



**STATE POLICY LEADERSHIP FOR THE FUTURE**  
History of state coordination and governance  
and alternatives for the future



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# FOREWORD

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Postsecondary governance is a topic of enduring importance. How to structure the governance of a state’s postsecondary systems and institutions is one of those issues that never seems to quite get resolved, but remains in a permanent state of flux and adjustment. As the author of this paper – the distinguished Aims McGuinness – documents, postsecondary governance arrangements have ebbed and flowed over our nation’s history in response to changes in state needs, fiscal and political conditions, and the expectations of governing authorities to drive specified outcomes of our institutions of higher learning. Postsecondary governance structures matter to different constituent groups for different reasons. This paper touches on most of those constituent groups and perspectives, and we believe serves as a foundational document to inform and shape our current and future conversations about postsecondary governance reform.

As part of the Blueprint for College Readiness project, Education Commission of the States is undertaking a series of activities that will build upon and expand our previous initiatives focused on postsecondary governance. State governance systems often influence how decisions are made and by whom with respect to higher education policies and practices. A primary objective of our current project is to engage state policymakers, education leaders and partner organizations to more fully understand postsecondary governance structures and their role in advancing state education and workforce development goals. We will do this through a number of reports, convening activities and policy analysis pieces. We look forward to working with our partners and state leaders, and appreciate the support of colleagues like Dr. McGuinness and others as we undertake our important work.

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## EXECUTIVE SUMMARY

A decade ago, the National Center for Public Policy and Higher Education (the National Center) issued a policy brief, “State Capacity for Higher Education Policy.” The National Center’s core recommendation: States must have a broad-based, independent, credible public entity with a clear charge to increase the state’s educational attainment and prepare citizens for the workforce.

The National Center acknowledged that establishing such an entity would require a substantial redesign of the organizations and agencies that are currently in place. They cautioned that if states failed to make these changes, “traditional decision-making entities, built for other times and other public purposes and based primarily on institutionally focused issues, will crowd out attention to critical public priorities.”

The issues cited in 2005 are even more in focus today. The state policymaking context, if anything, has become more complex and problematic. Despite growing agreement that policy leadership is important, making the kinds of changes to establish a state entity as envisioned by the National Center continues to be a challenge in many states. State structures for higher education coordination and governance (commonly referred to as SHEEO agencies) remain encumbered by statutory mandates from earlier times and by allegiance to activities out-of-step with current needs.

This paper reviews the historical development of the state role in higher education as a foundation for discussion of these questions:

- Was the recommendation of the National Center realistic? What barriers continue to exist to the establishment of a state policy leadership entity?
- What alternatives are available to provide the needed state policy leadership, especially in cases where existing structures are unable to play this role?

There are essentially six functions that fall within the purview of entities labeled “state higher education agency:”

1. State-level planning.
2. State finance policy: budgeting, appropriations and resource allocation.
3. Maintenance of databases and conversion of data into information that guides policymaking.
4. Regulation of higher education institutions or academic programs.
5. Administration of state-level services (for example, administration of student financial aid programs).
6. Governance of higher education systems and institutions.<sup>1</sup>

In some states, a single entity is responsible for most or all of these functions. However, in most states, the responsibility for these functions is dispersed among multiple entities.

How states carry out these six functions has evolved over time. The origins of current structures are rooted in each state’s history and culture. This paper reviews the development of the state role in higher education using these six functions as an organizing framework. The framework provides a template that states can use to diagnose how they carry out these functions.



FUNCTIONS	STATE ROLE
State-level planning	
State finance policy: budgeting, appropriations, and resource allocation	
Use of information	
Regulation	
Administration/service agency functions	
System and institutional governance	

The paper then outlines a way forward in shaping the key components of state higher education structure for the future.

The paper concludes that the 2005 National Center policy brief recommendations are still relevant. States need an entity charged with leading a long-term strategy to improve the educational attainment of the state’s population. However, the concept of a single entity responsible for all six state-level functions commonly associated with SHEEO agencies is no longer feasible, nor is it desirable. Rather than a single entity, the SHEEO of the future is likely to be represented by four distinct components located at different points in the overall state structure:

- Statewide policy leadership (a redefinition of the state planning function and a link between planning and finance policy).
- Statewide coordination/implementation of cross-sector initiatives (including providing staff support for planning and finance policy, maintaining databases and capacity to convert data into information that guides policymaking, and authority to regulate mission differentiation).
- State service agency administration (for example, student financial aid and regulation/licensure of non-state providers).
- System and institutional governance.

The paper outlines a range of alternatives for implementing these components of state capacity. Essentially every state will need to make changes. Creating the SHEEO of the future cannot be achieved simply by resuscitating existing boards or agencies. It is unrealistic to expect many of these agencies to rise above their historic roles and assume the kind of statewide policy leadership role envisioned in the 2005 National Center policy statement. Few states have an entity with the characteristics outlined in the policy leadership component.

While the task of bringing about the changes may seem daunting, it is in fact doable provided state leaders recognize the consequences of not acting. In some cases, these changes would involve only an updating of the mandates for existing state boards or agencies. In other cases, they would require states to establish new entities or to eliminate or significantly reconstitute existing agencies.



## INTRODUCTION

In 2005, the National Center for Public Policy and Higher Education issued a policy brief, “State Capacity for Higher Education Policy.”<sup>2</sup> The brief summarized the major challenges facing the nation and individual states: The imperative to increase educational attainment in the face of global competition; a leaking education pipeline with too many students failing to persist through the system to successfully complete a certificate or degree; the failure to make needed progress in the success of the nation’s growing Latino and African-American populations; and growing gaps between supply and demand in critical fields of science, technology, engineering and mathematics (STEM).

The National Center called upon states to improve their capacities for dealing with these challenges and for providing public policy leadership:

STATES ... NEED TO ARTICULATE BROAD GOALS FOR HIGHER EDUCATION, TO DEVISE APPROACHES TO ACCOUNTABILITY THAT ASSESS PROGRESS TOWARD THESE GOALS AND IDENTIFY PERFORMANCE GAPS, AND USE STATE SUBSIDIES TO IMPROVE PERFORMANCE. STATES MUST DEVELOP THE TOOLS TO LOOK AT THE BROAD INTERSECTION BETWEEN HIGHER EDUCATION AND PUBLIC NEEDS IN ORDER TO MAKE JUDGMENTS ABOUT HOW TO LEVERAGE PERFORMANCE IMPROVEMENTS THROUGH STRATEGIC INVESTMENT OF RESOURCES.

The National Center’s core recommendation: States must have a broad-based, independent, credible public entity with a clear charge to increase the state’s educational attainment and prepare citizens for the workforce. The specifics would differ across states, but whatever the organizational forms, effective, sustained policy leadership for higher education had to include:

- Strength to counter inappropriate political, partisan, institutional, or parochial influences.
- Capacity and responsibility for articulating and monitoring state performance objectives for higher education that are supported by the key leaders in the state; objectives should be specific and measurable, including quantifiable goals for college preparation, access, participation, retention, graduation and responsiveness to other state needs.
- Engagement of civic, business and public school leaders beyond state government and higher education leaders.
- Recognition of distinctions between statewide policy – and the public entities and policies needed to accomplish it – and institutional governance. The role of statewide policy leadership is distinct from the roles of institutional and segmental governing boards.
- Information gathering and analytical capacity to inform the choice of state goals/priorities and to interpret and evaluate statewide and institutional performance in relation to these goals.



- Capacity to bring coherence and coordination in key policy areas, such as the relationship between institutional appropriations, tuition and financial aid.
- Capacity to influence the direction of state resources to ensure accomplishment of these priorities.

The National Center acknowledged that establishing such an entity would require a substantial redesign of the organizations and agencies that are currently in place. They cautioned that if states failed to make these changes, “traditional decision-making entities, built for other times and other public purposes and based primarily on institutionally focused issues, will crowd out attention to critical public priorities.”

The issues cited in 2005 are even more in focus today. The state policymaking context, if anything, has become more complex and problematic. Despite growing agreement that policy leadership is important, making the kinds of changes to establish a state entity as envisioned in the National Center continues to be a challenge in many states. State structures for higher education coordination and governance remain encumbered by statutory mandates from earlier times and by allegiance to activities out-of-step with current needs.

This paper reviews the historical development of the state role in higher education as a foundation for discussion of these questions:

- Was the recommendation of the National Center realistic? What barriers continue to exist to the establishment of a state policy leadership entity?
- What alternatives are available to provide the needed state policy leadership, especially in cases where existing structures are unable to play this role?

## FUNCTIONS IN STATE HIGHER EDUCATION ROLE

There are essentially six functions that fall within the purview of entities labeled “state higher education agency:”

1. State-level planning.
2. State finance policy: budgeting, appropriations and resource allocation.
3. Maintenance of databases and conversion of data into information that guides policymaking.
4. Regulation of higher education institutions or academic programs.
5. Administration of state-level services (for example, administration of student financial aid programs).
6. Governance of higher education systems and institutions.<sup>3</sup>

In some states, a single entity is responsible for most if not all of these functions. However, in most states, the responsibility for these functions is dispersed among multiple entities.

How states carry out these six functions has evolved over time. The origins of current structures are rooted in each state’s history and culture. This paper reviews the development of the state role in higher education using these six functions as an organizing framework. The paper then outlines a way forward in shaping the key components of state higher education structure for the future.



## HISTORICAL PERSPECTIVE

In his classic analysis of the development of state higher education agencies, Robert O. Berdahl distinguishes between substantive autonomy and procedural autonomy. Following the principles established by the U.S. Supreme Court's ruling in the Dartmouth College case (*Dartmouth College v. Woodward*) in 1819, states have traditionally accorded both public and private institutions a significant degree of autonomy on substantive decisions on whom to admit, what should be taught and who should teach.<sup>4</sup> From the earliest years, states have varied in the extent to which they have granted public institutions autonomy on procedural matters such as the expenditure of state funding, procurement and capital development. Berdahl notes that, in the context in which he was writing in 1971, "the real issue with respect to autonomy ... not whether there will be interference by the state but whether the inevitable interference will be confined to the proper topics and expressed through a suitably sensitive mechanism." The key is for the higher education community to recognize that it has a stake, and even a responsibility, to engage actively with state political leaders in defining the nature of the relationship. This includes defining the major societal ends toward which the academy should direct its energies and shaping the policies and other "suitably sensitive" mechanisms that will govern the relationships.<sup>5</sup>

The history of state policy in the United States is one of a constant search for the appropriate "suitably sensitive" mechanisms. In the 19th century, there was a clear demarcation between substantive and procedural issues. At times, governors or state legislators attempted to dictate academic policy, influence presidential and faculty appointments for partisan or ideological reasons, or to influence student admissions. Nevertheless, the dominant pattern across the country was that the state governmental role was limited to deciding on the level and modes of allocation of public funding and, depending on the state, certain procedural regulations/controls.

Over the years, however, the boundary between substantive and procedural issues has blurred, especially as issues of the public interest focused on how institutions were responsive to public priorities such as access and equal opportunity, aligning academic programs with state workforce needs and improving student outcomes. As governors and state legislators have become more aggressive in pressing for reform, the need for new thinking about the mechanisms to manage the interface between public priorities and the academy becomes clearer and more urgent.

The need for a state higher education executive officer (SHEEO) or, more broadly, an entity responsible for coordinating and/or governing higher education situated between the individual campus and state government can be traced to the late 19th century. The rationale for these entities has evolved over time as the nation's higher education system has become more complex and the state role has changed. Several of the existing state higher education entities had their origins in the earliest periods while others were established more recently.

The state role in higher education has evolved significantly over the nation's history and can best be understood in six phases:

■ **Phase 1:** Late 19th century through end of World War II.

■ **Phase 2:** End of World War II to 1972.

■ **Phase 3:** 1972 through mid-1980s.

■ **Phase 4:** 1980s through mid-1990s.

■ **Phase 5:** Public Agenda Reforms mid-1990s to 2008.

■ **Phase 6:** The Great Recession and Economic Recovery (2008 to the present).



## **Phase 1: Late 19th century through end of World War II: From single public institutions to the early development of systems and state coordinating boards**

The drive for efficiencies during this phase saw the establishment of most of the nation's public higher education institutions during the years of the Great Depression and the bending of purpose toward societal needs as the nation mobilized its human, intellectual and industrial capacity for war. In this phase, states began the trend toward consolidation of universities under single statewide boards in an effort to achieve economies-of-scale and to counter the political pressures arising from competing regional interests.

Higher education in the early 19th century was primarily private. With only a few exceptions – such as the establishment of the University of Georgia in 1785, Ohio University in 1804, and the University of Virginia in 1819 – states played a limited role in higher education until the establishment of Land-Grant universities in the 1860s and 1870s.

The period from the enactment of the Morrill Land-Grant Act of 1862 through the Progressive Era to the end of World War I saw the establishment of new state universities and the initial development of state normal schools to prepare teachers, schools that evolved into state colleges and universities by the mid-20th century.

By the end of World War II, 18 states and territories had established statewide entities operating between individual public institutions and state government. Fourteen states formed consolidated governing boards – boards established to oversee several institutions that previously had their own governing boards or a board for a single statewide university. Two states had statewide coordinating boards (Kentucky and Oklahoma). New York has a unique regulatory structure for all education in the state under the Board of Regents dating back to 1784.<sup>6</sup> Although subject to periodic amendments over the past century, the basic legal structure of most of these boards remains the same in 2015 as it was 60 years ago.<sup>7</sup>

While the issues differed in each state, an underlying theme was a desire to eliminate corruption, to modernize – and often centralize – state government and to counter the centrifugal forces of local and regional politics. The expressed intent of several of the changes was to curb what was perceived as counterproductive lobbying of the state legislature for state funding, unnecessary duplication of academic programs and activities, and, in some cases, political intrusion and corruption.<sup>8</sup>

In the phase following World War I through World War II, the process of consolidation continued. Four states and the Alaska Territory established new consolidated boards prior to 1945: Oregon (1929), Georgia (1931), Alaska (1934), Rhode Island (1935 and 1939) and Arizona (1945). A review of the debates leading to the formation of these boards reveals themes similar to the earlier changes that would resonate with policymakers today: concerns about unnecessary duplication, the competition among the state's regions for new institutions, and reaction to corruption and political infighting among institutions lobbying the state legislature in the budget and appropriations processes.<sup>9</sup> Severe economic conditions coupled with controversies regarding institutional lobbying and political intrusion motivated several states to revise previous state-level structures (George, Mississippi, North Dakota and Oregon).<sup>10</sup>

As noted earlier, two states established statewide coordinating boards: Kentucky (1934) and Oklahoma (1941), making a total of three states (including New York) with an overall coordinating structure. These states retained governing boards for each public college or university but established an intermediary entity



responsible primarily for overseeing the fiscal relationship between the institutions and the state: budget development and resource allocation. The issues leading to formation of these boards were similar to those that led to the formation of consolidated governing boards – efforts to add a degree of rationality to otherwise contentious political relationships.

In the first half of the 20th century, the primary state role remained to provide state funding to relatively autonomous governing boards.<sup>11</sup> The relationship of public universities and state government was one of a direct relationship of the governing board to the governor and state legislature with no intermediary entity. The principal state roles were to charter institutions, appoint and confirm governing board members, and provide state funding for institutional development and operations. In this phase and for much of the early 20th century, the relationship between the state and public institutions was relatively simple.

As they established new higher education institutions in the first half of the 20th century, states continued to grant public institutions a high degree of substantive autonomy. The exception to this pattern was in the governance of normal schools and teachers’ colleges. Most of these institutions were administered by state education departments under the jurisdiction of state boards of education.

## STATUS AT THE CONCLUSION OF PHASE 1

The state role in terms of the six functions is summarized in Figure 1.

