[232] This means that roughly 82% of K-12 schools are situated in California's cities and suburbs, where they serve nearly 89% of the state's students.[233] Despite the concentration of many learners in cities and suburbs, more than half a million students, or roughly one in ten, live in rural areas.[234] The distribution of schools across urban, suburban, and rural communities necessitates consideration of resource allocation and educational opportunity across California's primary and secondary schools in these areas. According to Betts et al.,[235] "counties with large suburban areas tend to have more resources than counties with heavy urban or rural populations"—a reality that precipitates location-based disparities in *K–12 preparation*.

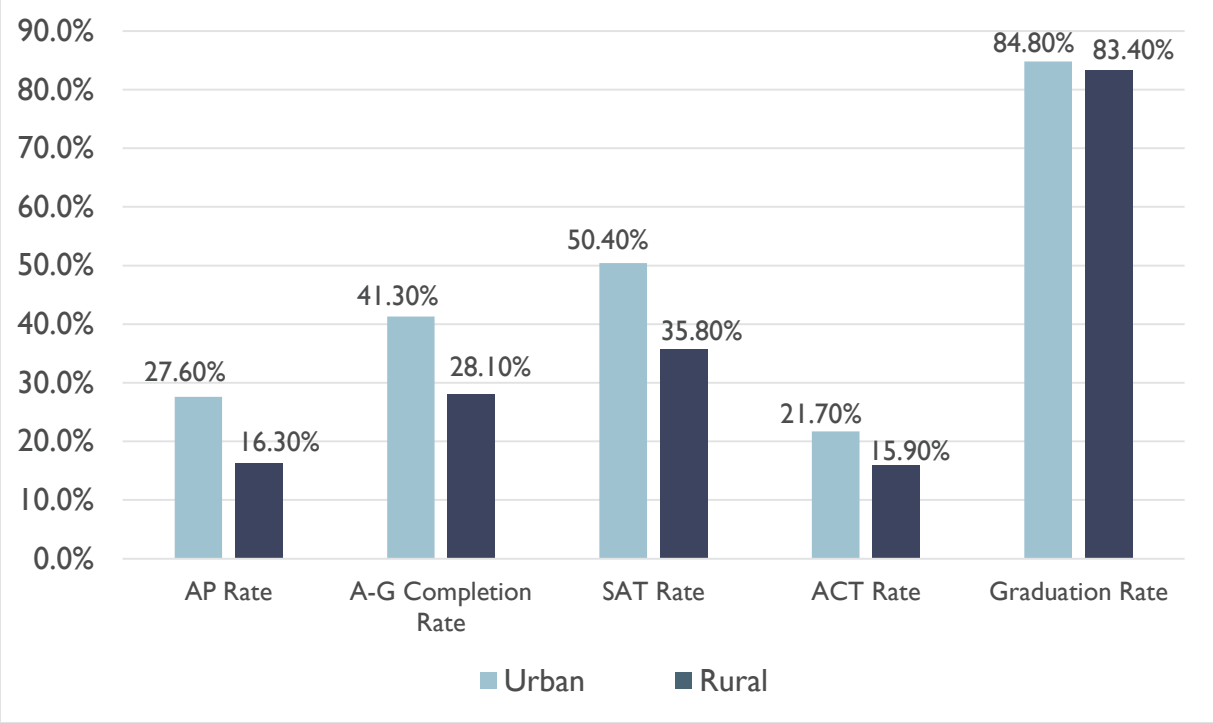
A lower share of rural students than urban students enroll in Advanced Placement (AP) classes for college credit; in 2017-2018, 16.3% of rural high school seniors completed AP coursework and took the AP exam, compared with 27.6% of urban high school seniors.[236] Additionally, rural schools are much less likely than their urban peers to offer the full A–G course sequence.[237] When rural schools do offer the A–G curriculum, however, fewer rural students (28.1%) complete the college preparatory courses than their urban peers (41.3%).[238] While graduation rates are comparable between urban and rural high schoolers, rural students are significantly less prepared for college than their urban peers when they earn their diplomas (Figure 9, see following page).[239]

Beyond college preparation at the high school level, *access* to postsecondary education is also closely tied to location. In fact, "geography plays a key role in the options and opportunities available to a student."[240] Roughly 60% of first-year students enroll within 50 miles of home.[241] On a more granular level, the median distance from students' homes to the colleges where they matriculate is roughly 8 miles for those attending public two-year colleges, 18 miles for those attending public four-year colleges, and 46 miles for those attending private nonprofit institutions.[242] This trend is particularly concerning when considering access through a geographic lens; "the farther students live from any particular college, the less likely they are to

[231] "Selected statistics from the public elementary and secondary education universe: School year 2015-16," *National Center for Education Statistics*, 2018, https://nces.ed.gov/pubs2018/2018052/tables/table_04.asp.
[232] Ibid., author calculation.
[233] Ibid., author calculation.
[234] Carolyn Jones, "The Long Road to College for California's Small Towns: The Push to 4-year Degrees Starts in Elementary Schools," *EdSource*, December 20, 2019, https://edsource.org/2019/the-long-road-to-college-from-californias-small-towns/621428.
[235] Julian R. Betts, Kim S. Rueben, and Anne Danenberg, "Equal Resources, Equal Outcomes? The Distribution of School Resources and Student Achievement in California," *Public Policy Institute of California*, 2000, xiii, https://www.ppic.org/content/pubs/report/R_200JBR.pdf.
[236] Carolyn Jones, "The Long Road to College for California's Small Towns: The Push to 4-year Degrees Starts in Elementary Schools," *EdSource*, December 20, 2019, https://edsource.org/2019/the-long-road-to-college-from-californias-small-towns/621428.
[237] "A-G Courses," Public Policy Institute of California, accessed October 27, 2020, https://www.ppic.org/blog/tag/a-g-courses/.
[238] Carolyn Jones, "The Long Road to College for California's Small Towns: The Push to 4-year Degrees Starts in Elementary Schools," *EdSource*, December 20, 2019, https://edsource.org/2019/the-long-road-to-college-from-californias-small-towns/621428.
[239] Ibid.
[240] Elin Johnson, "Education Deserts," *Inside Higher Ed*, December 20, 2019, https://www.insidehighered.com/news/2019/12/20/access-higher-education-tilts-heavily-toward-urban-areas.
[241] Nicholas Hillman and Taylor Weichman, "Education Deserts: The Continued Significance of 'Place' in the Twenty-First Century," *American Council on Education, Center for Policy Research and Strategy*, 2016, https://www.acenet.edu/Documents/Education-Deserts-The-Continued-Significance-of-Place-in-the-Twenty-First-Century.pdf.
[242] Ellen Wexler, "Geography matters," *Inside Higher Ed*, February 3, 2016, https://www.insidehighered.com/news/2016/02/03/when-students-enroll-college-geography-matters-more-policy-makers-think.

enroll."[243] If students make enrollment decisions based on where they live, location must be part of larger conversations about postsecondary access. Yet, in California, the majority of the state's public postsecondary institutions are concentrated in clusters along the coast and throughout the central part of the state—typically in more urban communities.[244,245] As one moves inland from the coast into the more disparate, rural parts of the state, the number of public postsecondary institutions declines, and UC and CSU institutions in particular become scarcer and more spread out—especially in counties near the state's northern and eastern borders.[246]

Figure 9. Measures of College Readiness, Urban and Rural Schools



Source: Jones, 2019.[247]

To this end, two of California's twelve regions—Central Sierra and Imperial[248]—are considered to be education deserts, or areas in which there are zero colleges or universities nearby, or in which a single community college is the only public, broad-access institution in close proximity.[249] Both regions, which are largely rural in nature, feature just one California

[243] Ibid.
[244] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.
[245] "California - Rural definitions: State-level maps," United States Department of Agriculture, accessed October 17, 2020,https://www.ers.usda.gov/webdocs/DataFiles/53180/25559_CA.pdf?v=0.
[246] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.
[247] Ibid.
[248] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[249] Nicholas Hillman and Taylor Weichman, "Education Deserts: The Continued Significance of 'Place' in the Twenty-First Century," *American Council on Education, Center for Policy Research and Strategy*, 2016, https://www.acenet.edu/Documents/Education-Deserts-The-Continued-Significance-of-Place-in-the-Twenty-First-Century.pdf.

Community College each within their limits.[250] Conversely, the Bay Area and Los Angeles regions are home to roughly 41% of all CCCs, 43% of all CSUs, and 33% of all UCs in the state.[251] Given the high proportion of California's total population concentrated in these regions, it is reasonable to assume that a significant share of the state's public institutions would be located here, but such a reality deprives more disparate, rural communities of reasonable access to these institutions. If you are situated in the state's denser, more urban areas, postsecondary options are more abundant.[252] For those living in the state's rural communities, however, opportunity quickly dwindles as college campuses become more spread out across greater distances and as the number of public four-year institutions decreases.[253] Such a reality limits access to opportunity on the basis of the types of institutions Californians can reasonably engage with in relation to their geographic location. For these reasons, rural Californians tend to have fewer postsecondary education options.[254]

Given Californians' unequal geographic access to college, when they do pursue postsecondary education, it is no surprise that *enrollment patterns* vary regionally. Among high school graduates from the state's less populous rural and desert regions[255] (Central Sierra, Imperial, North–Far North, and Upper Sacramento Valley[256]), roughly 43% do not enroll in postsecondary education.[257] Of those who do enroll in college, the majority (42%) enroll at a CCC institution, with only 3% attending a UC and 7% attending a CSU.[258] In contrast, enrollment rates at UCs (7%) and CSUs (12%) are highest among recent high school graduates in the state's more populous urban regions—nearly double that of rural grads.[259] As the data suggest, rural high school graduates are less likely to enroll in postsecondary education than their urban peers, and, when they do enroll, they matriculate at slightly higher rates at CCCs and at significantly lower rates at CSUs and UCs.

Additionally, for students who enroll within the boundaries of the regions that they call home, inequality between urban and rural areas is further amplified based on the *availability of postsecondary options within regional bounds*. For example, 100% of residents enrolling at institutions within the Imperial and Central Sierra regions matriculate at a California Community College.[260] While enrollment in most regions of California is highest at CCCs, the spread of enrollment is more varied in areas where there are more public four-year options. Approximately 69% of local residents attending college in the Bay Area region enroll in CCCs, while an additional 13% enroll in CSUs, and 8% in UCs.[261] In the San Diego region, 52% of local residents attend CCCs, and 11% attend CSUs.[262] In rural areas where CSUs are accessible

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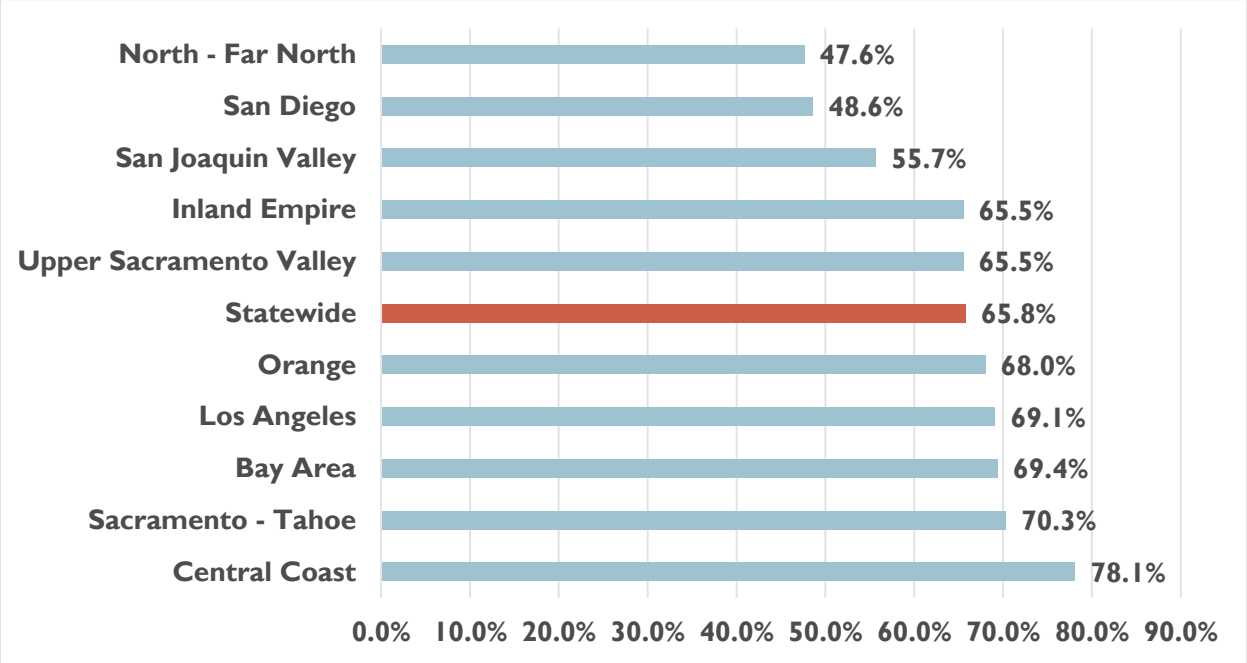
[250] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[251] Ibid., author calculation.
[252] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.
[253] Ibid.
[254] Ibid.
[255] "California - Rural definitions: State-level maps," *United States Department of Agriculture*, accessed October 17, 2020, https://www.ers.usda.gov/webdocs/DataFiles/53180/25559_CA.pdf?v=0.
[256] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[257] Ibid., author calculation.
[258] Ibid., author calculation.
[259] Ibid., author calculation.
[260] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[261] Ibid.
[262] Ibid.

within regional bounds, students matriculate at these institutions at greater rates than many of their urban peers. Roughly 55% of local residents attending college in the Upper Sacramento Valley region enroll at CSUs, outpacing enrollment at the region's CCCs by 10 percentage points.[263] Likewise, 80% of residents in the North–Far North region matriculate at local CCCs, with an additional 18% enrolling at CSUs, the second highest in-region CSU enrollment rate across California's 12 regions.[264] On average, local enrollment at CSUs situated in more populous regions of the state is approximately 13%, falling below the average rate of enrollment (18%) at CSUs in more rural regions.[265] As the data suggest, when given the opportunity to enroll in a regional CSU, rural residents tend to matriculate at slightly higher rates.

Beyond enrollment, regional disparities also emerge when considering postsecondary outcomes. Five-year bachelor's degree *graduation rates* are highest in the Central Coast, Sacramento–Tahoe, Bay Area, Los Angeles, and Orange regions (Figure 10).[266] In contrast, five-year bachelor's graduation rates are the lowest of all regions in the rural North–Far North.[267] Given that five of California's 12 regions fall below the statewide average for bachelor's completion, the state has much work to do to improve graduation rates across regions of all types; however, its urban centers do generally fare better than their more rural counterparts in the proportion of bachelor's degrees produced within regional bounds.

Figure 10. Five-Year Bachelor's Degree Graduation Rates by Region, 2016–2017



Source: California Competes, 2020.[268]

[263] Ibid.
[264] Ibid.
[265] Ibid., author calculation.
[266] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.
[267] Ibid.
[268] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.

Employment, Economic Prosperity, and Social Mobility

Disparities in educational performance—from college preparation and high school graduation to college enrollment and completion—have important implications for individuals' workforce outcomes, driving disparity in employment and social mobility. Across the United States, "postsecondary education is increasingly seen as an important step for obtaining beneficial long-term occupational and economic outcomes."[269] On average, those in the United States with a doctoral or professional degree enjoy median weekly earnings ($1,883) that are more than three times higher than those with less than a high school diploma ($592).[270] While earnings increase in proportion to the level of education attained, unemployment rates decrease as the level of education increases. The unemployment rate in the United States is lowest for those with a doctoral (1.1%), professional degree (1.6%), master's degree (2%), or bachelor's degree (2.2%), compared with those with less than a high school diploma (5.4%).[271] Quite simply, college graduates fare better than those without postsecondary education. Higher education performance is especially pertinent when considering this fact. As a result, unequal postsecondary performance in California, and gaps in overall educational attainment, yield significant disparities in economic prosperity and social mobility within the state by race, socioeconomic status, and place.

