

Archived Information

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A NATIONAL DIALOGUE: THE SECRETARY OF EDUCATION'S COMMISSION ON THE FUTURE OF HIGHER EDUCATION

December 8-9, 2005
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Nashville, Tennessee

THURSDAY, DECEMBER 8, 2005
ARMSTRONG 1 ROOM

1:00 p.m.

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The Learning Alliance for Higher Education
University of Pennsylvania

EX-OFFICIO MEMBERS

EMILY STOVER DEROCCO

Assistant Secretary
Employment and Training Administration
U.S. Department of Labor

SALLY L. STROUP
Assistant Secretary
Postsecondary Education
U.S. Department of Education

ALSO PRESENT

CHERYL OLDHAM
Executive Director

DAVID DUNN
Chief of Staff
U.S. Department of Education

A-G-E-N-D-A

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1 P-R-O-C-E-E-D-I-N-G-S

2 CHAIRMAN MILLER: If anybody would like to
3 take their coat off or whatever, relax; we've got a
4 lot of work to do, a long time period. I'd like
5 Cheryl to make a couple of comments about the
6 structure of what we're doing here today.

7 MS. OLDHAM: Just a couple of quick
8 housekeeping things. With regard to the microphones,
9 you'll see that they're sort of spaced out. The ones
10 on the end here are wireless, so when you talk if
11 you'll kind of pass them amongst each other because
12 that's the only way the webcasters are going to hear
13 what you're saying and that's important.

14 Secondly, you'll see we have sign language
15 interpreters here for those that need them. If you
16 do need it, check in at the desk out front.

17 That was it for housekeeping.

18 CHAIRMAN MILLER: Thank you.

19 I'd like to introduce a gentleman who has a
20 great hand in running all the Department of
21 Education. I've known him for a long time. He's a
22 very modest, soft-spoken fellow. But I would like
23 for you all to get to know him better. He'll be at
24 our Commission meetings on a regular basis. David
25 Dunn, Chief of Staff of the Department of Education.

1 Would you make a comment or two to start
2 the meeting?

3 MR. DUNN: Thank you, Charles.

4 Bear with me. I'm afraid I'm -- didn't
5 have -- struggling with some kind of crud or
6 something. So I will keep my remarks very, very
7 brief.

8 Just simply to say again on behalf of the
9 Secretary how pleased she is to have such a august
10 body come together and talk about the future of
11 higher education in this country. It's something
12 that she is -- I think every one of you have had an
13 opportunity to talk with her and you know that she's
14 passionate and excited and just very much thrilled
15 and looking forward to the work of this Commission.

16 So thank you on behalf of Secretary
17 Spellings, thanks everyone for taking the time and
18 coming to these meetings.

19 I'm very pleased to be here. On a personal
20 note, I regretted that I was not able to come to the
21 first meeting in D.C. And then once I had an
22 opportunity to look at the transcript and the summary
23 of the discussion, my, of course, regret grew even
24 more. So I'm very much looking forward to the
25 discussion today and continuing.

1 Thanks, Charles.

2 CHAIRMAN MILLER: Thank you, David.

3 We're pleased to be in Nashville, Tennessee
4 to discuss higher education in America. Our Task
5 Forces have been working diligently. We have some
6 enlightening presentations from them and from some
7 other panelists today. Tomorrow we'll hear from one
8 of the great national leaders in education, Senator
9 Lamar Alexander.

10 We should have time in this very busy
11 structure to comment and ask questions and debate.
12 We're going to try to stay on time. I may be the
13 first that breaks the time limit because I would like
14 to make a short presentation of some of my own
15 personal views.

16 A lot of these developed in the last few
17 weeks before we even got input from the Commission.
18 They raise some points about the future work of the
19 Commission. When we started, a very important
20 suggestion was made that we should make an effort to
21 describe what we need and want from our higher
22 education system.

23 Because of time constraints, I thought it
24 would be more productive to start immediately to work
25 on the key issues described in our Charge and then

1 bring to you a statement of what it is we want and
2 then have the Commission edit, enhance, and develop
3 it further. That's what I've done, along with my
4 personal view of what we have, what needs to happen,
5 and some specific avenues to pursue.

6 I don't know that you have a copy of these
7 remarks. I'll make them available to you after the
8 meeting.

9 I'm sensitive to the possibility that some
10 of my language may sound critical and some of it is.

11 However, we need to be able to understand and define
12 the problems before we can suggest a long-term
13 strategy to accomplish what we want. Commissions
14 aren't usually formed to talk about what we do right.

15 What do we want from our colleges and
16 universities? That's the key question. Define what
17 it is we want.

18 These are my ideas, but I think they're
19 subject to a lot of interesting work.

20 A world-class higher education system
21 should educate its citizens and create new knowledge.

22 It should be accessible to all qualified students at
23 all life stages, regardless of financial status. It
24 should be accountable in performance and transparent
25 in its operation to the American public and to their

1 elected representatives. It should be productive and
2 efficient in order to be affordable to the entire
3 community of funders. It should contribute to
4 providing career and employment opportunities and to
5 developing skills in the workforce necessary for
6 adopting to or world's rapidly-changing economy. It
7 should serve as a fundamental contributor to
8 innovation and global competitiveness.

9 Now, those points can be worked on. I
10 think it includes most of the things we're here to
11 talk about today and a few others that we've added.

12 What do we have in our colleges and
13 universities? Well, we have what most believe is the
14 best higher education system in the world. However,
15 as the Secretary's Commission, we're tasked to
16 address access, affordability, accountability, and
17 quality in higher education.

18 Today access is becoming more difficult.
19 We're not preparing our young students well enough.
20 Our public schools and postsecondary schools are not
21 well aligned. And there are signs of elitism
22 creeping into view.

23 Today, affordability is a major concern,
24 especially among parents with young children, as
25 prices and costs of higher education inexorably rise

1 faster than other prices or incomes. But the biggest
2 affordability question is the total cost to those
3 asked to fund higher education: federal tax payers,
4 state tax payers, employers, contributors, and
5 suppliers. All of us fund higher education. We're
6 all concerned with the cost of that education.

7 Today, the quality of teaching and learning
8 in higher education is being questioned by employers
9 and by students and former students. Institutions
10 are often structured with other priorities, so as to
11 make teaching and learning almost incidental. And
12 the quality of our research may begin to suffer from
13 weak policies and competing financial priorities as
14 well as substantial and new international
15 competition.

16 Today, higher education provides inadequate
17 information in overly complex forms with little
18 transparency about prices and cost or about many
19 other key measures of value added or received. In
20 other words, data is not available that will allow
21 policy makers and the public to make the informed
22 decisions necessary in the challenging environment.
23 We need better information in the Information Age and
24 with more accountability.

25 Today, we do have the best higher education

1 system in the world, but that could be just dangerous
2 complacency. And that sort of complacency would be
3 our ultimate loss. We're not getting what we want
4 and need.

5 So there's a great deal of evidence that
6 higher education is at a critical juncture. Academic
7 leaders and business leaders and policy makers are
8 repeatedly calling for action in study after study
9 after study with a sense of urgency. The time is now
10 and the charge is ours.

11 So we've begun what this situation demands:
12 a serious strategic dialogue, a review which might
13 lead the country to adopt new and more-productive
14 policies which will require mostly a willingness to
15 make changes for all of to adapt. Some of the
16 changes we will require are clear. How to get there
17 is not.

18 The following developments will have to
19 take place within the academy in order for it
20 maintain its support in the future. At a minimum the
21 value of higher education will have to be more
22 clearly demonstrated, not just the benefits for
23 individuals, which is widely accepted, but the
24 benefits for the community at large.

25 Higher education has focused on individual

1 benefits very hard because that argument could be
2 used to justify tuition increases needed and public
3 funding increases needed. Now a shift is taking
4 place where institutions are arguing the public good,
5 which is important, which is the life from higher
6 education. But the public good can't be used only in
7 the context of justifying more money immediately.
8 That's just not good enough.

9 Higher education must demonstrate
10 successful efforts to improve productivity and
11 efficiency, which is a big order for change-resistant
12 institutions. This means that existing funding
13 streams have to be used better. It also needs to be
14 made clear that new funds will not just be added on
15 top of an inefficient structure.

16 Higher education must become more
17 transparent and accountable. Consumers and other
18 providers of funds need to know what they get for
19 their time, energy, and money, especially when
20 economic conditions are difficult for everyone.

21 Higher education needs to become more
22 responsive to the needs and demands of students,
23 employers, tax payers, and policy makers, especially
24 in the situation involving non-traditional students
25 and life-long learning. Yet there must be a

1 sustained and substantial investment in higher
2 education to build the system we want and need to
3 maintain a competitive environment and provide
4 opportunity for all.

5 That leaves a giant problem before us.
6 Where will the resources come to support the changes
7 needed and the higher education system we want? In
8 some ways for me, that's one of the most important
9 issues of the Commission.

10 It does come down eventually to funding or
11 money or resources, people and financial resources.
12 At the local, state, and federal level, it seems
13 highly probable that higher education will not
14 receive incremental funding priority over other
15 demands for public funds. In other words, public
16 money for higher education will be very tight for the
17 foreseeable future. It would be a strategic mistake
18 to depend primarily on increases in public funding in
19 real per capita terms.

20 This situation will impact virtually all
21 higher education institutions. Virtually everybody
22 of any structure depends on public funding in higher
23 education. The demand for funds made on local and
24 state governments from public education, health care,
25 infrastructure needs, pension funds, and cost

1 shifting from the federal government will be large
2 and persistent and especially exacerbated during
3 cyclical downturns.

4 And these demands for funds will tend to
5 grow at rates higher than broad economic activity and
6 tax increases. Available funds at the federal level
7 will be constrained sharply by entitlement growth,
8 especially in health care and social security, by
9 homeland defense needs, under funded corporate
10 pension funds, and other global and demographic
11 imbalances. It seems highly probable that higher
12 education will not stand near the front of the line
13 even if taxes are increased short or long term.

14 Again, this does not mean more investment
15 in higher education is not in the national interest,
16 and it could be soundly argued that more investment
17 is warranted. I could argue that.

18 Where we are today is that significant
19 additional public funding is not available. What has
20 been happening is a cost shifting from state to
21 federal and now to students and their families. We
22 did that in health care over the last two decades.
23 We've done it in other parts of the economy. The end
24 of that cost shifting is near and higher education
25 will have to become more productive and perhaps find

1 new funding sources or will be in a long-term period
2 of decline in quality.

3 The rest of my presentation, which I'm
4 going to pass out, goes to the point of where would
5 you get the funds from if public funding, or
6 incremental significant public funding, is not
7 available; if the cost to the students and families
8 have reached a level that would be difficult.

9 And the basic argument I want to make and
10 bring to the table is that there are sources of
11 private capital both corporate and philanthropic in
12 the western industrial world, from the rich countries
13 in Europe, from the U.S., and from Japan, where
14 there's great wealth. But government-strapped
15 financial institutions, where we might find the
16 private sector in the right innovative or
17 constructive or collaborative way, provide funds to
18 come into higher education.

19 I want to bring that issue toward the
20 Commission and have some debate about it. I don't
21 have specific ideas of how that would work or the
22 model of it, but I'm convinced and I'll make some
23 case here that there's a significant amount of
24 investment money available in the world today, what
25 some people call a glut of capital.

1 The price of capital is very low. The
2 needs are clearly able to be identified. And if you
3 can make -- if you can have capital be productive,
4 earn a good rate of return in combining the two best
5 institutions we have, higher education and the
6 private capital markets, together in some successful
7 collaboration--I think there would be a great
8 opportunity for this country and for the rest of the
9 industrial world.

10 So that concludes the presentation I wanted
11 to make. I wanted to go through the argument to
12 bring that particular idea to the table. It hasn't
13 been discussed very widely.

14 As I said, I don't have specific ideas.
15 But by the time we get to San Diego and our February
16 meeting, we'll have a whole host of those things to
17 talk about, and we're working to make that the
18 highlight of that particular public meeting.

19 Thank you.

20 **1 - THE STATE OF HIGHER EDUCATION TODAY**

21 CHAIRMAN MILLER: I have the pleasure of
22 introducing three of the smartest people in America
23 on the subject of higher education, where we are in
24 higher education today. And we're going to self-
25 govern ourselves with that panel.

1 MR. WHITEHURST: Thank you, Charles and
2 Commission members. I'm very pleased to be here.

3 My name is Russ Whitehurst. I'm the
4 Director of the Institute of Education Sciences in
5 the U.S. Department of Education. The Institute
6 funds research, conducts evaluations, and reports
7 statistics on a wide variety of topics, most
8 certainly including higher education. And I'm
9 pleased and honored to be with you.

10 In her remarks at your first meeting,
11 Secretary Spellings said that the absence of good
12 sound data makes it difficult to set policy at the
13 federal, state, and institutional levels. She also
14 noted that U.S. Department of Education can tell you
15 almost anything you want to know about first-time,
16 full-time, degree-seeking, non-transfer students.

17 I read between the lines of the Secretary's
18 remarks, and what is there between the lines is that
19 the Institute that I direct is responsible for most
20 of the good sound data we have on higher education,
21 including--as the Secretary noted-- everything you
22 might want to know about traditional students and
23 traditional institutions. And that's good for us.

24 At the same time, we bear some of the
25 responsibility for the absence of data and research

1 evidence in areas in which it is needed. Many of the
2 gaps in data aren't our fault in the sense that we
3 know what is needed but lack the statutory authority
4 or funding to pursue it. But there may well be areas
5 in which our priorities are misaligned with those of
6 the policy, practice, or user communities. That's
7 why the Institute will be one of the keenest
8 customers for the report of this Commission.

9 We want you to help us do a better job by
10 identifying priorities for data and evidence of
11 higher education. And if you want us to do things
12 we're not currently authorized or funded to do, we
13 will need your support in generating support that
14 will be necessary for those things to happen.

15 Secretary Spellings requested that the
16 Commission focus its effort in four areas:
17 affordability, accessibility, quality, and
18 accountability. And I will focus in those same four
19 areas.

20 On affordability, we know a lot about price
21 and cost at the national level, including that the
22 United States is a very, very high cost provider of
23 higher education. Table 1 in the Appendix to my
24 testimony is based on international data from the
25 OVCD. It indicates that the average expenditure per

1 postsecondary student for industrialized or developed
2 nations is \$7,299. This excludes research
3 expenditures. The comparable U.S. expenditure is
4 \$18,574 per student, roughly 250 percent of the OVCD
5 average and 60 percent higher than our closest
6 competitor, Denmark. We are simply off the scale.
7 Expenditure is not the same thing as price, and it's
8 price that most directly relates to affordability.

9 There's a Figure 1 in my Appendix, which I
10 think is interesting. It presents total price and
11 net price for four types of higher education
12 institutions. The data presented for 1989, 1999, and
13 2003 and net price here is total price minus loans
14 and grants. There's a lot of information in the
15 figure. There were four take-away points for me.