**FIGURE 1: SIX STATE HIGHER EDUCATION FUNCTIONS IN EARLY 20TH CENTURY**

Function	State role
<b>State-level planning</b>	None
<b>State finance policy: budgeting, appropriations and resource allocation</b>	Governing board staff develops consolidated budget request; state legislature appropriates funds directly to the board. No intermediary agency
<b>Use of information</b>	Limited as required in the budget process: to institutional data on expenditures and revenues, students, human resources and facilities
<b>Regulation</b>	None
<b>Administration/service agency functions</b>	None
<b>System and institutional governance</b>	Limited number of consolidated governing boards that functioned more as single boards for multiple public institutions rather than as systems

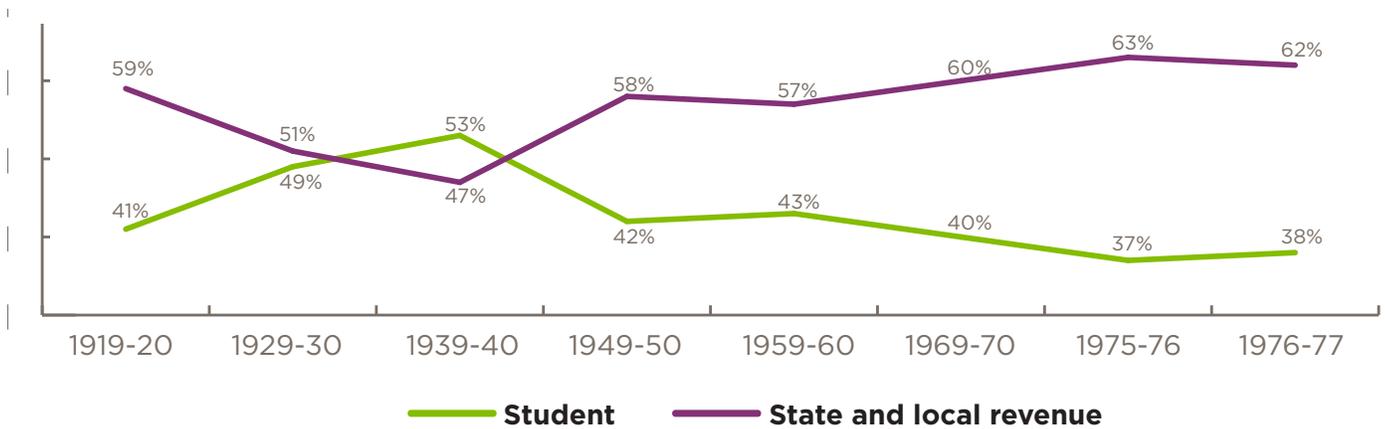


## Phase 2: End of World War II to 1972: Massive enrollment growth, dramatic increase in state coordinating boards and more complex state/higher education relationships

The second phase, extending from the end of World War II to 1972, was one of dramatic expansion in which higher education in the United States moved decisively from an elite to a mass higher education system.<sup>12</sup> The year of 1972 is important because, as described below, the federal Education Amendments of 1972 had a direct impact on state-level structures. World War II had a profound impact in defining the public benefits of a strong higher education system. Prior to the war, the benefits of higher education were deemed to be private except for narrowly defined public workforce needs. The Truman Commission and the Vannevar Bush report, “Science – The Endless Frontier,” which led to the establishment of the National Science Foundation, linked public investment in higher education to national security and to the nation’s future as a democracy.

In this phase the state role changed in fundamental ways from a relatively passive role as a source of funding for institutions to an active role in building and ensuring rational development of capacity to provide access and opportunity. As described below, statewide coordinating boards became the dominant means to carry out this new role. These new entities were charged with developing master plans; overseeing the development of new academic programs, institutions and branch campuses; and developing methodologies for the rational allocation of resources among institutions.<sup>13</sup> This shift in the view of higher education from a private benefit to a public good is graphically illustrated by the dramatic increase in the state share vis-à-vis the student share in the financing of higher education in the post-war period. Tuition and fees constituted 53 percent and state and local appropriations 47 percent before World War II; by 1949-50, the state and local share increased to 58 percent and the share from tuition and fees dropped to 43 percent (Figure 2).

**FIGURE 2: BALANCE BETWEEN TUITION AND FEE REVENUE AND STATE AND LOCAL REVENUE, ALL HIGHER EDUCATION INSTITUTIONS, 1919-20 TO 1976-77\***



Source: NCES, *Digest of Education Statistics* (2011), Table 333, *Current Fund Revenue of Institutions of Higher Education, 1919-20 to 1995-96* (Table prepared in 1998).

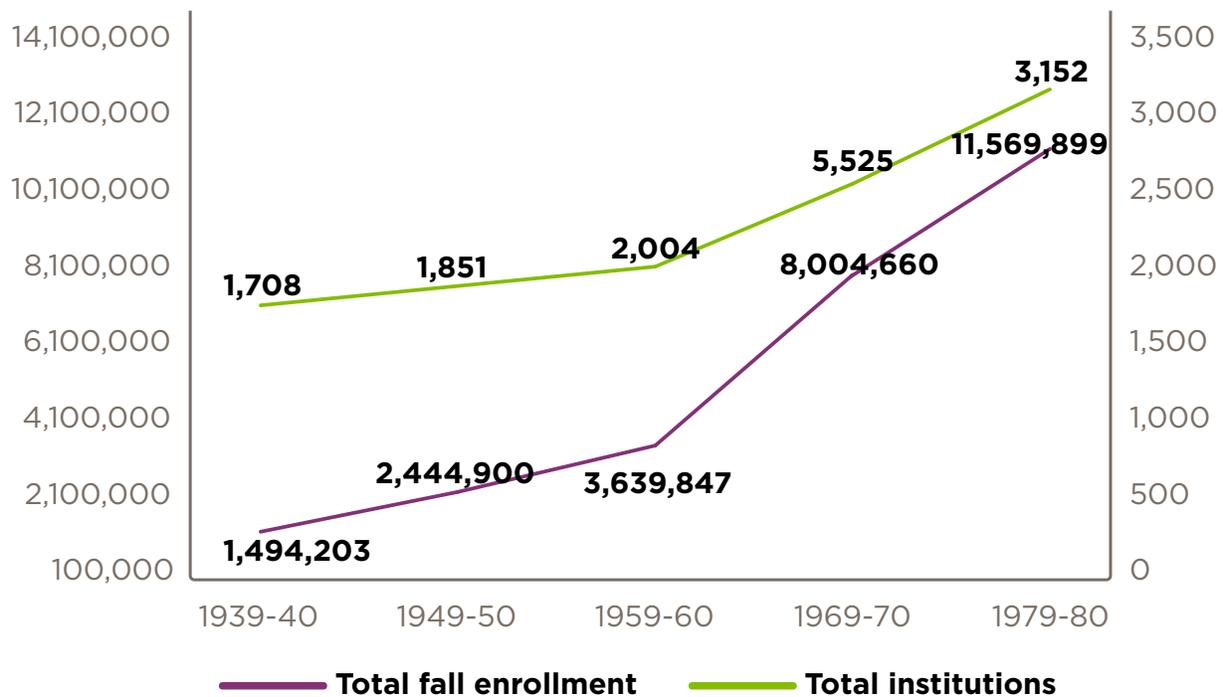
\*Each revenue source as a percent of the total of student tuition and fees plus state and local of revenue. Revenue includes current fund revenue for all degree-granting institutions both public and private.



Stimulated by the GI Bill, enrollment increased 64 percent after the war from a pre-war level of 1.5 million to 2.4 million by 1949-50. In the following decade, enrollment continued to grow by another 49 percent to 3.6 million by 1959-60.<sup>14</sup>

The major explosion of enrollments occurred beginning in the late 1950s, roughly at the time of the Russian launch of Sputnik in 1957 and the United States' response with the enactment of the National Defense Education Act of 1958. The states were a driving force behind this expansion. After gradual growth directly following the war, both the number of institutions and enrollments took off in the following decade with a 120 percent increase in enrollment, from 3.6 million in 1959-60 to 8 million by 1969-70. In the same phase, the number of institutions increased from 2,004 to 2,525 (Figure 3).<sup>15</sup>

**FIGURE 3: TOTAL FALL ENROLLMENT AND TOTAL NUMBER OF INSTITUTIONS, 1939-40 TO 1979-80**



*NCES, Digest of Education Statistics, Historical Data*

## INCREASED CENTRALIZATION AND COMPLEXITY

The period from 1960 through the early 1970s saw not only an explosion of enrollments but also the greatest period of centralization in public higher education. Clark Kerr observed in 1971 in the introduction to the Carnegie Commission report on multi-campus universities (Lee and Bowen, 1971, p. xii) that “[t]he freestanding campus with its own board, its one and only president, its identifiable alumni, its faculty and student body, all in a single location and with no coordinating council above it, is now the exception whereas in 1945 it was the rule.” He continued by reflecting that the multi-campus system could be viewed “as one facet of bureaucratic centralism in American society – in its government, its industry, its trade unions, its education at all levels.”<sup>16</sup>

The shape of state higher education systems had changed dramatically from a limited number of public universities and normal schools to a complex and more diversified network of public institutions.

Four developments in governing structures contributed to this complexity:

- **The development of multi-campus universities.** These developed initially through the expansion of branch campuses linked to a major state university and later with the evolution of these branches into full-scale institutions.
- **The transformation of normal schools and teachers' colleges into comprehensive state colleges and universities.** In most cases, states separated the governance of these institutions from the state education department and formed new consolidated governing boards with authority for several institutions. A few states (for example, New Jersey and Virginia) established separate governing boards for each institution under the regulatory control of a state coordinating board.
- **The development of community colleges.** This led to basically two kinds of state structures differentiated primarily by the level of local governance and funding: state regulatory or coordinating agencies (most often within state education departments) for locally governed and funded colleges (Iowa, Kansas) or state community college governing systems (Virginia) in states where the state was the principal funding source.
- **The evolution of state vocational/technical schools into postsecondary institutions.** Often developed parallel to an existing community college system, state technical college systems were most often controlled and funded through the state board of education serving as the state's federally designated board of vocational education.

## NEW STATE STRUCTURES

States pursued several different strategies to manage this increased complexity in state higher education relationships. The issues differed according to the structure that had been established in the pre-war period and the diversity of public institutions. At the same time that states established new statewide boards, they also continued to realign and consolidate the structures for major sectors within the overall state structure. Many of these new structures were created as states moved their formal normal schools to new state college and university system boards. The rapid expansion of community colleges and postsecondary technical institutions added new challenges.<sup>17</sup>

Each of the 18 states that had established statewide coordinating and governing structures in the pre-war period took different approaches to managing growth.

As noted earlier, three states (Kentucky, Oklahoma and New York) had already established statewide coordinating entities in the pre-war period. These states increased the powers of their coordinating entities to address increased demands. As these states developed community colleges and other two-year institutions they did so within the framework of statewide coordinating structures.



The existing 15 consolidated governing board states, except for Georgia, had comparatively small populations. The governors and legislators in these states could rely on the governing board to manage most – but not all – of the issues related to expansion and state funding priorities. The development of new community colleges and postsecondary vocational/technical institutions presented a challenge since the existing boards were responsible only for the state four-year institutions. Of these 15 states, seven (Arizona, Florida, Iowa, Kansas, Mississippi, Oregon and South Dakota) also developed locally governed and financed community colleges or postsecondary technical institutions. In most cases, the state education department, not the higher education governing board, was responsible for oversight of these two-year institutions. As a result, these states had no state-level entity responsible for coordinating all public institutions, both four-year and two-year.

In the remaining eight governing board states (Alaska, Georgia, Hawaii, Idaho, Montana, Nevada, North Dakota and Rhode Island), two-year campuses developed within the oversight of the consolidated governing board. In Georgia, two-year campuses developed within the oversight of the university system board of regents. However, Georgia also developed technical institutes under a separate board parallel to the university system.

The other 32 states that had not previously established statewide structures faced major challenges in managing the massive expansion of capacity. Of these states:

- Four states (Delaware, Michigan,<sup>18</sup> Nebraska and Vermont) continued to rely primarily on voluntary coordination.
- Four comparatively small states (Maine, New Hampshire, Utah and West Virginia) established consolidated boards in this phase.<sup>19</sup>
- One state (Wyoming) formed a coordinating board for locally governed community colleges. The only other public institution, the University of Wyoming, had its own governing board.
- Twenty-three states chose to establish statewide coordinating boards with statewide planning and oversight responsibilities but without institutional governing authority (see Table 1). Of these states, two (Wisconsin and North Carolina) subsequently abolished their coordinating boards and established consolidated governing boards for university systems.<sup>20</sup>



Table 1 lists the 23 states that established coordinating boards in this phase.

**TABLE 1: STATES ESTABLISHING STATEWIDE COORDINATING BOARDS IN THE PERIOD OF 1950 TO 1971.**

Dates established		
1950 and 1959	1960 and 1969	1970 to 1979
Illinois (1957)	Alabama (1969)	Indiana (1971)
New Mexico (1951)	Arkansas (1961)	
North Carolina (1955) (1)	California (1960)	
Texas (1955)	Colorado (1965)	
Virginia (1956)	Connecticut (1965)	
Wisconsin (1955) (1)	Louisiana (1969)	
	Maryland (1969)	
	Massachusetts (1965)	
	Minnesota (1965)	
	Missouri (1963)	
	New Jersey (1965)	
	Ohio (1963)	
	Pennsylvania (1963) (2)	
	South Carolina (1966)	
	Tennessee (1967)	
	Washington (1969)	

*Notes: (1) North Carolina and Wisconsin abolished their statewide coordinating boards in 1971-1973 and established statewide consolidated governing boards for university systems. (2) Pennsylvania in 1963 strengthened the role of the State Education Department in planning and coordinating the public higher education system, however the department's role was limited to the public universities already under its administrative control (former state normal schools and locally governed community colleges).*



## ROLE AND POWERS OF EARLY COORDINATING BOARDS

The early coordinating boards were modeled to a degree on the British University Grants Committee and were designed to provide an entity with an arms-length relationship to government that could allocate public resources among institutions in a fair, objective manner somewhat insulated from political intrusion.<sup>21</sup> A basic rationale for statewide coordinating agencies was – and continues to be – that there needs to be an entity with a degree of independence from state political leadership (the governor and state legislature), on the one hand, and the institutions, on the other, with the capacity for:

- Taking a long-term, objective view of the needs of the state and the higher education system as a whole, and providing a source of objective analysis and advice to the governor and state legislature on critical issues facing the state.
- Advocating for the higher education system as a whole, not for individual institutional interests.
- Avoiding inappropriate political intrusion in decision-making about state appropriations, new programs, campuses and facilities.
- Providing a means outside the political process of the state legislature to resolve differences among institutions on issues such as mission, funding and academic program development.
- Maintaining a balance between institutional autonomy, on one hand, and the need for system coordination and public accountability, on the other.
- The range of powers assigned to coordinating boards when they first developed commonly included:
  - Developing a master plan for development of the system, including academic and facilities planning.
  - Approving institutional missions and ensuring mission differentiation.
  - Reviewing and approving new academic programs, university branches and institutions.
  - Reviewing institutional budgets and requests for state funding for operations and capital (facilities and equipment) and making budget recommendations to the governor and state legislature.
  - Developing funding formulas for allocation of state appropriations among institution.
  - Maintaining statewide data/information systems.
  - Advising the governor and state legislature on higher education issues (conducting studies and making recommendations on issues such as the overall size and shape of the system, and proposals to develop new institutions or new high-cost professional programs in medicine, dentistry, law and engineering).

The powers of coordinating entities varied widely. A few were primarily advisory bodies to the governor and state legislature and the state's public institutions and had no formal role in the state budget process. The

most common powers related to approval of new academic programs, university branches and institutions; reviewing institutional funding requests for operations and capital development, and developing and recommending funding formulas.

State higher education agencies were at the center of the development of new quantitative approaches to planning, budgeting and resource allocation in the 1960s. State budget offices were implementing new Planning, Programming and Budgeting System (PPBS) methodologies modeled in the processes first developed by then-Secretary of Defense Robert McNamara. Higher education became a focal point for states' interests in applying these methodologies. The new approaches emphasized quantitative analysis in planning and budgeting processes incorporating cost analyses as a basis for forecasting costs, expenditures and achievements within the immediate financial year or over a longer period. It was in this context that the National Center for Higher Education Management Systems (NCHEMS) was established in 1969, with a focus on developing new tools for use of information in state and institutional planning, budgeting, resource allocation and evaluation.