In total, 64% of all Californians earn a living wage.[272] However, the percentage of families earning a living wage varies greatly by *race and ethnicity,* with Black (51%), Latinx (46%), and Native American or Alaska Native Californians (45%) disproportionately struggling to do so.[273] This fact is also reflected in median income. The median income for Asian ($53,740) and White Californians ($56,000) is close to $30,000 more than the lowest earning groups (Native American or Alaska Native at $25,000; Latinx at $29,400).[274] Alarmingly, wealth in California is even more unevenly distributed than income.[275] In Los Angeles alone, median net worth for White families was $355,000 in 2014, while the median net worth for Black and Latinx families was just a fraction of that at $76,000 and $46,000, respectively.[276] Additionally, underrepresented Californians are more likely to be affected by unemployment. In August 2020, the unemployment rate in California climbed to 15.9% as a result of the economic downturn from the COVID-19 pandemic.[277] Black and Hispanic residents in the state disproportionately contributed to this increase, recording unemployment levels over 18% compared with Whites (13.5%) and Asians (14.2%).[278]

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[269] "Postsecondary Attainment: Differences by Socioeconomic Status," *National Center for Education Statistics*, last updated May 2015, https://nces.ed.gov/programs/coe/indicator_tva.asp.
[270] "Learn More, Earn More: Education Leads to Higher Wages, Lower Unemployment," *U.S. Bureau of Labor Statistics*, May 2020, https://www.bls.gov/careeroutlook/2020/data-on-display/education-pays.htm.
[271] Ibid.
[272] "Statewide," California Competes, accessed October 2020, https://californiacompetes.org/p2p/regions?region=statewide.
[273] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[274] "Statewide," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p/regions?region=statewide.
[275] Sarah Bohn and Tess Thorman, "Income Inequality in California," *Public Policy Institute of California*, January 2020, https://www.ppic.org/publication/income-inequality-in-california/.
[276] Esi Hutchful, "The Racial Wealth Gap: What California Can Do about a Long-Standing Obstacle to Shared Prosperity," *California Budget and Policy Center*, December 2018, https://calbudgetcenter.org/resources/the-racial-wealth-gap-what-california-can-do-about-a-long-standing-obstacle-to-shared-prosperity/.
[277] "State Unemployment by Race and Ethnicity," *Economic Policy Institute*, updated August 2020, https://www.epi.org/indicators/state-unemployment-race-ethnicity/.
[278] Ibid.

Among educational groups, the poverty rate in California is lowest (4.5%) for those with a bachelor's degree or higher.[279] Additionally, median earnings for Californians 25 years and over with a bachelor's degree are $31,584 higher than those with no education beyond high school, and $23,988 higher than those with some college or an associate degree.[280] As the data suggest, *socioeconomic status* is directly impacted by higher education. Low-income students' chance for greater lifetime earnings and upward economic mobility increases when they enroll and persist at four-year institutions—a reality that has not yet been fully realized in California, where low-income students enroll at and graduate from four-year institutions at lower rates than their economically advantaged peers.

Across California, there are also *regional variations* in the type of work available and the percentage of residents earning a living wage for their work. Jobs in the North–Far North, Upper Sacramento Valley, San Joaquin Valley, and Imperial regions[281] are more likely to pay low wages than jobs in the Bay Area.[282] Additionally, those living in the Central Sierra (where 70% earn a living wage), Sacramento–Tahoe (70%), Bay Area (67%), Central Coast (67%), and Orange (67%) regions are more likely to earn a living wage than those living in the Imperial region (55%).[283] Across California's 12 regions, those with the lowest median income are concentrated in more desert and rural areas (Imperial at $28,169 and Upper Sacramento Valley at $31,100).[284] However, the San Joaquin, Inland, and Los Angeles regions, which are home to approximately 19 million Californians,[285] have an average combined median income of $36,700,[286] which falls below the statewide average of $45,300.[287] As the data suggest, Californians in all regions face challenges to financial health and wellbeing.

Upward economic mobility also varies regionally across the state. In particular, "children born in California cities [Los Angeles, Sacramento, San Francisco, and San Jose] into the bottom income quintile have an above-average chance of rising to the top quintile."[288] As this indicator suggests, economic mobility is relatively high in California's cities overall. One possible explanation is the high rate of college attendance for low-income students in the state's metropolitan areas, including San Francisco, San Jose, Los Angeles, San Diego, and Sacramento.[289] Additionally, Chetty et al.[290] found that mid-tier public colleges, such as California State University institutions, have relatively high economic mobility rates. In fact, California State University–Los Angeles has the highest mobility rate of all four-year postsecondary institutions examined across the United States, with nearly 10% of students

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[279] "Poverty Status in the Past 12 months," *United States Census Bureau*, 2019, https://data.census.gov/cedsci/table?q=Poverty&g=0100000US_0400000US06&tid=ACSST1Y2019.S1701&hidePreview=false.
[280] "Earnings in the Past 12 Months (In 2019 Inflation-Adjusted Dollars)" [Data set], *United States Census Bureau*, 2019.
[281] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.
[282] "Low-Wage Work in California," UC Berkeley Labor Center, accessed October 27, 2020, https://laborcenter.berkeley.edu/low-wage-work-in-california/#worker-profile.
[283] "Postsecondary to Prosperity: Examining California's Opportunity Landscape," *California Competes*, July 2020, https://californiacompetes.org/assets/general-files/CACompetes_P2P-Full-Report.pdf.
[284] "California Postsecondary to Prosperity Dashboard," *California Competes*, accessed October 2020, https://californiacompetes.org/p2p.
[285] Ibid., author calculation.
[286] Ibid., author calculation.
[287] Ibid.
[288] Edward Rodrigue and Reeves Richard, "California Dreaming: Social Mobility in the Golden State," *Brookings*, March 11, 2015, https://www.brookings.edu/blog/social-mobility-memos/2015/03/11/california-dreaming-social-mobility-in-the-golden-state/.
[289] Ibid.
[290] Raj Chetty, John Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan, *Mobility Report Cards: The Role of Colleges in Intergenerational Mobility,* Cambridge, MA: Opportunity Insights, 2017.

coming from families in the bottom quintile and reaching the top quintile.[291] California State Polytechnic University–Pomona also ranked in the top ten for this metric, with a mobility rate of 6.8%.[292] Given the important role that mid-tier public institutions play in economic mobility, and CSU's track record of success in this area, it is probable that mobility in California will be higher in the urban areas where CSUs are more largely concentrated, further disadvantaging students in rural communities that lack access to these institutions.

As the data highlight, disparities in educational attainment and higher education performance among California's most diverse residents drive inequities in employment, economic prosperity, and social mobility. Even the associated benefits from postsecondary education (i.e., employment, income, and wealth) are largely uneven due to very inequitable starting points, making it difficult for the state's diverse populations to get ahead. For these individuals, disadvantage begins at a young age and largely persists throughout adult life. As California's population becomes increasingly diverse, the state must address racial and ethnic gaps in educational attainment and postsecondary performance if it wants to ensure opportunity and economic viability for an increasingly important subset of its residents.

California's socioeconomically disadvantaged residents face barriers to opportunity and success at numerous stages of the education-to-career pipeline. These individuals are not as prepared for college as their advantaged peers, and, when they do enroll in postsecondary education, they are disproportionately concentrated in two-year institutions where they are further saddled with a reduced likelihood of transfer or bachelor's degree completion. For these students, the chance of getting ahead in life is disproportionately tied to the postsecondary opportunities that they can access within California. As Chetty et al.[293] argue, "children from low- and high-income families have similar earnings outcomes conditional on the college they attend." This suggests that access to college, particularly to well-performing colleges with high graduation and mobility rates, is positively correlated with economic prosperity for socioeconomically disadvantaged populations.[294] Therefore, low-income individuals in California cannot succeed without improved postsecondary preparation, access, and completion. In order to get ahead, socioeconomically disadvantaged Californians need equitable access to the starting line.

Lastly, when it comes to chance for prosperity and success in California, where you live also matters. Location in the state not only dictates which postsecondary institutions you can geographically access but also determines how well prepared you are for college-level work, your chance for success upon enrolling, the type of employment you can access in the workforce, and whether you can afford to live in a specific community based on these factors. Failure to examine the unique circumstances of each individual region in California can mask variations in higher education performance in the state and, by extension, differences in regional economic opportunity.

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[291] "Which Colleges in America Help the Most Children Climb the Income Ladder?" *The Equality of Opportunity Project*, 2017, www.equality-of-opportunity.org/college/.
[292] Ibid.
[293] Raj Chetty, John Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan, *Mobility Report Cards: The Role of Colleges in Intergenerational Mobility,* Cambridge, MA: Opportunity Insights, 2017, 2.
[294] Ibid.

Opportunity & Success: When Disparities Compound

Disparities exist as dimensions of individual identity among California's residents. However, disparities in lived experience lead to broader disparities within the state's public postsecondary systems. Learners in California are sorted into the state's very distinct sectors of higher education, with 52% of Californians enrolling in CCCs, 16% in CSUs, and 12% in UCs.[295] As they are sorted into these silos, the structure of California's public postsecondary systems puts some learners at a distinct disadvantage based on their lived experiences as disparities compound in the areas of race and ethnicity, socioeconomic status, place, and age (a factor we have not addressed here but that emerges as another important consideration in examining access, opportunity, and success in California). The differential graduation rates of the sectors, as referenced earlier in this report, further exaggerate disparities at the individual level as students exit these systems.[296]

As California's population becomes more diverse, and as an increasing proportion of its residents are born in the lower end of the income distribution, disparities in performance must be addressed if the state hopes to meet the needs of its workforce and fuel long-term economic viability. Higher education can be a solution for tackling these challenges. In fact, "higher education is the one place where society addresses social mobility in an economic way."[297] Expanding access to opportunity, particularly for California's marginalized and lower-income residents, is imperative for mobilizing individual chance for success. Higher education is a prime resource for the state to leverage in addressing these concerns. While the state's public postsecondary systems have already acknowledged these issues through such efforts as the CCC Vision for Success,[298] CSU Graduation Initiative 2025,[299] and UC 2030,[300] much work remains to be done. California must build on this momentum moving forward to eliminate equity gaps that manifest at all stages of life—and to ensure that its people have an equal chance to achieve prosperity and success. To that end, public postsecondary education in the state must be leveraged for the benefit of all rather than a select few.

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[295] Fall 2018 enrollment data from the *National Center for Education Statistics*, https://nces.ed.gov/ipeds/datacenter/InstitutionByName.aspx.
[296] Jacob Jackson, Kevin Cook, and Hans Johnson, "Improving College Completion," *Public Policy Institute of California*, October 2019, https://www.ppic.org/publication/higher-education-in-california-improving-college-completion/.
[297] Jane Wellman (former College Futures Senior Advisor) in discussion with authors, March 2020.
[298] "Looking Ahead: Goals for Meeting California's Needs," *Foundation for California Community Colleges: Vision for Success*, accessed November 14, 2020, https://vision.foundationccc.org/looking-ahead.
[299] "What is Graduation Initiative 2025?" *The California State University*, accessed November 11, 2020, https://www2.calstate.edu/csu-system/why-the-csu-matters/graduation-initiative-2025/What-Is-Graduation-Initiative-2025.
[300] Carolyn McMillan, "UC's Ambitious Plan to Help More Students Earn a Degree," *University of California News*, July 24, 2019, https://www.universityofcalifornia.edu/news/uc-s-ambitious-plan-help-more-students-earn-degree.

SURVEYING FRAGMENTATION IN CALIFORNIA'S HIGHER EDUCATION POLICY LANDSCAPE

Elizabeth Dunens & Maya Kaul

- The faultline of fragmentation in higher education policy traces across California's political, legislative, postsecondary systems, and accountability structures.
- Fragmentation in and across these domains has trickle-down consequences for California's students, public, and progress.
- Without a long-term, cross-sector vision for higher education in the state, policy approaches to address California's most pressing postsecondary issues will continue to be piecemeal.

Fragmentation as Faultline

In this chapter, we examine the theme of fragmentation that emerged from our analysis of primary and secondary data on the structure and functioning of California's higher education systems and policy since 1990. Before delving into our findings on this faultline, it is necessary to first explain what we mean by fragmentation.

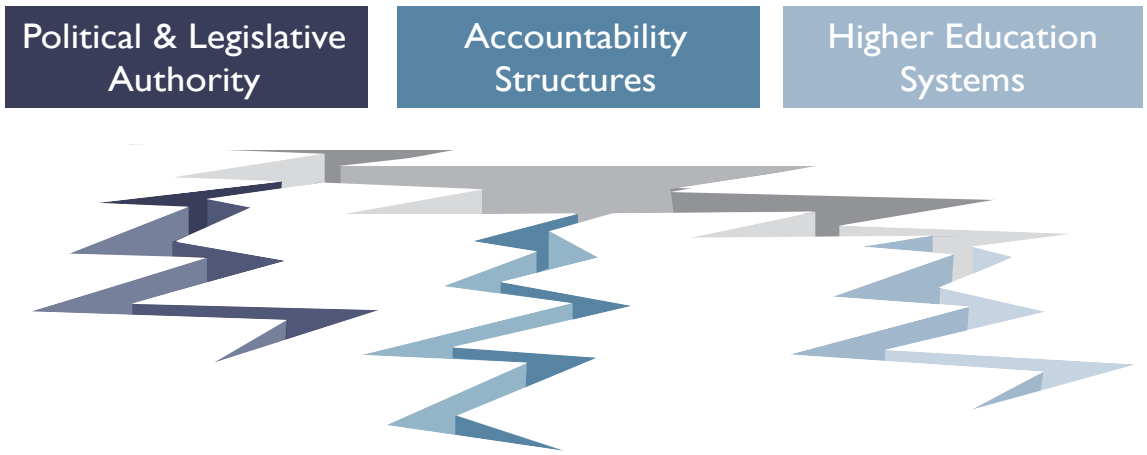
Fragmentation is defined as "the process or state of breaking or being broken into small or separate parts."[301] As such, it is neither inherently positive nor negative, but its unique contexts, degree, pervasiveness, and consequences must be considered. Fragmentation can occur intentionally or unintentionally, and its utility can shift as situations evolve. Take as example the 1960 Master Plan delineation of the specific roles served by each of the state's three public higher education systems. This segmentation was a strategic act to mitigate mission creep and improve enrollment and graduation for the state's growing student population.[302] Yet, 60 years later, the same approach that kept the systems from stepping on each other's toes has also kept them from learning how to dance well with one other. Add to this the increasingly complex choreography required to meet statewide educational attainment and workforce needs, and it becomes clear: although fragmentation can be useful, we must stay alert of its limitations and adverse consequences.

Drawing from our interviews and secondary data, we map key manifestations of fragmentation that influence statewide capacity for setting and implementing a consistent higher education agenda for the state. As visualized in Figure 11, these manifestations are organized into three areas: (1) Gubernatorial and legislative authority and leadership; (2) Higher education systems organization and missions; and (3) Accountability structures to ensure that higher education addresses public purposes. For each manifestation, we highlight key forces that maintain or exacerbate fragmentation. We conclude with a summary of the faultline's negative

[301] "Fragmentation," Oxford English Dictionary, accessed November 12, 2020, https://www.lexico.com/en/definition/fragmentation.
[302] "Moving Past the Master Plan: Report on the California Master Plan for Higher Education," *California Competes*, October, 2017, https://californiacompetes.org/assets/general-files/Master Plan-Report-_-with-cover-for-hearing.pdf.

consequences and reflect on how the unprecedented challenges of 2020 might increase alignment or further calcify historically problematic divisions.