16 First, compared to other institutions,
17 public two-year institutions are quite a bargain.

18 Second, the annual sticker price of
19 attendance at a private, not-for-profit university is
20 staggering. And I say this as the staggering father
21 of a student at such a university.

22 Total price -- third point, total price has
23 escalated substantially since 1989, particularly in
24 public and private four-year institutions. The
25 increase is 39 percent in constant dollars for these

1 two types of institutions.

2 And fourth, net price hasn't changed much
3 over this 14-year period. That is, loans and grants
4 have filled in the gap between what students or their
5 families pay annually and the rising sticker price.
6 But it leaves many students with a considerable
7 burden of debt when they complete their educations.

8 On accessibility, there are many ways to
9 approach it. As was the case for affordability,
10 insights can be gained from international
11 comparisons. Table 2 in the Appendix to my testimony
12 presents international enrollment rates of higher
13 education. The average postsecondary enrollment rate
14 for these developed countries, combining vocational
15 and academic programs, is 69 percent of the relevant
16 population. The United States is below the mean at
17 63 percent. Our combined enrollment rates across
18 vocational and academic programs is lower than the
19 enrollment rate just for academic programs in
20 countries such as Poland, Sweden, Hungary, and
21 Iceland.

22 Once students get into college, they have
23 to graduate. Table 3 presents international data on
24 graduation rates. Our rate for academic programs is
25 right about at average for industrialized countries.

1 Countries such as Australia, Poland, Norway,
2 Iceland, Ireland, Finland, and Denmark substantially
3 exceed our graduation rates. So we're a very high
4 cost provider of education services with results
5 somewhere about average.

6 Another way to look at accessibility is by
7 examining enrollment and completion as a function of
8 race ethnicity, SES, and readiness for college level
9 work.

10 There's a table in my testimony based on
11 the NELS:88, which is a longitudinal study conducted
12 by my office that followed a nationally
13 representative sample of students who were high
14 school sophomores in 1990. We followed them for 10
15 years, and among the points that emerged from that
16 study are that, first, white students are twice as
17 likely as black students and three times as likely as
18 Hispanics to obtain a Bachelor's degree or higher.
19 Students from the highest quartile of family socio-
20 economic background are nine times more likely to
21 graduate from college than those from the lowest
22 quartile. And students who score in the highest
23 quartile in high school tests of reading and
24 mathematics are 13-times more likely to graduate from
25 college than those who score in the lowest quartile.

1 So if accessibility means that students
2 whose families are poor or minorities should have
3 equal access to higher education, and if we measure
4 accessibility by outcomes, then we have a problem.

5 On quality and accountability, for me these
6 go hand-in-hand. And they're tied to outcomes of
7 higher education that are valued and can be measured.

8 A case can be made for the value of a whole variety
9 of measurable outcomes. And accountability involves
10 assumptions about who is to be held accountable for
11 what.

12 At a minimum quality and accountability
13 schemes have to distinguish between institutional and
14 individual accountability. For example, if timely
15 progress towards a degree is a societal value, is it
16 institutions we're going to hold accountable for that
17 or students or both?

18 I've listed in my testimony, my written
19 testimony, some of the dimensions of quality and
20 accountability that have been considered by the
21 higher education policy and research community. It
22 includes things like graduation rates, labor market
23 outcomes, student knowledge and ability, faculty
24 productivity, institutional efficiency, reputation,
25 consumer satisfaction, employer satisfaction, and

1 effectiveness of graduates in their careers.

2 I think one role the Commission might want
3 to consider is trying to prioritize these measures of
4 accountability and quality.

5 The Institute that I direct collects and
6 reports data on some of these dimensions of
7 accountability and quality, but not others. And
8 since we are the major producer of statistics in
9 higher education, it may be helpful for you to have a
10 better understanding of what we're doing.

11 On the dimension of student knowledge and
12 ability, the Institute is set to release the initial
13 results of the National Assessment of Adult Literacy.

14 Information will be provided on the prose document,
15 Mathematical Literacy of Adults by Levels of
16 Educational Attainment. The last such assessment was
17 in 1992, so the results are eagerly awaited. The
18 data will not be released until Thursday of next
19 week, so unfortunately I cannot do what I want to do
20 and share with you the results at this time.

21 However, I can tell you that the report
22 compares the literacy skills of college graduates in
23 2003 versus 1992. And I consider the numbers
24 provocative, and I would suggest the Commission pay
25 attention to them when we release them next week.

1 The demand of higher education in which the
2 Institute has been involved--the longest period and
3 for which our products and activities are best known--
4 -is the Integrated Postsecondary Education Data
5 System, or IPEDS. Through it, we are the principal
6 source of annual data at the level of individual
7 postsecondary institutions with respect to
8 characteristics of students, staff, finance, student
9 aid, graduation rates, and a bunch of other things.

10 IPEDS is the census of all 6,800 Title IV
11 institutions in this country. It also includes a
12 small sample of non-Title IV institutions. We
13 collect it in three waves each year over the web. In
14 fall, it's directory information and price and
15 degrees awarded. In winter, it's basically about
16 employees and staffing. And in spring, it's about
17 fall enrollment, student financial aid, and
18 graduation rates.

19 The IPEDS data are distributed over the web.
20 There's a peer analysis tool so institutions can
21 compare themselves with others. It's a site called
22 COOL, College Opportunities Online, that lets
23 students obtain information. For example, if you
24 want to go to a school that specializes in the Arts,
25 where are those schools within 50 miles of where you

1 live?

2 And there's an online data analysis system
3 that lets people do their own analysis with the IPEDS
4 database.

5 IPEDS is also the source of a number of
6 longitudinal studies that we conduct off of it
7 generally every four to eight years. One of the most
8 important is the National Postsecondary Student Aid
9 Study, or NPSAS, which looks in much greater detail
10 and with much more information than we collect from
11 the main IPEDS study at issues of who is receiving
12 financial aid and loans, what are the characteristics
13 of those students, and how are those characteristics
14 related to institutional characteristics.

15 We do longitudinal study of beginning
16 postsecondary students when they start college and
17 follow them for the next six years. And we do a
18 baccalaureate and beyond study when students
19 graduate, following those students for the next 10
20 years to focus on labor market outcomes.

21 And finally we do a national survey of
22 postsecondary faculty that's coordinated with NPSAS.

23 In there we find out who's teaching what, how much
24 they're getting paid, whether they're tenured, their
25 race/ethnicity, gender, and so forth.

1 So I hope you'll agree that IPEDS, the
2 longitudinal studies, and the National Assessment of
3 Adult Literacy are all activities through which the
4 Institute is collecting important information about
5 postsecondary education and is disseminating it. And
6 all of this is relevant to quality and
7 accountability.

8 But there are notable gaps, particularly in
9 IPEDS. One critical distinction to keep in mind is
10 between a census data collection, which is IPEDS,
11 which allows one to collect and disseminate
12 information at the level of individual institutions,
13 and a sample survey, which typically only allows
14 statistics that are aggregated up to a regional or
15 national level. So while IPEDS is a census data
16 collection, all the other surveys that I've talked
17 about, including NPSAS, are surveys. They're simply
18 representative samples.

19 So if a prospective student wanted to
20 determine the average net price at UT Austin for
21 someone with his or her characteristics, family
22 income, etcetera, that would be impossible using the
23 data we collect. The best that we could do is
24 provide the average net price for a broad category of
25 institutions that include UT Austin.

1 And this point applies to the other
2 information collections as well. It would be
3 impossible using results from the baccalaureate and
4 beyond to compare the success rates of graduates from
5 UT Austin versus Texas A&M and entering graduate
6 school or obtaining employment. Yet it's just that
7 type of information that students and parents and
8 policy makers are interested in.

9 So why can't we collect that level of
10 detailed information and provide it for individual
11 institutions? The units of analysis in IPEDS are
12 institutions of higher educations, and institutions
13 report to us only aggregate data. The data are
14 limited to full-time, first-time degree or
15 certificate-seeking students in a particular year.

16 No data are available on-time to degree for
17 individual students, nor are data available by family
18 income. Students who transfer and graduate from a
19 subsequent institution are not counted in the stats.

20 Students who enroll on a part-time basis are not
21 counted. Students who start, drop out, and restart
22 are not counted.

23 Yet research has shown that 73 percent of
24 postsecondary students are non-traditional. They
25 have characteristics such as part-time attendance and

1 delayed enrollment. Forty percent of students now
2 enroll in more than one institution at some point
3 during their progress through postsecondary
4 education, including transfer to other institutions
5 and co-enrollment.

6 Thus, IPEDS as currently designed, collects
7 and reports information on individual institutions
8 for aggregates of traditional students that are a
9 minority of students in higher education.

10 How do you measure quality or design
11 accountability systems for institutions that serve an
12 appreciable number of non-traditional students, and
13 that is all but the elite institutions, with data
14 that ignore these students? The answer is that you
15 cannot.

16 Can we fix IPEDS? We've spent a lot of
17 time in the Department, NCS, and IS talking about
18 that. One possible fix is what we refer to
19 colloquially as Huge IPEDS. Institutions would still
20 submit data to us in aggregate form, but the
21 aggregates would be in much smaller slices. For
22 example, every Title IV institution could be required
23 to calculate and submit net price for different
24 categories of students and different programs. The
25 "huge" in Huge IPEDS refers to the burden this would

1 impose on institutions.

2 But even if we did Huge IPEDS, we couldn't
3 handle many of the issues raised by non-traditional
4 students. Individual institutions typically have no
5 way of knowing whether a student who enrolled, but
6 didn't complete a degree on time, dropped out or
7 transferred or will restart a couple of years later.

8 In March of this year, we published a
9 feasibility study of another approach, something
10 called a student record system. The essence of a
11 unit record--student record--system is that
12 institutions would provide student-level data to us,
13 rather than aggregate data. The student-level data
14 would be tagged with a unique identifier for each
15 student, and this would allow us to calculate
16 everything now in IPEDS, plus critical information on
17 graduation and transfer rates, time to degree, net
18 price, persistence, transfer, and graduation for Pell
19 grants and loans by a variety of student
20 characteristics. Institutions could use these data
21 to address their own questions, and policy makers
22 could design sophisticated accountability systems
23 using it.

24 There is nothing exotic about a unit record
25 system. Thirty-nine states have at least one student

1 record system in place presently. Many governmental
2 and other organizations also maintain unit record
3 systems on specific groups of students. The National
4 Student Loan Data System within the U.S. Department
5 of Education compiles information on all recipients
6 of federal student loans, including verification of
7 enrollment by academic term. The NCAA collects unit
8 record information on all student athletes.

9 As many of you are aware also, states have
10 been moving aggressively to build their K-12
11 education record systems around a unit record
12 approach. In fact, the Department and the Institute
13 has just committed to approximately \$50,000,000 to 14
14 states to establish or upgrade unit record systems in
15 K-12.

16 What if we had unit record systems that
17 linked K-12 records to higher education records?
18 That would give researchers a very powerful tool to
19 address a number of access and persistence issues
20 that are now virtually intractable because of lack of
21 good data. For example, we could look at the effects
22 of different high school experiences or dual credit
23 programs. The same link data could be used for more
24 sophisticated and targeted accountability systems in
25 both K-12 and higher education.

1 As I've indicated, IPEDS only picks up a
2 percentage of students who attend universities and
3 colleges. It's very important to point out that it
4 picks up nothing about those students who don't
5 attend college but could.

6 The challenges as to a unit record system
7 are primarily in two areas. The first is burden on
8 smaller institutions that would have to upgrade their
9 IT technology to meet the requirements. The second
10 is privacy and confidentiality. They are, I think,
11 valid and legitimate concerns about the potential
12 abuse of a national student record system.

13 I'll point out that these concerns are as
14 applicable to the current national unit record
15 databases--like the one maintained by the NCAA--as
16 they are to a unit record system within IPEDS. But
17 they're nevertheless, real and important.

18 We have done some preliminary design work
19 on what we think might be a technical solution that
20 would lessen some of the concerns about privacy. It
21 is an education bar code. Students would apply
22 through a website to obtain an individual bar code.
23 The bar code would not contain student names,
24 addresses, or social security numbers, nor would this
25 information reside in the database that lies behind

1 the bar code system. Compared to current systems
2 that include such information--including those
3 maintained by nearly all higher education
4 institutions--it would lower the risk of financial
5 identity theft, lower problems with mismatched or
6 incorrect social security numbers, and remove the
7 current burden on institutions to collect data on
8 race/ethnicity.

9 Accessibility, affordability, quality, and
10 accountability all must begin with good data and
11 information. Sometimes it seems we're awash in data,
12 but the challenges facing higher education in the
13 United States in the context of globalization are
14 considerable.

15 We are, as Secretary Spellings said, going
16 to need good, sound data to set policy at the
17 federal, state, and institutional levels. And I and
18 my colleagues look forward to this Commission
19 providing us and the nation with guidance and
20 direction.

21 Thank you very much.

22 CHAIRMAN MILLER: Thank you, Russ.

23 We're going to have time to come back and
24 talk about any of the issues raised with the Panel.

25 Peter.

1 academy eight years ago and began working on behalf
2 of higher education from the other side of the table
3 as it were.

4 Many of the schools that I work with today
5 make a significant effort to serve the adult learner
6 community. And my remarks today are going to focus
7 on that segment of higher education. And as such I
8 hope that my remarks will complement those that have
9 been circulated previously by some of the members of
10 the Commission, including Robert Mendenhall, Emily
11 Stover DeRocco, Richard Vedder, the National Center
12 for Public Policy and Higher Education, and the
13 remarks offered just now by Chairman Miller and Russ
14 Whitehurst.

15 For many Americans the word "college"
16 conjures up images of young students, leafy
17 quadrangles, ivy covered buildings, dormitory life,
18 football teams, and so on. These images are so
19 indelible that when many of us think of higher
20 education this is, in fact, what we think of even
21 when these images don't conform to our own
22 experiences.

23 And yet as Arthur Levine has observed, this
24 stereotype of the so-called traditional 18 to 22-
25 year-old full- time undergraduate student residing on

1 campus represents little more than 16 percent of the
2 higher education population in the United States,
3 fewer than three million of the more than 17 million
4 students studying today.

5 In fact, the traditional student is
6 anything but traditional, if by that term we mean
7 common, conventional, or customary. In reality the
8 traditional student is far and away the exception
9 rather the rule.

10 It's an honor to participate in the
11 dialogue occasioned by this Commission. And in my
12 contribution to this important discussion concerning
13 the future of higher education, I want to focus not
14 on this small minority of so-called traditional
15 students of higher education, but rather on the vast
16 majority of students, adult learners.

17 Consider the following: 40 percent of
18 today's students study part-time, 40 percent attend
19 two-year institutions, 40 percent are age 25 or
20 older, 58 percent are aged 22 or older, and 77
21 percent attend public institutions. In all the
22 National Center for Education Statistics reports that
23 92 million adults, 46 percent of the U.S. adult
24 population, participated in some form of adult
25 education in 2001.