## **RELATIONSHIPS OF STATE HIGHER EDUCATION AGENCIES TO THE STATE BUDGET PROCESS**

Much of the early literature on state coordination centered on issues of planning and budgeting: the development of new funding formulas, analysis of needs for new facilities and tools for internal institutional management. Use of these tools was at the core of a SHEEO agency's mission to provide objective analysis and advice to governors and state legislatures to counter the competing political pressures of institutions in the budget and appropriations process.

From the beginning, the roles of statewide coordinating and governing boards in the budget process differed. Governing boards were concerned mainly with issues related to the internal management of institutions and to the allocation of resources among constituent institutions. Their relationship with state government was one of advocacy for the interests of their institutions, not on the broader issues of financing the higher education system as a whole. In contrast, the focus of statewide coordinating boards was more on budgeting and resource allocation for the entire system. Although coordinating boards advocated higher education in the state budget and appropriations process, their primary responsibility was to represent the state interest in higher education and to advise policymakers as they made decisions among competing institutional interests.

Among the first entities established with broad mandates for statewide coordination were the State Council for Higher Education in Virginia (1956) and the Illinois Board of Higher Education (1957). Many of these early coordinating entities included a majority of institutional representatives. By the late 1960s, states found that councils dominated by institutional representatives were unable to confront issues of mission conflict and unnecessary duplication. By the late 1960s, the boards had to become more "public" with a majority of lay persons appointed by the governor and confirmed by the state legislature.



## ORGANIZATION OF SHEEO

It was in this period that State Higher Education Executive Officers (SHEEO) was formed.<sup>22</sup> From its beginning, SHEEO, as an association, has had a need to balance attention to issues of concern to governing board members with those of interest to statewide coordinating board members. It has also been a challenge to identify a *single* state entity for higher education in each state to be the SHEEO member. At the end of Phase 2, 12 of the consolidated governing boards were responsible only for the state's four-year colleges and universities. Their authority did not extend to the rapidly developing community and technical college networks. By definition, their primary responsibilities were to govern and advocate for the institutions under their control. In this sense, these boards could not play the broad role of coordinating the whole higher education system or serving as an impartial arbiter in the competition for resources among sectors.

## STATUS AT CONCLUSION OF PHASE 2

At the conclusion of Phase 2, all but four states had a statutory state higher education structure:

- Nineteen states had consolidated governing boards. Twelve of these boards governed only the state's public four-year colleges and universities. As noted above, the other seven boards also governed two-year campuses.
- Twenty-seven states had statewide coordinating boards. The actual powers of these boards varied but most encompassed all public institutions (four-year and two-year) and had functions similar to those summarized above.
- Four states continued to rely on voluntary coordination.



Referring back to the six basic state higher education functions, each of these had evolved in scope and complexity since the post-war years as illustrated in Figure 4.

**FIGURE 4: SIX STATE HIGHER EDUCATION FUNCTIONS IN 1972**

Function	State role
<b>State-level planning</b>	Master planning for expansion of capacity in the public sector: institutions, academic programs and facilities. A limited number of agencies included the independent sector in planning.
<b>State finance policy: budgeting, appropriations and resource allocation</b>	Development of quantitative analysis and funding formulas to ensure rational allocation of resources and curb political influences. Formulas emphasize cost-reimbursement and reflect mission differences, institutional workloads and costs associated with expanding capacity.
<b>Use of information</b>	Development of state-level data/information systems on enrollment, academic programs, human resources and facilities. Development of analytic tools for institutional management and assessing costs/benefits of alternatives for expansion.
<b>Regulation</b>	Focus on rational expansion of capacity and curbing unnecessary duplication primarily in the public sector. Regulation of new academic programs, campuses, branch campuses and ensuring mission differentiation between public research universities, teaching colleges/universities and community colleges.
<b>Administration/service agency functions</b>	New functions: state student financial aid program administration, state planning and administration of federal programs (e.g., facilities) and licensure/authorization of institutions to be eligible for federal student aid programs.
<b>System and institutional governance</b>	Major expansion of governing systems: multiple campus universities and consolidated governing boards. For the first time, the majority of students in the public sector attend institutions within governing systems.



### **Phase 3: 1972 through mid-1980s: Impact of the Education Amendments of 1972, slowing growth, and increased state-level focus on managing projected retrenchment**

This phase saw a gradual slowing of the expansion of the previous decade and growing concerns about overexpansion and the potential need for retrenchment in the face of projected enrollment decline. The phase began with the enactment of the Education Amendments of 1972, which would have profound, long-term impact on the nation's higher education system. As noted below, an immediate impact was the requirement that states establish so-called 1202 State Commissions to be eligible for certain federal funding. However, the more profound long-term impact would be:

- Rejection of proposals for federal direct aid to institutions.
- Enactment of the new federal Basic Grant student aid program (subsequently renamed Pell Grants).
- Federal recognition of a broader definition of providers, especially for-profit institutions, eligible for federal student financial aid.

This phase also included changes in the state budgeting processes and the statutory responsibilities of state higher education agencies.

## **1202 STATE COMMISSIONS**

As noted earlier, it was in this third phase that the federal government enacted landmark laws with provisions that required the states to establish new structures. In Phase 2, several federal laws required states to establish or designate state agencies.<sup>23</sup> The Higher Education Facilities Act of 1963 required states to establish state facilities commissions. Several provisions of the Higher Education Act of 1965 also required the states to establish or designate state agencies and to strengthen state capacity for licensure or authorization of institutions. The Education Amendments of 1972 included even more far-reaching mandates. It required the states to establish so-called 1202 State Commissions in order to be eligible for federal assistance for comprehensive statewide planning and funding for expansion and improvement of community colleges and postsecondary occupational education.<sup>24, 25</sup>

Implementation of the 1202 commissioners raised a number of controversial issues around the role of the federal government and perceived threats to institutional autonomy. However, one of the most challenging issues for states, and especially for the existing SHEEO agencies, was the requirement that a *single* state entity be responsible for comprehensive statewide planning for the whole of postsecondary education. As noted in the previous description of state structures in existence in 1972, at least half of the existing SHEEO agencies did not meet the federal requirements for either membership or scope of planning authority. These were the principal conflicts:

- The powers of consolidated governing boards, as noted earlier, were focused on governing public institutions, not on comprehensive planning for the whole postsecondary education system. Furthermore, they were composed of public lay members, not institutional members, especially not the range of providers specified in section 1202.



- Few of the most respected statewide coordinating boards, such as those in Illinois and Tennessee, had the breadth of planning mandate implied in section 1202, and few of these boards could meet the membership requirements. In contrast to the requirements of section 1202, most coordinating boards:
  - Did not have responsibility for statewide planning encompassing the independent and for-profit sectors.
  - Did not include in their membership the kind of “broad and equitable” representation of these sectors.

Recognizing that their existing structures did not conform to the 1202 commission requirements for a single statewide planning entity, several states established new entities either by statute or governor’s executive order. A few states (for example, California and Washington state) reconfigured their existing state coordinating boards to meet the 1202 commission requirements. Florida established the Postsecondary Education Planning Commission (PEPC) in partial response to the federal requirements, but the State Education Department had performed some of its functions assigned to the new entity. Nebraska subsequently established the Nebraska Postsecondary Education Commission as the state’s statutory coordinating entity.

Federal appropriations for section 1203, comprehensive planning, lasted only for two or three years. Title X was never funded. Section 1202 was subsequently repealed.

Only a few of the new entities established in the 1974-75 period played an important role after the federal funding was discontinued. Several states with consolidated governing boards retained the commissions to provide a venue for administrative and regulatory functions that served all postsecondary education sectors – functions (for example, student aid or institutional licensure/authorization) that could not be performed by the SHEEO governing board. Examples include the state commissions in Alaska, Delaware and New Hampshire. None of these newly established entities had a state legal mandate for comprehensive planning for the higher education sector as a whole.

The 1202 commission experience illustrates the challenge of identifying a single state entity to be responsible for breadth of comprehensive planning envisioned in sections 1202/1203. To the extent that states responded to the mandate by establishing new entities by governor’s executive order, the state commission’s mandate was limited. It could have no sustained impact on state policy. Because of the specificity of the structural requirements, few existing agencies could qualify despite the fact that they were already engaged in statewide planning that reflected the intent of the federal law.

Thirty years later as organizations such as the National Center called for states to establish an entity responsible for policy leadership for a public agenda, the problem presented for states in the implementation of the 1202 State Commissions remained: many of the existing SHEEO agencies could not meet the requirements for a state-level policy leadership entity.



## SHIFT IN FOCUS OF STATE HIGHER EDUCATION POLICY

Phase 3 also experienced the first stages of a fundamental change in the focus of state higher education policy. As noted earlier, the emphasis in Phase 2 was on rationale development of new capacity required to meet rapidly expanded demand. In Phase 3, the emphasis shifted to more effective utilization of existing capacity and reducing costs. Escalating costs driven by high inflation and sharp reductions in state funding in recessions fueled concerns about efficiency and unnecessary duplication. The underlying theme of discussions at annual SHEEO meetings shifted from how to manage expansion to how to manage retrenchment and to promote more cost-effective institutional operations.

Reflecting these trends, several states amended the statutes of statewide coordinating boards to increase their authority to review existing academic programs to identify programs with low enrollments or low degree production. Some coordinating boards were authorized to mandate closure or discontinuing state funding of low-performing programs. These powers remain in the authorizing statutes of some SHEEO agencies in 2016.

## CHANGES IN STATE FINANCING OF HIGHER EDUCATION

Phase 3 also was the beginning of a long-term trend toward the shift of moving more of the costs to students and families, the increased the role of the states in providing student financial aid, and more aggressive concerns of state budget officers and legislatures about cost-containment and more effective use of existing resources. While some states such as California, Illinois, New Jersey and Pennsylvania had long-standing state student financial aid programs, many other states began to develop these programs in response to the incentives in the State Student Incentive Grant Program enacted in the Education Amendments of 1972.

Again, these changes affected state higher education agencies in different ways. Governing boards necessarily focused on managing in an environment of stable, if not declining, enrollments and state appropriations. Coordinating boards faced similar issues, as well as an additional need to consider not only funding of institutions but also funding of newly developing state student aid programs. Affordability issues were increasingly on the agenda as institutions pressed to increase tuition.

The climate of retrenchment and economic crisis that pervaded the late 1970s intensified the normal tensions between institutions and state higher education agencies as new state mandates increased the state agencies' regulatory and budgetary control.

It is important to note that coordinating boards established in the 1950s through the 1970s focused primarily on issues *within* higher education. Master plans set goals related to access, quality, diversity of missions, and efficient use of resources and strategies related to developing capacity (new academic programs, facilities and campuses) to meet these goals. In this respect, the powers and functions of coordinating boards differed from the *external* focus on public agenda reforms of the mid-1990s and beyond (described later in this paper).



## CHANGING ROLE OF STATE HIGHER EDUCATION AGENCIES IN STATE DECISION-MAKING AND BUDGET PROCESS

In the early development of state coordinating boards, governors and state legislators looked to these entities as the principal source of objective analysis not only on budget issues but also in support of decisions on competing institutional interests. As noted in Phase 2, the actual powers of these entities varied greatly. In some states, the SHEEO agency had a limited role in the state budget process; in others, it was at a center of the process.

By the late 1970s, the complexity of state government had increased greatly. SHEEO agencies had become only one of multiple entities in state government with responsibility for some dimension of state higher education policy and decision-making. SHEEO agencies were no longer the principal sources of expertise in policy and budget analysis as the number and sophistication of the staffs of state budget offices and legislature increased. Appendix B illustrates the multiple points of decision authority and analysis in state government as of the late 1970s compared to the early 20th century – a complexity that remains largely in place in 2016.

The change was most pronounced in the state budget process. In the early years, governors and state legislatures looked to coordinating boards to review and make recommendations on budgets, develop and recommend resource allocation methodologies, and provide overall advice on budgets and finance policy. By the end of the 1970s, the governors' budget offices and legislatures had developed specialized staff capacity for carrying out many of the analytic functions previously performed by the statewide coordinating agency.<sup>26</sup> Instead of seeing the coordinating board as a central part of the state budget process, governors and legislatures began to rely more on their own staffs. In some cases, coordinating boards were seen more as advocates for the interests of institutions than impartial arbiters between institutional interests and state priorities as originally intended.

In states with a statewide governing board for four-year institutions and separate governing or coordinating structures for community colleges and technical institutions, the state-level decision-making on higher education budget priorities was even more problematic. As governing boards, these entities had an obligation to advocate for the needs of their institutions in the state budget and appropriations process. In these states, gubernatorial and legislative staffs assumed the principal roles of budget analysis across the entire public higher education system (including two-year institutions), a role that in other states might have been carried out by statewide higher education coordinating boards.

By the late 1970s, the complexity of the state role in higher education had expanded exponentially. As illustrated in Appendix B, the range of agencies involved in some dimension of higher education had increased from the relatively simple relationship between the state government and institutional governing boards at the end of World War II to the multiple decision-making points in the executive and legislative branches.



## STATUS AT CONCLUSION OF PHASE 3

In summary, the state role related to the six functions changed in the 1970s from the early emphasis on rational development of capacity to a new focus on planning for retrenchment and resource allocation for more efficient resource utilization. The main forces were the implementation of the Education Amendments of 1972, worsening economic conditions and projected enrollment decline. These changes are summarized in Figure 5.

**FIGURE 5: SIX STATE HIGHER EDUCATION FUNCTIONS AT THE END OF THE 1970S**

Function	State role
<b>State-level planning</b>	New emphasis on comprehensive planning for postsecondary education including public, private not-for-profit and for-profit providers reflecting provisions of Education Amendments of 1972.  Centralized planning for projected retrenchment: maintaining access, quality and institutional diversity, and efficiency in a period of enrollment decline and resource constraints.
<b>State finance policy: budgeting and resource allocation</b>	Modification of resource allocation methods to create rationales for the distribution of reductions and provide incentives for efficient utilization of existing capacity (e.g., marginal cost formulas).
<b>Use of information</b>	New emphasis on analysis of institutional costs, faculty/student ratios and academic program productivity (degrees granted by program).
<b>Regulation</b>	Strengthening state regulatory authority related to new academic programs, campuses and branch campuses, and ensuring mission differentiation.  New emphasis on state review of existing academic programs for unnecessary duplication and/or low productivity – including in some cases, state authority to discontinue programs. State mandates for external review of academic program quality.
<b>Administration/ service agency functions</b>	Modification of state authority to conform to new federal requirements: state student financial aid program administration, state planning (1202 state commissions) and administration of federal programs.  Strengthening of state licensure/authorization requirements to accommodate broader range of institutions to be eligible for federal student aid programs.
<b>System and institutional governance</b>	Strengthening of governing systems’ authority to manage costs and plan for potential retrenchment.

## **Phase 4: 1980s through mid-1990s: Fundamental change in the state role away from inputs to outcomes and greater reliance on market forces and new policy tools to ensure response to public priorities**

The early 1980s marked the beginning of a fundamental change in the role of the states that would evolve over the next three decades toward a more aggressive stance in promoting reforms designed to link higher education to state priorities. The changes involved four basic elements:

- More aggressive leadership of governors in defining public priorities.
- A shift in accountability from accountability for inputs and efficient resource utilization to accountability for outcomes – especially accountability for student learning outcomes.
- A change in state finance policy from cost-reimbursement and building capacity to strategic investment and use of state finance policy to leverage institutional change toward state priorities.
- Decentralization and deregulation: granting public institutions more management flexibility.