Figure 11. Conceptual Mapping of Fragmentation Across California's Higher Education Policy Landscape



A Fragmented Approach to Policy in a Strong Governor State

"I think that one of the beauties of higher education as a policy area is that it doesn't have to be a blue or a red area. Everyone across the spectrum actually has some regard and desire for us to have a robust and successful higher education system."

- Dr. Lande Ajose, Senior Policy Advisor for Higher Education
Office of Governor Gavin Newsom

In the area of gubernatorial and legislative authority, the state employs a fragmented approach to higher education policy across leadership terms. In recent decades, the state's commitment to higher education has not wavered significantly across administrations. Yet policy priorities and strategy are subject to party politics, and over the past 60 years California has had an active rotation between Democratic and Republican control of the governor's seat (Table 2, see following page). *Moreover, even with consecutive partisan control of the governorship, there can be discontinuity in the state's higher education policy agenda due to differing priorities between individual governors.* This is most recently visible in the leadership transition from Governor Jerry Brown (2011–2019) to Governor Gavin Newsom (2019–present).

Newsom's victory in 2018 represented the first time in over a century that the Democratic party experienced back-to-back gubernatorial wins in California.[303] Both Brown and Newsom have strong track records of commitment to education. Governor Brown's two terms have been characterized as "the most extensive shakeup of California's K-12 public education system over any comparable period in the state's history."[304] Scholar William Tierney described

[303] George Skelton, "Democrats Have a Mega-Majority in the California Legislature. Expect them to Swing for the Fences," *The Los Angeles Times,* December 3, 2018, https://www.latimes.com/politics/la-pol-sac-skelton-democrats-legislature-supermajority-20181203-story.html.
[304] Louis Freedburg, "Landmark Reforms Championed by Gov. Brown Leave Deep Imprint on California Education," *EdSource,* January 3, 2019, https://edsource.org/2019/landmark-reforms-championed-by-gov-brown-leave-deep-imprint-on-california-education/606576.

Brown's "constant drumbeat to exert fiscal administrative prudence, to increase productivity and to hold down costs" as improving the state's public higher education systems.[305] As Lieutenant Governor from 2011 to 2019, Newsom was actively engaged with California's higher education segments, serving as an ex-officio Board member for both California State University (CSU) and the University of California (UC) systems.[306] By the time he ran for governor, Newsom's higher education experience was evident in his postsecondary platform.

Table 2. California Governors and their Party Affiliation since 1959

2019 - present	Gavin Newsom (D)
2011 - 2019	Edmund G. "Jerry" Brown (D)
2003 - 2011	Arnold Schwarzeneggar (R)
1999 - 2004	Gray Davis (D)
1991 - 1999	Pete Wilson (R)
1983 - 1991	George Deukmejian (R)
1975 - 1983	Edmund G. "Jerry" Brown (D)
1967 - 1975	Ronald Reagan (R)
1959 - 1967	Edmund G. "Pat" Brown (D)

Source: California State Library, "Governors' Gallery," http://governors.library.ca.gov/list.html

Despite this consistent commitment to education, Brown and Newsom's specific policy priorities have varied. The formation of California Community Colleges' (CCC) 115th college, Calbright, during Governor Brown's final term is one such example. Spearheaded by Brown and taking origin in an early vision he had from his first governorship,[307] the initiative was allocated over $100 million in development funding and an annual budget of $20 million.[308] Yet this "brainchild of a partnership between Governor Brown and Chancellor Oakley," as one interviewee dubbed it, lacked support from many Democrats in the Legislature and Governor Newsom has come across as "sort of lukewarm [about it]."[309] In spite of recent Assembly Higher Education committee calls to "shut that program down completely," with the argument that "the money saved [310] can be better used in other places,"[311] Newsom has opted to maintain Calbright, but with approximately $5 million in cuts from the annual budget and $40 million from previously appropriated funds for the college.[312] It is too early to determine the effectiveness of the 115th California Community College, especially with the promise that recently appointed Ajita Talwalker Menon brings to its leadership. However, the case of

[305] "Perspectives on Gov. Brown's Contributions to Education — and What is Yet to be Done," *EdSource,* January 3, 2019, https://edsource.org/2019/gov-browns-major-contributions-to-education-and-what-is-yet-be-done/606540.
[306] Scott Jaschik, "Gubernatorial Winners and Higher Education," *Inside Higher Ed,* November 7, 2018, https://www.insidehighered.com/news/2018/11/07/governors-races-and-higher-education.
[307] Daisy Gonzales (Deputy Chancellor of the California Community Colleges) in discussion with authors, April 2020.
[308] Lois Elfman, "Why California's First Online Community College Faces a State Audit," *Diverse Education,* March 18, 2020, https://diverseeducation.com/article/170133/.
[309] Anonymous (California higher education policy expert) in discussion with authors, March 2020.
[310] Ashley A. Smith, "Calbright College Survives in New California State Budget Agreement," *EdSource,* June 23, 2020, https://edsource.org/2020/calbright-college-survives-in-new-california-state-budget-agreement/634292.
[311] Ashley A. Smith, "California Legislature Pushes to Close Embattled Calbright College," *EdSource,* June 4, 2020, https://edsource.org/2020/california-legislature-pushes-to-close-embattled-calbright-college/633143.
[312] The 2020-2021 Spending Plan: Higher Education," *Legislative Analyst's Office*, last modified October 16, 2020, https://lao.ca.gov/Publications/Report/4284

Calbright does exemplify how gubernatorial authority and its facilitation of leader-specific policy formation can lead to fragmentation in the state's ongoing higher education policy agenda. *Compared to some other states, California governors wield a lot of power over higher education.* As such, variance in gubernatorial approach can have a significant impact on California's ongoing higher education performance and policy strategy. Per California constitutional and educational codes, the governor acts as the final signatory with vetoing power on legislation,[313] leads and enacts state budgeting,[314] and makes key appointments to the boards of all three higher education segments[315] and the California Student Aid Commission (CSAC)[316]—a process that two systems leaders we interviewed described as "very political."[317] Apart from these more formalized powers, Patrick Callan, former president of the National Center for Public Policy and Higher Education, also observed,

> Whatever [the] governor puts in place will probably work fairly well as long as he's there. Because who's going to go screw up the Governor's initiative? People tend—even if they don't like it—to go along, to cooperate, to not pick any fights with the governor.

Critiques and praises of specific gubernatorial actions aside, a leader-dependent approach in a strong governor state like California inhibits development of a long-term, macro-level policy strategy as well ability to sustain a long-term policy agenda.
Four features of the California political context contribute to a parallel fragmentation in legislative authority: direct democracy, representative turnover, segmental power, and 'pet projects.'

Direct Democracy

According to former College Futures Senior Advisor Jane Wellman, direct democracy is rooted in California's ballot initiative system and has a "profound influence" on state budget allocations to education.[318] Patrick Callan observed that it "introduces a volatility into public policy that doesn't necessarily create better things for the public," and offered the example of Proposition 13 to illustrate how this legislation mechanism can yield policy that addresses short-term public concerns (e.g., property taxes) while overlooking long-term consequences for the state. Historically, direct democracy has had stronger financial implications for CCC and K–12 systems than the CSU and the UC; however, as Proposition 209's 1996 termination of affirmative action demonstrates,[319] direct democracy grants a significant power to the public to interrupt statewide higher education practice and policy goals across systems.

Term Limits

In 1990, Proposition 140 instituted term limits to the legislature, allowing representatives to serve a maximum of 6 years in the Assembly, 8 years in the Senate, and 14 years across both

[313] "Legislative Process," *California State Senate*, last modified April 2019, www.senate.ca.gov/legislativeprocess.
[314] "California's Budget Process," *California Department of Finance*, accessed June 2020, http://www.dof.ca.gov/budget/Budget_Process/index.html.
[315] "Postsecondary governance structures: California state profile," *Education Commission of the States*, 2019, https://www.ecs.org/wp-content/uploads/CaliforniaPSG.pdf.
[316] "Members of the California Student Aid Commission," *California Student Aid Commission*, accessed June 2020, https://www.csac.ca.gov/commission-members.
[317] CCC administrators, in discussion with the authors, 2020.
[318] Jane Wellman (former College Futures Senior Advisor) in discussion with authors, March 2020.
[319] Khalil Ferguson, "Californians Have an Opportunity to Reverse Prop 209 and Reinstate Affirmative Action," *The Sacramento Bee,* October 13, 2020, https://www.sacbee.com/news/local/sacramento-tipping-point/community-voices/article246293140.html.

houses.[320] Research from the Public Policy Institute of California found that term limits created "more room for fiscal irresponsibility in the Legislature . . . and less incentive, experience, and leadership to correct it."[321] While Proposition 28 "relaxed" term limits somewhat,[322] it was not a full return to the days when new legislators were able to take "years learning their trade in various committees before becoming leaders of their party or chamber."[323]

Segmental Influence

Term limit effects on legislative capacity may also have contributed to legislative reliance on segmental guidance for policy formation, a topic we explore in more detail later in this chapter. Our interviewees alluded to the issue of higher education systems asserting influence on legislative action. Colleen Moore, Assistant Director of Education Insights Center, described the CSU and UC systems as having "a lot of autonomy . . . [and] sway with the legislature about what we [the systems] need."[324]

Pet Projects

Multiple interviews hinted at the influence of individual representatives' pet issues in higher education. Among these were categorical spending allocations to CCC, as well as postsecondary program or campus initiatives. While Student Center Funding Formulas have improved the issue as it relates to categorical spending,[325]according to Robert Shireman, Director of Education Excellence at the Century Foundation, "The politics of opening of campuses frequently have a lot more to do with personalities in the legislature than they do with actual demand in the state."[326]

In combination, these four features present challenges to developing and implementing a systematic, continuous approach to statewide higher education policy formation. The salient manifestation of fragmentation in California's political domain makes the state more susceptible to fragmentary postsecondary policy across executive and legislative leadership. In some ways, *higher education policy is trapped in a vicious cycle, where fragmentation simultaneously contributes to and is caused by a lacking statewide public agenda*. Structures that fuel short-term, leader-specific policy responses require further consideration if the state hopes to meaningfully interrupt this cycle.

Fragmentation 'Baked into' the Higher Education System

In addition to the fragmented nature of policymaking in California, the state's higher education system is also fragmented--by design. The central legacy of the Master Plan is its clear delineation of the roles and purposes of each public segment of higher education, as well as the

[320] "Proposition 28: Limits on Legislators' Terms in Office, Initiative Constitutional Amendment," *Legislative Analyst's Office*, last modified February 16, 2020, https://lao.ca.gov/ballot/2012/28_05_2012.aspx.
[321] Bruce E. Cain and Thad Kousser, "Adapting to Term Limits: Recent Experiences and New Directions." *Public Policy Institute of California*, 2004, iii–iv, https://www.ppic.org/content/pubs/report/R_1104BCR.pdf.
[322] Erin McGhee, "New Term Limits Add Stability to the State Legislature," *Public Policy Institute of California,* November 12, 2018, https://www.ppic.org/blog/new-term-limits-add-stability-to-the-state-legislature/.
[323] "California's Legislature. The Withering Branch," *The Economist*, April 20, 2011, http://www.economist.com/node/18563620.
[324] Colleen Moore (Assistant Director of Education Insights Center) in discussion with authors, April 2020.
[325] Darcie Harvey (College Futures Higher Education Policy consultant; California Community College's Chancellor's Office consultant) in discussion with authors, November 2020.
[326] Robert Shireman (Director of Higher Education Excellence and Senior Fellow at the Century Foundation) in discussion with authors, March 2020.

role of private not-for-profit colleges and universities. A consequence of this design is that it limits, and even disincentivizes, cross-segmental collaboration due to the fragmented nature of decision-making and governance within and across the three segments. Furthermore, there are no finance mechanisms in place to counteract the resulting silo effects. Segment-level decision-making bodies, including governing boards and academic senates, inhibit statewide alignment, collaboration, and capacity to work toward a public good.

Segment Governing Boards

Each public higher education segment in the state is led by a governing board (see Figure 4, p. 25), which is responsible for building shared governance *within* its system. This distribution of powers has "sustained the long-term autonomy of Higher Education in a highly politicized state" by allowing the segments to more or less regulate themselves.[327] For example, the introduction of the CSU's Board of Trustees helped alleviate competition among the CSU campuses.[328] The CCC system is distinct in that each of its 115 campuses has its own local board, which further fragments decision-making.[329] This structure was enacted through the 1988 passing of Assembly Bill 1725 with the aim to make the CCCs more responsible to local communities.[330] However, it also "shift[ed] the power of governance from the legislature to local boards,"[331] and increased the total number of governing bodies across the three systems.

These varying structural arrangements within the segments have historically exacerbated the complexities underlying each of the segments, limiting capacity for shared decision-making both *across* and *within* systems. These dynamics are further complicated by the power imbalances across segment boards. Most notably, the UC Board of Regents is particularly powerful, and comparatively more autonomous than the other two boards given that the state constitution affords "exclusive power to operate, control, and administer the University of California"[332] This creates an unlevel playing field in the few spaces where the three public segments do come together. Together, these dynamics make California's postsecondary education approach "coherent but not coordinated. […] It's a system model rather than an integrated model," as higher education finance expert Jane Wellman suggested.[333]

Academic Senates

Similar to those in other states, the academic senates of California's three public segments play key leadership and decision-making roles in shaping segment-level policy. Whereas the academic senate of the UC was prescribed by a state charter in 1868,[334] the senates of the CSU

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[327] Simon Marginson, *The Dream Is Over: The Crisis of Clark Kerr's California Idea of Higher Education* (Berkeley, CA: University of California Press, 2016), 19.
[328] Simon Marginson, "And the Sky is Grey: The Ambivalent Outcomes of the California Master Plan for Higher Education," *Higher Education Quarterly* 72, no. 1 (September 2017): 51–64.
[329] "The California Community College System" in *Trustee Handbook* (Sacramento, CA: The Community College League of California, 2020), https://www.gavilan.edu/about/trustees_orientation/docs/pres_office/CCCSystem_TrustHdbk.pdf.
[330] Ibid.
[331] "About Senates in California Community Colleges," *Skyline College*, accessed November 13, 2020, https://www.skylinecollege.edu/academicsenate/about.php.
[332] John Aubrey Douglass, "How and Why the University of California Got Its Autonomy," *University of California, Berkeley, Center for Studies in Higher Education Research & Occasional Paper Series*, 2015, 1, https://files.eric.ed.gov/fulltext/ED559389.pdf.
[333] Jane Wellman (former College Futures Senior Advisor) in discussion with authors, March 2020.
[334] John A. Douglass, "A Brief on the Historical Development of the UC Academic Senate and the Universitywide Administration," August 18, 1997, https://senate.universityofcalifornia.edu/_files/reports/senadbrf.pdf.

and CCC were introduced in 1963 through an Assembly Concurrent Resolution.[335] Segment-wide academic senates are the primary venues for faculty voice in the UC and CSU systems. Because of their composition, however, these senates are empowered to prioritize narrowly-defined "academic" issues, which can limit the ability of the state to effectively work toward the public good. As Robert Shireman commented:

> While I'm a strong supporter of shared governance, and faculty having a very strong role, […] it means that when you're negotiating with the Faculty Senate over the next program you're going to offer, it tends to go in the direction of the more traditionally academic, and not as much in the direction of "Hey, how could we work really closely with these local employers to upgrade the skills of their workers, and are there ways that we could be working more closely with their managers?"—the kinds of things that could be really creative approaches to training, but are different from the classroom learning approaches that traditional faculty use.[336]

Similarly, Michael Kirst, former president of California's State Board of Education and Professor Emeritus at Stanford Graduate School of Education, observed:

> [The] systems are run by faculty heavily. Very few faculty are interested in adult education, or new and short-term initiatives for increasing workforce skills . . . And there isn't any way to really maneuver those traditional systems in a different way. The community colleges are more malleable [but] UC is independent in many ways from the legislature. And CSU is a very difficult bureaucracy to move around. It's very ossified.[337]

This focus on academic issues limits the ability of these bodies to address segment policy as it relates to larger public needs, such as responding to state or regional workforce needs. Furthermore, in the few spaces where shared governance is currently possible, the segments are still oriented to prioritize academic issues of *their own segments* over a broader statewide public interest.

