



# A Legislator's Toolkit for the New World of Higher Education

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## Challenges Facing Legislatures and Postsecondary Education

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State legislatures face increasing tensions in meeting budgetary responsibilities while positioning their states to prosper in changing economies. On average, more than 50 percent of a state's budget is "locked in" to meet educational needs, public safety requirements and Medicaid responsibilities. This leaves little flexibility to invest in innovative ideas or opportunities to meet changing economic and workforce needs—not to mention opportunities for cultural and community enhancements.

This brief provides an overview of the radical changes underway in economic and workforce development and briefly examines how those changes create challenges in postsecondary education systems and institutions. Examples of state and institutional responses are offered to spur discussion among legislators about options for their states.

### The Changing Economy and Nature of Work

Not since the beginning of the Industrial Revolution in the 19th century and the Information Age in the 20th century has the disruption in the American workforce been so complete. A 2013 University of Oxford [study](#) predicts that technology—not people—will accomplish nearly 50 percent of American jobs within 20 years. These jobs are not confined to automated "blue collar" positions in transportation or manufacturing, but also include "white collar" jobs in real estate, banking and insurance. A report by the McKinsey Global Institute predicts that by the year 2030, artificial intelligence will require more than 30 percent of American workers to change jobs.

In addition to rapid changes in technology and artificial intelligence, the American job market is experiencing the emergence of the gig economy. A 2016 [study](#) by Lawrence Katz and Alan Krueger found that all net American employment growth since 2005 appears to have come from freelance or outsourced entrepreneurial work. Coupled together, these changes require a new perspective on the nature of work and how to prepare workers for the future.

### About this series

NCSL will publish eight briefs under the title, "A Legislator's Toolkit for the New World of Higher Education." The series seeks to inform legislators about the challenges that lie ahead so that they can form cohesive, strategic approaches to building effective and efficient postsecondary systems responsive to future statewide economic and community needs. Each brief focuses on a different challenge facing state postsecondary systems and institutions, and ways state legislatures can guide or assist statewide responses. In addition, a database housed on the NCSL website will identify other states' approaches to governance, funding and affordability, allowing policymakers to share information, exchange ideas and adopt the best practices that meet their state's particular needs. Funding for the series is provided by the Laura and John Arnold Foundation. The views expressed are those of the authors and do not necessarily reflect those of the Foundation.

## The Changing Nature of Education

In previous economic disruptions, states responded by expanding educational opportunities. Writing in *The Atlantic*, Jeff Selinger [highlights](#) three such examples. First, in the early 20th century, high school became mandatory for entrance into good-paying jobs. According to a Harvard study, the number of Americans earning a high school diploma increased from 9 percent in 1910 to 40 percent by 1935. This transformation led the world and created the foundation for the GI Bill following the Second World War. This radically transformed American postsecondary education in the modern era by helping millions of veterans further their education.

Second, in the 1960s, a nationwide “college for all” approach in postsecondary education was established in the Higher Education Act, which provided substantial financial aid available to all Americans. At the same time, states significantly invested in community college systems and campuses and broadened regional public universities from “teacher colleges” to full-fledged universities. In response, enrollment in postsecondary education increased from 8.5 million to 20.5 million between 1970 and 2016.

Economists and educators now claim a third opportunity is upon us—and that simply adding more education class time early in life is no longer sufficient. The rapid and ongoing change in the 21st-century economy—marked by heavy reliance on technology—calls for continual learning throughout a person’s lifetime. People must stay current in their careers, understand the ongoing automation of jobs, and develop new skills and perspectives. This will require a new approach to training and retraining, not as a response to unemployment nor as blocks of time for specific credentials and degrees, but as an aspect of daily work life and one’s personal routine.

Beyond technology, modern workers also must learn to develop skills in managing and complementing technology with a “freelance” mentality, incorporating problem-solving, teamwork and communication as various work opportunities emerge. It also means that postsecondary institutions will need to expand non-academic credit programs that are short in duration and broadly available—not just in moments of economic crisis, but as a regular part of a worker’s current employment.

## The Changing Nature of College and the Students Who Attend It

To effectively address the changes described above, public colleges and universities would need to expand their missions to openly include nontraditional students and form partnerships with other institutions, agencies and organizations. Such partnerships would help postsecondary institutions complement their academic strengths by identifying updated workplace needs and expanding education delivery systems and access to college. A recent Georgetown University [study](#) noted five trends colleges and universities will experience in response to the current demographic, economic, political and technological changes:

1. **Increased interconnectivity** as colleges and universities continue to partner with other campuses to enhance offerings and find areas of efficiency. These partnerships also will include local and regional K-12 school districts to strengthen pipelines. This already can be seen in dual credit offerings and college and career readiness programs.
2. **Student and faculty mobility** as new opportunities and needs are revealed. Many may find themselves in “shared work” situations that involve opportunities for learning and employment between universities and external organizations and agencies.
3. **Enhanced learning via technology** as students will want to learn outside of the traditional classroom in practical ways. This will lead to changes in the way faculty approach teaching by taking on the role of facilitator and accepting experiential and competency-based learning.
4. **Economic shifts** as state budgets are required to focus beyond education and student tuition and debt reach capacity. Intentional partnerships with corporations may provide new revenue sources and strategic opportunities.
5. **Political awareness** in terms of addressing genuine concerns of meeting economic and community needs in a rapidly changing society.