The move toward decentralization countered the trend toward centralization and state regulation that began in the earlier phase. Underlying many of these reforms was the interest of state leaders in “reinventing government,” the growing impact of market forces on higher education and interest in “new public management.”<sup>27, 28, 29, 30</sup> These broader forces led to proposals for radical decentralization, deregulation, greater reliance on market forces, and a shift of funding priorities and accountability measures from inputs to outcomes.<sup>31</sup> Elsewhere in the world, especially in Europe, the debate was intensifying about a fundamental shift in the role of government from central control and subsidy of institutions to steering-at-a-distance and greater reliance of governments on new policy tools to enter the market in the public interest.<sup>32</sup> The same themes emerged in U.S. higher education debates of the time.<sup>33</sup>

These changes would have major implications for state higher education agencies. Some would be able to adjust to the new demands. Others remained focused on their statutory mandates defined in Phase 2 and 3 and, as a consequence, drifted further from the center of state higher education policymaking.

As on many issues, Clark Kerr foresaw these changes, observing that the country was entering a “state period in higher education” following what he described as a “federal period” from 1955-85. He cited the recognition by governors, who he believed had become among the most influential actors in higher education, and other state leaders of the importance of higher education to interstate competition. “With all the concern about jobs in economic development, the states are becoming even more competitive and advancing their higher education systems, since one of the greatest assets a state can have in the competition with other states and with foreign countries is its system of higher education.”<sup>34</sup>

## **ASSESSMENT OF STUDENT LEARNING**

The more prominent role of governors in higher education policy stemmed in part from the sense of urgency created by the 1983 report, “A Nation at Risk,” and a follow-up report, “Involvement in Learning,” issued by a national task force on higher education. “Involvement in Learning” recommended that states



and institutions shift the focus on accountability from inputs (enrollment, credit-hours, etc.) to outcomes through a new emphasis on assessment of student learning. Up until the 1980s, states had primarily focused on issues of resource allocation and utilization and rarely became involved in basic questions about the outcomes of a college or university education.

By the end of the 1980s, questions about outcomes (especially student learning outcomes) dominated states' agendas. A major impetus for this change was a National Governors Association task force report, "Time for Results."<sup>35</sup> More than any other force, it was state policies requiring institutions to assess student learning and provide information to the states and the public that stimulated higher education's attention to these issues. By the mid-1990s, the support for state assessment initiatives declined in part because of budget constraints but also in response to strong institutional opposition. Nevertheless, the state-led reforms had a lasting impact on expectations for higher education accountability embedded in regional accreditation standards and other requirements.

State higher education agencies throughout the country became involved in state assessment initiatives in this period. Early leaders were the Missouri Commission on Higher Education and the New Jersey Board and Department of Higher Education. Strong institutional resistance to the new initiatives soon led many states to withdraw from these initiatives. As noted below, institutional opposition to the aggressive leadership of the New Jersey Department of Higher Education on assessment of student learning contributed directly to the demise of the agency in 1994.<sup>36</sup>

## CHANGES IN FINANCE POLICY

During the 1980s, the states also led in developing new funding systems, such as competitive, incentive and performance funding. This more aggressive state stance was accompanied by a shift in the state role from developing and subsidizing the capacity of its public institutions through enrollment-based, cost-reimbursement models to more targeted policies (finance and regulation) designed to link that capacity to explicit state goals.<sup>37, 38</sup>

## CHANGES IN STATE AGENCIES

Nationwide, the picture of change was mixed: some states continued to consolidate while others rejected consolidation and chose to decentralize, deregulate and increase institutional management flexibility. Early in the 1980s, several states strengthened statewide coordinating boards.<sup>39</sup> Other states acted to centralize governance and weaken or eliminate the capacity for coordination across the entire public sector.<sup>40</sup>

By the mid-1990s, the policy environment for state higher education coordination and governance had become uncertain:

- Many of the long-serving executive officers of state coordinating boards were no longer in their positions and agencies faced increasing challenges in finding leaders who could gain the confidence and respect of both the state political leadership and state higher education community.



- Legislative leaders who had sponsored legislation establishing the first state coordinating agencies had left office. The beginning of legislative term limits increased the turnover of legislative leaders and the loss of memory regarding the intended role of coordinating agencies in advising the legislature on appropriations and other issues.
- Many state coordinating boards had been unable to make the change from their statutory mandates established in Phases 2 and 3. The trends in Phase 3 toward more sophisticated policy staffs in the governor's office and legislature continued with the result that some SHEEO agencies were increasingly marginalized in the state budget and appropriations process. To a degree, this loss of capacity resulted from staffing and budget cuts. The SHEEO agency was viewed as just another interest in the state policy process. In some cases, the agency's regulatory authority had been weakened. In other cases, the staff capacity for policy analysis decreased as the agency increasingly focused on functions such as licensing non-public institutions and administering state programs.

The press for decentralization and deregulation weakened the role of state governing boards and the questioning of the value and effectiveness of systems.<sup>41</sup> As illustrated by the Illinois case, the decentralization of institutional governance increased the centrifugal political forces in states and thereby made the task of statewide coordination more difficult.

## **STATUS AT CONCLUSION OF PHASE 4**

By the mid-1990s, the state role had evolved in fundamental ways from Phase 2, when most of the state higher education entities were formed. However, as emphasized in the remainder of this paper, the extent to which states and state agencies made this transition varied greatly across the country. Figure 6 summarizes the major shift in policy according to the six functions.

**FIGURE 6: SIX STATE HIGHER EDUCATION FUNCTIONS 1980S THROUGH MID-1990S**

Function	State role
<p><b>State-level planning</b></p>	<p>Weakening of centralized planning authority of some state agencies.</p> <p>Beginning of shift:</p> <ul style="list-style-type: none"> <li>■ From master planning for rational development of public institutions and systems; planning for static institutional models.</li> <li>■ To strategic planning linking higher education to state priorities; planning for dynamic market models in a more decentralized and deregulated system.</li> </ul> <p>Beginning of more aggressive role of governors in establishing state priorities external to the higher education system: contributions to workforce needs and R&amp;D linked to state economic development.</p>
<p><b>State finance policy: budgeting and resource allocation</b></p>	<p>Beginning of shift:</p> <ul style="list-style-type: none"> <li>■ From state subsidy of public institutions to build capacity.</li> <li>■ To selective state investment on the margin to meet state priorities.</li> </ul> <p>Finance policy to maintain existing capacity through base-plus funding: using of “plus” (incentive/competitive funding) to reward institutions that respond to state priorities.</p> <p>Creation – and subsequent abandonment – of performance funding in a minority of states.</p>
<p><b>Use of information</b></p>	<p>New emphasis on: analysis of information on student outcomes and assessment of student learning.</p>
<p><b>Regulation</b></p>	<p>State attempts – subsequently largely abandoned – to mandate institutional accountability based on assessment of student learning.</p> <p>Deregulation of state procedural regulatory controls in areas such as procurement, capital development and human resources.</p> <p>Weakening of state regulations enacted in previous decade for approval of academic programs, both new and existing, and for review and approval of changes in institutional missions.</p>
<p><b>Administration/ service agency functions</b></p>	<p>Continued strengthening of state licensure/authorization requirements to accommodate broader range of institutions to be eligible for federal student aid programs.</p> <p>Continued responsibility for administrating state student financial aid and other programs/projects.</p>
<p><b>System and institutional governance</b></p>	<p>Questioning the role of systems and centralized governance. Dismantling of some systems. New emphasis on decentralization within systems (e.g., delegating some authority to campus-level boards).</p>



## **Phase 5: Public Agenda Reforms mid-1990s to 2008: New emphasis on long-term goals and growing concerns about the capacity of states for policy leadership**

### **CONTINUATION OF PUBLIC AGENDA REFORMS**

The fifth phase from the mid-1990s to 2008 and the eve of the Great Recession saw a continuation of themes from the previous phase as well as a new state focus on developing a public agenda. The essence of these reforms was a change in the role of state higher education agencies from coordinating and overseeing higher education institutions to a more strategic role of aligning the system with broader state goals to improve the educational attainment of the state's population. Public agenda reforms commonly included:

- Developing long-term state goals to:
  - Increase education attainment levels of the state's population.
  - Narrow gaps in access, participation and completion between the state's majority and minority populations.
  - Maintain affordability.
  - Link higher education to the state's future environment for innovation and economic competitiveness.
- Realigning the size and shape of the higher education system to meet these goals.
- Reforming state financing policy through coordinated action on state appropriations, tuition policy and student financial aid.

Early examples of state public agenda reforms include the Kentucky Postsecondary Education Reform Act of 1997, the 1999 Texas plan "Closing the Gaps" and the North Dakota Roundtable initiated in 1999-2000.<sup>42</sup>

In the early 2000s, several other states pursued public agenda reforms. Giving impetus to these initiatives were the publication of the national report card on state performance, "Measuring Up;" the creation of a collaborative state higher education project supported by the Pew Charitable Trusts, among others; and national reports from the State Higher Education Executive Officers, the National Conference of State Legislatures, the National Governors Association and Education Commission of the States.<sup>43, 44, 45</sup>

These national reform efforts utilized the tactic of spurring action through direct communication with governors and state legislators. State higher education agencies were generally not seen as the key points for initiating, leading and gaining consensus around a state public agenda. There was growing recognition, however, that without a state-level entity charged with sustaining attention to the goals and ensuring step-by-step implementation over time, the public agenda would not succeed. It was this concern that led the National Center to issue the 2005 policy brief cited at the beginning of this paper.



## **DETERIORATING CAPACITY FOR POLICY LEADERSHIP**

Even as the need for effective policy leadership entities increased, the capacity of many state higher education boards to carry out this role continued to deteriorate. Fewer than half the states had overall higher education coordinating or governing structures for the entire public sector, and even fewer had structures that included the independent sector within their sphere of planning and policy development. In the remaining states, state-level governance responsibility was divided among two or more entities.

The basic legal mandates of many of these entities remained as first enacted in the 1960s and 1970s. There were a few exceptions to this pattern as a number of state entities continued to reorient their strategic planning and finance policy in a way consistent with the public agenda reforms. The more common pattern was that state coordinating entities continued to drift away from and lose relevance in the core state decision-making processes of the governor, the state budget office and the legislative finance and appropriations committees. Several state governance changes in Phase 5 actually moved away from establishing capacity for state policy leadership.<sup>46</sup>

Even states with an overall coordinating or governing structure faced challenges in meeting all the points in the National Center's 2005 policy brief. To the extent that state coordinating agencies were still focused on traditional oversight and regulatory functions, they did not have the credibility or staff capacity needed to lead a public agenda or statewide change strategies. Public higher education governing systems, most of which span only a portion of the public higher education system, faced challenges in balancing their internal governing and management responsibilities with the broader obligations to provide statewide policy leadership for a public agenda.

By the end of the decade, the implementation of public agenda reforms was mixed across the states. Some states (Illinois, Indiana, Tennessee, Louisiana and Oklahoma, among others), followed the lead of Kentucky and Texas in adopting a public agenda, reforming the role of the statewide coordinating board and changing finance policy. In other states, barriers to bringing about systemic change remained.<sup>47</sup>

## **STATUS AT CONCLUSION OF PHASE 5**

In summary, states continued the trends of the previous period but with a stronger emphasis on state priorities – now defined in terms of a public agenda. Nevertheless, even as demands increased for policy leadership, the capacity of many state boards and agencies to play this role continued to deteriorate (Figure 7).



**FIGURE 7: SIX STATE HIGHER EDUCATION FUNCTIONS IN 2008**

Function	State role
<p><b>State-level planning</b></p>	<p>More emphasis on developing a strategic plan (public agenda) setting long-term state goals to improve the educational attainment of the state’s population, including:</p> <ul style="list-style-type: none"> <li>■ Narrowing gaps in access, participation and completion between the state’s majority and minority populations.</li> <li>■ Maintaining affordability.</li> <li>■ Linking higher education to the state’s future environment for innovation and economic competitiveness.</li> </ul> <p>Many states, including those with two or more public governing systems, were left with no venue to develop and sustain attention to a long-term public agenda for the entire higher education system.</p>
<p><b>State finance policy: budgeting and resource allocation</b></p>	<p>Deregulation of fiscal regulatory controls. Ties of finance policy to the state public agenda.</p> <p>Base-plus (or minus) funding.</p> <p>New generation of performance funding becomes outcomes-based funding.</p> <p>Attempts to align state appropriations, tuition policy and student financial aid.</p>
<p><b>Use of information</b></p>	<p>Use of information to monitor progress toward state goals and to hold institutions accountable for contribution to the public agenda.</p> <p>Increased emphasis on longitudinal student data systems to enable analysis and monitoring of student progress through the education pipeline (P-20) to a degree or certificate.</p>
<p><b>Regulation</b></p>	<p>Continued deregulation of state procedural regulatory controls in areas such as procurement, capital development and human resources.</p> <p>As states cut funding of state agencies in the economic crisis, continued weakening of state regulations for approval of academic programs, both new and existing, and for review and approval of changes in institutional missions.</p>
<p><b>Administration/ service agency functions</b></p>	<p>Continued strengthening of state licensure/authorization requirements to accommodate broader range of institutions to be eligible for federal student aid programs.</p> <p>Increased responsibility for regulating distance learning courses delivered across state lines through State Authorization Reciprocity Agreements (SARA).</p> <p>Continued responsibility for administering state student financial aid and other programs/projects.</p>
<p><b>System and institutional governance</b></p>	<p>Governing systems continue to focus more on internal management than on aligning system priorities with long-term state goals.</p>



## **Phase 6: The Great Recession and Economic Recovery (2008 to the present): Growing urgency for reform accompanied by continuing deterioration of state capacity to lead long-term strategies**

The sixth and current phase, beginning with the Great Recession and continuing into the present, represents a continuation of many of the themes of the previous phase. What is different in the current phase is the sense of urgency for fundamental reform. The economic crisis and concerns about restoring economic competitiveness is prompting more states to adopt long-term public agenda goals. President Obama set forth the goal that the United States should have the highest proportion of students graduating from college in the world by 2020. The Lumina Foundation adopted its “Big Goal” to increase the percentage of Americans with high-quality degrees and credentials to 60 percent by the year 2025. Complete College America and other initiatives of the Bill and Melinda Gates Foundation are clearly having an impact on state policy.<sup>48 49</sup>

### **CHANGES IN STATE CAPACITY FOR POLICY LEADERSHIP**

Despite the need for more effective state capacity for policy leadership, this capacity further deteriorated in the early years of the economic crisis. Periods of governance change tend to coincide with times of severe economic pressures. The Great Recession (2008-10) was no exception. Again, the pattern across the country was mixed, with a few states taking dramatic steps to centralize governance but with the dominant pattern continuing to emphasize deregulation and decentralization.<sup>50</sup>

The economic and political environment of the Great Recession further eroded the capacity of other state higher education entities:

- In several states, governors have gained control of the previous independent coordinating agencies either by requiring that the executive officers be appointed and serve at the pleasure of the governor or in some cases tying the agency directly to the office of the governor. In the short term, these changes increase the chances that the governor will consider the coordinating agency’s advice. Nevertheless, the agencies have lost a degree of their independence and their ability to provide objective analysis and advice to both the governor and state legislature and to maintain a trusting relationship with the state’s higher education leadership. Because the agency’s leadership will be replaced when a new governor is elected, its ability to sustain attention to long-term goals and reforms is also weakened.
- As agencies have attempted to decrease their regulatory role and avoid getting involved in institution-level governance and management issues, they have increasingly been assigned regulatory tasks that draw them back to their previous roles. Legislators’ frustrations with decisions, especially on sensitive issues such as tuition increases, by institutional governing boards and presidents, reactions to institutional lobbying and institution-level controversies lead to new mandates for the coordinating agency, which further draw it into potential governance conflicts with institutional leaders. Legislative mandates that coordinating boards become involved in regulating faculty workload, curricular content and other substantive issues are examples of issues that increase tensions.



- The states with two or more large governing systems, but with no overall system coordinating entity, continue to find it difficult to shape a public agenda for the state as a whole – across all sectors and institutions.
- In the budget crisis and the drive to reduce the number of state employees, higher education agency staffs were cut. The staff capacity to undertake a more strategic leadership mission is simply not available.
- Limitations on salaries of state employees constrain the ability of the higher education agency to compete with public universities for qualified staff, especially staff who have both academic credibility and public policy expertise.