In the absence of strong structural arrangements or incentives to align segmental and or state interests, "the systems go their own ways, negotiating their own deals with the Governor and Legislature with the whole presumably guided by the invisible hand of the Master Plan."[338] Multiple stakeholders we interviewed commented that the current policy environment and state leadership do not produce a cohesive statewide higher education system. These differing structural arrangements, and the relative balances of power and autonomy between each segment and its institutions, leave unresolved the question of whose interests any given segment should be working towards. Patrick Callan argued:

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[335] "Brief History of the Academic Senate for California Community Colleges," Academic Senate for California Community Colleges, accessed November 13, 2020, https://www.asccc.org/papers/brief-history-academic-senate-california-community-colleges.
[336] Robert Shireman (Director of Higher Education Excellence and Senior Fellow at the Century Foundation) in discussion with authors, March 2020.
[337] Michael Kirst (Professor Emeritus of Education at Stanford University and the longest serving President of California's State Board of Education) in discussion with authors, March 2020.
[338] Richard Richardson Jr., "State Structures for the Governance of Higher Education: California Case Study Summary," *The California Higher Education Policy Center*, 1997, 16.

> I don't want to imply that they're not public spirited—but [the institutions] tend to see their own interests as the public interest and tend to believe "What's good for General Motors is good for the country." And that's probably not entirely a bad thing. That is, nobody hires the university president to go out and worry about the [public] interest. Their job is to protect the interests of that institution. And so there needs to be some offsetting entity that can bring a perspective.

Given the power imbalances between each of three segments of higher education, this lack of a clearly defined public interest leaves individual systems to set their own agendas and advocate in competition for limited funding. This also creates logistical differences in the ways that public policy operates at large. As Dennis Jones, President Emeritus of the National Center for Higher Education Management System, shared:

> Everything is done system-by-system in California, and you've got three systems. The governor sits on the governing board[s], and everything is kind of negotiated between the state and individual sectors.[339]

These structural arrangements make unifying around a public interest across, and even within, segments an uphill battle. One of the strongest sources of evidence for this point is the impact the fragmentation has on the CCCs and statewide transfer policies. Although establishing clear transfer pathways was a central goal of the Master Plan, the highly fragmented nature of the CCC system today has led to establishment of separate, college-level Memoranda of Understanding (MOUs) for the Associate Degree to Transfer (ADT) pathways with individual four-year institutions, leading to "campus-to-campus rather than system-wide course transferability agreements."[340] Because of the piecemeal nature of MOUs, the transfer agreements are not consistent, with different courses required for transfer to each campus. As such, these transfer policies have "led to inefficiencies and low transfer rates," impeding the California's ability to conduct statewide planning related to transfer.[341] While the Master Plan has served as a "treaty" between warring factions,[342] it has left unresolved fundamental gaps in governance. As the state grapples with 21st century challenges cutting across higher education, workforce, and K–12 preparation, addressing these gaps in governance is critical to achieve more aligned statewide public policy that attends to differing regional needs.

"Accountable for What?": Fragmentation in Policy Oversight

When it comes the data for accountability, you have to ask first, "'Accountable for what?" And California has never stated, "Accountable for what?"

- Dennis Jones, President Emeritus
National Center for Higher Education Management System

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[339] Dennis Jones (President Emeritus of the National Center for Higher Education Management System) in discussion with authors, March 2020.
[340] Colleen Moore, Nancy Shulock, and Cristy Jensen, "Crafting a Student-Centered Transfer Process in California: Lessons from Other States." *California State University Institute for Higher Education Leadership and Policy*, August 2009, 1. https://collegecampaign.org/wp-content/uploads/2014/06/R_Transfer_Report_08-09.pdf.
[341] Colleen Moore and Nancy Shulock, "From Community College to University: Expectations for California's New Transfer Degrees," *Public Policy Institute of California,* March 2014, 6. https://collegecampaign.org/wp-content/uploads/2014/06/R_314CMR1.pdf
[342] Richard Richardson Jr., "State Structures for the Governance of Higher Education: California Case Study Summary," *The California Higher Education Policy Center*, 1997, 16.

The unresolved tensions between institutional and public interests—as exacerbated by the fragmentation of both public policymaking at large in the state and the public higher education sector in particular—are only further compounded by the parallel fragmentation in policy oversight. Absent statewide attainment goals each segment is left with little incentive or accountability to work toward a public interest. Similarly, the governor and the state legislature are working without a shared statewide vision for higher education and are left to prioritize the policy interests of specific administrations. This historic fragmentation in oversight is a prevailing feature of the state's higher education sector and produces structural barriers to creating, sustaining, and enacting a long-term, stable vision for higher education.

No Statewide Planning or Oversight Body "with teeth"

The state previously had a coordinating body, the California Postsecondary Education Commission (CPEC); however, it has never had a body with the power to enforce recommendations or compel system alignment with public goals. While a formal coordinating body is just one potential lever for enacting a statewide strategy—and we do not argue that a coordinating body is necessary—the demise of CPEC speaks to historic barriers to organizing around a statewide public agenda. CPEC's coordinating or accountability roles were never much more than a symbolic nod to the coordinating council envisioned in the Master Plan. One of the key challenges with CPEC was that it lacked the authority to manage conflicts between segmental governing boards. This is credited as one of the contributing factors behind CPEC's eventual downfall. As one policy expert we interviewed reflected:

> One of the challenges we had with CPEC is it was told to be a planning agency, but it didn't have any ultimate authority to trump the decisions of the three boards. And so it was often considered just too weak to be meaningful. It would do a lot of work, and then no one would listen to the recommendations it made.[343]

Governor Brown "axed" CPEC due to its perceived "ineffective[ness]," citing that "there [was] no shortage of public or private entities that study higher-education policy" in the state.[344] *Although the state is home to a large number of organizations which provide research-based guidance to higher education policymakers and leaders, these groups alone are not a sufficient mechanism for achieving sustained statewide policy leadership that goes beyond any respective gubernatorial or legislative term.* As such, there is no lack of statewide capacity when it comes to these research and policy organizations in the state *implementation* of these organizations' ideas. In the absence of oversight, the governor is left to use the power of the purse as a lever of control over the three segments, which further limits the state's ability to develop a meaningful statewide vision by promoting more piecemeal policymaking. These dynamics also run the risk of encouraging the segments to work out their own "deals" with the governor or legislature based on where they are able to find support for their budget requests, rather than being driven by a set of overarching public policy prioirities for the state.

[343] Jennifer Pacella (Deputy Legislative Analyst at the Legislative Accountability Office) in discussion with authors, March 2020.
[344] Eric Kelderman, "When California Eliminated Its Higher-Ed Commission, Little Was Lost, Speaker Says," *The Chronicle of Higher Education*, August 5, 2015, https://www.chronicle.com/article/when-california-eliminated-its-higher-ed-commission-little-was-lost-speaker-says/.

Recognition of the Need for a Public Agenda

There was an overwhelming agreement among those we interviewed that California's public higher education system would benefit from greater statewide planning and oversight. At the same time, there was no shared consensus on what this statewide vision should look like. One of the central challenges of creating an effective coordinating strategy is that it would need to effectively advance the public interest in an ecosystem wherein individual segments are structurally designed to advocate for their own interests. Implicit in this framework is "a kind of Madisonian checks and balances idea."[345] As Dennis Jones shared, "There are a lot of people in California and they all recognize the need for a CPEC. But they can't agree what it ought to do."[346] Such a statewide strategy would also require the governor and legislature to yield some current power, which presents a significant political hurdle.

Part of the reason for this lack of consensus is that, in a state as large and diverse as California, there are many distinct "players" in the higher education space. Each of these players has its own interests and visions for what a statewide approach to higher education should look like. Jennifer Pacella, Deputy Legislative Analyst at the Legislative Accountability Office, spoke to this point:

> In California, we've had a perennial tension between statewide planning and the power of the three segments' governing boards to control their particular segments. On the one hand, many state policymakers would like to see better statewide planning. Rather than having a segmental perspective—that is, thinking about the world as UC or the community colleges see it—they instead would like to take a state approach and ask, "What does California need from the higher education system? Can we ensure that the programs being offered across the three segments are those that are most beneficial for students and employers?" Countering this desire for better statement planning, however, are the segments' strong governing boards that have considerable authority for running their segment. With the administration, the Legislature, and the three governing boards all in positions of power and each having at least somewhat different perspectives and priorities, doing statewide planning effectively has been challenging.[347]

The number of "players" in the higher education space in California speaks to the capacity of the system. In addition to the higher education and policy leadership in the state, a range of research, policy, and advocacy organizations in the state work to support the system. Colleen Moore argued that there is broad buy-in among this latter coalition to establish a coordinating entity, but the call faces resistance from the segments themselves:

> The research, policy, advocacy organizations in higher ed[ucation], are pretty much all on—as far as I know at the moment--the "pro" side of having a coordinating entity. Who is on the "anti-" side is the systems themselves. […] Arguably the community college system has less authority on its own and is more subject to the whims of the legislature telling them what to do. CSU and especially UC have a lot of autonomy. And

[345] Dennis Jones (President Emeritus of the National Center for Higher Education Management System) in discussion with authors, March 2020.
[346] Ibid.
[347] Jennifer Pacella (Deputy Legislative Analyst at the Legislative Accountability Office) in discussion with authors, March 2020.

> so, in the absence of any coordinating entity, they have a lot of sway with the legislature.[348]

Any such resistance from the segments is reflective of the segmental autonomy afforded by current structural arrangements. Moving away from those arrangements toward greater statewide planning would force segments to negotiate a broader statewide, public vision for higher education, and to be responsive to enacting that public agenda. Establishing such a vision could align the work of research, policy, and advocacy organizations to more effectively support higher education policymaking and performance in the state.

Signs of Movement Toward a Public Agenda

With a new governor and fresh leadership across the UC and the CSU, there may be a policy window to introduce a new, statewide vision for higher education in California. Those we interviewed highlighted four recent initiatives in the state that reveal signs of more coordinated activity: (1) CCC's Vision for Success, UC 2030, & CSU's Graduation Initiative 2025; (2) the development of an integrated data system; (3) Governor Newsom's Council for Postsecondary Education; and (4) Governor Newsom's Higher Education Recovery with Equity Taskforce. Each reflects a potential interest in better aligning policy and practice across systems, while bearing a unique set of possibilities and limitations.

1. CCC's Vision for Success, UC 2030, & CSU's Graduation Initiative 2025. Each of the public higher education segments have developed a formally articulated vision with operationalizable goals for the next 5 to 10 years. Though the particular goals within each of these visions vary, all of are generally focused on increasing degree attainment and closing attainment gaps. For example, the *Vision for Success* is the CCC's "north star," a guiding document for the community colleges to achieve their vision of "making sure students from all backgrounds succeed in reaching their goals and improving their families and communities."[349] Developed through a rigorous process of soliciting comments from experts and key stakeholders (including written comments from approximately 550 individuals),[350] the *Vision for Success* was created to identify goals for the CCC system to work toward by 2022.[351] Daisy Gonzales, Deputy Chancellor of the California Community Colleges, shared more context on the purposes and potential of the *Vision for Success*:

> Before this [current] Chancellor [Eloy Ortiz Oakley], so before 2016, we had never had a system wide strategic plan rooted in equity. This Chancellor came in and decided that he wanted a statewide strategic plan to address historic completion gaps that would eradicate racial equity gaps in our persistence and completion rates. We convened over 60 different stakeholders in California and multiple Town Halls to collect system input. It took nine months from the moment that I arrived to create a strategic vision for our state, and that is the Vision for Success.[352]

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[348] Colleen Moore (Assistant Director of Education Insights Center) in discussion with authors, April 2020.
[349] "Vision for Success - Strengthening Our Vision," *California Community Colleges Chancellor's Office*, accessed November 13, 2020, https://www.cccco.edu/About-Us/Vision-for-Success.
[350] "Vision for Success," *Foundation for California Community Colleges*, accessed November 13, 2020, https://foundationccc.org/Vision-for-Success.
[351] "Looking Ahead: Goals for Meeting California's Needs," *Foundation for California Community Colleges*, accessed November 6, 2020, https://vision.foundationccc.org/looking-ahead.
[352] Daisy Gonzales (Deputy Chancellor of the California Community Colleges) in discussion with authors, April 2020.

The resulting document includes tangible goals for the system, akin to the goals represented in the UC's 2030 vision and the CSU's Graduation Initiative 2025. In this way, these segmental vision documents can establish clear benchmarks that will provide individual campuses, and the segments as a whole, greater clarity on what they are collectively working toward. These attempt to build a shared agenda within the otherwise highly fragmented segments and may present a model for how such benchmarks could be established at a statewide level. For example, successful system-level stakeholder engagement processes could serve as models for designing a scaled up, cross-system and cross-sector process to develop a statewide vision for higher education. Additionally, if a space was created for the segments to work together on a statewide visionary document, they could then work alongside one another to address regional needs in a more collaborative effort—taking issues like workforce alignment and transfer policies head on as a collective.

2. California Cradle-to-Career Data System. Another potential lever for statewide planning and oversight is the integrated data system the state is working to establish. In 2019, the California State Legislature passed Assembly Bill 75,[353] the California Cradle-to-Career Data System Act, "which sets out the requirements for the development of a statewide data infrastructure."[354] The state is currently engaged in the design process for the data system, led by the Governor's Office and WestEd. Recommendations from these groups will be issued by July 2021 for the state's implementation of such a system[355] There is hope within the state that this data system will provide policymakers an additional lever for holding systems accountable, by increasing transparency in segments' performance through the provision of longitudinal systemwide data, which follows students from the "cradle" to their "career' (i.e., through their whole educational trajectory). However, those we spoke with also suggested that a data system alone—without a coordinating body with the power to enforce its systematic use—may be insufficient. Colleen Moore commented:

> Ideally, you would have a data system and you would also have a body that would make more formalized use of it . . . I still think that if we could get the data system even without that, there are these fairly well-respected groups that are well resourced and staffed and have a lot of expertise and pent-up interest in using such a data system to address questions around ways to improve education policy and practice.[356]

As Jane Wellman cautioned, the state today does not have an "information problem"[357]—rather, the existing research and policy organizations in the state need support in implementing their own research-based recommendations. As such, questions about "what the system will look like, how it will be governed, who will have access to data and how privacy and security will be handled" are currently being discussed by the associated working committees, and will have major implications for what the data system looks like in practice.[358] For example,

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[353] John Fensterwald, "California Finally to Move Ahead with 'Cradle to Career' Data System," *EdSource,* June 25, 2019, https://edsource.org/2019/california-finally-to-move-ahead-with-cradle-to-career-data-system/614220.
[354] "California Cradle-to-Career Data System," California Data System, *WestEd*, accessed November 13, 2020, https://cadatasystem.wested.org/.
[355] Ibid.
[356] Colleen Moore (Assistant Director of Education Insights Center) in discussion with authors, April 2020.
[357] Jane Wellman (former College Futures Senior Advisor) in discussion with authors, March 2020.
[358] John Fensterwald and Louis Freedberg, "California Finally to Move Ahead with 'Cradle to Career' Data System," *EdSource,* June 25, 2019, https://edsource.org/2019/california-finally-to-move-ahead-with-cradle-to-career-data-system/614220.

proposals include establishing a new statewide office and governing entity to manage the system.[359] How these decisions shake out will influence the potential of the data system to support the state's ability to develop and implement a statewide higher education agenda.