## How Legislatures Can Help

With an awareness of the changing postsecondary education environment, state legislators can help their public colleges and universities weather the demands to meet new economic and community needs. This can be accomplished by focusing on issues pertaining to governance, funding and affordability.

### GOVERNANCE

Many state postsecondary education leaders realize that public colleges and universities can no longer afford to operate as autonomous institutions. Instead, they should work as a coordinated, holistic system. In **Texas**, the state community college system is adjusting its perspective to consider itself one interconnected institution with six branches, rather than six separate institutions. This effort seeks to centralize specific programs, consolidate faculty to reduce competition for students among campuses, and encourage greater collaboration and partnerships among the branches. The [resulting efficiencies](#) have allowed faculty salaries to be raised by 15 percent over three years.

In **Wisconsin** and **Georgia**, efforts are underway to streamline campuses and even close programs that are duplicated on other campuses. This is forcing interconnected partnerships among remaining campuses, leading to stronger programs and wider delivery options. In **Pennsylvania**, similar considerations are underway. Many of these difficult efforts and considerations reflect that the baby-boom era of the 1960s is over and population shifts among regions within a state simply cannot support multi-campus and duplicate programs. These states are seeking to follow the adage, “turn a challenge into an opportunity,” to re-equip and restructure to meet contemporary economic and community needs.

### APPROPRIATIONS

As state budgets are stretched to meet larger needs in K-12 education, prisons, police and fire protection, and Medicaid, public postsecondary education spending is in [decline](#). With other sources of funding available to colleges and universities (i.e., tuition, fees, federal allocations and grants, and private fundraising), state legislatures often redirect state revenue to other pressing needs.

Legislators can help make “every dollar count” in the state appropriation to public postsecondary institutions. As of 2016, 30 states used outcomes-based funding models [in some capacity](#). Begun in the late 1970s, outcomes-based funding (sometimes called performance-based funding) allocates state appropriations based on agreed-upon outcomes (i.e., number of students enrolled, retained, graduated, etc.) for each institution, rather than on simple inputs (i.e., student headcount) or a simple percentage increase from the previous year’s allocation. The outcomes-based funding model allows states to identify their needs and strategically assist and reward their public postsecondary institutions for being a dynamic participant in meeting those needs.

Incentives within the model offer additional funds to institutions that can meet or exceed agreed-upon goals in certain areas (e.g., degree attainment by students of specific demographics, in specific programs) that meet overarching state needs. A challenge to this kind of model is the difficulty of identifying and collecting appropriate [data](#) so that outcomes can be clearly and accurately measured. Other challenges include ensuring [differences in agreed-upon outcomes](#) per each participating institution based on each one’s specific mission (e.g., research flagship university vs. local community college). Also, the design can risk volatility in appropriation if an institution exceeds its goals one year and then drastically fails to meet them the next. However, outcomes-based models have become [more sophisticated](#) over recent years as states have learned from each other, and this model offers a distinctive option to aid postsecondary institutions seeking to adapt to the new challenges.

## **AFFORDABILITY**

With [nontraditional adult learners](#) now comprising the largest portion of the American college-attending population, states are beginning to address barriers to enrollment and completion. They are offering alternative ways of delivering academic programs and support services, such as child care and meal subsidies, to help adult students complete their education.

The [Wall Street Journal](#) notes that 41 percent of students over the age of 25 are challenged to balance school, work and family. Efforts to make postsecondary education more accessible for these learners include financial aid to eliminate gaps in need after loans are applied to tuition costs. This aid may be applied to other expenses, such as books, transportation and child care.

**Tennessee** and **Indiana** are connecting financial aid grants to workforce development to attract nontraditional adult learners. Tennessee’s Reconnect Scholarship program covers tuition and fees for students enrolled in a state community college program. Indiana’s Workforce Ready grant provides funds for students to enroll in construction, health sciences, manufacturing and other technical trade programs. Both programs are “[last dollar](#)” programs in that students are required to apply for federal financial aid prior to receiving the state grants. Like Tennessee and Indiana, another 16 states are offering [a variety of “Promise” programs](#) that provide financial assistance that, when coupled with federal and other state financial aid, make full-time enrollment in a state community college tuition-free.

In **Kentucky**, the University of Louisville has started a program that allows students to shorten time to degree (and thus tuition and expenses) by earning more than 40 of 120 credits required for an undergraduate degree through [competency-based and prior learning demonstrations](#).

In **California**, the community college system has intentionally increased its focus on designed “[stackable](#)” credentials as new technologies are introduced into the workplace. This allows for more flexibility to meet shifting economic needs, with students building portfolios based on academically hybrid-degree options and more inclusive learning environments. The expressed purpose is to aid students entering the new gig economy to be able to operate as self-employed entrepreneurs and freelance workers able to demonstrate work competency.

## **Conclusion**

State legislatures and legislators are committed to helping their states navigate transforming economic and workforce needs. State postsecondary education institutions have a dynamic role in assisting their states and citizens in facing the rapid and disruptive economic changes successfully.

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- Improve the quality and effectiveness of state legislatures
- Promote policy innovation and communication among state legislatures
- Ensure state legislatures a strong, cohesive voice in the federal system

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