## **DISCONNECT BETWEEN STATE BUDGET PROCESS AND FINANCING HIGHER EDUCATION**

The most pertinent policy gap is that state finance policy is disconnected from public agenda goals for higher education. As summarized in the review of trends in Phases 2 and 3, a key role of many statewide coordinating boards in the early years (1960-80) was to advise the governor on higher education finance policy. As other areas of policy expertise developed in the governor's budget office and legislative staffs, the role of state higher education coordinating boards decreased.

Over the past 25 years, state coordinating boards have drifted even further away from the core decision-making processes related to the state budget and appropriations (there certainly are exceptions to this pattern, for example, in Tennessee). In the early days of statewide coordinating in Phase 3, states looked to state coordinating boards comprised primarily of public (lay) members as the venue to develop statewide plans and make budget recommendations. Governors and state legislatures looked to the decision-making process of the boards as a way to resolve many of the inevitable tensions between state and institutional priorities outside the politics of the legislative appropriations process. State legislatures always reserved the right to make the final decisions but they looked to the board recommendations to frame the decision-making process.

Today, the step of having a coordinating board debate and approve a strategic plan or budget recommendations is likely to have limited credibility in the legislative process. However, that credibility is enhanced if the board has engaged the governor and the state legislature in the board's decision-making process. The governor's budget office and legislature may rely upon the data and technical analysis of the coordinating agency staff but place less credence on the recommendations made by a group of lay people on the board.

The states with no statewide coordinating entity and two or more statewide governing boards have no capacity between the governing boards and the state budget office and legislature for formulation of state higher education policy across all sectors. The reality, then, is the majority of states lack a venue where key state leaders come together to develop both long-term strategic goals for the performance and sustainability of the higher education system and a strategic financing plan to achieve those goals. There is no place where strategic decisions can be made about how to achieve the goals within the constraints of

limited public funding and serious questions about affordability for students and families.

In the ideal world state finance policy would:

- Frame funding decisions by relating them to clear state goals.
- Ensure that the decisions regarding state appropriations, tuition and fees, and student financial aid are synchronized. For example, if an appropriations decrease required an increase in tuition and fees, the state would ensure that adequate funding for student financial aid be available so as to maintain the state's commitment to affordable access for low-income students.
- Recognize that both students and institutions need a degree of predictability in financing:
  - For students and families as they plan to pay for tuition, living and other costs.
  - For institutions to carry out their teaching and research missions (for example, academic programs and faculty must be in place as students begin the academic year).

The reality is that decisions regarding state appropriations, tuition and fees, and student financial aid are often:

- Not made with reference to state goals.
- Not coordinated or synchronized.
- Made by different policymakers on different schedules.

To complicate matters even further, state decisions on different elements of higher education funding are made separately. In some states, budgets for public employees' fringe benefits are budgeted separately from the budgets for public institutions' operations. Decisions on funding for research are often made in the context of the development of economic development budgets, while decisions regarding funding of workforce training are made in still another arena.

In many states, especially those in which public institutions have the legal status of state agencies, state budget offices and legislative appropriations committees consider state appropriations and, in some cases, tuition revenues as being available to meet budget short falls during the fiscal year or to balance the overall state budget. The state budget office may withdraw previously appropriated funds (in some cases including tuition revenue) from the institutions' budgets in mid-year and allocate them for other state purposes (for example, funding mandates for healthcare).

In a current controversy, a state's governor and legislature are questioning why the state university system should maintain reserves (unexpended funds carried over from previous years that the university retains to ensure a degree of budget stability). These decisions are rarely made in a manner that takes into consideration the interrelationships between state appropriations, tuition, and student financial aid. They are not made in a manner that considers the impact on the capacity of institutional leaders (governing authorities and presidents) to make strategic, multi-year decisions or to realign institutional resources as necessary to ensure that academic staff are available for students and that the momentum on research projects continues.



## OVERALL POLICY ENVIRONMENT FOR CHANGE

As states emerged from the economic crisis and Great Recession, the trajectory of change in system governance was clear, but extent and pace of change varied across the 50 states. There is growing concern, however, that the current state-level policy environment is a major barrier to the changes needed to achieve long-term goals and to reshape the public higher education enterprise to remain affordable and sustainable. The policymaking processes and structures for system governance and regulation established for an earlier time are not adequate for the future, but gaining support among state political leaders for the needed changes remains a challenge.

The state political scene is highly splintered with serious divisions among opposing views about the role of government. Turnover in political leadership, term-limits and political divisions mean that short-term agendas drive out attention to long-term reform. Understanding has been lost concerning the underlying rationale for higher education structures, including basic values such as the need for autonomy and a degree of independence of system-level structures from political control. Lack of trust in government is a theme that cuts across the political spectrum.

In the economic crisis, states tightened controls in the budget process, in public employment and in the expenditure of state funding. In this environment, there is little room for long-term strategy such as linking long-term strategic goals to strategic finance policy. No venue exists for this conversation. State budget offices and legislative appropriations committees are focused on balancing the state budget, controlling expenditure of state appropriations and reducing or containing long-term liabilities in funding pensions and healthcare.

The Bill and Melinda Gates Foundation and the Lumina Foundation are playing important roles in promoting change by using the leverage of state policy reform. While the foundations have involved state higher education agencies, their primary strategies involve direct contacts with governors' staff and state legislators with recommendations for specific policy changes (for example, setting long-term education attainment goals and enacting outcomes-based funding). It is a commentary on the changed and more complex state-level policy environment (see Figure 4) that the state higher education board is not seen as the principal leader or point of leverage for reform.

The foundation initiatives are clearly having at least a short-term impact. A survey conducted in 2014 found that 26 states had a statewide goal to increase the postsecondary education attainment of their citizens. Fourteen states reported that they did not have such a goal and 10 reported that creating such a goal is "in progress."<sup>51</sup> An increasing number of states have enacted or are considering outcome-based funding.

A review of governors' state-of-the-state messages, bills introduced in state legislatures and agendas of state higher education boards reveals a clear impact of Complete College America in a shift from enrollment to completion. Complete College America has changed the conversation about reform of developmental education by getting more students out of dead-end remedial education into credit-bearing courses, imbedding developmental education within credit-bearing courses and promoting other reforms. Several states had goals and had implemented performance funding before the foundation initiatives existed. The foundations have encouraged other states to do so.



Ultimately, however, the question will be whether these specific reform agendas will be sustainable. Getting bills enacted by the state legislature can be a challenge, but implementing the legislation is an entirely different matter. The current policy environment and outdated state coordinating and system governance and regulation are major barriers to sustained, systemic change. Even as states are enacting legislation advocated by the major foundations, except in a limited number of states, these strategies remained largely disconnected from state government decisions on the different elements of the state higher education system.

It is the states such as Indiana and Tennessee with long-established, respected state policy leadership structures where the reforms are most likely to have a long-term impact. Without an effective state higher education policy leadership and implementation capacity, the reforms in other states are likely to wither over time only to be replaced by the next wave of well-intentioned legislative proposals.

In 2015, as illustrated in Appendix A, only 31 states have a statewide entity that could presume to assume the broad role suggested by the 2005 policy brief. Twenty-one of these have statewide coordinating boards. The remaining 10 are statewide system governing boards with responsibility for essentially all the public institutions within the state. The remaining 19 states have two or more, and in some cases, multiple systems and institutional governing boards. Each of these boards has responsibility for strategic planning for their systems or institutions but they have no authority to conduct such planning or the development of a public agenda for the higher education system as a whole.

## **STATUS AT CONCLUSION OF PHASE 6**

In summary, the trends of the previous period toward developing a public agenda continued with a new emphasis on developing long-term goals to increase educational attainment and to improve college completion. Finance policy continued to change toward an increased emphasis on performance (now outcome-based) funding. Nevertheless, the capacity of states to develop and sustain attention to strategic plans and align finance policy with these plans continued to deteriorate. Lacking staff support and funding for strategic planning and policy analysis, state agencies increasingly rely on funding for carrying out regulatory/service agency functions. The consequence of this change is a shift in agency capacity from policy leadership to project/program management and regulation (Figure 8).



**FIGURE 8: SIX STATE HIGHER EDUCATION FUNCTIONS IN 2015**

Function	State role
<p><b>State-level planning</b></p>	<p>Continued emphasis on developing a strategic plan (public agenda) setting long-term state goals to improve the educational attainment of the state’s population as advocated by the Lumina Foundation and with a new emphasis on improvement completion encouraged by Complete College America.</p> <p>Weakening of state capacity to implement long-term goals and a public agenda as states reduced staffs of existing agencies and, in some cases, eliminated state higher education agencies in the economic crisis.</p> <p>As in the previous period, no venue to develop and sustain attention to a long-term public agenda for the entire higher education system in many states.</p>
<p><b>State finance policy: budgeting and resource allocation</b></p>	<p>Continued expansion of outcomes-based funding overwhelmed by base-minus funding combined with concerns for affordability leading to various strategies for price controls.</p> <p>Deregulation of some fiscal policy controls countered by re-centralization of state tuition controls.</p> <p>Disconnect between state budgeting in the economic crisis and state public agenda reforms.</p>
<p><b>Use of information</b></p>	<p>Continuing trends to use of information to monitor progress toward state goals and to hold institutions accountable for contribution to the public agenda with new emphasis on completion.</p> <p>Increased emphasis on longitudinal student data systems to enable analysis and monitoring of student progress through the education pipeline (P-20) to the completion of a degree or certificate and into the workforce.</p>
<p><b>Regulation</b></p>	<p>Continued deregulation of state procedural regulatory controls in areas such as procurement, capital development and human resources.</p> <p>As states cut funding of state agencies in the economic crisis, continued weakening of state regulations for approval of academic programs, both new and existing, and for review and approval of changes in institutional missions.</p>
<p><b>Administration/ service agency functions</b></p>	<p>Continued strengthening of state licensure/authorization requirements to accommodate broader range of institutions to be eligible for federal student aid programs.</p> <p>Continued responsibility for administering state student financial aid and other programs/projects.</p>
<p><b>System and institutional governance</b></p>	<p>Mixed pattern of decentralization and reduced capacity for system leadership and recentralization in the establishment of a new consolidated governing system to replace a state coordinating board.</p> <p>Isolated examples of efforts to redesign the role of systems in leading change to achieve state and system goals in the face of severe economic constraints.</p>



## THE WAY FORWARD

The 2005 National Center policy brief recommendations are still relevant. States need an entity charged with leading a long-term strategy to improve the educational attainment of the state's population. However, as illustrated by the review in this paper, the concept of a single entity responsible for all six state-level functions commonly associated with SHEEO agencies is no longer feasible or desirable. This is especially the case if the goal is to recreate a 21st century version of the 1960s conception of a state higher education coordinating board. Rather than a single entity, the SHEEO of the future is likely to be represented by four distinct components located at different points in the overall state structure:

- Statewide policy leadership (a redefinition of the state planning function and a link between planning and finance policy).
- Statewide coordination/implementation of cross-sector initiatives (including providing staff support for planning and finance policy, maintaining databases and capacity to convert data into information that guides policymaking, and authority to regulate mission differentiation).
- State service agency administration (for example, student financial aid and regulation/licensure of non-state providers).
- System and institutional governance.

The following is an elaboration of each of these components.

### COMPONENT FOR STATEWIDE POLICY LEADERSHIP

The key component is a capacity for carrying out a statewide policy leadership process for shaping and gaining consensus around long-term goals to be enacted in state statutes and linking strategic financing policy to these goals. This capacity should be a statutorily established *process*, not necessarily *an entity*. In fact, the focus on creating an entity rather than on ensuring that a process takes place can be a major barrier to implementation. The policy leadership component might take the form of an entity with periodic rather than ongoing responsibilities. Examples include a blue-ribbon commission or an entity such as the North Dakota Higher Education Roundtable. In this respect, the process would take place for defined, periodic tasks but would not involve establishing an entity with continuing oversight, coordinating, administrative or governing responsibilities similar to those currently assigned to statewide coordinating or governing boards.

What is important is a clear definition of what the outcomes of the process are to be, what tasks are to be performed, when in the state's budget/appropriations schedule the process is to take place, who is to be involved, who is responsible for initiating the process, who will be responsible for reporting on progress, how often the goals will be updated and how the process is to be staffed. For example, in states with coordinating boards, the agency could provide staff support for the process. It is important to enact these specifications in state statute to ensure that the process can be sustained over changes in political leadership.

### **The outcomes should be:**

- A multi-year strategic plan setting forth long-term (10 to 15 year) goals and related benchmarks. The statute should require that the process lead to the state legislature enacting the goals as state policy to serve as the framework for the state budget and appropriations process. The statute should also require an update of this strategic plan on a periodic (for example, 10-year) basis. It might also include a requirement for annual and five-year checkups on progress toward the goals to ensure continued commitment of the next generation of policymakers to the goals.
- A strategic finance framework taking into consideration state appropriations, tuition and student financial aid. The intent of this framework is to provide non-binding guidance to the annual budget process.
- Action plans (in two-year increments, for example) to move the state toward the long-term goals.
- An annual report on progress toward the state goals.

### **When should the process take place?**

- Annually before the development of governor's budget for the subsequent fiscal year (for example, in January to March in a budget development process that begins in April for a governor's budget, which then will be presented to the state legislature the following January for a fiscal year beginning on the following July 1).

### **Who should be engaged in the process?**

- From the executive branch:
  - The governor.
  - The state budget director.
  - State officials responsible for economic development and workforce strategies.
- From the legislative branch:
  - Legislative leaders from both House and Senate and the majority and minority (especially the chairs and ranking members of the appropriations and higher education committees in both Senate and House).
- From higher education leadership:
  - The chairs of the state higher education boards.
  - State coordinating board executives (where applicable).
  - System chief and institutional executives.

To the extent that the independent sector is a critical element of the state capacity to meet its goals, it also should be represented.



Provision also should be made for engaging other internal stakeholders in the process (for example, students and faculty).

■ State business and civic leadership:

The initial process of developing the state goals as well as the periodic reporting and updating should engage a broad spectrum of the state's civic and business leadership including diverse representatives of the state's population.

### **Who should initiate the process?**

In most states, the governor should initiate the process. To have ownership, governors may want to make the process a part of their policy agenda. The key to long-term sustainability, however, is to ensure that the process involves both the executive and legislative branches and includes both majority and ranking minority legislative representation.

Implementing a process that requires cooperation between the executive and legislative branches and between political parties will be a challenge in many states – especially in states with divided political leadership and strong traditions of separation of powers. The important point, however, is that the outcomes of this process are intended only to inform the formal policymaking process. These outcomes would be *advisory* and not binding on the participating political leaders.

The expectation is that by engaging leaders in the process of shaping the goals, metrics and action plans, the probability will increase that the goals and financing framework will be reflected in the formal actions on the budget, appropriations and other policies. The reality is that political leaders will want to put their own imprint on policy decisions; however, the hope is that the process will lead to greater alignment of these actions with the long-term goals than currently occurs in states that do not have an effective policy leadership capacity.

### **How should the process be staffed?**

■ The policy leadership process should have dedicated staff support for:

- Developing and revising the strategic plan.
- Monitoring and reporting on process toward goals.
- Developing the action plans and financing framework.
- Maintaining the data/information infrastructure and analytical capacity to monitor progress toward goals and preparing the annual progress report. In states with statewide coordinating boards, this capacity may be carried out by that board as noted below.

Depending on the state, the staffing of the policy leadership process could be carried out by the staff of a statewide coordinating board. In states with a single governing board for all public education, this responsibility could be assigned to the board staff, provided they were given sufficient autonomy to serve the overall policy leadership process. However, it is important to distinguish the role of this



policy leadership component from the roles and responsibilities of an existing statewide coordinating or governing board. In other words, the existing staff of the coordinating board or, in some cases, a statewide system, may provide the staff support. However, a group other than the members of the coordinating board or commission should be charged with the policy leadership process. Once the strategic plan and action plans have been approved, the coordinating and governing boards would be responsible for implementing these plans.