1 These figures are not in any way new, but
2 they are not well known, or at the very least, they
3 are very seldom remarked upon. They are hidden in
4 plain sight.

5 I am particularly interested in what the
6 Commission can do to address the concerns of these
7 tens of millions of adult learners. I'm also
8 interested in what the Commission can do to raise the
9 profile of these students, not only in the eyes of
10 federal and state government agencies but also in the
11 eyes of university administrators and even in the
12 eyes of adult learners themselves. They are in many
13 respects the future of higher education.

14 Furthermore, if I can say this without
15 offending any of the college or university
16 representatives on the Commission or the hundreds of
17 university administrators I work with annually, I am
18 substantially less interested in what the Commission
19 can do to address the concerns of colleges and
20 universities.

21 In my view this discussion really ought to
22 focus on students and their needs rather than on the
23 needs of institutions. College and university
24 leaders already have powerful professional
25 associations and lobbying organizations that are

1 diligently at work insuring that the administrators
2 and teachers' concerns are heard and addressed. Yet
3 there is currently no organized body looking after
4 the interests of this very diverse group of adult
5 learners.

6 Insofar as our nation is undergoing a
7 period of significant change with respect to its
8 economic security, demographic profile, and
9 competitive position on the global stage, it is
10 especially important at this point in time that we
11 enable our higher education system to become more
12 responsive to the needs of students of all types.

13 When I left my last teaching position at
14 Tufts University in 1997, I had never heard anyone
15 refer to a student as a customer, and today the term
16 is ubiquitous. I am not overly squeamish about what
17 this portends. I think it is a good thing for
18 organizations to be customer centric. It's good for
19 my company's business; it's good for colleges and
20 universities; and it's certainly good for
21 governments.

22 Consequently, I would like to see the
23 Commission support the efforts of colleges and
24 universities to become more customer centric
25 organizations, ones that are better equipped to meet

1 the changing needs of their customers both
2 individually and collectively.

3 To do that well, colleges and universities,
4 as well as those of us engaged in this conversation,
5 need to have an understanding of the characteristics
6 of those customers and need to be able to distinguish
7 between the needs of different segments of students.

8
9 Among the most pressing needs within the
10 adult learner community I would like to highlight
11 demands for more-flexible course or program formats,
12 accelerated courses, certificates and degrees,
13 evening and weekend classes, education delivered at
14 the worksite and online, as well as on campus, and
15 certificates that articulate with degree programs,
16 more-flexible financial aid for students attending
17 less than half time and Pell grants for year-round
18 study, as well as easier transfer of credit from
19 institution to institution.

20 I recognize that it can create pain for
21 colleges and universities to attempt to respond to
22 these needs. Faculty object to accelerated course
23 formats or prefer not to teach online. Financial aid
24 may be used more as a tool to optimize cash flow and
25 improve institutional rankings than as a means of

1 increasing access for those in greatest need. And
2 concern over the transfer of credits is more often
3 about controlling tuition than it is about the
4 enforcement of particular curriculum standards. If
5 colleges and universities derive their own power from
6 their students, then it must be their mission to
7 serve them well.

8 What can the Commission do to support these
9 efforts to respond more effectively to the needs of
10 adult learners? As Chairman Miller noted at the
11 October meeting of the Commission in Washington,
12 D.C., this esteemed group has an obligation to make
13 recommendations. And he stated that those
14 recommendations would not take the form of
15 directives, but rather would endeavor to bring focus
16 to the national debate concerning higher education in
17 America.

18 And with that guiding principle in mind, I
19 see the primary opportunity for the Commission to be
20 one of advocacy. And I believe that convening a
21 group such as this provides us with a special
22 opportunity to advocate on behalf of this sizable yet
23 seemingly overlooked population within the higher
24 education community.

25 Here are some suggestions. Advocate on

1 behalf of the more than 400 schools of continuing and
2 professional education in the U.S. that specifically
3 set out to serve adult learners through open
4 enrollment programs that offer accelerated
5 certificates and degrees, as well as distance
6 learning opportunities and a number of other valuable
7 services.

8 Likewise, advocate on behalf of the more
9 than 2000 two-year schools operating in the U.S., as
10 well as adult education oriented universities and
11 for-profit institutions that offer many of these same
12 services. Help college and university administrators
13 see their continuing and professional education units
14 as more than cash cows and remind them that these
15 academic units play a critical role in educating the
16 American workforce.

17 Educate the American public about the
18 benefit of community college study and proprietary
19 education with respect to advancing within higher
20 education.

21 Support the amendment of the 50/50 Rule to
22 permit the growth of online and hybrid delivery of
23 education so that the millions of students that are
24 already demanding these kinds of courses and programs
25 and the hundreds, if not thousands, of institutions

1 delivering them are able to benefit from the further
2 expansion of access and opportunity.

3 Provide incentives to support the
4 establishment of education and training partnerships
5 between employers and institutions to bring quality
6 learning and development to the work place.

7 Advocate on behalf of the development of a
8 financial aid system that is responsive to the needs
9 of adults who study year round but may only take a
10 single course at a time. While some working adults
11 may be beneficiaries of tuition assistance plans
12 established by their employers and while few still
13 avail themselves of other funding streams, many bear
14 the burden of funding their education themselves.
15 And the dearth of alternative funding sources
16 inhibits their continued education. More than 22
17 percent of prospective adult learners who chose not
18 to enroll cite cost as a obstacle, according to
19 research conducted by Eduventures.

20 Advocate on behalf of working adults who
21 not only change careers and move from one part of the
22 country to another but also study at multiple
23 institutions. The movement of our people is
24 increasingly fluid, but institutional efforts to
25 control the flow of tuition create a non-integrated

1 higher education infrastructure that is poorly suited
2 to the needs of these mobile customers.

3 Having outlined those three broad
4 recommendations, I want to return for a moment to the
5 matter of developing increasingly flexible formats
6 for the delivery of education. In particular, I want
7 to highlight opportunities in two specific areas:
8 online learning and corporate training.

9 Today more than 1.2 million higher
10 education students are enrolled in fully online
11 certificate or degree programs, according to
12 Eduventures' research. That's approximately seven
13 percent of the higher education community. We
14 forecast the number of fully online students to grow
15 to nearly 1.8 million by 2007. These are students
16 who never enter a classroom.

17 The most recent figures from the Sloan
18 Consortium indicate that more than 2.3 million
19 students in 2004, almost 14 percent of all higher
20 education students, enrolled in an online course.
21 Our research shows that, while only 3.7 percent of
22 prospective adult students have enrolled in a fully
23 online program, more than 77 percent of those
24 prospective adult students report that they would be
25 willing to consider enrolling in a fully online

1 program. We are just at the start of a major change
2 in how education is delivered.

3 Clearly, online learning presents a
4 powerful opportunity for adult learners to more
5 effectively incorporate learning into their busy
6 lives. Yet significant portions of the academy
7 remain bogged down in debates over the rigor of
8 online offerings and the threats these courses and
9 programs pose to institutional brands, or at least
10 their own perceptions of those brands.

11 I don't mean to diminish in any way the
12 importance of issues of quality or brand management.

13 You can have poor online courses just as you can
14 have poor classroom-based courses, for example. And
15 brand can be an important tool in reaching
16 prospective customers. But for some within the
17 Academy, these arguments are merely excuses for
18 maintaining the status quo and avoiding change at
19 virtually any cost.

20 To a certain extent these debates have the
21 character of a disinformation campaign and may be
22 driving prospective students away from online
23 learning. Our research shows that, for those adult
24 students who see barriers to their future study
25 online, among the most important concerns is the

1 worry that employers won't regard credentials earned
2 online as being credible despite the fact that
3 universities rarely make any distinction between
4 those credentials they confer to online learners and
5 those they confer to classroom learners.

6 This is especially troubling given that the
7 majority of employer organizations, almost 52
8 percent, believe that online learning is equal in
9 value to classroom learning, according to
10 Eduventures' research. A further ten and a half
11 percent believe that online learning offers superior
12 value relative to classroom learning. In all, more
13 than 62 percent of employers have taken the position
14 that the value of online learning is equal to or
15 superior than the value of classroom learning.

16 The Commission can do a great service to
17 the adult learners and to corporate and government
18 employers by disseminating facts such as these and
19 thereby quickening the widespread acceptance of
20 online learning.

21 Finally, I want to highlight the
22 opportunity for universities to play a far greater
23 role in corporate learning and development.
24 According to Training magazine, American corporations
25 spent more than 51 billion dollars on training in

1 2004. Of that vast sum of expenditures, the majority
2 went to salaries of internal training staff. But
3 more than 13 billion dollars were devoted to
4 purchasing services from third-party providers such
5 as professional associations, consultancies,
6 commercial training companies, colleges and
7 universities, government agencies, and others.
8 Eduventures estimates that colleges and universities
9 have only a five percent share of these expenditures
10 for out-source services in 2004, amounting to about
11 \$670,000,000.

12 By encouraging universities to see the
13 provision of corporate training, or if you prefer,
14 learning and development, as an integral part of
15 their mission rather than as a debasing activity that
16 threatens their brands, we can go some distance to
17 delivering high quality education to greater numbers
18 of working adults.

19 The problem, of course, is that on the
20 whole universities are not well designed to respond
21 rapidly to changing education and training needs
22 within industry. A notable exception, of course, are
23 university and continuing professional education
24 units.

25 But as I suggested earlier, many

1 institutions treat these units as dirty little
2 secrets useful for generating cash but problematic
3 when it comes to brand. And hence they're somewhat
4 nervous about expanding.

5 In a 2005 survey of more than 500 corporate
6 and government organizations undertaken by
7 Eduventures, among the top capabilities employers
8 reported seeking in third party providers of
9 education and training were customization and applied
10 learning. When asked to identify those areas where
11 universities could most improve to better meet the
12 education and training needs of those institutions,
13 the top two areas identified were applied learning
14 and customization.

15 Clearly there is still some distance for
16 many colleges and universities to travel before they
17 can effectively serve employers seeking these
18 capabilities. Yet our history is littered with
19 examples of industries that at their peril failed to
20 respond or even see changes in purchaser behavior,
21 from the railroad industry to the computer hard disk
22 industry to the music industry.

23 And when it comes to the adult learner
24 community, those 92 million Americans, our
25 institutions of higher education face similar risks

1 of having their own market shares substantially
2 reduced and their services increasingly characterized
3 by obsolescence. We need a higher education system
4 that is far more attentive to the work of segmenting
5 its customers and tailoring its services to meet the
6 unique needs of discreet constituencies within its
7 broad customer base. The traditional student is no
8 longer traditional, and very soon the traditional
9 university will be likewise be a thing of the past.

10 I listened intently during the Commission's
11 October meeting as historical milestones such as the
12 GI Bill, Sputnik, and the publication of A Nation at
13 Risk were invoked to support the claim that today we
14 find ourselves at another critical turning point in
15 our economic history. I listened as some of you
16 asserted that the urgency of our response today must
17 be as focused and determined as those earlier
18 efforts.

19 I'm not sure I find those comparisons
20 credible. We may well be at an important turning
21 point, but the forces at work today driving change
22 are more diffuse. Consequently I'm not sure that
23 these allusions have the motivating force that they
24 aspire to deliver.

25 Over lunch that day I asked a small number

1 of you what historical imperative you believed
2 justified the convening of this Commission now. The
3 answer I received was somewhat more mundane than the
4 return of soldiers from war or the launching of the
5 space race.

6 "Jobs," answered David Ward. It's not a
7 spine tingling rallying cry, but however flat or
8 absent of glamour, it is the right issue. And in my
9 mind it is a consumer issue. We need to educate our
10 increasingly diverse populations so that they can
11 prosper and enrich their lives in ways that
12 ultimately serve the economic, cultural, and
13 competitive interests of all of us.

14 Thank you.

15 CHAIRMAN MILLER: Thank you, Peter.

16 Pat.

17 MR. CALLAN: I'm Pat Callan, President of
18 the National Center for Public Policy and Higher
19 Education. Thanks for the invitation to be with you
20 today.

21 I'm going to focus, as we were asked to
22 sort of take stock of American higher education, on
23 the -- which is one of the businesses our Center has
24 been in now for some six years. I'm going to focus
25 on the results that we have found in three editions

1 of Measuring Up, which is the national report card on
2 higher education; which has a national report and a
3 separate report for each state as of late. So it's
4 51 different reports. But I'm going to focus on the
5 findings of the most recent report, which was
6 released in fall of 2004. The next one will be in
7 fall of 2006.

8 There are many issues, legitimate issues,
9 as I go through this of definition, data, and
10 methodology that I could discuss with you. I would
11 like to associate myself with many of the problems.
12 As a consumer of what Russ's office produces, many of
13 the problems that he identified and which makes
14 putting out a report card on higher education
15 extremely difficult and that's compounded even more
16 by one that Russ didn't mention, and that is most of
17 the -- especially what he characterizes as survey
18 data, doesn't collect samples large enough to be
19 useful to most states which is where policy making is
20 done in the country and has been our primary audience
21 for this work.

22 So the National Center is an independent,
23 non-profit, non-partisan organization that was
24 created by a consortium of foundations in 1997 to
25 address public policy issues. That is issues that

1 state and federal government would address with a
2 particular emphasis on states. And we were -- two of
3 your members were founding directors of our
4 organization: Governor Jim Hunt, who's not here this
5 afternoon, and Arturo Madrid. And as I look around
6 the table, many others of you have helped us in the
7 work that I'm going to describe. Though, of course,
8 we're responsible for the final product and any
9 issues you may wish to take with it.

10 As we created the National Center in the
11 late 1990s, we tried to ask ourselves -- we did ask
12 ourselves: What are the issues that a Center like
13 this ought to address? And we were fortunate we had
14 Clark Kerr, who had been chairman of the last major
15 effort to look at higher education from the outside
16 in, as a founding member of our Board.

17 And should we go back -- everyone thought
18 that the Carnegie Commission, which had closed in
19 1982, had done a good job. Well, should we go back
20 and simply replicate some of their better studies, or
21 was there another set of issues that we ought to
22 address in the late '90s that weren't the same as the
23 ones that he addressed in the '80s?

24 So in a set of what you might call
25 environmental scans and meetings we held around the

1 country with policy makers on university campuses,
2 researchers, etcetera, the most interesting ideas
3 that we thought we heard in those discussions about -
4 - once we got past the grand idea of having a
5 National Center that was supposed to be in the public
6 interest in its focus, the most interesting ideas we
7 heard about what the issues we ought to address were,
8 what we ought to do on Monday after we got past the
9 grand rhetoric of starting an organization like this,
10 had to do with the -- and what was different about
11 the times that we were going to be doing this work
12 were really things that actually I heard discussed
13 quite a bit this morning in the Committee Meeting,
14 the Access Group Committee Meeting.

15 We thought the most significant changes
16 that higher education needed to address, and there
17 are a lot of them out there in the larger
18 environment, were issues related to the economy. We
19 didn't quite understand the global part of it. And,
20 of course, if you believe Tom Friedman's analysis,
21 those forces didn't really converge until a little
22 bit later.