3. Governor Newsom's Council for Postsecondary Education. There was momentum during fall 2019 with Assembly Bill 130 to reinstate CPEC; however, the bill was ultimately vetoed by Governor Newsom, despite the fact that he supported the creation of a coordinating body during his candidacy for governor.[360] Instead, Newsom established a new Council for Postsecondary Education to advise his office on issues related to higher education and "to enable the various segments of higher education to work more closely and collaboratively together."[361] The Council includes the president and chancellors of the UC, CSU, and CCCs, as well as the President of the Association of Independent California Colleges and Universities.[362] Also appointed to the Council were representatives from K–12, workforce, and labor sectors.[363] Because the Council has no formal coordinating powers, however, it is unclear whether it has the capacity to serve as a steward for the state's higher education needs, or if it will simply act as a consulting body to the governor. As such, this approach may represent a means of making the existing system work better, rather addressing underlying issues, such as fragmentation of governance structures, head on.

4. Governor Newsom's Higher Education Recovery with Equity Taskforce. Composed of a diverse set of higher education stakeholders and experts, the taskforce convened by Newsom in August 2020 is headed by Governor Newsom's Senior Policy Advisor, Lande Ajose. The membership of the taskforce includes a number of public and private higher education leaders in the state, as well as several out-of-state members and representatives from organizations such as the Institute for Higher Education Policy, the College Futures Foundation, and the Campaign for College Opportunity.[364] According to Education First, the consulting firm facilitating the taskforce, the group is charged with:

> Produc[ing] a roadmap for the state's education leaders, government, and philanthropic institutions to ensure that California's public post-secondary institutions recover from the impacts of COVID-19 more integrated, equitable, and resilient than before—and more aligned with the economic needs of the state.[365]

This taskforce represents a new method to addressing fragmentation in vision and higher education policy. In particular, Lande Ajose shared that this approach is an attempt "to really start to talk about what our aligned values are" through the use of "soft power."[366] While the

[359] Colleen Moore, "Setting Priorities for California's Cradle-to-Career Data System," *Education Insights Center,* accessed November 13, 2020, https://edinsightscenter.org/blog/2020/10/03/setting-priorities-for-californias-cradle-to-career-data-system/.
[360] California Legislative Information. (2020). AB-130 Postsecondary education: Higher Education Performance, Accountability, and Coordination Commission. [Bill status report]. http://leginfo.legislature.ca.gov/faces/billStatusClient.xhtml?bill_id=201920200AB130.
[361] Doug Lederman, "California's Governor Creates Postsecondary Panel," *Inside Higher Ed*, August 12, 2019, https://www.insidehighered.com/quicktakes/2019/08/12/californias-governor-creates-postsecondary-panel.
[362] Ibid.
[363] Ibid.
[364] "Governor Newsom's Council for Post-Secondary Education Announces California Higher Education Recovery with Equity Taskforce," *Education First*, August 6, 2020, https://www.prnewswire.com/news-releases/governor-newsoms-council-for-post-secondary-education-announces-california-higher-education-recovery-with-equity-taskforce-301107257.html
[365] "California Higher Education Recovery with Equity Taskforce," *Education First,* November 3, 2020, accessed November 2020, https://education-first.com/recovery-with-equity-taskforce/.
[366] Lande Ajose (Senior Policy Advisor for Higher Education Office of Governor Gavin Newsom) in discussion with authors, August 2020.

taskforce is intended to produce actionable recommendations, questions remain as to whether its composition, year-end deadline, and limited enforcement capacities position it for success. Even still, the Taskforce represents a concerted effort from state leadership to engage new ways to bring the segments together so that the state can be synchronized in its response to higher education needs during the pandemic, and beyond.

Each of these initiatives and systems illustrates efforts across the state to grapple with the issues of fragmentation in the higher education policymaking sphere. As Lande Ajose reflected, "What we need is the political will to take on those things that we know are legitimate challenges in the system."[367] Without resolving the underlying fragmentation of decision-making—within and across institutions—and the policymaking bodies of the state at large, the same structural barriers to implementing a statewide agenda will likely persist. Tackling these issues of governance, which are so embedded in the ways higher education policymaking operates, will not be easy. However, it is necessary if California is to effectively address today's higher education challenges.

Negative Outcomes of Fragmentation in Unprecedented Times

Fragmentation in California's political, segmental, and oversight structures presents challenges to the development and implementation of long-term, statewide policy strategy for postsecondary education. Without a cross-sector, cross-term vision, and the accountability structures to uphold it, policy approaches will likely continue to be piecemeal.

This fragmentation ultimately has serious consequences for California's students. Fragmentation in political and legislative approaches influences which student issues get prioritized and funded. This is especially challenging during economic downturns when resources are scarce, as evidenced by recent 2020–2021 higher education budget cuts to areas including career and technical workforce development, food pantries, and programs to support undocumented students.[368] Fragmentation among systems also contributes to and amplifies postsecondary pathways issues (e.g., K–16 alignment, transfer policies across higher education segments, statewide student aid policies). Not only is there an ethical imperative to ensure that the systems and statewide policy cohesively address perennial student equity and access issues, there is also economic argument for it: misalignment or siloing between the systems prevents the state from maximizing its human capital and workforce development potential. Furthermore, fragmentation of segments and political structures can cause inefficiencies in the prioritization and use of limited financial resources. These consequences are not the fault of individual leaders but rather a consequence of the highly fragmented structures performing as they are designed to.

The aforementioned signs of moving toward a public agenda hold promise for mitigating some of these issues, yet many unknowns remain, given the unprecedented challenges that the state faces in 2020. Multiple stakeholders we interviewed expressed uncertainty about what this time portends. Darcie Harvey, a higher education consultant working in California, commented, "I

[367] Ibid.
[368] Michael Burke, "Newsom's Proposed Budget Cuts to Higher Education Force Difficult Choices Ahead," *EdSource*, May 14, 2020, https://edsource.org/2020/newsoms-proposed-budget-cuts-to-higher-education-force-difficult-choices-ahead/631681.

think [California's] higher ed[ucation] was not in a great place before this [pandemic]. Even though there had been good budget years, they were still really facing some problems. And now they're facing a lot more."[369] There is also the question of how higher education will be prioritized given the immediate health, environmental, and economic emergencies the state must address. Higher education has the potential to be a key strategic asset to the state in both responding to these emergencies in the short-run, and building statewide resilience against such crises in the future. However, if the issues of fragmentation that we identify are left *unresolved*, higher education may have the opposite effect.

Although the governor has not abandoned the higher education reform goals outlined in his campaign platform, these larger state issues have impacted fiscal and leadership capacity to follow through on postsecondary promises as originally planned. Yet trials can also act as catalyzers for change, and perhaps new segmental leadership during this time of transition will create the conditions for finally addressing perennial, embedded faultlines like fragmentation. Only time will tell.

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Dunens, E., & Kaul, M. (2020). Surveying Fragmentation in California's Higher Education Policy Landscape. In T.K. Odle, & J.E. Finney (Eds.), "*Faultlines*" *Shaping Higher Education Policy and Opportunity in California* (pp. 46-60). Philadelphia, PA: Institute for Research on Higher Education, University of Pennsylvania Graduate School of Education.

[369] Darcie Harvey (College Futures Higher Education Policy consultant; California Community College's Chancellor's Office consultant) in discussion with authors, April 2020.

UNCERTAIN AND VOLATILE STATE FUNDING

Pooja R. Patel and Lindsay Adams Van Ostenbridge

- Volatility in public funding limits the ability of public higher education to address critical public needs in California.
- California is especially prone to volatility given its (1) heavy and longstanding reliance on capital gains tax and (2) constraints on property tax revenues brought about by Proposition 13.
- An instability in state revenue creates fluctuations in state fiscal support for higher education, limiting long-range planning for institutions. Institutions tend to respond by decreasing access or raising tuition—or both.
- In order to maintain access and affordability, California must address systemic problems that contribute to volatility.

Introduction

Dubbed the budget "balance wheel," higher education is often the largest discretionary fund in state budgets that enjoys increased appropriations during prosperous times but disproportionately large cuts during economic downturns.[370] Higher education budgets endure a proportionally larger cut because institutions have the capacity to generate additional tuition revenue in a way that agencies such as K–12 and health services do not.[371] Both nationally and in California, COVID-19 will further test the notion of higher education as a balance wheel as states contend with significant financial upheaval.

Volatility of funding is prevalent in American higher education, starting with state revenues and appropriations and trickling down to higher education revenues, financial aid, and tuition and fee levels.[372] This analysis defines volatility as an extreme variation and unpredictability of funding. Volatility is built into the system given that state funding is highly dependent on a changing economic, tax, and other revenue policies—and tied to states' long-term structural budget deficits.[373] At the state level, volatility may translate into sharp increases or decreases in funding across time. Such fluctuations in public funding limit long-range planning for institutions of higher education by creating uncertainty in their incoming revenue, which may unintentionally promote volatility in their own expenditures or tuition and fee levels.[374]

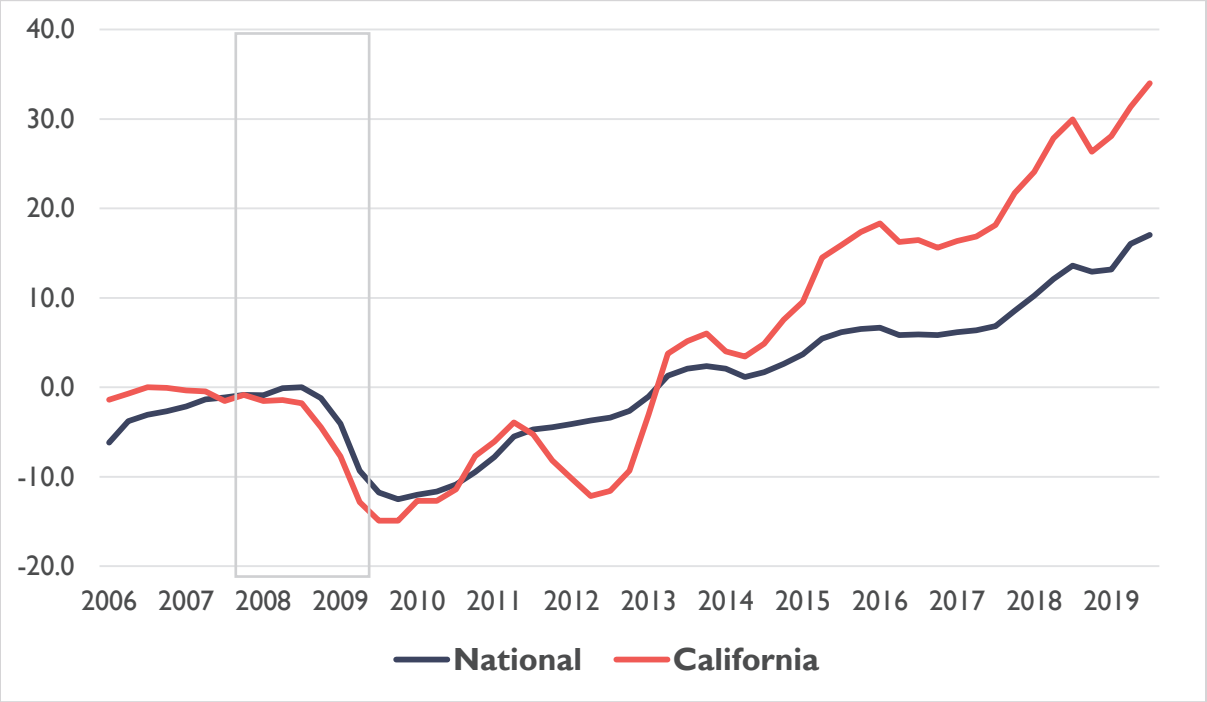
[370] Harold Hovey, "State Spending for Higher Education in the Next Decade: The Battle to Sustain Current Support," *National Center for Public Policy and Higher Education*, July 1999, https://files.eric.ed.gov/fulltext/ED439633.pdf.
[371] Joni E. Finney, "Why the Finance Model for Public Higher Education is Broken and Must be Fixed," *Wharton Public Policy Initiative Issue Briefs*, 2014, 7, https://repository.upenn.edu/pennwhartonppi/27.
[372] William R. Doyle, Amberly B. Dziesinski, and Jennifer A. Delaney, "Modeling Volatility in Public Funding for Higher Education," *University of Illinois at Urbana-Champaign,* March 9, 2018, https://aefpweb.org/sites/default/files/webform/doyle_dziesinski_delaney_volatility_2018.pdf.
[373] Joni E. Finney, "Why the Finance Model for Public Higher Education is Broken and Must be Fixed," *Wharton Public Policy Initiative Issue Briefs*, 2014, 2, https://repository.upenn.edu/pennwhartonppi/27.
[374] Jennifer A. Delaney and William R. Doyle, "State Spending on Higher Education: Testing the Balance Wheel over Time," *Journal of Education Finance* 36, no. 4 (2011): 343–68, http://www.jstor.org/stable/23018116.

We identify volatility as a faultline given our observation that such instability in public funding has limited the ability of public higher education to address critical public needs. While there are many forces contributing to volatility in California's revenues and expenditures overall, our research shows that the state is especially prone to volatility given its (1) heavy and longstanding reliance on capital gains tax and (2) constraints on property tax revenues brought about by Proposition 13. This is not to understate other forces that cause volatility in public budgets, but the combination of the dramatic increases and declines in capital gains tax revenues (part of the personal income tax) and accompanying constraints of property tax revenue are pernicious and prevent the state from investing in its future.

Volatile Revenue Trends

According to the Pew Fiscal 50 analysis, California ranks fifth in the nation in tax revenue volatility.[375] State volatility ranking is determined by "both the volatility of individual tax streams and the *share* of revenue that each stream represents."[376] While California is not alone in facing severe blows in revenue due to economic downturns, as Figure 12 demonstrates, California is more susceptible to changes in tax revenues than the national average, presenting deeper dives and sharper climbs since the early 2000s.