## **COMPONENT FOR STATEWIDE COORDINATION/IMPLEMENTATION OF CROSS-SECTOR INITIATIVES**

Statewide coordination will remain an important function. In states with a single governing board for all public higher education and a limited private sector, this function can continue to be performed by this board. However, in states with two or more governing boards there will continue to be a need for a coordinating entity. The point of this paper, however, is that it is unrealistic to expect this entity, especially the members of the entity's board or council, to play the policy leadership role outlined above. They should, of course, be involved in the process but not with the expectation that they will be the leaders. The functions of these coordinating entities will continue to include coordination across sectors through:

- Mission differentiation including review and approval of major changes in mission.
- Finance policy/resource allocation among sectors.
- Leading/implementing cross-cutting initiatives such as:
  - P-20 coordination.
  - Links with workforce and economic development.
  - Links with adult education.
- Maintaining the statewide data/information capacity including state longitudinal data systems and, depending on the state, this capacity may be used to support analysis, monitoring and reporting functions of the policy leadership component as described above.
- Issue analysis/problem solving.

## **COMPONENT FOR STATE SERVICE AGENCY ADMINISTRATION (E.G., STUDENT FINANCIAL AID AND REGULATION/LICENSURE OF NON-STATE PROVIDERS)**

States should separate these operational and regulatory functions from the entity carrying out the policy leadership component. State coordinating boards could continue to carry out these functions; however, states should guard against having these dominate the coordinating agency agenda. The clearest way to ensure this separation is for the state to fund the coordinating component rather than relying on funding for the administration of student financial aid programs or funding derived from the regulatory function (for example, fees paid by non-public institutions for licensure/authorization).



In states with coordinating boards, the service agency/regulatory role will continue to be an important sub-function. The danger, as emphasized earlier in this paper, is that these functions will dominate the agency's agenda and draw its attention away from the substantive issues traditionally associated with statewide coordination (the second component). An indicator of this problem is a coordinating board agenda in which the majority of items are not related to pursuing the goals of a strategic plan but are related primarily to the administration of student aid programs or approving the licensure/authorization of non-state institutions.

Because of this concern, coordinating boards should consider organizing the service agency/regulatory functions as a subsidiary, quasi-independent unit with delegated authority to carry out day-to-day management and regulatory tasks. The coordinating board should develop student financial aid policy (the parameters for student eligibility, etc.), but the subsidiary unit would be charged with day-to-day operations within that policy framework.

## **COMPONENT(S) FOR SYSTEM AND INSTITUTIONAL GOVERNANCE**

As emphasized above, the statewide policy leadership component should not be assigned to a statewide governing board. In states with a single board for all public higher education and a limited independent sector, the statewide board could provide staff support for the policy leadership component. It should be represented directly (for example, through the board chair and/or system chief executive) in shaping the state goals and action plans. However, it is a conflict in roles to be responsible both for governing and advocating for the interests of public institutions as well as performing the policy leadership function on behalf of the citizens of the state. On the other hand, these statewide boards will continue to have the critical responsibility for implementing the statewide goals and action plans.

In states with two or more statewide governing boards or multiple system and/or institutional boards, it is essential that the state have an independent policy leadership entity as described under the first component.

## **FUTURE ROLE OF GOVERNING SYSTEMS**

Effective governing systems are critical components of a state's capacity to achieve long-term goals. Stated differently, if a state only concentrates on putting in place the policy leadership component (statewide goals, action plans and financing framework) and fails to redesign its implementation capacity encompassed in large systems, the state's plans will not come to fruition. Governing systems enroll about three-quarters of the nation's students in public higher education. Several are now at the forefront of bringing about large-scale reforms aimed at improving degree-completion and contributing to state educational attainment goals. Too many, however, continue to function as inwardly focused management structures with only limited capacity to bring about systemic change within and between their constituent institutions.<sup>52</sup> While the details of the needed changes in these systems will differ across the states, several themes are common:

- Changing the role of the system board and senior leadership from governing and managing institutions to providing strategic leadership for the system as a whole to serve students and link the system capacity to the future economy and quality of life of each of the state's regions.



- Establishing and gaining consensus on clear measurable system goals and the contributions that individual institutions are expected to make toward these goals.
- Increasing the autonomy of institutions and management responsibility of presidents while holding them accountable for performance in terms of system goals and each institution's mission.
- Enhancing the power of the system to serve the state by moving from a collection of individual institutions competing with each other for students and resources, to a coordinated, differentiated network of institutions in which the impact of the system is far greater than the sum of its parts (for example, the “Power of SUNY: SUNY and the Entrepreneurial Century”<sup>53</sup>).
- Focusing the system role on issues that cut across institutions and campuses.
  - Defining and making final policy decisions on the overall size and shape of the system, institutional role and scope and realignment of institutional missions.
  - Using strategic finance policy and resource allocation aligned with goals as the principal policy tools to promote change and innovation.
  - Realigning institutional capacity:
    - Concentrating globally competitive research capacity in some higher education institutions.
    - Consolidating institutional capacity to create more sustainable entities.
    - Transitioning some institutions to new roles as mixed regional university learning centers with the capacity to draw in courses and other resources from other campuses and global providers to serve students within the region.
  - Providing a venue for developing and implementing new modes for delivery of content and supporting mediated learning at multiple sites; managing the “market” for content development and delivery for the benefit of the state’s population (drawing on local and global sources).
  - Achieving economies-of-scale in system-wide services but increasing the emphasis on providing incentives for services to be provided on a purchase of service/market basis. Some services (for example, data/information infrastructure) are essential for system goals; other services (for example, human resources and purchasing) can be provided to institutions on a purchase of service basis.
  - Increasing the systems’ role in supporting students/learners in accessing multiple learning opportunities drawn from multiple campuses and online/web-based learning in the path toward their achieving learning objectives: student information systems, portable transcripts, competency-based degrees and student finance systems (tuition/fees and student financial aid).



Systems vary across the country in the extent to which they are moving in the directions suggested above. To the extent that they are not changing, systems can present several barriers to both the competitiveness of component institutions and campuses as well as to the achievement of state goals.

Many of the states with two or more large systems have no effective means to carry out either the policy leadership component or the statewide coordinating component. Without overarching state goals, these states lack the capacity to ensure the alignment of individual system goals with the overall state priorities and state finance policy.

## CONCLUSION

State higher education structures have changed dramatically over the past century as the complexity of both the higher education system and state government have increased. Many of the structures now in place had their origins in earlier times. In many cases, statutes defining the powers and functions of these entities have changed only marginally over the years. Often the changes have simply added new responsibilities without clearing out those that are no longer relevant. The conclusion of this paper is that creating the SHEEO of the future cannot be achieved simply by resuscitating existing boards or agencies. It is unrealistic to expect many of these agencies to rise above their historic roles and assume the kind of statewide policy leadership role envisioned in the 2005 National Center policy statement.

Implementation of the components of state capacity outlined above would require changes in essentially every state. While the task of bringing about the changes may seem daunting, they are in fact doable provided state leaders recognize the consequences of not acting. In some cases, these changes would involve only an updating of the mandates for existing state boards or agencies. In other cases, they would require states to establish new entities or to eliminate or reconstitute significantly existing agencies.

Few states have an entity with the characteristics outlined in the policy leadership component. This is an essential capacity if states are to be able to sustain long-term reform agendas over changes in political leadership and economic conditions.



**APPENDIX A: SIX STATE-LEVEL FUNCTIONS: SUMMARY OF CHANGE OVER PHASES**

Functions	Major Phases					
	Early 20th century to World War II	As of 1972	End of the 1970s	1980s through mid-1990s	2000s to 2008	2015
<b>State-level planning</b>	None	Master planning for expansion of capacity in the public sector: institutions, academic programs and facilities. A limited number of agencies included the independent sector in planning.	<p>New emphasis on comprehensive planning for postsecondary education including public, private not-for-profit and for-profit providers reflecting provisions of Education Amendments of 1972.</p> <p>Centralized planning for projected retrenchment: maintaining access, quality and institutional diversity, and efficiency in a period of enrollment decline and resource constraints.</p>	<p>Weakening of centralized planning authority of some state agencies.</p> <p>Beginning of shift:</p> <p>From master planning for rational development of public institutions and systems; planning for static institutional models.</p> <p>To strategic planning linking higher education to state priorities; planning for dynamic market models in a more decentralized and de-regulated system.</p> <p>Beginning of more aggressive role of governors in establishing state priorities external to the higher education system: contributions to workforce needs and R&amp;D linked to state economic development.</p>	<p>More emphasis on developing a strategic plan (public agenda) setting long-term state goals to improve the educational attainment of the state's population, including goals such as:</p> <p>Narrowing gaps in access, participation and completion between the state's majority and minority populations.</p> <p>Maintaining affordability.</p> <p>Linking higher education to the state's future environment for innovation and economic competitiveness.</p> <p>Many states, including those with two or more public governing systems, were left with no venue to develop and sustain attention to a long-term public agenda for the entire higher education system.</p>	<p>Continued emphasis on developing a strategic plan (public agenda) setting long-term state goals to improve the educational attainment of the state's population as advocated by the Lumina Foundation and with a new emphasis on improvement completion encouraged by Complete College America.</p> <p>Weakening of state capacity to implement long-term goals and a public agenda as states reduced staffs of existing agencies and, in some cases, eliminated state higher education agencies in the economic crisis.</p> <p>As in the previous period, no venue to develop and sustain attention to a long-term public agenda for the entire higher education system in many states.</p>
<b>State finance policy: budgeting, appropriations and resource allocation</b>	Governing board staff develops consolidated budget request; state legislature appropriates funds directly to the board. No intermediary budget agency.	Development of quantitative analysis and funding formulas to ensure rational allocation of resources and curb political influences. Formulas emphasize cost-reimbursement and reflect mission differences, institutional workload, and costs associated with expanding capacity.	Modification of resource allocation methods to create rationales for the distribution of reductions and provide incentives for efficient utilization of existing capacity (e.g., marginal cost formulas).	<p>Beginning of shift:</p> <p>From state subsidy of public institutions to build capacity.</p> <p>To selective state investment on the margin to meet state priorities.</p> <p>Finance policy to maintain existing capacity through base-plus funding: using of "plus" (incentive/competitive funding) to reward institutions that respond to state priorities.</p> <p>Creation – and subsequent abandonment – of performance funding in a minority of states.</p>	<p>Deregulation of fiscal regulatory controls. Ties of finance policy to the state public agenda.</p> <p>Base-plus (or minus) funding.</p> <p>New generation of performance funding becomes outcomes-based funding.</p> <p>Attempts to align state appropriations, tuition policy, and student financial aid.</p>	<p>Continued expansion of outcomes-based funding overwhelmed by base-minus funding combined with concerns for affordability leading to various strategies for price controls.</p> <p>Deregulation of some fiscal policy controls countered by re-centralization of state tuition controls.</p> <p>Disconnect between state budgeting in the economic crisis and state public agenda reforms.</p>



Functions	Major Phases					2015
	Early 20th century to World War II	As of 1972	End of the 1970s	1980s through mid-1990s	2000s to 2008	
<b>Use of information</b>	Limited as required in the budget process: to institutional data on expenditures and revenues, students, human resources and facilities.	Development of state-level data/information systems on enrollment, academic programs, human resources and facilities. Development of analytic tools for institutional management and assessing costs/benefits of alternatives for expansion.	New emphasis on analysis of institutional costs, faculty/student ratios and academic program productivity (degrees granted by program).	New emphasis on: analysis of information on student outcomes and assessment of student learning.	Use of information to monitor progress toward state goals and to hold institutions accountable for contribution to the public agenda.  Increased emphasis on longitudinal student data systems to enable analysis and monitoring of student progress through the education pipeline (P-20) to a degree or certificate and into the workforce.	Continuing trends to use of information to monitor progress toward state goals and to hold institutions accountable for contribution to the public agenda with new emphasis on completion.  Increased emphasis on longitudinal student data systems to enable analysis and monitoring of student progress through the education pipeline (P-20) to the completion of a degree or certificate and into the workforce.
<b>Regulation</b>	None	Focus on rational expansion of capacity, and curbing unnecessary duplication primarily in the public sector. Regulation of new academic programs, campuses, branch campuses, and ensuring mission differentiation between public research universities, teaching colleges/universities, and community colleges.	Strengthening state regulatory authority related to new academic programs, campuses, and branch campuses, and ensuring mission differentiation.  New emphasis on state review of existing academic programs for unnecessary duplication and/or low-productivity – including in some cases state authority to discontinue programs. State mandates for external review of academic program quality.	State attempts –subsequently largely abandoned – to mandate institutional accountability based on assessment of student learning.  Deregulation of state procedural regulatory controls in areas such as procurement, capital development, and human resources.  Weakening of state regulations enacted in previous decade for approval of academic programs, both new and existing, and for review and approval of changes in institutional missions.	Continued deregulation of state procedural regulatory controls in areas such as procurement, capital development and human resources.  As states cut funding of state agencies in the economic crisis, continued weakening of state regulations for approval of academic programs, both new and existing, and for review and approval of changes in institutional missions.	Continued deregulation of state procedural regulatory controls in areas such as procurement, capital development and human resources.  As states cut funding of state agencies in the economic crisis, continued weakening of state regulations for approval of academic programs, both new and existing, and for review and approval of changes in institutional missions.
<b>Administration/ service agency functions</b>	None.	New functions: state student financial aid program administration, state planning and administration of federal programs (e.g., facilities), and licensure/authorization of institutions to be eligible for federal student aid programs.	Modification of state authority to conform to new federal requirements: state student financial aid program administration, state planning (I202 state commissions), and administration of federal programs.  Strengthening of state licensure/ authorization requirements to accommodate broader range of institutions to be eligible for federal student aid programs.	Continued strengthening of state licensure/authorization requirements to accommodate broader range of institutions to be eligible for federal student aid programs.  Continued responsibility for administering state student financial aid and other programs/projects.	Continued strengthening of state licensure/authorization requirements to accommodate broader range of institutions to be eligible for federal student aid programs.  Increased responsibility for regulating distance learning courses delivered across state lines through State Authorization Reciprocity Agreements (SARA).  Continued responsibility for administering state student financial aid and other programs/projects	Continued strengthening of state licensure/authorization requirements to accommodate broader range of institutions to be eligible for federal student aid programs.  Continued responsibility for administering state student financial aid and other programs/projects.



Functions	Major Phases					
	Early 20th century to World War II	As of 1972	End of the 1970s	1980s through mid-1990s	2000s to 2008	2015
<p><b>System and institutional governance</b></p>	<p>Limited number of consolidated governing boards that functioned more as single boards for multiple public institutions rather than as systems.</p>	<p>Major expansion of governing systems: multiple campus universities and consolidated governing boards. For the first time, the majority of students in the public sector attend institutions within governing systems.</p>	<p>Strengthening of governing systems' authority to manage costs and plan for potential retrenchment.</p>	<p>Questioning the role of systems and centralized governance. Dismantling of some systems. New emphasis on decentralization within systems (e.g., delegating some authority to campus-level boards).</p>	<p>Governing systems continue to focus more on internal management than on aligning system priorities with long-term state goals.</p>	<p>Mixed pattern of decentralization and reduced capacity for system leadership and recentralization in the establishment of a new consolidated governing system to replace a state coordinating board.</p> <p>Isolated examples of efforts to redesign the role of systems in leading change to achieve state and system goals in the face of severe economic constraints.</p>



**APPENDIX B: CHANGE IN COMPLEXITY OF MAJOR DECISION-POINTS THAT AFFECT STATE HIGHER EDUCATION POLICY, EARLY 20TH CENTURY TO PRESENT**

Decision Points		Phases 1 and 2: Late 19th century through end of World War II	Phases 3 through 6: 1972 to the present	
<b>Governor</b>		Direct relationship between governing boards and the Governor; No specialized staffing.	<b>Governor’s education policy advisors.</b>	
	State Budget Office	Limited role in higher education budget.	Executive Branch Non-Higher Education Administrative and Regulatory Agencies.	
<b>State Legislature</b>	House and Senate	House and Senate (except in Nebraska with its unicameral legislature). Relatively simple committee structure with most higher education issues handled by appropriations/finance committees. Limited legislative staff.	Complex committee structures in both Houses with (depending on state) specialized higher education substantive and appropriations committees.	Complex professional legislative staff structures including non-partisan staffs, committee staffs, caucus staffs and, in some states, staffs for individual legislators.
<b>Higher Education Coordinating Boards</b>	Authority (depending on state) for statewide planning, review and approval of new academic programs, review and recommending funding formulas and budgets, and other administrative and regulatory functions.	None	Organized in one-half the states.	
<b>Executive Branch Higher Education Services and Regulatory Agencies</b>	Institutional Licensure and Authorization	None – except for chartering of institutions.	Agencies established in every state organized within other agencies or as independent entities.	
	Student Financial Assistance Agencies	None.	Agencies in each state organized within other agencies or as independent entities.	
	Federal higher education program administration	None.	Organized within other agencies.	
<b>System Sector Governing or Coordinating Boards for Locally Governed Community Colleges</b>		None.	Complex patterns of coordination and governance of community colleges and postsecondary technical institutions.	
<b>System Governing Boards for multiple institutions</b>		Limited number of consolidated boards for multiple universities.	Most public universities within multi-institutional governing systems.	
<b>Single Institutional Governing Boards</b>		Dominant pattern of single institutional boards. No community colleges.	Limited number of public institutions with independent boards and not within systems.  Locally governed community colleges.	
<b>State Associations of Universities</b>		Informal presidents’ councils of public universities.	State Associations of Universities and Community Colleges.	