23 But we did understand that for 25 years or
24 so the real income of high school graduates in this
25 country had not increased in a time of great national

1 prosperity. We understood that people with less than
2 high school had actually seen declines in their real
3 income. We did understand something about
4 international competition for jobs.

5 And so it appeared to us the success of the
6 country in providing better education and training
7 for larger numbers of people was going to be a
8 critical issue for higher education and for the
9 states and for the country. And then when we looked
10 at the demographic data which the two -- it seemed to
11 us the most significant factors were the forthcoming
12 retirement over the next couple of decades of 68
13 million baby boomers who were the best educated
14 Americans in our history and then the ethnic shifts
15 which meant that the growing portions of the young
16 population were coming from first generation
17 immigrant Latino, African-American groups. Those
18 with whom the education system was doing the least
19 well represented the workforce of the future.

20 And so when we talked to state leaders,
21 especially they asked us -- well, what we'd really
22 like to know. We think we know a lot about our
23 higher education in our state. We especially know a
24 lot about the inputs. We know how much we're
25 spending. We know how many students are enrolled,

1 etcetera, etcetera. We'd like to have some ability
2 to compare across states about how we're doing on
3 results.

4 And that sort of became the basis of a two
5 and a half year project that about a half a dozen
6 major national foundations supported and a large
7 number of the policy experts in higher education in
8 the country that led to the first Measuring Up Report
9 in 2000. And there are two or three things about the
10 report, what it attempts to do and what it doesn't
11 do. And then I'm just simply going to summarize the
12 result, the national result, of the most current one.

13 First of all, because it seemed quite clear
14 that the real challenge for higher education was
15 going to be to educate more people better, it would
16 not be sufficient in a state-required card to ask how
17 are your colleges and universities doing. Because we
18 know that you can have great colleges and
19 universities in the midst of huge unmet needs,
20 underserved populations, holes in the labor force.

21 So we designed the Report Card. It doesn't
22 give you any information about any particular college
23 and university, but sort of takes the educational
24 temperature of each state and says the real issue is
25 not how good your college is. That's an important

1 but secondary issue. It's how are you doing
2 educating people, how are you doing raising the level
3 of knowledge and skills in the population. So that's
4 a fundamental kind of change in the policy, the way
5 that states have looked at policy, that we've
6 encouraged.

7 I did a lot of my work in my early career
8 as heads of state higher education boards and
9 commissions in different states. And if somebody had
10 come to me in 1975 and said, "How's the higher
11 education system in this state?" I would have said,
12 "Well, it's good. We have these very good colleges
13 and universities."

14 And we're saying the answer to that in this
15 knowledge-based global economy with demographic
16 changes the question has to be one about not just how
17 good your institutions are but how well you're doing
18 actually getting people into them and through them.
19 And that will be reflected, as you'll see, as I go
20 through parts of this.

21 So we don't use measures of population. In
22 fact, we know some institutions -- and it's
23 appropriate in some cases to their mission -- do
24 quite well by importing most of their students from
25 somewhere else. If you're a national institution,

1 that's what you're supposed to do.

2 So to summarize, we thought the major
3 challenge was more higher levels of education and
4 skills, more people needing quality higher education.

5 And even though people in my business, the higher
6 education business, have always believed more or less
7 that what the whole world needs is more or less what
8 we have to offer, there had never been as powerful an
9 economic and demographic rationale for that. And so
10 we decided that that's what we would organize our
11 Measuring Up and our performance indicators around.

12 To the extent possible, we tried to focus
13 on performance, on outcomes, on results. And we did
14 not try to say -- and it may be about time someone
15 did, maybe this Commission, maybe someone else. We
16 didn't try to specify what we thought, what Arturo
17 Madrid or Pat Callan or Jim Hunt thought the national
18 goals ought to be. We tried to capture what we
19 believed the states -- the goals on the basis of
20 history and current policy. What the goals that the
21 states and the federal government already have. That
22 is we were not going to assess them by our goals, but
23 rather what if you believe the direction of current
24 policy, the statements of goals that do exist,
25 etcetera.

1 And so we focused on basically performance
2 and we focused on five areas where we -- and we've
3 had a chance now to field test this in a lot of
4 states, talking to them about their good grades and
5 their poor grades. We focused on basically using a
6 set of quantitative indicators and a weighting and
7 assessment and grading.

8 We compared and graded, evaluated and
9 graded the states on basically these five questions:
10 How well are you doing getting young people prepared
11 for college? Do they graduate from high school? Do
12 they take the courses that research tells us are
13 correlated with getting to college and succeeding?
14 Do they have opportunities to take advanced
15 placement? A set of indicators about college prep,
16 the rigor of the secondary curriculum and whether
17 people complete or not. And we also now have some
18 measures related to the qualifications of teachers
19 that fit in there too. Do teachers have preparation
20 in the field they're teaching?

21 So the first question is how are you doing
22 preparing people. Now, you have to put that in the
23 context is what we were doing is trying to give the
24 states a measuring stick. This in a sense was the
25 hardest thing for many of my colleagues in higher

1 education to accept. So I would go out and talk to
2 university presidents. And many of them would say,
3 "We care deeply about preparation. But what's it
4 doing in a higher education report card? I mean
5 we're not responsible for that. We'd like to help.
6 We care."

7 But don't forget our unit of analysis here
8 was the state. And so the message was to the state,
9 don't tell us you have a high quality higher
10 education system, but you can only educate 40 or 50
11 percent of your population. The state does have
12 responsibility for both higher education and schools.

13 And so preparation belongs in there, not that it's
14 something higher education can control.

15 Although I must say I was chairing a panel
16 at a national meeting about three, four years ago.
17 And the university president got up and raised that
18 issue. And the best answer from the higher ed point
19 of view I've heard was given by Jim Geringer, whom
20 some of you may know, former governor of Wyoming who
21 was on the panel.

22 And he said, "Wait." He said, "I'm
23 governor of my state. I drive to the office every
24 day. I go in." And he said, "If I only worked on
25 the things that I had complete responsibility and

1 authority for, I can go home about ten o'clock."

2 And so there was a kind of message to both
3 higher education and the states about preparation.
4 That message has been enhanced by the fact that the
5 national -- the thrust now of the national high
6 school reform movement, including the ones that came
7 out of the recent Governors Summit, says that
8 students must -- the principal purpose of college --
9 or of high school is college preparedness.

10 And even for those kids who aren't going to
11 college, they need approximately, according to
12 Achieve -- and you'll have a chance to talk to Mike
13 Cohen about this tomorrow -- the same level of
14 skills. So preparation was part of it and it's part
15 of this business of taking the educational
16 temperature of the state.

17 Also in the second category was, how are
18 you doing getting people in, both young people coming
19 out of high school but also working adults. And our
20 measure for the young people is how many ninth
21 graders are in college five years later. We did not
22 use -- we include but do not rely heavily on the
23 traditional high school to college measure because
24 there are a number of states in which the high school
25 graduation rates are extremely low. But most of the

1 survivors, in fact, go on to college, and we can't
2 really deem that a success.

3 So in a sense our focus has been from a
4 higher ed perspective on the whole educational
5 pipeline and a view that you can't have access and
6 quality if you think of this in just
7 compartmentalized ways or if you let your thinking
8 run along the lines of the governance system. We
9 have to find ways to deal with the interfaces of
10 these systems. And I hope you will engage Mike about
11 that tomorrow, Mike Cohen, when he's here from
12 Achieve tomorrow.

13 So anyway, the first question was how well
14 are you doing getting prepared.

15 The second was how do you do getting young
16 people and working adults going part time into
17 college.

18 The third, with all the limitations of the
19 data that Russ pointed out, is so do people finish.
20 Do they finish Associate's degrees in three years?
21 Do they finish certificate programs? Do they finish
22 Baccalaureate degrees in six years?

23 The fourth is the affordability of higher
24 education. And that has a simple question of how are
25 you -- are you making higher education financially

1 easily or more difficult, first for the population in
2 general and secondly for low income groups.

3 Again we use a population measure here. We
4 use family income in each state as the measuring
5 stick of affordability, not because we think all of
6 higher education tuition, etcetera, costs are funded
7 out of current income, but because we think the best
8 test of the affordability of anything is probably
9 people's annual income. It doesn't mean they don't
10 find other ways to finance things.

11 So we asked how are you doing state by
12 state, and we looked at each income quintile in each
13 state, and is college taking a larger, the same, or a
14 smaller portion of family income. Thinking about the
15 net cost of going to college, including financial aid
16 versus family income, is it becoming harder or
17 easier?

18 The next is a set of questions about public
19 benefits. All the other things I've talked to you
20 about deal with the benefits to the individual. Do
21 they get prepared? Do they get in? The second
22 category, the category of benefits, is a kind of
23 hodgepodge in which we look at the economic value
24 added of more educated people. We also look at some
25 proxies for the civic value added. We think higher

1 education has an important role in a democratic
2 society. And we use things like voting, charitable
3 contributions, and volunteering as proxies for the
4 civic success of higher education. And we use
5 literacy.

6 And then finally the big question--and I'll
7 talk about this more in the next session. But we had
8 a big question mark and we thought it was
9 interesting. Our Board thought it was appalling.
10 But when we got to the end of the day, we could tell
11 every state, we could read back to them how they're
12 doing compared to the rest of the country on all
13 these categories. But we couldn't tell them anything
14 about how they did in higher education's most
15 important outcome, which was student learning.

16 So we gave every state an incomplete, and
17 we have since just completed a pilot project with
18 five states that sought to address the incomplete in
19 student learning. And I'll talk to you about that in
20 the Accountability Session.

21 So let me now just quickly summarize. In
22 the 2004 edition, we looked back 10 years and said,
23 "Well, it's awful hard to say whether the states are
24 -- this is a vehicle we think for improving higher
25 education." But on a two-year basis, it's awfully

1 hard to say whether the states are improving or not
2 improving. The numbers don't change that much, and a
3 few anomalies in the data can cause a big problem.

4 So we decided to look back 10 years and
5 say, "what if we'd had a report card in the early
6 '90s?" Ten years means a lot. A lot of people have
7 gone through or not gone through college in a 10-year
8 period.

9 And so around each of those questions, we
10 said how is the country and each state doing. And
11 let me just summarize what we learned. The greatest
12 gains we found by the measures we're using -- and
13 this will come as a surprise to many of you -- were
14 in the preparation area. That is more students were
15 taking the curriculum, about a third increase in the
16 '90s in the students taking math and science.

17 Now we don't know, we're not inside those
18 classrooms. We don't have measures of what they've
19 learned. But the courses -- more students are taking
20 a better curriculum than had been true in the early
21 '90s. That, of course, just mostly shows that this
22 problem yields to effort. That is, that's been the
23 major thrust of the -- one of the major thrusts of
24 the state school reform efforts has been--
25 strengthening the curriculum of high school students.

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So when we got to the higher education measures, we found first of all participation. College going access, if you look at the rates and not the numbers of people in college, that is the proportion of people going to college, have been flat for a decade. That is there had been no improvement at all. This is probably -- we don't have data that's all that good that goes -- the historical data is even worse than the contemporary. But it's probably the first time at least since the GI Bill that we had a 10-year period.

You know, in American we've always believed every generation more of them get to college than the one before, etcetera. Some of this was because high school graduation rates clearly, we know now, dropped in the '90s as well. But in any case despite the improvement in preparation, we saw no increase in college going rates.

We found college completion rates only slightly improved, and most of the improvement came not on the two and four -- the Associate and Baccalaureate degrees, but on certificate programs that people are taking. But there was not significant increase.

1 And this tells us a bit, I think, that it's
2 hard to draw because of some of the issues of the
3 data issues we have to face. But it seems to me, as
4 we've looked at individual states that asked us to
5 come in and take a closer look, it tells us that the
6 conventional wisdom that all of the completion
7 problems are to be laid at the doors of the high
8 schools is probably not true.

9 And if Kati Haycock was here, she could
10 tell you about work that her organization has done
11 looking at colleges and universities with similar
12 student profiles: social, economic, and academic,
13 but very different graduation rates.

14 So it tells us that this problem is partly
15 a problem of preparation, but higher education could
16 probably do much more. We have many students who, by
17 all conventional measures are qualified for college,
18 large numbers that aren't finishing. We don't know
19 all the reasons for that.

20 On affordability, which is the issue many
21 of my colleagues in higher education and many of the
22 state leaders wish we would just keep quiet about,
23 but if you use the family income as the measuring
24 stick -- and again you can come up with other
25 definitions of the problem. If you use that as a

1 measuring stick, the whole country has gone
2 backwards. And you could ask -- one could ask a lot
3 of questions about this.

4 We look at affordability as sort of a
5 continuum. On one end you have people who don't go
6 at all because of cost, but you also have people who
7 don't go full time, who don't go to the institution
8 they're best qualified for, students who work large
9 numbers of hours, now the number of students working
10 full time.

11 And then you have the whole issue of what
12 role should debt play in college financing. But
13 that's the way enrollments have largely been
14 maintained as affordability declined. So the whole -
15 - I think we gave 40 states or so D's and F's in
16 affordability, measuring them against each other. So
17 not a terrific picture.

18 So if you come to the -- those are kind of
19 the key issues about it which I understand this
20 Commission is concerned. We have more students
21 prepared but not nearly as many as we need to. We
22 still don't have half of the high school students
23 taking a rigorous curriculum. We have flat
24 participation rates in the country. We have flat
25 basically completion rates, as best we can measure.

1 And college affordability is declining. So a rather
2 sobering picture in the context of a world in which
3 all these demographic forces, the retirement of the
4 baby boomers.

5 And, as someone mentioned earlier -- I
6 think it was Russ--in which we see the rest of the
7 during this period that we've been flat, many of the
8 countries, including those he mentioned, are making
9 double digit increases in educational attainment by
10 age 24 and in college going rates. So a rather
11 sobering picture and another reason why we need a
12 national dialogue on higher education in this
13 country.

14 CHAIRMAN MILLER: A lot of information in
15 that just from three people for us to digest and
16 very, very helpful if we'll take on over time.

17 This is a good time to ask questions and
18 make comments from the Commission. Pretty brief on
19 them, please.

20 Arthur.

21 MR. ROTHKOPF: I'd like to ask Peter a
22 question. I find this growth of the online courses
23 both for-profit and not- for-profit obviously
24 extraordinarily significant. And you allude to what
25 I think what's right, the resistance of the

1 traditional academy to the transferability of courses
2 and to the whole concept.

3 We hear a lot about studies in other areas
4 about outcomes and results, and I think the great
5 concern is what's the quality of these courses.

6 Is there any data that you can point to,
7 any studies that have been done which reflect on the
8 quality of online education because I think it's got
9 enormous potential?

10 But perhaps just speaking for myself, I am
11 concerned about what it is that these learners, adult
12 or otherwise, are receiving.