Figure 12. Change in Tax Revenue California and the United States



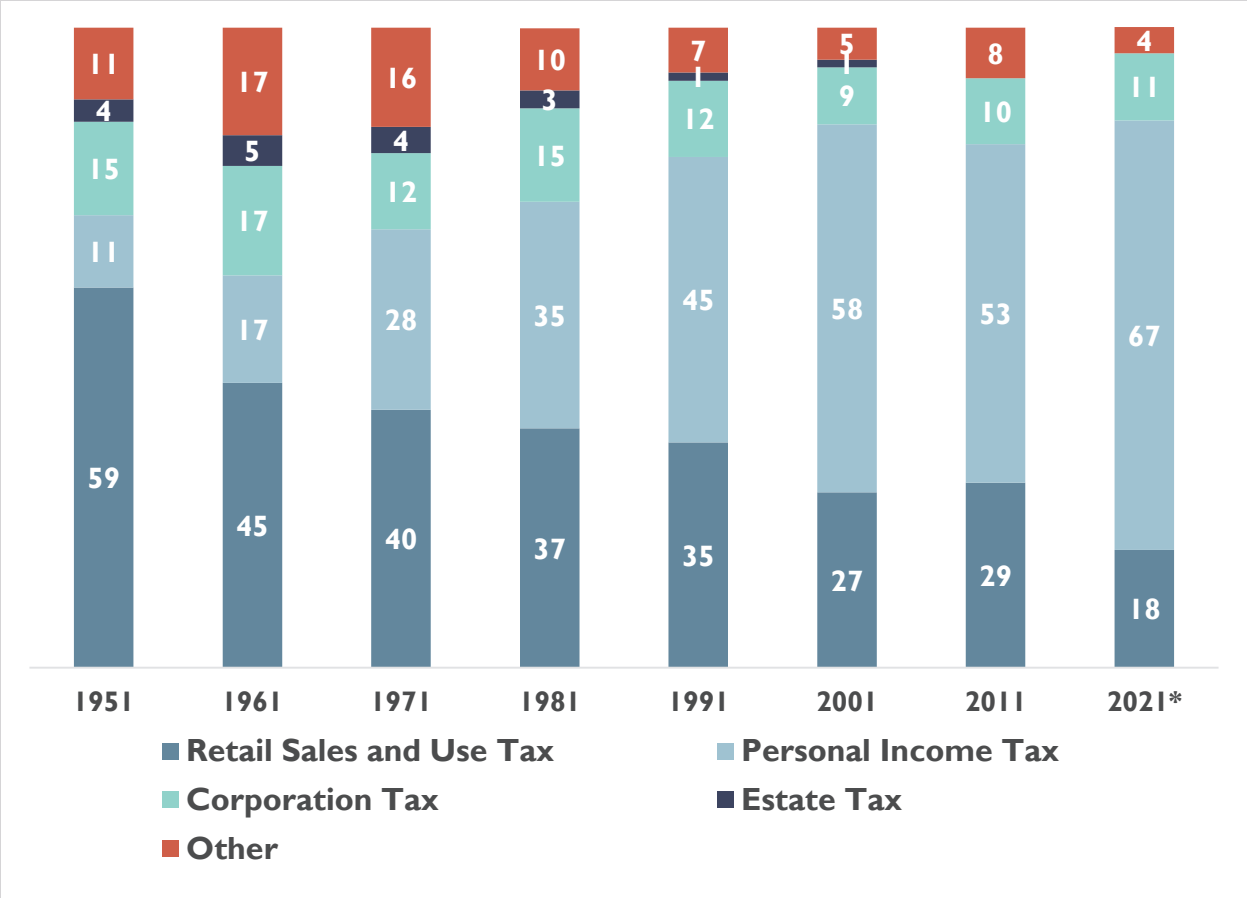
Note: Gray box identifies the Great Recession; National changes exclude California.

Source: Pew, 2020.

[375] "Fiscal 50: State Trends and Analysis," *Pew*, last modified September 4, 2020, https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind0.
[376] Mary Murphy, Alexandria Zhang, and Akshay Iyengar, "States Portfolios Drive Differences in Revenue Volatility," *Pew*, October 16, 2017, https://www.pewtrusts.org/en/research-and-analysis/articles/2017/10/16/states-tax-portfolios-drive-differences-in-revenue-volatility.

Historically, California has relied on four major sources of revenue: retail and sales tax, personal income tax, corporate tax, and estate tax. Over the last 70 years, there has been a decisive shift in the *share* of the four revenue sources and their contribution to the state budget.[377] Figure 13 shows California's revenue sources from 1951 through 2011 and projected into 2021. In 1951, 59% of total revenue came from retail sales and use tax while 11% of total revenue came from personal income tax. By 1991, this revenue pattern had dramatically shifted, with 35% of the total revenue coming from retail sales and use tax and 45% from personal income tax. This sharp increase in reliance on personal income tax has continued, and, by 2021, is expected to make up 67% of total state revenues. Personal income tax revenue is composed of several income types, ranging from wages and salaries to capital gains tax. Of these categories, capital gains tax has proved to be most unpredictable, subject to high levels of fluctuation given its close tie to the stock market. As the share of revenues derived from personal income tax has increased over the decades, so has California's reliance on capital gains tax.

Figure 13. California Revenues by Source, 1951–2021



Note: * = estimate

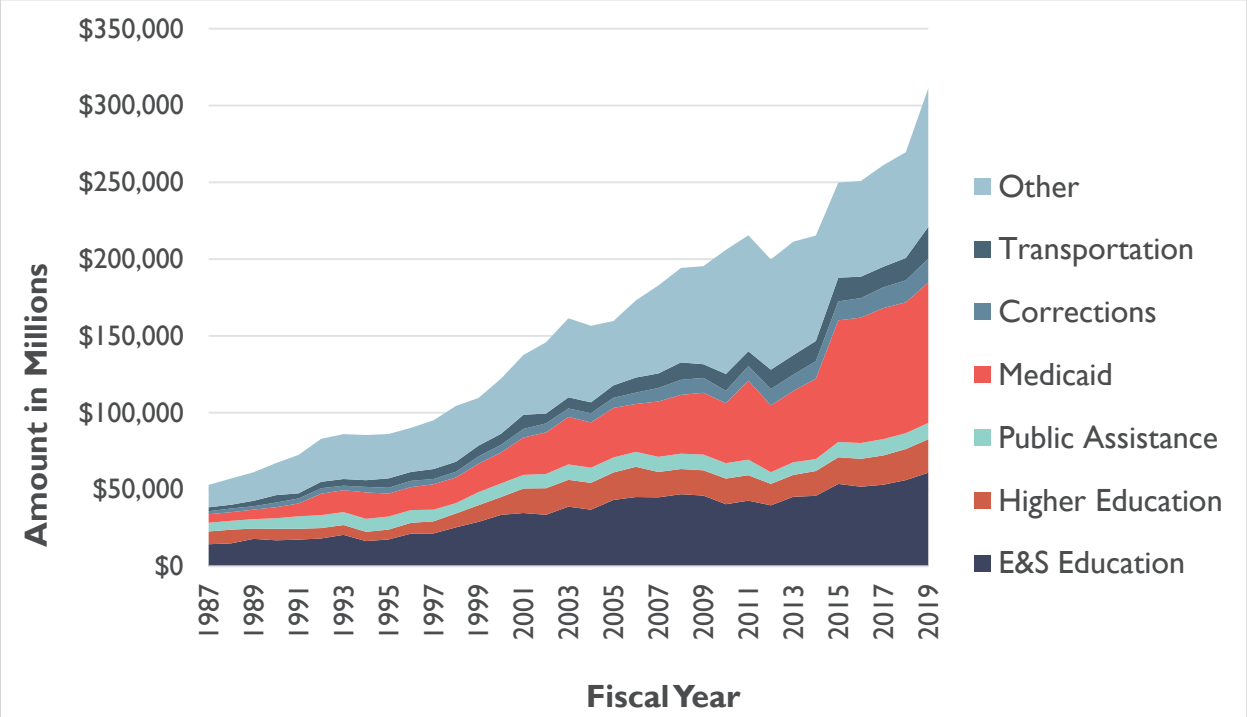
Source: California Department of Finance, 2020b.

[377] "Governor's Budget Summary 2020-21," *State of California*, accessed October 1, 2020, http://www.ebudget.ca.gov/2020-21/pdf/BudgetSummary/FullBudgetSummary.pdf.

Approximately 10% of California's budget is a result of revenues derived from capital gains tax. Due to its connection with stock market performance, this has meant that, in good economic times, capital gains revenue tends to be high, and, in bad times, it declines rapidly. Prior to the Great Recession of 2008, 9% of the state general budget (approximately $9 billion of the $101 billion total general fund tax revenues) was a result of the tax revenue derived from capital gains taxation. Following the recession in 2009, capital gains dropped by more than half to less than 5% (or $4 billion of $82 billion). The share of these revenues stabilized to pre-recession levels at around 10% four years after the recession in 2012.[378] The unpredictability and general volatility in the state budget has had serious implications for state expenditures.

For fiscal year 2021, California projects spending $134 billion as part of general fund expenditures.[379] Figure 14 shows that state expenditures in California have increased steadily since 1987. Medicaid and elementary and secondary education account for the largest areas of state spending. Over time, the *share* of state funding allocated to elementary and secondary education and Medicaid has also increased substantially. Relative to these, the increases in the state of higher education funding have been marginal.

Figure 14. California State Expenditures by Function



Source: National Association of State Budget Officers, 2019.

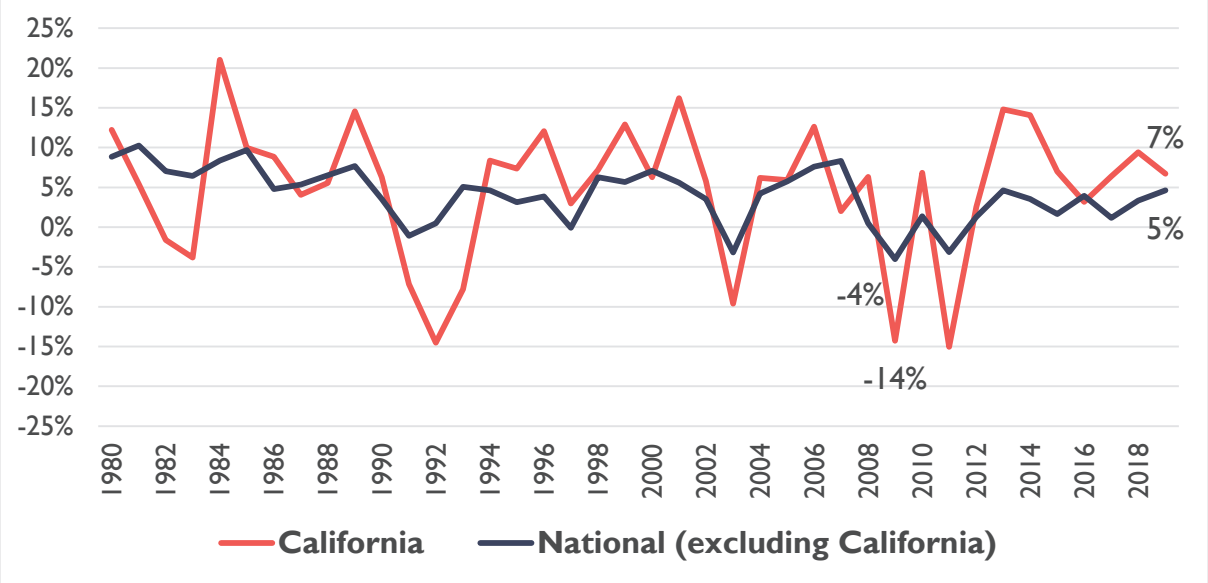
As California continues to grapple with the economic fallout from COVID-19, overall state revenues are down by approximately 21%, and the budget for the current fiscal year (2021)

[378] Ibid.
[379] Ibid.

faces a $54.3 billion deficit.[380,381] This will have serious implications for state higher education funding—the states' longstanding balance wheel.

State revenues strongly determine overall fiscal support for higher education in a given year. Volatility in state revenues results in sharp increases or decreases in state higher education funding over time. Figure 15 illustrates the annual percent change in state fiscal support (appropriations and financial aid) for higher education in California compared to the U.S.[382] In fiscal year 2019, there was a 7% increase in state fiscal support for higher education in California compared to the 5% national average. However, in fiscal year 2009, when states first felt the true effects of the Great Recession, state fiscal support dropped by approximately 14% in California but only 4% nationally. These trends further show that good times are exceedingly beneficial for higher education in California while bad times are especially harsh.

Figure 15. Annual Percent Change in State Fiscal Support for Higher Education



Source: Center for the Study of Education Policy, 2020.

Given the volatile nature of tax revenue trends in California and its impact on state fiscal support for higher education, the recession induced by COVID-19 is sure to have negative consequence for higher education funding in the state. In an interview with Lande Ajose, Senior Policy Advisor for Higher Education for the Office of the Governor, Ajose noted that prior to COVID-19, California was anticipating a budget surplus but now faces a deficit of $54 billion for fiscal year 2021.[383] "You know, it's like whiplash. *It's not just a dream deferred; it feels like dreams*

[380] "Coronavirus (COVID-19): Revised State Revenue Projections," *National Conference of State Legislatures (NCSL)*, accessed November 2020, https://www.ncsl.org/research/fiscal-policy/coronavirus-covid-19-state-budget-updates-and-revenue-projections637208306.aspx.
[381] Gabriel Petek, "The 2020-21 Budget: California's Spring Fiscal Outlook," *Legislative Analyst's Office,* May 8, 2020, https://lao.ca.gov/reports/2020/4228/spring-outlook-2020.pdf.
[382] This data includes state fiscal support via appropriations and financial aid. National figures exclude California and are sum-total changes (not state averages).
[383] Ibid., 362.

dashed. Now, having said that, I think the governor is very committed to doing what he can, but it's hard to imagine how we'll be able to do any meaningful investments in the coming year."[384]

If the above trends in revenue volatility and the ensuing volatility in state fiscal support for higher education continue, California's colleges and universities need to brace themselves for a period of drastic reduction in state education appropriations. Given the revenue trends during recessions since the early 2000s, California is looking at a multiyear recovery period before revenues stabilize to pre-COVID-19 levels. This is especially troubling due to the limits on revenue generation imposed by Proposition 13.

> *"California is more dependent on capital gains than most states and, as a result, its general fund revenue volatility is greater than every other state…the swing is much greater."*
>
> Jane Wellman
> Higher Education Policy Expert

Additional Funding Limitations

Our research posits that California is especially prone to volatility due to the state's heavy reliance on income and capital gains taxes. While Proposition 13 and Proposition 98 do not contribute to the occurrence of volatility in the state *per se*, Proposition 13 has a noteworthy impact on revenue generation, and Proposition 98 impacts the level of funding toward K–14 education. In this way, Propositions 13 and 98 impact the *severity* of volatility. Proposition 13 constrains property tax revenues that could help compensate for lost revenue during turbulent times, and Proposition 98 establishes a constant guaranteed level of funding to K–14 education, regardless of California's economic state.

Prop 13 Imposes Limitations on Property Tax Revenue that Worsen California's Fiscal Reality

Passed by California voters in 1978, Proposition 13 caps property taxes at 1% of a property's assessed value. Each subsequent year, a property's taxable value is only able to be increased by the inflation rate or 2%—whichever is lower. Additionally, property taxes are only able to be reassessed at the sale of a property.[385] The Legislative Analyst's Office noted the dramatic effect the Proposition had on property tax revenues: In the year after Proposition 13 was approved, property tax payments dropped by roughly 60%.[386] This drop was due to many Californians' property taxes being decreased; the average property tax rate in California was 2.67% at the time.[387] To help better understand the fiscal impact, Mac Taylor of the Legislative Analyst's Office noted that in inflation-adjusted dollars, Proposition 13 reduced California's cities' and counties' property tax revenues by almost $10 billion in the first year. This limitation on generating revenue combines with a minimum-funding level in K-14 education to limit available funds for higher education.

[384] Lande Ajose (Senior Policy Advisor for Higher Education Office of Governor Gavin Newsom) in discussion with authors, August 2020.
[385] Mac Taylor, "Common Claims About Proposition 13," *Legislative Analyst's Office,* September 2016, https://lao.ca.gov/reports/2016/3497/common-claims-prop13-091916.pdf.
[386] Ibid., 366.
[387] Ibid., 366.

Prop 98 is an Educational Funding Guarantee that Limits the Amount of Funds to Education

Passed in 1988, Proposition 98 established a minimum annual funding requirement for K–14 education, known as the "minimum guarantee." While the funding formula for Proposition 98 is complex, it was established to secure a minimum *percentage* of monies from the General Fund and local property tax revenues for K–14 education. However, in practice, it very much established a minimum funding *level*, with the government at times needing to tap into funding sources other than the General Fund to meet the promised amount.[388] Joni Finney noted that while Proposition 98's "minimum guarantee" was intended to be a funding floor, it has turned into a funding ceiling over time due to funding volatility.[389]

In volatility terms, Propositions 13 and 98 are both remarkably stable. However, both propositions tie the state's hands, with Proposition 13 structurally limiting revenue, and 98 structurally guaranteeing a non-negotiable minimum level of funding. A local revenue source, property taxes represent the second largest source of government revenue for California behind personal income tax. And while a great amount of income is generated, this revenue pales in comparison to the amount of revenue there would be without Proposition 13 or with even modest reforms to property taxes, which could help offset the budget deficits and withstand volatility. In November 2020, Proposition 15 was a modest attempt at property tax reform. While the measure did not pass, its aim was to increase funding for public schools, community colleges, and local government services by changing the tax assessment on commercial and industrial properties worth over $3 million. With Proposition 15 being voted down, local governments will not receive the estimated $6.5 to $11.5 billion in additional tax revenue Proposition 15 would have generated that could have helped offset budget deficits.[390]

Implications of Volatility and College Affordability

Volatility has serious implications for California and impacts higher education access and affordability. During times of economic downturn, virtually all areas of the state budget face budgetary cuts; however, higher education is disproportionately affected by budget cuts. The uneven nature of these cuts puts the higher education sector in a bind.