**APPENDIX C: AUTHORITY OF STATE BOARDS AND AGENCIES OF HIGHER EDUCATION, 2015**

Type of Board	Coordinating Boards/Agencies with Authority to Coordinate all Higher Education			System Governing Board for All Public Institutions	No Statewide Board for All Higher Education		Higher Education Service Agencies (student aid, private HEI licensure, data)	
	Multiple Governing Boards for Systems and Public Institutions and				Two or more System Governing Boards and Several Institutional Governing Boards	Boards for Each Public HEI		
Statewide Planning Authority	Yes	Yes	Yes	Yes	No state-level entity charged with authority for statewide planning/public agenda for all higher education; planning only for individual systems or institutions		Planning only for each HEI	
Budget Role	Consolidated or Aggregated Budget –All Public HEIs 1	Review / and Recommend— All Public HEIs1	Limited budget role	Yes for public system	Budget role only for governing systems and public HEIs under each board’s jurisdiction		Budget role only for each HEI	No authority for statewide planning or in budget process
	AL AR <sup>2</sup> CO <sup>2</sup> IL IN KY LA MA <sup>3,2</sup> MD MO NM <sup>4,2</sup> OH <sup>2</sup> OK SC TN WV	NE OR <sup>5</sup> TX VA	WA <sup>5,2</sup>	AK HI ID <sup>7</sup> KS <sup>8</sup> MT <sup>9</sup> NV ND RI <sup>7</sup> SD UT  DC PR	AZ CA <sup>10,11</sup> CT <sup>12</sup> DE FL <sup>7,10,13</sup> GA <sup>15</sup> IA <sup>10</sup> ME <sup>4,15</sup> MN MS NH <sup>15</sup> NJ	NY NC <sup>15</sup> PA VT <sup>16</sup> WI <sup>15</sup> WY <sup>10</sup>	MI <sup>17</sup>	AK AZ CA CT DE FL <sup>7,13</sup> IA MN <sup>2</sup> NH NJ <sup>18,2</sup> NY <sup>7</sup> PA <sup>7,2</sup> WI  DC PR
Totals	16	4	1	10, DC and PR	12	6	1	14 DC and PR

1. Coordinating boards commonly develop the formulas for allocation of state appropriations and/or make recommendations for overall system funding but do not review and/or make recommendations on individual institutional budgets.
2. The Governor plays a direct role in the appointment of the executive officer.
3. The Massachusetts Board of Higher Education serves as the coordinating board for all public higher education. The board also has overall state-level governing responsibilities for the state universities and community colleges, not the UMass. Each of the state universities and community colleges has a governing board which functions within the overall authority of the State Board of Higher Education.
4. The New Mexico entity is a cabinet-level department headed by a Secretary of Higher Education. The department has authority to review, adjust and approve public university budgets prior to submission to the department of finance and administration and limited authority primarily to review and study but not to take formal action to approve academic programs or other institutional decisions.
5. In June 2011, Oregon established a new Oregon Higher Education Coordinating Commission for planning and coordination of the whole postsecondary education sector, including the community colleges and the Oregon University System. New entity has authority to approve changes in missions but not approval of specific academic programs. In 2013,



legislation was enacted strengthening the Higher Education Coordinating Commission, transferring responsibility for the community colleges to this Commission, and authorizing public universities previously under the Board of Higher Education to have their own governing boards (three as of July 1, 2014 and the remainder as of July 2015).

6. Washington State Achievement Council makes overall recommendations on finance policy and strategic budget but does not review and make recommendations on institutional budgets.
7. State has a board/agency responsible for coordination of all levels of education (P/K-16/20). State boards/agencies New York and Pennsylvania have limited coordinating, not governing authority for public institutions. The Idaho State Board of Education has governing authority for public institutions and coordinates locally governed community colleges. The Rhode Island Board of Education has planning and coordinating responsibility for the P-20 system but not for governing public higher education institutions. The Oregon Education Investment Board has strategic planning and coordinating authority for all levels of education, including the Higher Education Coordinating Commission (see endnote 5). The Florida State Board of Education has responsibility for policy direction and coordination of state's education system, P-20. Constitutional amendment passed in November 2002 created a Board of Governors for Universities. The State Board of Education retains overall responsibility for policy coordination for all education.
8. Kansas Board of Regents is a consolidated governing board for universities and coordinating board for locally governed community colleges and Washburn University.
9. The Montana Board of Regents serves as the governing body for state universities and the coordinating body for three locally governed community colleges.
10. One statewide board is a statewide coordinating/regulatory body for locally governed community colleges and/or postsecondary technical institutions.
11. Effective July 1, 2011, the former coordinating board, the Connecticut Board of Governors, was eliminated. The new Board of Regents for Higher Education governing body for the community-technical college, the state universities formerly within the Connecticut State University System, and Charter Oak State College. The University of Connecticut retains its own governing board. The Office of Higher Education is a higher education service entity for student aid and regulatory functions.
12. One statewide board is a statewide governing board for community colleges and/or technical institutions.
13. The Florida higher education coordinating council was created by statute in 2013 for the purposes of identifying unmet needs and facilitating solutions to disputes regarding the creation of new degree programs and the establishment of new institutes, campuses, or centers. The Council shall serve as an advisory board to the Legislature, the State Board of Education, and the Board of Governors. The Council includes the Commissioner of Education, representatives of each of the major sectors (Board of Governors, community colleges, and independent sector) and two business representatives appointed by legislative leaders. Florida State Board of Education, through a chancellor for community colleges, coordinates locally governed community colleges.
14. Maine Maritime Academy is the only public institution with its own governing board outside a system.
15. One of the boards is a statewide governing board for community colleges and/or technical institutions.
16. Vermont has no statutory planning/coordinating entity. Vermont Higher Education Council is voluntary.
17. Michigan State Board of Education has Constitutional authority for overall planning and coordination of the state's education system, but because of the Constitutional autonomy of the state universities and local governance of community colleges, the State Board does not function as a statewide higher education coordinating agency.
18. The Governor's reorganization plan in June 2011 eliminated the New Jersey Commission on Higher Education and transferred its authority and duties to a Secretary of Higher Education who is appointed by the Governor and confirmed by the Senate. The Governor's Higher Education Council serves as an advisory body to the Secretary and the Governor.

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## ENDNOTES

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1. This paper makes a careful distinction between governing boards and coordinating boards. Coordinating boards do not have authority to govern institutions. In other words, they do not have powers to grant degrees, establish institutional policies, appoint institutional presidents/chancellors, and carry out other functions of governing boards.
2. National Center for Public Policy and Higher Education, “State Capacity for Higher Education Policy Leadership” (San Jose: National Center, July 2005). Retrieved at: <http://www.highereducation.org/crosstalk/ct0305/news0305-insert.pdf>
3. This paper makes a careful distinction between governing boards and coordinating boards. Coordinating boards do not have authority to govern institutions. In other words, they do not have powers to grant degrees, establish institutional policies, appoint institutional presidents/chancellors, and carry out other functions of governing boards.
4. Robert Berdahl makes an important distinction between “substantive” autonomy, meaning autonomy on matters of standards, curriculum, faculty appointments, and similar matters, and “procedural” autonomy, meaning autonomy from state procedural controls. See Berdahl, Robert O. (1971), *Statewide Coordination of Higher Education* (Washington, DC: American Council on Education, 1971).
5. Berdahl, *Statewide Coordination*, 9
6. The New York Board of Regents was established in 1784 as overarching oversight body for the “University of the State of New York,” encompassing all education in the state. Except for the publically supported institutions in New York City that would become CUNY in 1961 and state teachers’ colleges operating under the supervision of the Board of Regents and state education department, New York relied primarily on private institutions to serve the state’s population until the establishment of the State University of New York in 1948.
7. Three states (Montana, Nevada, and South Dakota) formed these entities prior to 1900. Nevada established a governing board for the Land-Grant University, the University of Nevada, in 1864 which subsequently evolved into the boards for the statewide university system. Two states admitted to the Union in 1889, Montana and South Dakota, established statewide boards within their initial constitutions. In the Constitutional Convention, Montana debated the alternative of establishing a Board Regents for the University of Montana following the model of the University of California. The convention rejected that alternative and consolidated responsibility for all public education, including higher education, under a single State Board of Education. This structure remained in place until a Constitutional amendment in 1972 established the Board of Regents. The South Dakota Board of Regents has remained essentially the same as originally established by the 1889 Constitution. Most of the statewide boards were established in the period from turn of the century to the beginning of World War I: Florida (1905), Hawaii (1907), Idaho (1912), Iowa (1909), Kansas (1913), Mississippi (1910), North Dakota (1911) (McClure, Eddy (1999) “The structure of higher education in Montana: meandering the murky line,” Montana Legislative Services Division. Retrieved at: <http://leg.mt.gov/content/Publications/Legal-Opinions/Memos/0915999253EMDALGL.pdf> )
8. The initial Constitution of Idaho established the State Board of Education without responsibility for higher education but in 1913 a constitutional amendment consolidated responsibility under the State Board for these institutions. The reasons for this action as described by a paper prepared by the director of the Idaho Historical Society represent a classic rationale for consolidation:

By the end of the first decade of the 20th century the institutions of higher education were also fighting over shares of the tax dollar. Long after the need ceased to exist, the normal schools continued to maintain large preparatory programs and duplicated the offerings of the university. The separate boards of the institutions and their presidents spent considerable time at legislative sessions lobbying for appropriations.

Prior to the establishment of the predecessor board for the Iowa Board of Regents (1909 and subsequent amendments) and the predecessor board for the Kansas Board of Regents (1913, subsequently established by constitutional amendment in 1925), institutions in each of these states were governed by separate boards (Guerber, S. (1998), *A Brief History of Education in Idaho: A Presentation to the State Board of Education by director of Idaho State Historical Society, Boise, Idaho, May 1, 1998*).
9. Berdahl (1971),
10. The Board of Regents of the University System of Georgia was initially established in 1931 through the consolidation of 26 public institutions, each governed by a separate board. The board was given constitutional status in 1943. After years of controversy regarding political intrusion, Mississippi in 1942 established the State Board of Institutions of Higher Learning in the State Constitution. In 1929, Oregon enacted legislation to be implemented by 1931 creating a single Board of Education bringing all public institutions under one authority. The legislation abolished the former Board of Regents of the University of Oregon and consolidated all institutions as one university with units within the state’s major cities. The legislation was in direct response to regional competition and conflicts among the institutions and the desire to focus on the state interests, not the interests of the institutions and the regions in which they were located. The system remained highly centralized under control of state government for several years. In subsequent years, the state established the individual institutions headed by presidents under the chancellor and the state board (Oregon State Board of Higher Education). As noted later in this paper, Oregon enacted far-reaching governance reforms in 2011 through 2015. Rhode Island (1935 and 1939) consolidated the governance of the former state normal school, now Rhode Island College and the state’s Land Grant College (now the University of Rhode Island) under a single Board



of Regents. (Sansing, D. (2008), "The Events and Circumstances Leading to the Establishment of the Constitutional Board of Trustees." Retrieved at: <http://www.mississippi.edu/gov/downloads/sansing.pdf>; Oregon University System, 2011; McGuinness, A.C. (2013). "The History and Evolution of Higher Education Systems," Higher Education Systems 3.0., Lane, Jason E. and Johnstone, D. Bruce, eds., (Albany: State University of New York Press))

11. Berhadl (1971), pp. 26-27 and 50-51.
12. Trow, Martin (1971), Problems in the Transition from Elite to Mass Higher Education. (Berkeley: Carnegie Commission on Higher Education Berkeley, 1973).
13. References on the development state coordinating boards include: Malcolm C. Moos and Francis E. Rourke, The Campus and the State (Baltimore: Johns Hopkins University Press, 1959); Lyman A. Glenny, Autonomy of Public Colleges (New York: McGraw-Hill, 1959); Carnegie Commission on Higher Education, The Capitol and the Campus: State Responsibility for Postsecondary Education (New York: McGraw-Hill, 1971); Lyman A. Glenny, Robert O. Berdahl, Ernest G. Palola, and James G. Paltridge, Coordinating Higher Education for the '70s (Berkeley: University of California, Center for Research and Development in Higher Education, 1971); Robert O. Berdahl, Statewide Coordination of Higher Education (Washington, D.C.: American Council on Education, 1971). Education Commission of the States, Challenge: Coordination and Governance in the 1980s (Denver: Education Commission of the States, 1980); John D. Millet, Conflict in Higher Education: State Government versus Institutional Independence (San Francisco: Jossey-Bass, 1982);
14. National Center for Education Statistics, Digest of Education Statistics: 2013 Table 301.2. Historical summary of faculty, enrollment, degrees, and finances in degree-granting postsecondary institutions: Selected years, 1869-70 through 2011-12
15. National Center for Education Statistics, Digest of Education Statistics, Historical Data
16. Lee, Eugene C. and Bowen, Frank M. (1971), The Multicampus University (New York: McGraw-Hill, 1971), pp. xi-xvii.
17. The first major post-war change was the establishment of the State University of New York in 1948, making the state's first major commitment to public higher education. This far-reaching change established a public university system in a state that had previously been served primarily by (and dominated by) independent higher education institutions. The system initially represented a consolidation of 32 unaffiliated public institutions, including 11 teachers' colleges. The system of community colleges governed by local boards subsequently developed within SUNY's overall coordinating framework. In 1961, the state enacted legislation drawing together the public institutions in New York City to form the City University of New York. At the same time, the state strengthened the role of the State Education Department as the coordinating/regulating entity for the whole system, including the independent sector. The most prominent statewide framework for coordination and governance in the phase was the California Master Plan of 1960. The Master Plan established the three major systems (called segments in California), each encompassing multiple institutions: the University of California (UC), the California State University (CSU), and the California Community College System (CCCS). Each segment has a distinct mission with clear differences in admissions requirements and the level of degree programs. The Master Plan also established the California Higher Education Coordinating Council (subsequently renamed the California Postsecondary Education Commission), to ensure overall coordination of the system, including the three public segments as well as the state's private (independent) colleges and universities (See archives of University of California, Berkeley, library for history of Master Plan and related documents at: [http://www.lib.berkeley.edu/uchistory/archives\\_exhibits/masterplan/](http://www.lib.berkeley.edu/uchistory/archives_exhibits/masterplan/))
18. The 1963 Michigan State Constitution provides that the State Board of Education is to, "...serve as the general planning and coordinating body for all public education, including higher education, and shall advise the legislature as to the financial requirements in connection therewith." Article VIII, sec. 3 However, the Constitution exempts governing boards of public higher education institutions from the State Board's supervisory powers and grants the institutions significant autonomy "to be solely responsible for the control and direction of all expenditures from the institutions' funds." (Article IV, sec. 53). Because of these Constitutional limitations, Michigan has never implemented a statewide higher education coordinating or governing structure. The state has relied upon voluntary coordination through the Presidents Council for state universities and the community college association.
19. Only four states in the post-war period established statewide consolidated governing boards comparable to those established in pre-war periods: Maine (1969), New Hampshire (1963), Utah (1969), and West Virginia (1969). In each of these cases, the former state normal schools that had migrated to the mission of state colleges were consolidated with the state's Land-Grant university under a single board.
20. Two states that had previously established statewide coordinating boards in the 1950s replaced these boards with consolidated governing systems (North Carolina, 1971, and Wisconsin enacted in 1971 and implemented in 1973). Underlying these changes was a frustration that the coordinating boards were unable to resolve conflicts between pressures for new campuses of the state's multi-campus university and the evolving state colleges and universities. These new consolidated systems had responsibility primarily for the four-year colleges and universities although the University of Wisconsin System includes a network of two-year campuses. In this respect, they did not encompass the entire public postsecondary education system. The Wisconsin Technical College System and the North Carolina network of community and technical colleges remained separate.
21. Berdahl, Robert O. (1971)