13 MR. STOKES: I think it's appropriate to be
14 concerned whenever a business process is asked to
15 behave differently. And you have to look at the new
16 process and ask yourself if it's providing you with a
17 better result. There is a website called No
18 Significant Difference, and I believe it's .org,
19 which has a compendium of various data sources that
20 speaks exactly to that question. The Pugh Charitable
21 Trust has also produced a number of studies that look
22 at the cost benefits of moving to technology enabled
23 education.

24 Having said that, there's a great, great
25 deal more to be done. And we haven't been doing

1 online learning very long, and online learning means
2 many, many things. There is not one online learning.
3 There are dozens of online learning. And so we need
4 to look at each of those individually.

5 MS. ELLIOTT: Can I make a comment on that?

6 MR. STOKES: Sure.

7 MS. ELLIOTT: It's a great question. And,
8 Peter, I would love for you to expand upon any
9 background data that you might have on this as well.
10 And if we don't, we ought to look at it in that
11 folks believe that online learning disintermediates
12 the teacher and the faculty.

13 And if you look at the background of online
14 learning or some really great examples of countries
15 that have done tremendous -- or have tremendous
16 progress--in online learning, Korea, Australia,
17 you'll see that it doesn't disintermediate the
18 faculty at all. In fact, they're an integral part of
19 the process.

20 And it would be great to get some
21 information on that because I think there's a fear in
22 this country in particular that online learning will
23 somehow completely change the educational model as we
24 know it today.

25 MR. STOKES: Well, I know of no central

1 repository of studies on that issue. I think
2 Jonathan Grayer could probably speak to that issue.
3 I know from my own personal experience, having taught
4 online in the early 1990s before we had course
5 management systems and generally using email and
6 threaded discussion boards, that online learning
7 requires more of the instructor. It's a different
8 role. Maybe it's a form of re-intermediation.

9 But it's a different position and
10 potentially a better position for the instructor to
11 be in. Online courses on average have caps of about
12 15 students. The degree of attention that you can
13 get from an instructor, facilitator, professor,
14 whatever it might be can be much higher. And the
15 quality and quantity of interaction between students
16 can be much vaster, particularly in an electronic
17 medium where the interactions are recorded, just as
18 this testimony is being recorded.

19 MR. GRAYER: I would say that your question
20 has profound meaning to us at our company because
21 obviously --

22 CHAIRMAN MILLER: I'm having trouble
23 hearing.

24 MR. GRAYER: Your question has profound
25 interest to us. Obviously we have a very large

1 online learning business and the only thing that
2 inhibits its continual growth is the quality of the
3 output, the quality of the learning experience. But
4 implicit in your question, of course, is a basic
5 understanding of what metrics are used for non-online
6 learning to determine if it's effective. And so that
7 quality that you're comparing it to has no standard
8 that is easily discoverable. We assume the incumbent
9 model is better, and now we're going to rate or
10 compare.

11 So I think the struggle we face in online
12 learning is figuring out what the right measurement,
13 metrics, whatever you call them are to determine the
14 quality of the experience and output. And you know,
15 we're going to talk about that in our session.

16 MR. STOKES: I think that's a fair comment.

17 CHAIRMAN MILLER: I was going to recognize
18 Bob.

19 MR. ZEMSKY: Before this afternoon is over
20 and then I get to get out of here, our reputation for
21 much of the cynicism will grow by leaps and bounds.

22 I have worries about three quick observations as we
23 go into the discussion of online learning. You have
24 to remember the denominator is huge, 17 million plus
25 is phenomenal. So you need to worry about what's the

1 share. And you have to be very careful that a little
2 bit of growth in an activity is really put against a
3 larger scheme. Okay, first observation.

4 Second observation, as I spent two years
5 running this staff, and among other things we created
6 what we called the Listening Post. It's six
7 corporations and six universities, big, major
8 universities. And three of the big major -- big
9 universities, meaning large. I don't want to argue
10 about whether they're major or not. And three of
11 them, three of the big public institutions in this
12 study had state-wide mandates for E-learning.

13 And they looked like they had a lot of
14 activity until we really ran them down as who in the
15 heck were enrolled in your E-learning courses. And
16 the interesting thing was in all three of these
17 institutions it was almost exactly the same number.
18 Eighty-five percent were their own students already.

19 That it was -- which tells you two things. It was
20 less powerful as an outreach to other learners and it
21 was very powerful as a convenience tool. And we need
22 to introduce that into the discussion because there's
23 just a convenience issue too.

24 My third sort of experience from that, as I
25 said, we had six corporate out listening posts which

1 we were hard to get. And within 18 months the key
2 person of five of the six no longer worked in the
3 company. And that so when we sort of tie all this to
4 corporate training, that's a very iffy, you know.
5 And there's some corporations well represented at
6 this table who do it and do it well and do a lot of
7 it.

8 But again you have to look at the whole
9 denominator. And if you really look at what we're
10 doing in a contingent workforce -- and this is why
11 the adult learning part of what Peter in particular
12 has said, we're moving to a contingent workforce
13 where workers in this country are increasingly
14 looking out for themselves. They're not getting
15 employer -- all of that.

16 And so it is really looking at it -- and I
17 support Peter's idea that this is really consumer
18 education writ large. And even what we have
19 traditionally called corporate education is, I think,
20 moving to what, Peter, you would recognize as
21 consumer. So be careful about who's really being
22 taught, be careful about how big this thing really
23 is. And remember though in the end this is --
24 Peter's right; it's about consumer education, I
25 think.

1 Thank you.

2 MR. STEPHENS: I just have a question to
3 make sure there's a common understanding of this
4 online learning cause I think it may have different
5 meanings to different people.

6 Peter, could you maybe give some sense of
7 what it is and what it isn't?

8 Cause I can tell you with the Boeing
9 Company that we deliver five million hours of
10 training every year. And we have a significantly
11 increased element of that which is what I would call
12 distance learning, as opposed to sitting down at a
13 computer terminal. We also spend a hundred million
14 dollars a year sending our employees back to college,
15 and so we're involved with many colleges across the
16 nation. Many of them are, in fact, again distance
17 learning. At the same token we also have a lot of
18 "online learning," which is sitting down at a
19 terminal, gathering information, getting updated on
20 most recent information that they can take back to
21 the job.

22 So I think it's important we all have this
23 common understanding before we're able to articulate
24 what this thing looks like going forward. So if you
25 would help maybe clarify what that means?

1 MR. STOKES: Sure. I think it's a great
2 question. And as I said earlier, there are dozens of
3 E-learnings. The statistics that I mentioned that
4 Eduventures tracks refer to fully online certificate
5 and degree programs. So these are students who never
6 enter a classroom, and there are 1.2 million of
7 those, again 17 percent of 17 million, fairly small
8 portion and yet a growing, a rapidly growing portion
9 of the higher education community.

10 The second type of E-learning that I
11 referenced in my comments had to do with taking a
12 course online. Now more frequently those courses are
13 taken by students who are, in fact, on campus. And
14 for one reason or another, they may be residents or
15 they may be local residents to the institution, it's
16 advantageous to them to take a course online, or they
17 want to experiment and find out more about it.

18 There are many other types of E-learning.
19 In a corporate environment, you may have a training
20 experience with no credential associated with it, no
21 certificate, no certification, no degree. But you
22 want to deliver uniform training to a distributed
23 group of individuals. And the value of E-learning is
24 that you can do that. And many transportation
25 companies, for example, value E-learning for that

1 purpose. You have a distributed network of employees
2 and you need them all to experience the same uniform
3 kind of education.

4 There are cohort online courses where you
5 are in a pool of, let's say, 12 students and you're
6 in a six-week course. You have deliverables due each
7 week, and yet all the conversation is happening
8 asynchronously. There is no classroom meeting.

9 There are other forms of online learning
10 where you do, in fact, have live classroom meetings
11 mixed with some of that asynchronous activity.

12 At Harvard University what online learning
13 means is the online access to classroom-based
14 instruction. You can take virtually any Harvard
15 course online now at a distance. But you are doing
16 it through a computer mediated environment, and you
17 are participating in a class that's actually
18 happening live somewhere in a classroom.

19 And then there is the self-paced. You have
20 an unlimited amount of time to run through this CD
21 and complete the requirements. There may be some
22 remediation, some quizzes, and so forth. And at the
23 end of it if you complete it and get a positive
24 score, you're done. It doesn't matter if it takes
25 you weeks or months. No one's watching you; no one's

1 there to interact with you.

2 So those are some of the different
3 varieties.

4 MR. STEPHENS: So what I think I heard were
5 seven different types of online training. It is not
6 clear to me, to be honest, which ones have an
7 instructor, which ones are distance learning, and all
8 those elements. So at this point as we think about
9 online learning, we've got to really spend some time
10 understanding what we really mean.

11 MR. STOKES: I think a taxonomy with
12 definition would be valuable.

13 CHAIRMAN MILLER: Thank you.
14 Chuck.

15 MR. VEST: I think this last set of
16 comments by Peter was extraordinarily helpful and cut
17 out part of my own question. But as I listen to you
18 being quite critical of the university community in
19 this regard, you also pointed out that this is not
20 necessarily a high efficiency activity, talked about
21 15 students and a whole lot of time. There were a
22 couple of comments about the desire company-by-
23 company to ask for tailored education, all of which I
24 agree with.

25 My own view -- and your last point really

1 made it quite clear -- is that these things are so
2 much in their infancy right now that we need lots of
3 experiments, lots of models. And we should not too
4 quickly hone in on what is the right 1, 2, or 3
5 things.

6 But my question, Peter, is I think you've
7 got lots of legitimate reasons for being critical of
8 traditional colleges and universities and their
9 attitude toward E-learning and distance education.
10 MIT took a somewhat different route and decided what
11 we were going to do is put all our teaching materials
12 out there.

13 But the real question is are the
14 traditional colleges and universities necessarily the
15 right providers for the new world of electronic
16 education. I think it's here. It's coming. It's
17 going to be important.

18 But it's frankly not clear to me that we
19 should try to change the traditional providers to be
20 the primary providers of this. Maybe it's a
21 different segment, like Jonathan and so forth should
22 be doing.

23 What's your broad view on this?

24 MR. STOKES: Well, I think it's absolutely
25 correct to say that there are many forms of learning.

1 And what I try to suggest is that we need to take a
2 much closer look at that 17 million students and
3 segment them --

4 MR. VEST: I agree.

5 MR. STOKES: -- and understand their needs
6 in a more detailed fashion. Likewise, once we've
7 accomplished that, then we can have a Commission
8 where we talk about the needs of institutions, in my
9 view. And there we need to start segmenting the
10 institutions.

11 There's all kind of coverage in the trade
12 press these days about universities that are deleting
13 their Liberal Arts programs. And I have a brother
14 who's a Dean of Faculty at a private institution in
15 Cambridge, Massachusetts, who sent me this article
16 from Higher Education last week. He thinks I'm on
17 the other side of the fence. And so you see what's
18 happening.

19 By the way, I'm a Ph.D. in literature. And
20 in my view we don't need 4,000 universities teaching
21 Composition 101 nor Economics 101.

22 Geography is no longer the chief constraint
23 to the delivery of education. And what needs to
24 happen is that these organizations need to behave
25 more intelligently. MIT is not going to behave like

1 all of the other 180 schools within a 50-mile radius
2 of Boston. MIT is a special institution, so is
3 Harvard, so is BU, etcetera, etcetera. But there are
4 many, many, many other institutions that can have a
5 different mission and serve a different function.

6 So it's quite possible, yes, that certain
7 types of institutions will play a particular kind of
8 role in delivering electronic education. It's also
9 already true that much online learning is delivered
10 by commercial training providers.

11 CHAIRMAN MILLER: Thanks.

12 Any other really urgent?

13 MR. WARD: Yeah, thanks.

14 I think if we were to tie all three
15 comments together the most interesting thing is the
16 unit of measurement. That what we measure in some
17 census gives us different outcomes. It could be the
18 student, the institution, or the state or the nation.

19

20 And I think there is a sort of challenge in
21 that this sort of strength of American K-12, to the
22 degree they exist, and American higher education, as
23 distinct from Japan or Europe, has been its highly
24 decentralized manifestation -- the school boards,
25 local control, in the case of the U.S. institutional

1 independence to a greater degree than perhaps
2 elsewhere. So therefore, the institutions and places
3 have become the focus of what we look at.

4 And here we're obligated to think about a
5 national strategy, and a national strategy in a
6 highly decentralized system as itself becomes an
7 extremely difficult thing. And so we have to kind of
8 trade off a little bit this sort of strength of local
9 option, this strength of institutional independence,
10 with the idea that in the 21st century those very
11 strengths may have limitations and that they may have
12 to be thought of as more related and therefore the
13 collaborative capacity of institutions and the
14 mission specificity of institutions will become more
15 important.

16 But I do think that it's interesting that
17 when you travel the world as I do with respect to
18 institutional evaluation, everybody is looking at the
19 top 500 universities in the world usually based on
20 some sort of research measure or PhD production, and
21 the U.S. clearly currently dominates. And that's all
22 they're looking at.

23 But if we, as we saw from the data in here,
24 if we look at the total effect in terms of an
25 educated population, we're clearly very average. And

1 that's now slowly becoming to be an awareness in
2 Japan, in Europe, and elsewhere because clearly they
3 could well compete with us in terms of outstanding
4 comprehensive research universities. But in doing so
5 they may lose that capacity to create a threshold
6 minimum standard for a large segment of their
7 population.

8 So I think there's a trade off between the
9 21st century demanding not just excellence
10 institutionally built but a population that is
11 broadly prepared to compete in the next 50 years.
12 This is a national agenda, and no one institution can
13 in a sense meet that need. So what we need is how
14 can we express that so that that can be a kind of
15 jigsaw puzzle or a mosaic of purpose that you can see
16 your place in the system even if you're very
17 specialized.

18 So adult learning may not be part of the
19 traditional university function. But we will be
20 comfortable in it being done by others and,
21 therefore, perhaps being more sensitive to the
22 transfer issue. But it is going to be a bigger
23 challenge than a nation state that's more homogenous
24 now and that which has a long tradition of highly
25 uniform and highly centralized sanctions and

1 incentives for higher education.

2 MR. CALLAN: Could I respond to that
3 quickly?

4 CHAIRMAN MILLER: Sure.

5 MR. CALLAN: It's not really a question,
6 but to the cut I would take just a piece of what
7 David said. And I think it comes out of our data and
8 some of the other things you've heard quite clearly,
9 including, Charles, your opening remarks today.

10 But even the harshest critics of American
11 higher education start the sentence with, of course,
12 we're the best in the world, but... And I think what
13 that refers to justifiably is we have a
14 disproportionate share, by any conventional measure
15 you want to use, of the best kinds of colleges and
16 universities of each type in the world.

17 And yet as David and others point out,
18 we're falling behind the world, much of the world, in
19 the educational -- higher education attainment of our
20 population. And we need to keep --

21 CHAIRMAN MILLER: What that is, what got us
22 to that standard --

23 MR. CALLAN: I'm not arguing with that. We
24 need to keep those two issues separate.

25 CHAIRMAN MILLER: I just want to --

1 MR. CALLAN: Yeah, it's not the same.

2 CHAIRMAN MILLER: We were before any
3 country in the world more advanced and more
4 participation at a higher level by far than anybody,
5 particularly after World War II.