As demonstrated in Figure 15, California's institutions have experienced greater instability in state fiscal support than institutions elsewhere in the nation due to volatility in California's revenue stream. This makes state appropriations an unpredictable and unreliable revenue source for California's colleges and universities. The inability to rely on consistent state funding creates great challenges for these institutions. Their ability to plan for the long-term are affected, and the instability of state support forces institutions to rely on a more predictable and stable source of revenue: tuition.[391] [392]

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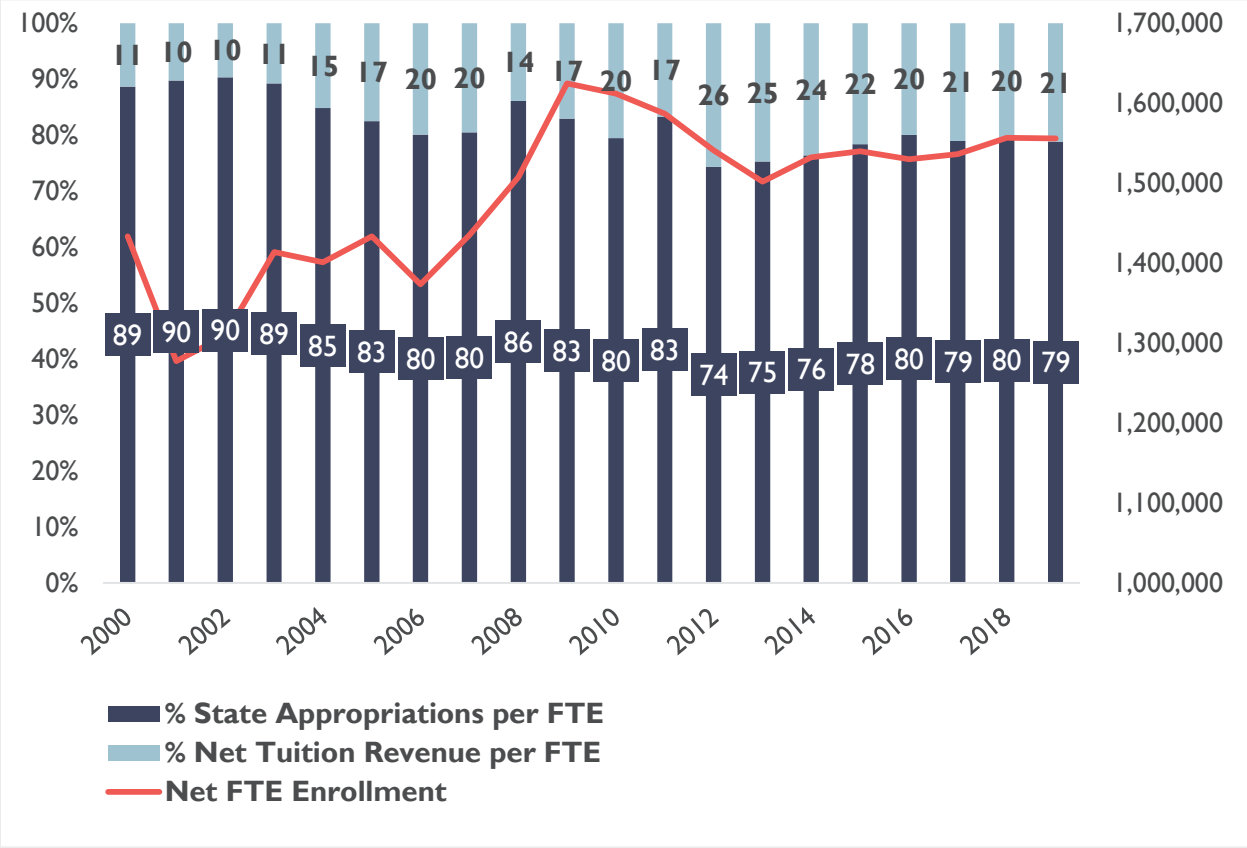
[388] Peter Shragg, *California: America's High-stakes Experiment* (Berkeley: University of California Press, 2018), 198.
[389] Dr. Joni Finney, in discussion with authors, February 27, 2020.
[390] "Proposition15, November 3, 2020 Ballot," *Legislative Analyst's Office*, accessed November 2020, https://lao.ca.gov/ballot/2020/Prop15-110320.pdf.
[391] "Securing the Public Trust: Practical Steps toward Higher Education Finance Reform in California," *College Futures Foundation*, January 2017, https://collegefutures.org/wp-content/uploads/2017/01/Securing_Public_Trust_REPORT_Jan2017.pdf.
[392] Ibid., 353.

Over the last two decades, inflation-adjusted tuition and fees have soared among institutions in both the University of California (UC) and California State University (CSU) systems.[393] Tuition (referred to as "fees" in the state) at California's public universities doubled during the Great Recession but has only increased by 2.5% at the UC system since 2012 and has not increased at CSUs, due in part to gubernatorial pressure.[394] Regardless, tuition rates are the highest they have ever been at all three systems in fiscal year 2020–2021: $14,100 at UC[395], $5,472 at CSU,[396] and $1,104 at California's Community Colleges (CCCs).[397] Figure 16 shows the percentage of state appropriations versus net tuition (total tuition and fee revenues minus state-funded financial aid and institutional discounts) per full-time-equivalent enrollment (FTE) from 2000 through 2019.[398]

Figure 16. Share of Revenue from State Appropriations vs. Net Tuition per FTE



Source: State Higher Education Executive Officers, 2020.

[393] Anthony Walsh and Peter Granville, "8 Things You Should Know About College Affordability in California," *The Century Foundation*, January 10, 2020, https://tcf.org/content/commentary/8-things-know-college-affordability-california/?session=1&agreed=1.
[394] Larry Gordon, "Cal State Pledges to Freeze Tuition in Response to Governor's Budget Plan" *EdSource,* January 22, 2019, https://edsource.org/2019/cal-state-pledges-to-freeze-tuition-in-response-to-governors-budget-plan/607537.
[395] "Tuition & Cost of Attendance," Admissions, University of California, accessed October 1, 2020, https://admission.universityofcalifornia.edu/tuition-financial-aid/tuition-cost-of-attendance/.
[396] "CSU Tuition," Tuition & Fees, The California State University, accessed October 1, 2020, https://www2.calstate.edu/attend/paying-for-college/csu-costs/tuition-and-fees.
[397] Hans Johnson, Jacob Jackson, and Courtney Lee, "Higher Education in California: Making College Affordable," *Public Policy Institute of California*, October 2019, https://www.ppic.org/publication/higher-education-in-california-making-college-affordable/.
[398] Ibid., 372.

Trends outlined in Figures 15 and 16 reveal a pattern of funding instability for higher education. When faced with shrinking state fiscal support, higher education responds by decreasing access, raising tuition, or both. This is seen by an increasing share of net tuition revenue per FTE and declining enrollments. This causes a ripple effect in the state impacting access and affordability for students and families—and puts an increased strain on the state's financial aid system. The Cal Grant is the largest state financial aid (grant) program, and its benefits allow at least half of students enrolled in California's three public segments to pay no tuition. Because Cal Grant awards are indexed to tuition, when tuition rises, the state's contribution to Cal Grant rises as well. Additionally, despite substantial state contribution, there are students who are eligible for Cal Grant but who do not receive it due to its stringent criteria and limited availability.[399,400] Policymakers in the state are currently modernizing the Cal Grant program to remove eligibility barriers based on age, time out of high school, and GPA.[401]

While California has done an admirable job in maintaining its commitment to state financial aid, volatility in state funding has limited state appropriations to higher education and caused tuition to partly make up for lost revenue.[402] As Figure 16 outlines, the student and family share of higher education revenues increases rapidly during periods of economic recession—at a time when people can least afford it.[403] When the economy stabilizes, a new level is established. As such, the goal post keeps moving as students and families are saddled with providing a higher and higher portion of revenues for higher education.

While the median household income in California is higher than the national average ($78,105 vs. $68,703), as noted in the Disparities chapter of this report, median income data mask the true reality of income inequality and persistent wealth gaps in California. Issues around college affordability are persistent. In a report examining attainment growth, the National Center for Higher Education Management Systems gave California an F on affordability for low-income students.[404] A California student attending college requires 16% of family income on average to attend a public two-year college, 20% to attend a public four-year nondoctoral institution, and 27% to attend a public research institution.[405] So, even if a student can access higher education, they may not be able to afford it.

In California, issues around volatility and fragmentation in governance (as identified in the Fragmentation chapter of this report) make the state less able to respond during fiscal crises, which in turn leads to the likelihood of further financial cuts to higher education, and thus perpetuating "an ongoing cycle of decline."[406] In order to break this cycle, California must

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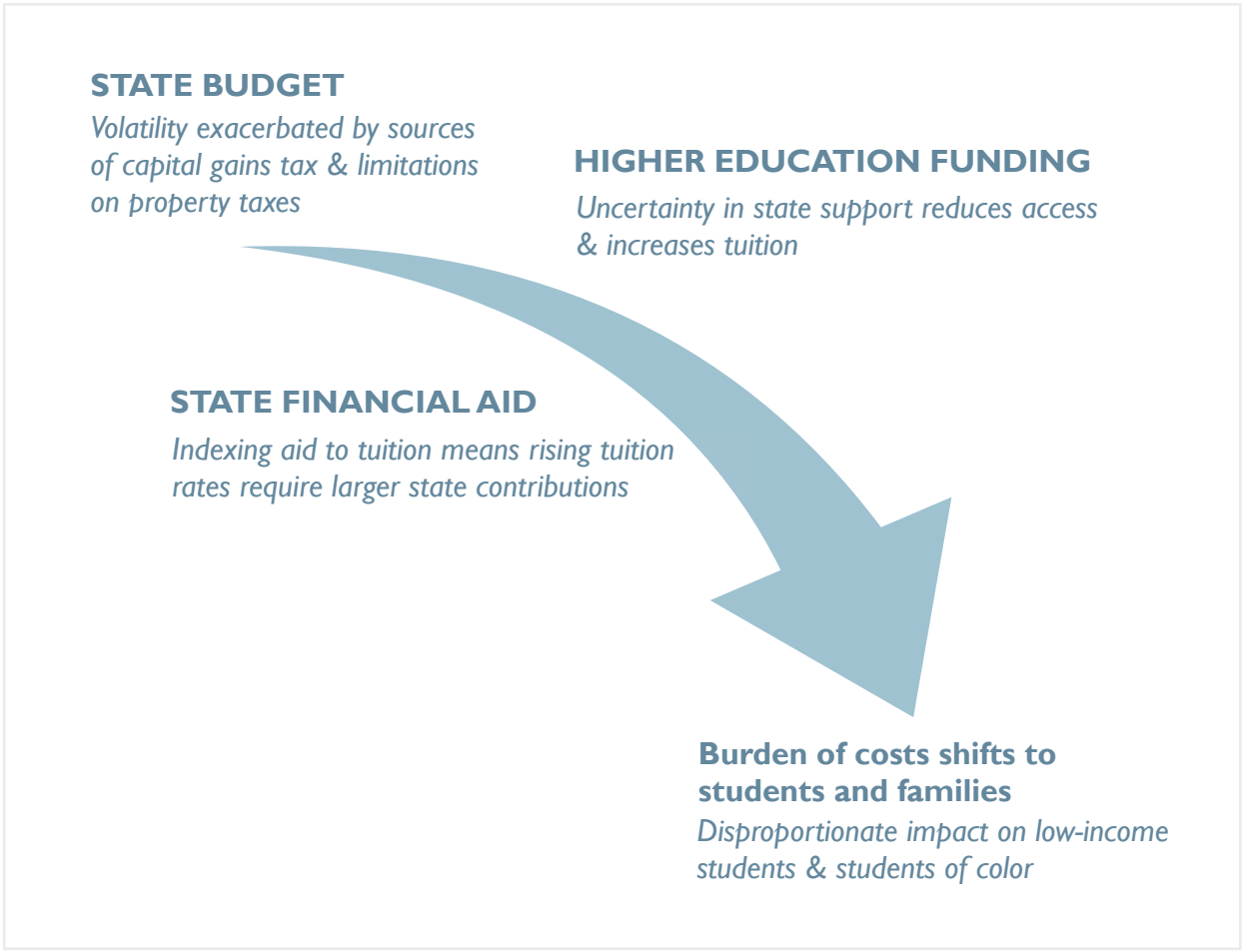
[399] Ibid., 374.
[400] The Institute for College Access & Success, "How to Expand Financial Aid in California," *The Institute for College Access and Success*, April 17, 2017, https://ticas.org/wp-content/uploads/legacy-files/pub_files/cca_coalition_recommendations_april_2017.pdf.
[401] "Cal Grant Modernization, A Vision for the Future" *California Student Aid Commission*, March 6, 2020, https://www.csac.ca.gov/sites/main/files/file-attachments/cal_grant_modernization_report_legislature.pdf?1583522224.
[402] "Securing the Public Trust: Practical Steps toward Higher Education Finance Reform in California," *College Futures Foundation*, January 2017, 20, https://collegefutures.org/wp-content/uploads/2017/01/Securing_Public_Trust_REPORT_Jan2017.pdf.
[403] Ibid., 373.
[404] "Grading Educational Attainment Improvement in California Progress to 60X25," *National Center for Higher Education Management Systems*, May 26, 2017, https://collegecampaign.org/wp-content/uploads/2016/06/2017-Grading-Educational-Attainment-Improvment-in-California-FINAL.pdf.
[405] Institute for Research on Higher Education, "College Affordability Diagnosis: California," *University of Pennsylvania Graduate School of Education*, 2016, https://www.gse.upenn.edu/pdf/irhe/affordability_diagnosis/California_Affordability2016.pdf.
[406] William Doyle and William Zumeta, "State-level responses to the access and completion challenge in the new era of austerity," *The ANNALS of the American Academy of Political and Social Science* 655, no. 1 (2014): 79–98.

address the systemic structures that make state funding volatile, because shifting the burden of cost to students and families is not a sustainable strategy for predictable higher education funding.

Conclusion and Policy Considerations

Intentionally or not, California has made itself susceptible to volatility. A heavy reliance on a volatile source of revenue combined with limitations imposed on property tax revenues by Proposition 13 has created the perfect storm to exacerbate uncertainty and volatility in state funding. Uncertainty in the state budget has been detrimental to higher education because fluctuations in public funding limit long-range planning for institutions. In light of such unpredictability in state revenue levels, institutions have come to increasingly rely on tuition revenue. This shift in revenue sources has left students and families to bear a greater cost burden of higher education.

Figure 17. The Shifting Burden of Cost



While COVID-19 is having a deep financial impact on California, it is simply a shock to a system that was already very volatile given its heavy reliance on a source of funding subject to extreme highs and severe lows. If the current state of revenue generation continues, higher education will undoubtedly face more uncertainty in the years to come. The ongoing financial crisis is sure to have a lasting impact on California and its higher education system. In discussing the potential financial effects of COVID-19, Jane Wellman noted the significance of these impacts on higher education: "…undoubtedly [higher education] is going to face budget cuts, whether it's also tuition increases or closures of institutions, who knows?—the past is unlikely to be the prologue because this is probably going to be a longer and deeper disruption than we've seen, even possibly since the Great Recession."[407]

Suggested chapter citation:
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[407] Jane Wellman (Higher Education Policy Expert) in discussion with authors, March, 2020.