22. As recounted by Paul Lingenfelter, John Dale Russell, executive secretary of the New Mexico State Board of Educational Finance, sent a letter in 1954 to ten states with a “central, State-wide coordinating board for higher education” to convene in Santa Fe, New Mexico for a two-day meeting, June 24-25. Representatives from Florida, Georgia, Iowa, Kansas, Mississippi, North Dakota, Oklahoma, and Oregon accepted the invitation from New Mexico. William S. Carson, President of the State University of New York, declined the invitation, due to a previous plan to be abroad at that time. Since the major development of statewide coordinating boards occurred later in the decade, it is understandable that nine of the “central statewide coordinating boards” invited to the meeting were consolidated governing boards. Only the New Mexico entity could be classified as a coordinating board in a state in which each public institution had constitutionally established governing boards (Lingenfelter, Paul (2014). “Public Policy for Higher Education in the United States: A Brief History of State Leadership 60th Anniversary,” 61st Annual Meeting State Higher Education Executive Officers, July 2014).
23. As Congress began considering the Education Amendments of 1972, SHEEO was in its formative years with staff support from the head of the higher education section of the Education Commission of the States. The SHEEO federal relations committee, led by Ralph Dungan, chancellor of higher education in New Jersey, came up with a bold idea: why not have the federal government recognize SHEEO agencies as the principal state-level contact for higher education policy not unlike the recognition of state education agencies (SEAs) as the role state agency for K-12? Ralph Dungan, who had served on the Kennedy White House staff, used his influence with New Jersey Senator Harrison Williams, chair of the Senate Committee on Labor and Public Welfare, to persuade Senator Claiborne Pell to include section 1202 in the initial draft of the bill that would become the Education Amendments of 1972.

24. Aims C. McGuinness, Jr., “Intergovernmental Relations in Postsecondary Education: The Case of the 1202 Commissions” (Ph.D. dissertation, Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University. 1979)

25. Section 1202 read as follows:

Any State which desires to be eligible to receive assistance under section 1203 or Title X shall establish or designate an existing agency or State Commission...which is broadly and equitably representative of the general public and public and private nonprofit and proprietary institutions of postsecondary education in the state, including community colleges..., junior colleges, postsecondary vocational schools, area vocational schools, technical institutes, four-year institutions of higher education and branches thereof.”

Section 1203 (a) authorized grants to 1202 State Commissions:

...to enable it to expand the scope of the studies and planning required in Title X through comprehensive inventories of, and studies with respect to, all public and private postsecondary education resources in the State, including planning necessary for each resources to be better coordinated, improved, expanded, or altered so that all persons within the state who desire, and who can benefit from, postsecondary education may have opportunity to do so.

The debate initially focused on two provisions of Title X, one that would provide grants to states to expand community colleges and the other grants to expand postsecondary occupational education. The latter provision was supported by the vocational education sector which was often organized separately from state community college systems. When eligibility for Title X funding was linked to section 1202, the stakes on the designation of 1202 State Commissions increased.

26. Glenny, Lyman A. (1977) Changing Relations Between. Higher Education and Government: Budgeting Practices and Pitfalls. Education Commission of the States, Denver, Colo. Paper presented at a Seminar for State Leaders in Postsecondary Education (Big Sky, MT, and August 1977). Retrieved at: <http://files.eric.ed.gov/fulltext/ED202285.pdf>
27. Mingle, James R. and Epper, Rhonda E, “State Coordination and Planning in an Age of Entrepreneurship,” in Planning and Management for a Changing Environment, ed. Marvin W. Peterson, David D. Dill, and Lisa A. Mets (San Francisco: Jossey-Bass, 1997), 45-65; Terrance MacTaggart, Seeking Excellence through Independence (San Francisco: Jossey-Bass, 1998)
28. Mingle, James R. ed. (1983) Management Flexibility and State Regulation in Higher Education (Atlanta: Southern Regional Education Board, 1983).
29. McGuinness, Aims C., Jr., Restructuring State Roles in Higher Education: A Case Study of the 1994 New Jersey Higher Education Restructuring Act (Denver: Education Commission of the States, 1995).
30. Mingle and Epper, “State Coordination and Planning in an Age of Entrepreneurship,” in Planning and Management for a Changing Environment, ed. Marvin W. Peterson, David D. Dill, and Lisa A. Mets (San Francisco: Jossey-Bass, 1997), 45-65; MacTaggart, Seeking Excellence through Independence. National Center for Public Policy and Higher Education, “State Capacity for Higher Education Policy Leadership” (San Jose: National Center, July 2005). National Crosstalk supplement; Gordon K Davies, Setting a Public Agenda for Higher Education in the States: Lessons Learned from the National Collaborative for Higher Education Policy. (San Jose: National Center, December 2006. Retrieved at: [http://www.highereducation.org/catereports/governance\\_state\\_policy\\_leadership.shtml](http://www.highereducation.org/catereports/governance_state_policy_leadership.shtml)
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38. Prominent examples of new finance policies included Illinois, Ohio and New Jersey:
  - Through the leadership of Governor Tom Kean and Chancellor T. Edward Hollander, New Jersey in 1987 moved from an enrollment-based funding policy to a "base-plus" funding model including two components: a challenge grant and competitive grants. The Challenge Grants awarded \$10 to \$15 million grants to state institutions based on their plans for quality improvements. The competitive grants were awarded on the basis of state priorities for improving minority access and enhancing quality in target areas.
  - The Ohio Selective Excellence Program initiated by Governor Richard Celeste in 1987, awarded funding to Ohio institutions to enhance missions related to research, undergraduate education, and, for community colleges, to strengthen connections with employers for workforce development (NCHEMS (1990), *Evaluation of Selective Excellence for Ohio Board of Regents*)
  - In 1991, the Illinois Board of Higher Education established the Priorities, Quality and Productivity (PQP) initiative that used incentives in the budget process to prompt Illinois public institutions to discontinue low-productivity programs and make other internal reallocations to improve quality (Illinois State University (1987). *Grapevine*. No. 335, March 1987 p. 2107).
39. In 1980, Florida and Nebraska established a new entities developed from the earlier agency created to comply with the 1202 State Commission requirements. Colorado, Connecticut, and Maryland all strengthened their statewide coordinating entities.
40. Massachusetts in 1988 abolished its state wide coordinating agency and consolidated governance of its state colleges and universities. At the same, the legislation granted the University of Massachusetts greater autonomy. While the new Board of Higher Education had responsibility for coordinating the entire system, the reality was that its focus was on governing the institutions under its authority. Minnesota in 1991 consolidated the governance of the state universities (except the University of Minnesota), technical colleges, and community colleges. At the same time, the state coordinating board was eliminated and replaced with a higher education service agency with no planning and coordinating authority. The change left the state with no entity responsible for coordinating the whole higher education system. Illinois enacted major changes in 1991 that dismantled the two governing systems for state universities (other than the University of Illinois) and decentralized the governance of these institutions. It also modified the membership and powers of the Illinois Board of Higher Education. The effect of these changes was to undermine the political balance that had made the Illinois Board of Higher Education one of the most respected coordinating boards in the country. The most far reaching change occurred in New Jersey in 1994. Legislation eliminated the State Board of Higher Education and Department of Higher Education. It then created two new entities: a Commission on Higher Education with limited coordinating powers and a Presidents' Council intended to promote coordinating and collaboration among the state's higher education institutions, both public and private. The New Jersey changes came about largely because of institutional opposition to the aggressive leadership of the Chancellor and Board of Higher Education on assessment and new finance policies. Using New Jersey as model, the public university presidents in Arkansas in 1995 succeeded in reducing the powers of the Arkansas Department of Higher Education by requiring consensus of the presidents on any major policy change, especially change related to finance policy (McGuinness, 2005). "Case Study of New Jersey Higher Education Reforms." Denver: Education Commission of the States).
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42. Examples include:
  - The Kentucky Postsecondary Education Reform Act of 1997 which set goals for 2020 and called for reforms designed to achieve a long-term goal of raising the state's per capita income to at least the national average; A key aspect of the 1997 reforms was the establishment of a new statewide coordinating entity, the Council on Postsecondary Education



to replace the former Council on Higher Education (Kentucky Council on Postsecondary Education, Five Questions—One Mission: Better Lives for Kentucky’s People; A Public Agenda for Postsecondary and Adult Education, 2005–2010 (Frankfort, KY: Kentucky Council on Postsecondary Education, 2005), <http://cpe.ky.gov/planning/strategic/>; McGuinness, “Globally Competitive, Locally Engaged: The Case Study of Kentucky,” *Higher Education Management and Policy* 20, no. 2 (2008): 74–89).

- The 1999 Texas plan, *Closing the Gaps*, which set goals for 2015 and called for significant improvements in the degrees awarded to the state’s minority populations as well as improvements in quality and research competitiveness of the state’s higher education system. *Closing the Gaps* refocused the agenda of the Texas Higher Education Coordinating Board away from its historic regulatory and administrative roles to a broader role of leading long-term reform of the state’s higher education (Texas Higher Education Coordinating Board, *Closing the Gaps: The Texas Higher Education Plan* (Austin: Texas Higher Education Coordinating Board, 1999).
  - In 1999–2000, the North Dakota Roundtable involving 21 legislators augmented by an additional 40 leaders from government, education, and the private sector called for a new form of relationship between the North Dakota University System and the state, a relationship based on trust and common purpose. The Roundtable defined an overall goal and six “cornerstones” and accountability measures related to each. The goal was “to enhance the economic vitality of North Dakota and the quality of life of its citizens through a high quality, more responsive, equitable, flexible, accessible entrepreneurial, and accountable University System.” The implementing actions included a long-term finance and resource allocation model aligned with the goals and cornerstones, and a change in the role of the Board of Higher Education to focus more on policy leadership for the system and decentralization of management responsibilities to institutions North Dakota University System (2002) 2nd Accountability Measure Report Bismarck: North Dakota University System, December 2002, p. 1; See North Dakota Board of Higher Education (2002) Strategic Plan, “Long-Range Finance Plan,” p. 17–21.)
43. Davies, Gordon K. (2006), *Setting A Public Agenda for Higher Education in the States*. San Jose: National Center for Public Policy and Higher Education. Retrieved at: [http://www.highereducation.org/reports/public\\_agenda/](http://www.highereducation.org/reports/public_agenda/)
44. State Higher Education Executive Officers, *Accountability for Better Results: A National Imperative for Higher Education*, Report of the National Commission on Accountability in Higher Education (Boulder, CO: State Higher Education Executive Officers, 2005); National Conference of State Legislatures, *Transforming Higher Education: National Imperative—State Responsibility* (Denver: National Conference of State Legislatures, 2006); National Governors Association, *A Compact for Postsecondary Education* (Washington, DC: National Governors Association, 2006).
45. Davies, *Setting A Public Agenda*.
46. A massive reorganization in Florida resulted in the elimination of the state coordinating body, the Postsecondary Education Planning Commission, and left the state with no effective means to ensure coordination between the state universities under the Board of Governors and the locally governed community colleges (renamed colleges) overseen by a unit within the Florida Education Department. West Virginia established the Higher Education Policy Commission in 2000 with a charge of developing a long-term strategic plan for a more decentralized system of institutional governance. By 2003, the Commission’s role had been narrowed to encompass only the state’s four-year colleges and universities while the coordination of the community colleges was assigned to separate board. In theory, the intent was that the two boards would collaborate to pursue a common agenda, but this did not take place.
47. Perna, Laura W., and Finney, Joni E. (2014). *The Attainment Agenda: State Policy Leadership in Higher Education*. Johns Hopkins University Press.
48. The White House <http://www.whitehouse.gov/issues/education>
49. Lumina Foundation (2012). *Lumina’s Strategic Direction: The Big Goal*. [http://www.luminafoundation.org/goal\\_2025/goal2.html](http://www.luminafoundation.org/goal_2025/goal2.html)
50. Examples of changes:
- California eliminated funding and effectively discontinued the California Postsecondary Education Commission. Despite years of debate about the need for new, more effective policy leadership capacity, the state has been unable to reach agreement on a new entity.
  - Connecticut eliminated the statewide coordinating agency, the Board of Governors and consolidated the state universities (not including the University of Connecticut) and the community colleges under a single Board of Regents. An Office of Higher Education was retained as a service agency with functions of administering the state student aid programs and regulating non-state institutions. The changes left Connecticut with no effective means to pursue a public agenda across the state’s entire system, including the new Board of Regents, the University of Connecticut and the independent sector.



- Ohio enacted changes that eliminated the independence of the state’s coordinating board, the Board of Regents, and established the position of chancellor as a cabinet official appointed by and reporting to the Governor. Under the leadership of a new chancellor, Ohio developed a new strategic plan with a “public agenda” focus and embarked on some of the most forward thinking reforms in the country, including a new outcomes-based funding system. With the election of a new Governor, many of the reforms stalled, although agreement was reached to sustain a new funding policy.
- New Jersey eliminated through a Governor’s executive order the Higher Education Commission and created a position of Secretary of Higher Education and Governor’s Higher Education Council. The Presidents’ Council originally established in the 1994 restructuring was retained.
- Rhode Island eliminated the state coordinating/governing boards, the Board of Governors for Higher Education and Office of Higher Education and consolidated higher education functions with a new P-20 Board of Education. After a year of challenging efforts to implement the new structure, Rhode Island enacted further changes that, while retaining the overall Board for setting goals and cross-sector coordination, established councils for elementary and secondary education and postsecondary education. The new councils have full authority for their respective domains. The new Office of the Postsecondary Education Commissioner and the Council on Postsecondary Education have the potential to re-establish a degree of capacity for policy leadership.
- Washington State eliminated the Higher Education Coordinating Board and subsequently enacted legislation establishing the Washington State Achievement Council with a revised mission and reduced authority, especially related to academic program review and approval and reviewing and making recommendations on institutional budgets. It remains to be seen whether this newly established structure will be able to assume a leadership role in developing a public agenda for Washington State.
- Oregon enacted far-reaching governance changes in the 2011 to 2014 period. The state established long-term goals for the state (40-40-20 goals), establishing the highest goals in the country for the education attainment of its population by 2025. At the same time, Oregon enacted structural changes:
  - Establishing an overarching P-20 Oregon Education Investment Board
  - Decentralizing the governance of the state universities by authorizing each institution to establish its own governing board and essentially eliminating the statewide governing board and the Oregon University System.
  - Establishing a new statewide coordinating board, the Oregon Higher Education Coordinating Commission.
  - Transferring responsibility for coordinating the locally governed community colleges to the new coordinating commission

51. National Center for Higher Education Management Systems (2014), “State Policies and Practices Consistent with the National Attainment Agenda,” survey conducted for the Lumina Foundation, Boulder, Colorado, September 2014.

52. Lane, Jason, and Johnstone, D. Bruce, eds. (2013) Higher Education Systems 3.0. Albany: State University of New York Press (SUNY series, Critical Issues in Higher Education)

53. <https://www.suny.edu/powerofsuny/>



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