6 MR. CALLAN: Yes.

7 CHAIRMAN MILLER: Because we expanded and
8 other countries were rebuilding. So we had that -- I
9 believe a lot of America takes their view of what's
10 the best of the world from that part of it, not from
11 the research part. While the trade does take the
12 research part as the higher value, the rest of the
13 country takes the teaching and learning part. And
14 they always have felt we've been better educated more
15 of us, higher participation rate.

16 What we're hearing is that competitive
17 position is somewhat under --

18 MR. CALLAN: My only point is that both of
19 those are valid positions. It's just that we
20 shouldn't confuse those two issues.

21 CHAIRMAN MILLER: I'm not debating that.
22 Right. I just wanted to add that because, when we
23 tell the public or policy makers about who the best
24 in the world would be, they always think of teaching
25 and learning as well research. When they get to the

1 nitty gritty, research is part of it.

2 If we have limited resources and if we have
3 institutions which are not as efficiently operating
4 as they could, when those resources begin to be
5 allocated, the threat would be to those quality
6 research institutions that they might not be able to
7 stand first in line or get what they need. They may
8 have a risk of declining in quality if we don't
9 adjust to the other needs of society.

10 That's one of the critical policy questions
11 that we haven't addressed yet.

12 But let's finish with this.

13 MR. STOKES: In other contexts, I would
14 introduce myself as an industry analyst. And if I
15 were to look at higher education as an industry in
16 the U.S., I would say that it is a mature industry
17 that is not paying attention to the disruptive
18 elements in the marketplace.

19 CHAIRMAN MILLER: That's where I was trying
20 to get. We have to really -- and I think David
21 touched on it. But we have --

22 MR. STOKES: And I think that to David's
23 point, I don't see that it needs to be either/or. I
24 think it can be both/and.

25 And I think Richard Vedder makes the point

1 in the materials that he circulated prior to the
2 meeting that the increases in funding that
3 universities receive do not lead to an investment in
4 providing greater access. It creates a maintenance
5 of the status quo.

6 CHAIRMAN MILLER: Let's see if anybody has
7 -- please.

8 MS. NUNLEY: I want to ask a little
9 different question of Pat, if he knows this.

10 The declining grades and affordability, how
11 much of that would you say comes from rising tuition
12 and how much of it comes from financial aid policies
13 that are less need-based perhaps? Does your data
14 speak to that?

15 MR. CALLAN: I would say the principal
16 driver is rising -- is tuition going up faster than
17 family income. It's just that simple. But I think
18 that's compounded by the fact where if you actually
19 look at our aggregate investment in student aid in
20 this country, it's increased enormously in the past
21 25 years.

22 But it's much less focused on the access
23 part of the equation. It's much less focused on
24 students for whom it will make the decision about
25 whether to go to college or where they go to college.

1 And that's whether you're talking about the federal
2 government with tax credits, whether you're talking
3 about the state government with merit aid programs,
4 or college and universities increasingly using this
5 money for "enrollment management" to get people to
6 come to my place instead of yours if we both made
7 them an offer.

8 So, for instance, at the state level we've
9 gone from 92 percent of the financial aid means
10 tested to 78 percent in the past 15 years. So with
11 both problems, it exists.

12 On the other hand -- and I'm not a advocate
13 of any price control scheme I've ever seen. The fact
14 of the matter is, this huge investment we have made
15 in financial aid results in -- seems to have resulted
16 in--a system in which financial aid covers a smaller
17 portion of the cost of tuition or the cost of going
18 to college than it did 30 years ago. So we're kind
19 of on a treadmill.

20 I mean, if you look at Pell grants, they've
21 increased from what(?) three or billion in the early
22 `80s to where are we(?) 14 or 15 now, something like
23 that. And yet we've gone from covering 78 percent of
24 the cost of college or something like that to 52
25 percent for on the average. And so we're kind of on

1 a treadmill if we try to solve this problem with one
2 solution alone, which is just more aid.

3 But we have certainly hurt ourselves on the
4 access front by diverting so much of the resources
5 away from the access problem. And we've always
6 subsidized more than just the poorest in our society,
7 and we've always subsidized choice. And we've
8 believed that no one should have to make heroic
9 sacrifices, including middle income people that go to
10 college.

11 But the equation is so tilted towards the
12 new money going towards -- not going towards the
13 access part of the equation that I think we're not
14 getting -- we're spending a lot of money in ways that
15 don't necessarily contribute to the public need for
16 more people to get to college and complete.

17 CHAIRMAN MILLER: Thank you.

18 I'd like to call a time. I'm going to ask
19 one more question because the difficult part of this
20 question as addressed to us is that when we talk
21 about unit record or student records as either a
22 mathematician, statistician, or analyst, any hat that
23 we put on a forward part of a governance entity, I
24 can't imagine why we don't or can't have the
25 information for an individual student that needs to

1 be transferable through the whole system when we have
2 all that information in so many different places in
3 society.

4 I can't go into a mall without being
5 pictured. I virtually get fingerprinted if I use a
6 credit card. There's almost nothing I do that I
7 think isn't public. I wonder sometime, you know,
8 who's watching me. If I go on the Internet, I know
9 somebody --

10 MR. ZEMSKY: They're all watching you,
11 Charles.

12 CHAIRMAN MILLER: Well, they are. Right.
13 (Laughter)

14 So I don't understand what the issue is
15 about getting the simplest data we could get that
16 could be used very powerfully through the whole
17 system and one of the most important things we could
18 do as a Commission would be move that forward. But I
19 heard -- or if I understood what you said, that
20 that's not the popular idea.

21 And the reason I want to bring it up it's
22 probably the least sexiest thing we're going to talk
23 about, but in some ways the most powerful one, which
24 is the record for students in our higher Ed system.

25 MR. WHITEHURST: I think so. I mean some

1 of the issues -- the issue that has been the focus of
2 everyone's attention here which is E-learning.

3 CHAIRMAN MILLER: What?

4 MR. WHITEHURST: E-learning and the absence
5 of any data on the effectiveness on E-learning, for
6 example, could be addressed in part by a unit record
7 system that characterizes course work in terms of --

8 CHAIRMAN MILLER: So what was the problem
9 with it being considered?

10 MR. WHITEHURST: Well, the problem is the
11 privacy issue. And actually your preamble expresses
12 some of the concerns that people have. They don't
13 want to be watched. They don't want people
14 necessarily to know that they dropped out of a
15 particular college and started at another college.
16 So it's a general concern with the issue of privacy.

17 And I think it's a legitimate concern. But there
18 are always, I think, a necessary balance between the
19 public good and the privacy of individual
20 information.

21 And it is not me, as I'm not in a policy
22 making role here. It's the Commission's role to
23 articulate policy, and I'm hopeful that you will
24 articulate a policy on this.

25 CHAIRMAN MILLER: Well, thank you.

1 I've violated my own time table, so --

2 MR. VEST: I really want to second what
3 Charles has said, but my understanding, to be blunt,
4 is that there are both Congressional, legislative
5 attacks against maintaining this kind of data and
6 legal challenges to it claiming that it violates the
7 FERPA Act.

8 And the third point is -- and I see Nick
9 waving his head over here -- there is no technical
10 issue here. We know exactly how to protect privacy;
11 then do it.

12 But I would really, really like to believe
13 that this Commission should take a position on this.

14 CHAIRMAN MILLER: Thank you.

15 MR. DONOFRIO: We will do that and by the
16 way, in all candor, I don't know why you would ever
17 use a bar code. It just connotes the wrong thing.
18 You can get the information without this type of a
19 label. But we'll work on this issue because there
20 are many ways -- and maybe it's lack of understanding
21 on the part of everyone to be able to do this, to be
22 able to do this without traceability, you know, back
23 to the individual. And it's only the data that
24 you're looking for, and it's only the consistency
25 that you want in the end, not the individual.

1 CHAIRMAN MILLER: Well, the bar code was
2 sort of a second rate answer to the problem of
3 getting the data, right? I mean it wouldn't --

4 MR. WHITEHURST: Well, it was a response to
5 initial --

6 CHAIRMAN MILLER: I take it back. It was
7 an alternative.

8 MR. WHITEHURST: Sure it was a response to
9 initial Congressional concerns about using the social
10 security number. And so how could one come up with
11 an alternative?

12 CHAIRMAN MILLER: There are other ways.

13 MR. WHITEHURST: And there are other ways
14 to do it.

15 CHAIRMAN MILLER: Right.

16 MR. DONOFRIO: Thank you.

17 CHAIRMAN MILLER: Thank you. I appreciate
18 it.

19 We're going to substitute your positions
20 there, if you don't mind. We'll excuse you and we
21 thank you deeply. We're going to keep you engaged.
22 We very much need your help. We'd like to have
23 access to ideas that come from what you've already
24 presented. Thank you very much.

25 We're not going to take an official break.

1 We have an engrossing set of people. We know nobody
2 needs to take a break. We're anxious to hear the
3 next panel.

4 But if anybody individually needs to get
5 up, we can --

6 **SESSION 2 - ACCOUNTABILITY**

7 CHAIRMAN MILLER: I've allowed the session
8 to get further down the line in time than I'd like.
9 I want to make sure we get all the Panel's full
10 attention and we have a very important one coming up
11 after this one. So I'll ask -- it's my
12 responsibility, but I'll ask us to try to stay on
13 time.

14 With that introduction, I just want to say
15 on accountability we didn't form a Task Force for a
16 variety of reasons. One reason is it's an intense,
17 emotional question in some regards, makes the Academy
18 sensitive. We want to do that the right way. That's
19 the discussion of how we're doing and what are we
20 going to do about it, consequences, and I think that
21 it's a very important part of the work we're going to
22 do.

23 And we have some things going on
24 concurrently or contemporaneously that are so much
25 different than what was happening a year, two or

1 three or four years, particularly in things like
2 student learning. I thought it would be better to go
3 directly to the people doing it and the experts. And
4 we'll do more of that as we go along.

5 And you're beginning to see some things in
6 writing that I believe will be virtually state of the
7 art as far as statement of the reality and the needs
8 and the like. And then we can come back as a full
9 Commission and work on the topic as we go forward.

10 So with that preamble, we have three sets
11 of people on accountability. One with the national
12 view, looking down to the states, Pat Callan. Paul
13 Lingenfelter, who heads up the group of State Chief
14 Executive Officers, who have already done a marvelous
15 job on looking at the issue of accountability with
16 another Commission. And Geri Malandra, who at the UT
17 system and before that at Minnesota and other places,
18 has done things on the ground at the institutions
19 with a model that's very broad and applicable. So I
20 think we'll see it from three different perspectives
21 today.

22 Please.

23 MR. LINGENFELTER: Thank you, Mr. Chairman,
24 members of the Commission.

25 I'm Paul Lingenfelter, the President of the

1 State Higher Education Executive Officers, and along
2 with my colleagues, I'm delighted to have a chance to
3 be part of your deliberations.

4 You have my written testimony. I'm going
5 to try not to read it, to simply to say it briefly.
6 Some of the observations I've made, others have made
7 before me. And I will put my marker in the sand that
8 I see that same issue without taking your time to
9 elaborate.

10 I want to do three things. First, I want
11 to make some general observations about the situation
12 of higher education.

13 Second, I want to outline and summarize the
14 report of the National Commission on Accountability
15 in Higher Education, which you organized this past
16 year. That Commission was co-chaired by former
17 Governor Frank Keating from Oklahoma and former
18 Secretary of Education and Governor Dick Riley from
19 South Carolina.

20 And third, I want to make just a few
21 comments about money. That seems to be connected to
22 accountability and also to the problems we face, and
23 I want to share just a little data from this to a
24 state perspective.

25 First, the observations, and I want to do

1 this briefly. About two weeks ago I heard John Glenn
2 make a talk. He's 84 years old now, and beyond some
3 great jokes about being older which I won't try to
4 repeat, he observed that really the prosperity and
5 the social cohesion of this country came from three
6 things following World War II.

7 One is we made a significant investment in
8 research and development. Two is we made a
9 significant investment in creating a widely skilled
10 and knowledgeable workforce through the GI Bill,
11 through the nation's response to Sputnik, and through
12 the Higher Education Act.

13 And as I thought about it, I think that
14 those two things, combined with having a market-based
15 economy that's governed by fair and transparent
16 rules, is really a formula, a recipe, for social and
17 economic progress. And the remarkable thing is today
18 that's the worldwide recipe.

19 We no longer have the Soviet Union and
20 China trying to have topped down economies. Places
21 like India are making huge investments in education.

22 And the whole world is really adopting the recipe
23 for social and economic progress that served us so
24 well for the last 50 years.

25 As Tom Friedman observed in *The World Is*

1 Flat, our competitive advantage is gone. Capital and
2 jobs are flowing all over the world.

3 Just this last year in July, Jeff Coleman
4 had a terrific article in Fortune magazine with the
5 title, "Can Americans Compete?" And there's just a
6 quote from here. He said, "American workers are
7 enormously more expensive than workers anywhere else
8 in the world. And the question is how can they be
9 worth what they cost."

10 And my answer to that question is we have
11 to have the best educated workers in the world.

12 We're losing ground. Others have given you
13 numbers on that. In addition to losing ground to the
14 developed economies of the world or the prosperous
15 but not quite up to our level developing economies,
16 China and India are making huge strides. Last year
17 they had over three billion -- I'm sorry -- three
18 million college graduates. We had 1.3 million. They
19 educated three to six times more engineers than we
20 did, and in India they all speak English.

21 And I just noticed that Microsoft is
22 investing about a billion dollars in India. I think
23 that's really a good investment because there's a lot
24 of human potential that's going to be developed and
25 it's going to make enormous contributions in these

1 countries.

2 The next observation is our population is
3 aging. The next 10 or 15 years, every year we're
4 going to add 1.5 million people to our population in
5 my age group, 55 and older. During the same period
6 of time, we're going to add about a half a million
7 people every year that are going to school, sort of
8 from age zero to 24. And the prime working year
9 workforce's population is going to be essentially
10 flat. And so these are the people that without any
11 real population growth that are going to determine
12 the economic prosperity of the nation.

13 In the context of all this, virtually every
14 state now is facing a structural deficit. The
15 reasons for this are driven in part by the
16 demographics of aging population, higher health care
17 costs, combined with the population that needs to be
18 educated.

19 Other factors are that the economy is
20 changing in ways that our tax systems don't fit very
21 well. I was stunned when I saw the numbers. In the
22 '50s, 35 percent of sales were for services, and 65
23 percent of sales were for goods. So we taxed goods.

24 Today 60 percent of sales are services, and they are
25 lightly taxed. We have all kinds of revenue issues

1 that we have to deal with in government.

2 The next observation I would like to make
3 is that student aid really matters. This is a chart
4 that the audience may have seen. So, I'm just going
5 to summarize it for you quickly. It's in the
6 Briefing Book, I trust.