POLICY IMPLICATIONS & RECOMMENDATIONS

Joni E. Finney & Taylor K. Odle

California's future prosperity and civic wellbeing rests on its ability to educate far more diverse learners, yet the state faces serious and deep educational disparities in terms of race, socioeconomic status, and region of the state. The individual benefits from postsecondary education in terms of employment opportunities and achieving some prospect of economic mobility vary greatly by these factors, as described earlier in this report and documented in numerous statewide reports.

The once highly regarded California Master Plan for Higher Education (1960–1975) was a public policy blueprint supported by Governor Pat Brown and developed by UC President Clark Kerr through a process of compromise and consultation. Most importantly, it addressed the large tidal wave of students entering higher education in the latter half of the 20th century and provided both structural and finance policies that ensured a clear delineation of responsibilities and roles among its three newly established segments of higher education. It also provided for need-based student financial aid and included the not-for-profit independent sector in serving public purposes. The Master Plan's forward-thinking approach provided California with the motivation and leadership, both state and institutional, to expand its higher education system for Californians who would benefit from postsecondary education for the next few decades. The California Master Plan allowed for the orderly growth of higher education and allowed the state to address the twin goals of meritocracy and access, as they were understood by leaders at the time. It was studied internationally and set the bar for many states as they planned the growth for their systems of higher education. Several subsequent reviews of the Master Plan, roughly every ten years, reinforced its basic structure, even while California was experiencing rapid demographic, economic, and social change. Yet important aspects of the plan have fallen by the wayside (e.g., location of campuses based on demographic growth, affordable fees, etc.) while the state is left primarily with a structure that is no longer suited for the needs of the 21st century. It also abandoned any attempt to coordinate the work among the systems to ensure that public purposes were being met.

California's disparities in higher education performance must be tackled within an increasingly fractured political environment characterized by conflicting voter referenda, sharp regional ideologies, limits on legislative authority, longer-term structural budget deficits, and wild swings in state revenue. These disparities must also be addressed within a public policy infrastructure lacking long-term state policy stewardship for higher education, which has instead operated as a series of gubernatorial compacts that lasted until the next inevitable recession. These actions have solidified the historical higher education silos and the public finance policies that reinforce the very disparities that should be ameliorated. Recent efforts by Governor Newsom, following previous ones by Governor Brown, are inadequate in their ability to go beyond the 1960 California Master Plan for higher education. The state's issues transcend individual leaders and are structural in nature, resulting from decades of chronic inattention to the faultlines outlined in this report. We believe that the good institutional practices and segment initiatives are noteworthy but not strong enough to address the deep divides in educational and lifetime outcomes for a growing portion of Californians.

Educational disparities place California on the precipice of a public policy crisis in higher education. The three public segments and their individual institutions are delivering the results that state leaders want, but not what California needs. The public policies that form the backbone of this structure are not only in need of reform but also require sustained attention in the years to come. Retrofitting a mature system of higher education will not be an easy or short-term process. This process is one that can be fraught with political difficulty, but a new blueprint is possible to guide the state for the next few decades as it reduces educational disparities and their associated lifetime outcomes.

We make these recommendations recognizing the serious public policy challenges consuming California elected officials, including the ravaging effects of climate change, the growing problems of homelessness, and the pandemic and its associated economic recession. Higher education has not only proven to be a strategic asset for states when addressing workforce competitiveness and individual opportunity, but California's higher education sector could also be leveraged to help deal with these other issues. It is for these very reasons that Governor Newsom should rely on a statewide Blue Ribbon Commission to help him retrofit higher education in the decades beyond his own term in office.

The following recommendations, we believe, can place California on a trajectory toward recreating a system of higher education that can both meet the needs of contemporary life and truly earn California the often-claimed mantra as "best in the world."

Recommendations

Reducing and eliminating gaps in performance must be the primary and substantive statewide policy agenda for California higher education. This agenda should be inclusive of gaps related to race, socioeconomic status, and region.

Many California leaders we spoke with were reluctant to follow the path of other states in establishing numerical goals for educational attainment. Many see them as unrealistic or not helpful and imposed by outside entities. Whether the state establishes educational attainment goals or not, understanding how the state *performs* in higher education on behalf of Californians in closing persistent and obstinate gaps is the only way that state government is accountable to Californians for establishing a fair playing field for educational opportunity and its associated benefits. Further, reporting to the public on these outcomes and actions taken to reduce disparity is a central responsibility of state government. To date, California's higher education performance falls well below the level required of its diverse populous and rapidly developing workforce. While some progress has been made to reduce disparities along dimensions of race, socioeconomic status, and region, large gaps still remain that are likely to become harder—not easier—to ameliorate given the state's fragmented policy and governance structure and increasing volatility in public funds for higher education. This reality means that Californians' futures are strongly determined by their race, socioeconomic status, and region from birth. Eliminating this predetermination must be a central aim of California's higher education sector.

The governor, with input from legislative leadership, should establish a statewide Blue Ribbon Commission representative of California's stakeholders in higher education. Business leaders, leaders of major advocacy groups, regional representation, and educational leaders should comprise this Commission.

The Commission's substantive charge should be to comprehensively address a public agenda to reduce the disparities in performance described in this report. A public agenda is long term strategy for higher education that plans for the next generation of students and the institutions that serve them. The Commission should comprehensively examine alternative statewide governance, funding, and accountability policies that can be used to reduce disparities and link higher education to individual opportunity and workforce needs. The Commission should draw on the work of both the Governor's Task Force on Business and Jobs Recovery and the new California Higher Education Recovery with Equity Taskforce. While this latter initiative of Governor Newsom is critically important, it does not go far enough in the scope of its work. A taskforce that does not consider the structural and financial inequities that reinforce disparity in higher education outcomes will naturally be limited in its impact. The existing higher education taskforce's membership is notable in that its membership consists of innovative leaders who understand best practices nationwide, yet its limitation is that it appears to try to solve the problems confronting higher education within the very structure and finance mechanisms that reinforce disparities. The work of the proposed Commission should be staffed by full-time professionals, and its chair(s) should work to gather input from a broad group of stakeholders who depend on the future of California higher education, including business leaders, leaders of major advocacy organizations, leading California citizens from all regions of the state, and national policy experts.

The critical need is to develop a model for statewide stewardship of higher education that reduces educational disparities by race, socioeconomic status, and place. *The chronic lack of public policy priorities and a long-term mechanism to address them compounds these issues.* The goodwill among all relatively new public higher education segment heads is optimistic but is still not a substitute for a statewide commitment and sustained public stewardship for this strategic asset the state can use to address myriad problems.

The agenda for the Blue Ribbon Commission should:

Establish regional education systems, governed regionally, to improve educational opportunities and reduce educational disparities.

As detailed in this report, educational and economic opportunities for Californians are sharply determined by where they live, and the state's growing regions—which concentrates demographic, economic, and educational inequities within diverse geographic bounds. Today's educational disparities are too wide and deep to be resolved within the existing silos of higher education. These structures discourage a smooth transition of students from high school to postsecondary education, from community colleges to comprehensive or research universities, and ultimately from higher education to the workforce. Most students transfer from their local community college to their local university. Many are employed in the local region in which they were educated and lived. The siloed approach also underutilizes the state's independent

colleges and universities can assist in addressing these regional educational disparities. If reducing disparity accounted for regional contexts and considered the use of state and regional resources, it is likely California would make progress on an agenda to close gaps between groups.

No map exists to identify specific regions that would be organized across the higher education sectors and link to (or develop) workforce opportunities of the region. This work should be undertaken by the Blue Ribbon Commission. While a more regional approach to higher education may result in the perception of further fragmentation at a macro level, bringing diverse stakeholders and state resources together at a more local level—regardless of current "system" membership—provides for a much more cohesive higher education–workforce ecosystem and allows each partner to tailor its approach and activities given the needs within each region. At the same time, however, the state must also simultaneously develop a mechanism for the sustained public stewardship of higher education, including policies to support the work of regional activities, particularly in the areas of finance and accountability. Without both components (regional education systems and a sustained public stewardship mechanism), it is likely that educational gaps will persist, and California will continue to underperform in higher education.

A charge to the Blue Ribbon Commission should be to undertake such a study in terms of thinking through a regionally reflective and regionally responsive strategy. An understanding of any constitutional limitations and opportunities to address this agenda would be necessary, but the Commission must find a way to reduce the fragmentation within higher education and take into account regional educational needs in order to close educational disparities in the state. The state is not without a host of both traditional and creative options to address its problems as it works to repair its fragmented structures or to design new ones, but its will to use these options will ultimately determine if the state is able to reduce these disparities.

Any new systems of higher education based on regions of the state must have a strategy to ensure that statewide needs are met and that gaps in educational opportunities are addressed. While we do not have a specific recommendation about how the state establishes regional education systems, the plan must also allow for the development of public finance policies and policies that hold regions accountable in a publicly transparent way for reducing gaps in disparities of opportunity by race, socioeconomic status, and region of the state.

Consider the public finance principles to guide a statewide strategy to reduce educational disparities.

Commission members must be engaged with other leaders in California in an ongoing conversation about the fiscal health of the state and its education systems. To the extent that the state is considering changes to tax policy, rainy day funds, public pensions, ballot initiatives that influence education funding, or other similar matters, top civic and business leaders in the state must intentionally consider the impact of changes for higher education. If higher education remains the "balance wheel" of state budgets, this strategic state asset is unlikely to reduce disparities and workforce opportunities. The present insensitivity to these realities has compounded the volatile nature of education appropriations in the state and led to rapidly

escalating yet unpredictable college prices, realities that not only have real impacts on the state's financial aid programs but also on families' budgets.

We realize that it is unrealistic to completely insulate higher education from the swings in the economy, but steps can and should be taken to minimize its influence in its role as a "budget balancer." For example, during difficult times some states have dedicated tax revenues for higher education to draw on in economic downturns and developed a higher education rainy day fund from general tax revenue. At the same time, commission members can and should expect productivity improvements from higher education. Many options for productivity can be explored for different types of institutions. Even within each of the three existing segments, there is a fairly wide range of productivity outcomes related to their missions; these productivity issues are not limited only to undergraduate education but apply to graduate education and research competitiveness as well.

In addition to considering the broad public finance issues of California, commission members must consider how the state uses its funding for higher education. State appropriations for institutional operations, state need-based financial aid, and tuition policies must be taken into account and must be developed in concert to support regional systems in reducing educational disparities. The public finance of California higher education currently reinforces these disparities by providing significantly more resources per student to those who are already most advantaged educationally, with students from higher income families, for example, receiving the largest state subsidies for their education—a feature that is "baked into" the finance policies of each public system. Further, while per-student support varies widely from the state's community colleges to its research universities, the current subsidization process is not designed to improve student outcomes and reduce educational disparities. Rather, research universities receive such premiums for the research they undertake. While institutional appropriations for the research universities far exceed per-student funding for the comprehensive and community college sectors, these latter two groups will bear the lion's share of work to educate the state's rapidly diversifying population. Progress to reduce disparities is nearly impossible under the current financing policies, yet the state must examine how its funding is structured and what incentives the state wants to provide—and what behaviors it wants to reward.

Since it is possible that public funding on a per-student basis will not return to pre-recession levels any time soon, if ever, it means that the state must seriously consider how to fund research, as a great deal of funding is directed for research. Currently, the per student subsidy provides a much lower teaching load at the University of California than the per student subsidy at California State University or the Community Colleges. This is a public subsidy for research, and it treats all UC faculty the same, regardless of individual productivity or priority research needed by the state in the areas of climate change, homelessness, health care or for other important public problems. We are not suggesting that the state stop subsidizing research but rather encouraging the state to consider ways it might prioritize the most productive and promising research programs and how research can address critical priorities in the state. Reducing educational disparities inevitably requires rethinking state priorities for higher education and carefully targeting funding to the colleges and universities that serve most California students.

For students and families, the state's highly regarded Cal Grant program should also come under scrutiny by commission members. The fiscal limitation of scholarships for eligible students, and the further limitation of Cal Grants for tuition payments rather than for total educational costs, undermines the impact the program could have in reducing educational disparities and reinforces inequalities for students along regional and socioeconomic lines. In this regard, tuition must be another agenda item for the commission. Students and families, particularly in times of recession or slow economic growth, pay a growing portion of family income for tuition, room and board, and mandatory fees. These increased educational costs also reinforce existing disparities and even further separate students from equal access to educational and economic opportunity along dimensions of race/ethnicity, socioeconomic status, and region.

Establish a system of public accountability to monitor regional efforts to address educational disparities.

Reporting publicly on how state dollars are spent and on progress in reducing educational disparities is a central role of state government. There appears to be political commitment to build a statewide student unit database to systematically track students in the state from K-12 through higher education and into the workforce. Many advocates see the development of such a database as necessary for monitoring California's progress, even absent a mechanism for state policy stewardship that would use such a database for decision making. While a state longitudinal data system may help with systematic tracking of students, it cannot substitute for statewide leadership for closing gaps in disparities in educational outcomes and their benefits. Who will track and report on these data? Who will evaluate California's new programs? Who will have the authority to wield this knowledge to make meaningful change for Californians? It is likely that the fragmented structure of the higher education sector—between systems, the workforce, and the California Student Aid Commission—would make the implementation of such a database particularly complex given its expected payoffs. However, any decisions about the database should fall to a newly formed body that would provide the long-term public stewardship for higher education in the state.

Establish a mechanism for sustained state policy leadership for California Higher Education.

California lacks a long-term policy process, or mechanism to serve as a public steward of higher education policies, including the collection of any data related to this agenda. The public stewardship for the next generation of Californians cannot be accomplished by short-term state compacts or taskforces or within gubernatorial or legislative terms. We also do not believe it can be accomplished by regular meetings of system heads, as valuable as they might be. Leaders will come and go, but policies must be put into place that ensures that the disparities in higher education be ameliorated. This report suggests that regionally governed systems supported through strong finance and accountability policies are the way forward. Having said this, an entity or entities must represent the state and public interests in overseeing this agenda. States have different ways to provide for the public stewardship of higher education, and California may learn from some aspects of these models. There is no one right model for all states. The model for California will be one that ensures that the public interests are paramount in the

public discourse of higher education and that the public policies adopted will provide for individual opportunity and workforce options for all students who enter some form of postsecondary education.

Conclusion

California's rich history of establishing a system of higher education to serve public needs is indeed notable. This success should not deter state leaders from asking questions about the long-term future of higher education for the state. Too much is at stake for the state to rest on its past success. State leaders, particularly elected officials, owe all Californians the opportunities presented by our new economy and culture, just as Governor Pat Brown and Clark Kerr understood their public responsibilities to the people of the state in 1960. These leaders did not follow a blueprint, as one was not available to them. They invented the future of higher education. The call to action is no less urgent for today's leaders. We have confidence that if elected officials understand higher education as one of the most important strategic assets at the state's disposal, they can act. If they fall into the hubris of the "best in the world" moniker, little is likely to change, and the futures of many Californians may not be brighter due to the significant disparities in individual opportunity for its diverse population. In a very real sense, as one of the policy thought leaders that we interviewed reminded us, "this is a demand side problem;" the demand for a better future must come from state leaders. The state must provide for the sustained public stewardship for this valuable asset and how it responds to individual and state needs in the future. Millions of lives across a diverse, vibrant, and new California depend on it.

Penn GSE
GRADUATE SCHOOL OF EDUCATION
UNIVERSITY of PENNSYLVANIA

Penn Graduate School of Education
University of Pennsylvania
3700 Walnut Street
Philadelphia, PA 19104-6216

www.gse.upenn.edu