7 If you're high socio-economic status,
8 you're guaranteed virtually to go to college no
9 matter what your level of academic preparation or
10 ability.

11 If you're in the top quartile of academic
12 ability, high socio-economic status, 97, 98 percent
13 participation rate in higher education within two
14 years of high school.

15 If you're in the bottom quartile of
16 academic ability but you have high SCS, you know you
17 need to go to college. Seventy-seven percent of
18 those students enroll in postsecondary education
19 within two years of high school.

20 But if you're in the lowest quartile of
21 SCS, the participation rate is much lower. Seventy-
22 eight percent of the best prepared students who are
23 low SCS students enroll within two years. And only
24 36 percent of the lowest, lowest prepared students
25 enroll within two years.

1 If we ever get the idea that student aid
2 doesn't matter in terms of widespread successful
3 participation in higher education, I think these
4 numbers just have to be confronted. And this is one
5 of the biggest issues we're going to have to deal
6 with as we go down the line.

7 CHAIRMAN MILLER: Paul, if you'll please
8 excuse me, I've got us to a place where I've
9 shortened the time.

10 Can we accept some of those pre-conditions
11 which you have very well outlined here?

12 MR. LINGENFELTER: Yes.

13 CHAIRMAN MILLER: And ask what you start as
14 why better accountability and what it would look
15 like.

16 MR. LINGENFELTER: I'll go right there.

17 CHAIRMAN MILLER: Excuse me for doing that
18 because we need that data, but it would be -- you did
19 a marvelous job with that Accountability Commission
20 and we'd like to hear primarily on that topic if you
21 would.

22 MR. LINGENFELTER: Super. I apologize for
23 not being as brief as I intended.

24 CHAIRMAN MILLER: No, no, it's my
25 responsibility, not yours.

1 MR. LINGENFELTER: Okay.

2 CHAIRMAN MILLER: Thank you.

3 MR. LINGENFELTER: Turning to the Report of
4 the Accountability Commission, first premise is we
5 need to change, which we're doing. Our performance
6 is not acceptable. We have to disturb the status
7 quo.

8 Second, we made the observation that the
9 current accountability practices frequently reflect
10 worry, frustration, pique, aggravation a lot more
11 than a confident strategy, well-defined strategy to
12 improve performance. We really need to change our
13 perspective on accountability to focus on improving
14 performance rather than measuring it, rewarding it,
15 or punishing the lack of it.

16 The Report, which you have in detail -- and
17 I think there's a few copies available for those in
18 the audience that haven't seen it -- basically
19 outlines some premises for effective accountability.

20 The first is a sound bite. The organizing
21 principle has to be pride, not fear. I think it's a
22 real mistake to think that we can improve the
23 productivity and quality of higher education without
24 the willing consent and enthusiastic collaboration of
25 the workers involved. Accountability has got to be a

1 tool for self-discipline. It has to be based on a
2 common vision.

3 Second principle is that it needs to be
4 decentralized in most important respects. I think
5 part of the genius of the American system of higher
6 education has been the freedom for innovation and
7 diversity. And the fact is that educating our
8 population to a higher level is going to require a
9 lot of ingenuity, and it's going to require a lot of
10 creativity. These are things that we don't know how
11 to do now, quite frankly. And the worst thing we
12 could do to get better results is create a top-down
13 highly centralized system.

14 At the same time accountability has got to
15 be collaborative. It has to be organized around
16 common purposes and it also has to measure results.
17 It can't be vague and ambiguous about what
18 performance really is. And at every level of the
19 system at the right level of detail, we have to be
20 focused on a few objectives that really matter and
21 measure results and try to improve performance.

22 The Committee Report outlines
23 responsibilities for the federal government, for
24 state governments, for institutions, and for
25 accreditation agencies in line with those principles.

1 It encouraged the federal government to focus
2 attention and sufficient resources on access to
3 opportunity to stick to the knitting on research and
4 development, emphasizing quality and strategic
5 priorities, and to develop and support data systems
6 that would be useful at every level of the higher
7 education system in improving performance.

8 Our Commission recommended the adoption of
9 the Federal Unit Record System because we believe, in
10 the long run, it's both the only effective solution,
11 and it frankly will be more efficient than the
12 hodgepodge system we have now. And we believe the
13 privacy issues are certainly manageable.

14 For states, we encourage them to set broad,
15 clear goals and just a few, focusing on issues like
16 preparation, participation, completion. The kind of
17 thing that Pat has encouraged us to focus on.
18 Encourage the states to stay focused on a policy
19 agenda, stay out of institutional operations. The
20 kind of micro-management that in some states has been
21 an issue actually degrades the productivity and
22 effectiveness of higher education. We encourage
23 states to measure results on state priorities and to
24 measure student learning while avoiding the trap of
25 trying to hold institutions accountable for student

1 learning.

2 And why is that a trap? It's a trap
3 because the best way to control student outputs is
4 control student inputs. And we know in higher
5 education right now there are all kinds of incentives
6 to exclude students that are harder to educate, that
7 have issues that need to be worked through. And to
8 use student learning as a means of institutional
9 accountability is more likely to be counter
10 productive. At the same time we've got to hold
11 institutions accountable for holding themselves
12 accountable for student learning.

13 And I'll say more about that in a minute.

14 And finally state responsibility, provide
15 the necessary resources both for institutional
16 operations and student financial aid. The Commission
17 said institutions should be responsible for improving
18 teaching and learning by establishing clear goals,
19 measuring the results, and disclosing those results.

20 They also need to pay attention to access to
21 opportunity in their tuition and financial aid
22 policies.

23 I think enrollment management has frankly
24 turned out to be an albatross around the necks of
25 institutions that are practicing it most

1 aggressively. Hence, an issue we somehow have to
2 face in higher education.

3 Institutions also need to pay attention to
4 research quality. One of the ways we think they can
5 do that is by paying attention to what Ernie Boyer
6 suggested is a broader conceptualization of research
7 so that we use scholarly talent to focus on issues of
8 pedagogy on the application of knowledge to important
9 problems and the integration of knowledge, as well as
10 the discovery of knowledge.

11 One of my favorite lines is there is a lot
12 of mediocre research in higher education, and if you
13 don't believe that, ask the faculty what they think
14 about the work of their colleagues. (Laughter)

15 Finally, we encourage institutions to pay
16 attention to productivity. There's no way that we
17 can increase successful participation in higher
18 education without becoming more productive.

19 And I'll say a few more words about that in
20 my comments about money, if I may.

21 Moving right along, I'm going to skip over
22 accreditation. You can read that.

23 As I thought about these issues, I think
24 there are three wrong ideas about money that are
25 causing a lot of dysfunction in higher education.

1 The first wrong idea is that there is a right amount.

2 We spend a lot of time arguing about funding
3 formulas and other things to come up with just what
4 the right amount of money is to satisfy the needs of
5 higher education. It's a negotiation; there's no
6 right amount.

7 The second wrong idea is the only way you
8 can get better results is spend more money.

9 And the third wrong idea is that we can get
10 the kind of higher levels of educational achievement
11 we need in this country without spending more money.

12

13 I think there are three right questions
14 that parallel those ideas. The first right question
15 is what do we need from higher education. And I
16 think, Mr. Miller, you focused on that very well at
17 the beginning.

18 The second right question is what can we do
19 better with the money we now have. There is no way
20 we'll ever have incremental resources under any
21 imaginable scenario to make all these challenges
22 easy. We have to re-engineer; we have to redevelop;
23 we have to think more creatively about how we do our
24 work.

25 And the third right question is where can

1 additional investment be of the biggest payoff?
2 Where do we need to put that money? And I think, as
3 we think about all these issues, student assistance
4 combined with incentives for hard work and adequate
5 preparation are important.

6 I'd like to turn quickly to a brief review
7 of what's going on in state support for higher
8 education. Generally over the last 30 years, state
9 support for higher education has kept pace with
10 enrollment, growth, and inflation but not without
11 dramatic periods of decline and recovery. This is a
12 picture of what we see. Whenever there's a recession
13 in this country, two things happen. Enrollments go
14 up in higher education and state support is
15 stabilized or goes down. And that on a per student
16 basis means that you lose serious ground.

17 In the last four years, actually from 2001
18 to 2004, because it takes a little while to get the
19 data, we had particularly dramatic cases of this
20 pattern. For three years states -- or four years--
21 state support was essentially flat at 70 billion
22 dollars. Inflation went up 10 percent; enrollments
23 went up 12 percent. And the way higher education
24 dealt with that in that four-year period was to
25 increase net tuition in real dollars using higher

1 education cost adjustment by 11 percent.

2 And the effect of that can be seen on this
3 chart which you have. Essentially from 1991 to the
4 present, controlling for inflation and enrollment
5 growth, total spending in higher education has not
6 varied an enormous amount. It's sort of oscillated
7 around the line of about \$9,000 a student.

8 What has happened though is tuition has
9 increased in real dollars from about less than \$3,000
10 to about \$3,600. I can't read the numbers on this
11 chart very well. But we've basically shifted the
12 burden more to students and their families while
13 we've failed to keep pace during some of these tough
14 years with enrollment growth and inflation.

15 The other point I want to make is that the
16 variation among states is just enormous and there is
17 almost no state that actually follows this national
18 pattern. There are some states that have done pretty
19 well and there are some states that have had terrific
20 problems, enormous problems in terms of state support
21 for higher education and real declines in resources.

22 There's no state, however, though that is beyond
23 having, I think, a really serious discussion about
24 the issues, the three questions that I outlined.

25 Why do prices and cost keep rising? In my

1 written testimony I suggest five reasons. One is
2 competing for students by enhancing quality and
3 amenities. That's certainly a good part of it.
4 Competing for faculty. Tuition discounting is part
5 of it. Program proliferation is another part of
6 admission creep. There's an awful lot of
7 institutions that want to have doctoral programs.
8 And technology costs; it does cost something to keep
9 pace. It costs something to develop online learning.
10 And some of these issues are driving it.

11 I think the higher education cost spiral
12 was clearly unsustainable. There's some micro
13 interventions that I think that are sort of at the
14 level of individual students and courses. The most
15 powerful of those will be to improve student
16 preparation by working more effectively with K-12
17 education.

18 Also powerful, but I don't think the
19 savings are going to be enormous, is utilizing
20 technology more effectively to improve instruction
21 and to standardize what can be standardized and to
22 supplement that with more costly high-labor intensive
23 stuff. And then there are lots of little savings.

24 I think the macro interventions that will
25 make a difference is developing more coherent

1 curricula in higher education. I think the non-for-
2 profit sector has something to learn for the for-
3 profit sector in terms of the discipline of
4 curricular design and course delivery. There's a
5 downside to a standardization, but I'm convinced
6 there's a middle ground there that will really pay
7 off.

8 And finally, we have to be serious about
9 reallocating resources from lower to higher
10 priorities. Every institution can't follow every
11 mission.

12 Finally, I wanted to just give you three
13 documents. I understand you already have this, which
14 is the Report of the National Commission. This
15 Executive Summary from State Higher Education Finance
16 2004, which we developed and you've seen, will give
17 you a sense of some variability among states.

18 And finally going through my files I found
19 this little piece of paper. And the summer of 2000,
20 members of my association got together and defined a
21 national agenda for higher education and made some
22 observations about the Higher Education Act.

23 And as I looked at this on one piece of
24 paper, it said about everything I've said today.
25 These are not new ideas. I think we need to keep

1 saying them. I'm glad you're going to say some of
2 them and add a little bit to it. But I thought you
3 might find it useful. And it's not a very slick
4 document; our budget was kind of small. But I think
5 the words are good and I hope it's helpful to you.

6 Thank you very much.

7 CHAIRMAN MILLER: Thank you.

8 I want to just comment. Your work is very
9 important and I believe that report from the
10 Commission on Accountability should be read by every
11 member of the Commission. I'd please ask you to do
12 that. It's one of the best presentations of the
13 issues that anybody's put together. And I thank you
14 for the work.

15 We're going to have to integrate the work
16 we're doing with what's happening at the state level.

17 We've already been in touch with people with state
18 legislative associations and the like, and we need to
19 connect with what they're doing. It is a federalist,
20 not a federal, but a federalist system. So we're
21 aware of that, and we intend to be in direct contact
22 on a continual basis with you.

23 MR. LINGENFELTER: Thank you very much.

24 CHAIRMAN MILLER: I just wanted to say that
25 publicly.

1 Please, Pat.

2 Thanks, Charles.

3 MR. CALLAN: I'd like to just start by
4 reinforcing what Charles just said. I hope all of
5 you read that report. I think that Paul and
6 Governors Keating and Riley and their Commission
7 really got it about right. And it's a little kinder
8 and gentler approach than I probably would favor.
9 But the conceptual framework, I think, is right on
10 the mark.

11 MR. LINGENFELTER: Diversity is important,
12 Pat.

13 MR. CALLAN: That's right. Takes all
14 kinds.

15 So anyway what I'm going to do today,
16 accountability is obviously about much more than
17 student learning. But I think you've got -- public
18 accountability is -- but I think you've got a sense
19 of the things that we think from the earlier
20 presentation I made -- the kinds of things that ought
21 to be part of an accountability framework. And on
22 that we're very close to the SHEEO Report.

23 That is, I think, one of the important
24 things the SHEEO Report said was that more
25 accountability isn't necessarily better. In fact,

1 it's quite a bit worse. We have complicated these
2 things, these accountability mechanisms. They're full
3 of procedural controls and micro-management, as Paul
4 said.

5 And my sense is that the first single most
6 important thing about accountability is it ought to
7 be about the things that really matter to the public,
8 not about the management, the internal management of
9 institutions. There may be other ways of getting at
10 that.

11 And so if you start out with the notion
12 that the states and the country have a set of
13 problems -- and putting the research issues aside for
14 a moment -- around preparation, participation,
15 completion, affordability, etcetera, then that's what
16 I would suggest each institution in a state owns a
17 piece of that, at least each public institution does.

18
19 And states need to start out -- this is
20 very fundamental to our way of thinking about this --
21 the states need to start out with some sense of what
22 their own priorities are and what the public purposes
23 are. And simply trying--starting with the
24 institution as the unit of analysis--simply gets you
25 looking over the institution's shoulder. But for

1 what purpose?

2 So there's a lot more people in this
3 country worried about their kid or their grandkid
4 getting into college than they are about whether the
5 colleges are being managed just exactly the way we
6 would like. But there's a lot of concern about
7 whether we're getting people prepared into college,
8 through college, and keeping it affordable.

9 And so as I've mentioned in my earlier
10 remarks, in the development of the Higher Education
11 Report Card when we came to the question of higher
12 education's most important outcome and looked around
13 for all the information we could find about student
14 learning and found that really we could not give
15 states -- give them the same kind of read-back on
16 student learning that we could on those other things:
17 preparation, participation. We couldn't tell them
18 how they stood in relation to anyone else because
19 there was no information.

20 So to make a long story short, we put that
21 incomplete with a big question mark on each state.
22 And we didn't -- it was kind of interesting to me.
23 Because as I went around the country testifying
24 before numerous legislative committees and Blue
25 Ribbon Commissions and state higher education boards

1 and commissions, I tended to say less about that
2 issue than anything else.

3 Why? Because we had had less to say about
4 it. We didn't have any information.

5 But it was the issue that wouldn't go away.

6 People kept raising that issue -- So what about the
7 student learning issue? -- everywhere.

8 And we convened -- Governor Hunt convened;
9 Charles Miller participated -- four or five years ago
10 a kind of summit conference on so now what should we
11 do about this incomplete anyway. And we had five
12 governors and ex-governors, state legislators, higher
13 education leaders, people who had been trustees, like
14 Charles.

15 And the answer we got was basically to
16 pursue this aggressively. That it was not just
17 important -- it was not just one of the long things
18 on a list, but that it was very important to know
19 more than we know about, again, higher education's
20 most important outcome.

21 We got two other pieces of advice which we
22 took very seriously and you will see as I explain
23 that kind of -- this model of state level
24 accountability and student learning that we've
25 developed with five states.

1 The second one was to start with what
2 information was out there already, not to try to
3 invent the wheel from scratch if we didn't have to.
4 To look for what is known about the outcomes of
5 college, which turns out to be quite a bit more than
6 most people think, especially since the last couple
7 of decades have seen this huge shift away from the
8 liberal arts and into applied fields, which are
9 mostly licensed and what-not and most of those
10 licensures and certifications are done by national
11 assessments and what-not. So a fairly large part.

12 The third was to try to find some
13 volunteers to see if we could make this work and not
14 to go to the federal government and try to mandate
15 something out of the fear that it was better to have
16 five or six states try to prove this could work than
17 have 50 try to prove that it wouldn't because it had
18 been mandated.

19 And so with the help of the Pugh Charitable
20 Trust, we worked with -- this could not have been
21 done, by the way, without the full cooperation of the
22 higher education leadership as well as the state
23 leadership in each of these states because of the
24 nature of the work. And we worked with South
25 Carolina, Illinois, Oklahoma, Kentucky, and Nevada

1 and tried to develop a model which starts to say,
2 "What's the most important question? Why are the
3 states so worried about this anyway? It certainly
4 isn't because they don't think anyone's learning
5 anything out there. Why are they so worried about
6 that?"

7 Well, they're worried about it for all the
8 reasons we've been talking about all day, because the
9 question of what we call the educational capital.

10 Are they going to have the knowledge and
11 skills to be competitive and productive in the global
12 economy and to have some kind of vital civic life?
13 That's what they're really worried about. And in a
14 sense what we do in colleges and universities is a
15 means to that end.

16 And so one needs to start out by asking.
17 So this first question the states want to know what
18 is -- how do you assess that.

19 And then the second question is what is the
20 contribution of our colleges and universities to
21 developing that because most states want to have it
22 that way, but they also want to recruit other people.

23 And with a few exceptions like Colorado, most of the
24 states that are good at developing human talent are
25 also good at attracting it.

1 So we tried to develop -- so we developed
2 this model over a period of several years which
3 looked at basically those three questions. And they
4 were all questions -- two of the three categories
5 I'll describe to you could be raised at the state
6 level and can and were in some of these states
7 voluntarily taken down to the college and university
8 level. So it gave us -- for those states they had
9 more metrics.

10 The first question we asked was using the
11 National Assessment of Adult Literacy that Paul and
12 Russ Whitehurst both talked to you about, which was
13 not an institutional question, was about the literacy
14 level of the state population. So how is the state
15 as a whole doing in prose and document and
16 quantitative literacy?

17 This is the report that Russ said would be
18 out in a few days. And the Pugh Charitable Trust
19 paid for an over sample of college graduates in this
20 survey, and so we're going to have more information
21 about how college graduates -- when we know in the
22 last survey the answer was a lot of them did pretty
23 mediocre on what is not a high-end assessment. It's
24 a basic literacy test. And so this is also an
25 important question.

1 I don't know the extent to which it
2 impinges on your mission here. But as we've worked
3 around the country with states, the adult literacy
4 problem among young Americans is growing. It's a
5 ticking time bomb. It used to be we associated that
6 problem with the older population because we didn't
7 get more than half of the kids through high school
8 till about the middle of the twentieth century.

9 When we looked at, for instance,
10 Washington, one out of every five 18 to 24-year-old
11 approaching the prime work force age and clearly the
12 prime parenting, which this is an inter-generational
13 problem obviously when people can't read to their
14 kids, etcetera. So we thought adult literacy was an
15 important part of this, what we call educational
16 capital knowledge and skill question.

17 And each state looked at that. We don't
18 have state results from that, so we have to take this
19 national sample and do some kind of statistical
20 manipulation to try to give each state a read-back on
21 that.

22 The second question was about the colleges
23 and universities themselves, and that is how do they
24 do -- we called it read for advanced practice. Do
25 the tests and licensures tell us that the students in

1 the state are -- when we use the national test that
2 we can compare? And as I say, a good number of them
3 are national. So we looked at licensure.

4 We looked at competitive admissions to
5 colleges and universities that test -- various tests
6 that people take when they graduate from college to
7 go to graduate and professional schools.

8 And we looked at teacher preparation. I
9 think in the teacher preparation area, by the way, we
10 found something that gives a pretty good example of
11 why having this kind of information on a state-by-
12 state basis and being able to make comparisons is so
13 useful. Three of our states used the same national
14 test, which was the Praxis test.

15 And as some of you may know, the federal
16 requirements are that they have to report their cut-
17 off scores -- or they have to report the percent of
18 students that meet their requirements, but they don't
19 have to say what their cut-off score is.

20 So when we looked at the tests, we compared
21 the three states, which happened to be Kentucky,
22 South Carolina, and Nevada -- we compared their
23 reported state pass rate versus what it would be if
24 they used the cut-off point that the top states used,
25 the highest cut-off states in the country.

1 So for instance, on the subject knowledge
2 percentage of students passing, if you look at
3 Kentucky, they showed 81.3 percent passing with their
4 own cut-off point. But if you compared them to
5 Virginia, which I think was the highest, it would
6 have been 57.4, etcetera, etcetera. So there's a
7 certain -- if anyone doubts the value of comparative
8 information, this kind of thing, I think, can be
9 quite useful.

10 And then we did use two different
11 instruments and sampled a random sample. And as I
12 say, some institutions over sampled so they could get
13 this information themselves. We used Word Keys,
14 which is a two-year college instrument. And we used
15 the instrument that has been developed by the Council
16 for the Advancement of Learning that measures liberal
17 arts basic skills.

18 But both of them measured a person's
19 ability to apply the skill, not just the skills and
20 knowledge in the abstract. So you get a problem and
21 you have to quantitate every -- in the Word Keys it's
22 reading, applied math, locating information, and
23 business writing. And the four-year instrument we
24 used was problem solving and writing. And both of
25 these have been used voluntarily by large numbers of

1 colleges.

2 So we didn't have to argue about whether
3 these were the kinds of things that faculty would
4 agree with. For the most part they did.

5 So we were able to give each of these
6 states -- if you want, we can't give a grade because
7 we need 50 states to do that. But we were able to
8 give them assessments on these three areas:
9 basically literacy, whether a college graduates of
10 two- and four-year and certificate programs are ready
11 for advanced practice, and about performance of
12 college educated on these assessments that we gave
13 the people towards the end of their program,
14 finishing their program. And we could give them
15 comparisons to other states as well.

16 And you have -- I think, Geri, you sent the
17 report on this out. And if you want to look at the
18 individual state reports or your own state reports,
19 you're welcome to.

20 We think this is a work in progress, but I
21 think we've demonstrated two things in this. One is
22 that the notion that this can't be done or can't be
23 done without something very damaging, like some
24 dumbed-down standardized test that you pull off a
25 shelf and give to everybody, is not -- is, I think --

1 and it's also a fairly cost effective way to do this.

2

3 And so as we try to take the next steps,
4 we'd like to see more states do this voluntarily. We
5 won't have the foundation support any more to get
6 them to do it. But we think the model is attractive.

7 And as I say, we had the voluntary. It was the
8 educational leaders in these states that volunteered
9 for this program. They see this issue of
10 accountability coming. They're looking for ways to
11 do this that will not be terribly intrusive.

12 And more than anything else, I think, the
13 National Center's view with this and with all other
14 parts of our Report Card is the major purpose of all
15 this is improvement. And I think if we can improve
16 policy, as well as improve the operational part of
17 higher education by focusing some on higher
18 education's most important outcome, that would be a
19 good thing.

20 And finally, I think, given the data that's
21 emerging from the longitudinal studies that Russ was
22 talking about, that more and more students attend
23 multiple institutions. That there's this huge
24 students using -- well, especially the older
25 students, you know, taking one internet course, one

1 course here, their childcare, another where they
2 work, and another near their home and trying to put
3 these things together it will not be possible to
4 focus if our real interest is are we getting the
5 knowledge and skills in the population that we need
6 in the population at large in the state and country.

7 We're not going to be able to get the answer to that
8 question by focusing on just institutional
9 accountability.

10 So what I would argue for is not one or the
11 other, but that institutional accountability has to
12 be connected to some broader sense of public purpose
13 and that that can and should be done. And this is, I
14 think, a respectable first stab at it which we intend
15 to keep improving if we can and also enticing other
16 states to do it, so some day we'll be able to have a
17 50-state evaluation of the student learning as well
18 as of those other categories.

19 CHAIRMAN MILLER: Thank you, Pat.

20 That's one of the key recent examples of
21 that student learning issue that was -- that report
22 came out, I guess, since the Commission was formed.
23 Very timely at that timely basis. So we're talking
24 about one of the most current things in that area.
25 And I think that report has been distributed. I

1 commend you for that examination.

2 Geri.

3 MS. MALANDRA: Thanks. Am I close enough
4 to the mic here? Closer? Is this better? Thanks.

5 I'm going to shift the focus a bit and talk
6 from an institutional point of view, although we've
7 heard today that perhaps that's not the only point of
8 view that this Commission should be thinking about.
9 But I still think it's important.

10 I'm Geri Malandra. I am Associate Vice
11 Chancellor for Institutional Planning and
12 Accountability at the University of Texas System.
13 And I use that long title to underscore the point
14 that I'm probably one of the few people in the
15 country, if not the world, who has that -- dares to
16 have that--in their title. Needless to say, I think
17 it's an important topic.

18 And although eyes roll, or at this time of
19 day, eyelids might droop, it's something I do think
20 we should be talking about. It's not glamorous
21 necessarily or sexy, but it doesn't have to be
22 complicated or abstract. And Paul and Pat have
23 explained already how it's possible to overcome those
24 sorts of issues.

25 I'm a parent too. Our daughter is one of

1 those kids who started in one state, ended up in
2 another state, started in a private institution,
3 ended up in a public institution. She graduated
4 almost on time. She's in law school. We're happy.
5 It cost a lot of money. We all care about
6 accountability, I think, for personal as well as
7 professional reasons.

8 I want to talk about first three things:
9 what's the pressing need for accountability from an
10 institutional point of view, how we did it, and then
11 make a few concluding comments about what we can do
12 to improve our approach.

13 We have to have information in a useable
14 form for policy makers, for parents and students who
15 are asking, "Is this the right school for my student?
16 Are we getting what we paid for? Is our collective
17 investment, all those levels we talked about earlier
18 today, paying off?"

19 And I think we do need this information to
20 manage our institutions better, and that's maybe a
21 difference of opinion here.

22 It seems like this wouldn't be too
23 difficult, but there is more than facts and policy at
24 work here. We have to be aware of the psychology. A
25 lot of managers in higher education, I think, have a

1 reputation for being kind of abstract or obscure for
2 obfuscating, for confusing people, maybe even for
3 being arrogant.

4 Policy makers certainly often perceive us -
5 - I recognize this in Texas -- as being unwilling to
6 be clear. Perhaps this is why many academics like to
7 quote Yogi Berra. We may or may not be unclear on
8 purpose. But it is a fact that many academics think
9 of accountability as scary or just plain unpleasant
10 at the institutional level.

11 And it's kind of schizophrenic. Either
12 we're afraid that the information is going to be
13 used, and there will be a gauche effect,
14 misrepresentation, or frankly misuse, being exposed.

15 But they're also afraid that it won't be used, that
16 we've just wasted our time. So it's kind of a no-win
17 situation the way it's set up right now.

18 But we do need to know how well we're doing
19 and to think about the consequences. What happens if
20 we did well? Who actually cares? What happens if we
21 didn't do well? What are the consequences?

22 For a lot of members of the public, the
23 business community that we interact with in Texas,
24 policy makers, they perceive there's no bottom line.

25 We keep talking about needing additional resources.

1 But how are we documenting the return on that
2 investment? So for them the accountability ends just
3 don't seem to tied together yet. So there's a lot of
4 frustration.

5 And we just heard from Paul about the
6 National Commission on Accountability and the
7 recommendations for improving accountability at the
8 state and national level. Some people would say --
9 and Pat talked about this as well -- that we may be
10 overdosing on accountability at this point; that
11 there's too much.

12 But the information is highly fragmented.
13 There are absolutely mismatches at every level. The
14 information is not aligned with institutions or
15 policy makers or business focused goals and
16 priorities. It hardly ever focuses on meaningful
17 outcomes.

18 And heaven knows, we don't effectively
19 communicate about this. So it's very difficult to
20 build trust, let alone plan strategically.

21 Yogi himself warned, "You've got to be very
22 careful if you don't know where you're going because
23 you might not get there." And I think that's kind of
24 the situation we have with accountability right now.

25 This brings me to my second theme. It can

1 be done, and we can get there and with less pain and
2 more acceptance than many might have expected. And
3 this is where the University of Texas System
4 experience comes in. It takes some leadership. We
5 have plenty of fear and frustration about
6 accountability for higher ed in Texas.

7 But starting in 1999 under the leadership
8 of Chairman of the Board, Charles Miller, a big idea
9 was introduced at the University of Texas System to
10 create a systemwide accountability framework long
11 before the state was really able to think about doing
12 this.

13 And then with new system leadership under
14 Chancellor Mark Yudof in the middle of 2002, we began
15 working faster to develop a framework and fill in by
16 defining and selecting some specific indicators. We
17 worked with our presidents. We even dared to ask our
18 faculty to contribute their ideas and suggestions, as
19 well as management from each campus. And we talked
20 with policy makers every place we could in the state
21 to find out what they expected as well. We tied it
22 to our statewide master plan for higher ed.

23 So it's not purely a boutique approach,
24 although Secretary Spellings did describe it as that
25 at one point. And we tried to focus on outcomes and

1 to emphasize transparency, and we continue to do
2 that.

3 Our framework has to cover nine
4 universities and six health institutions with over
5 180,000 students and over an eight billion dollar
6 budget. So this is not a small task.

7 We do have a Texas size report. I only
8 carry one at a time. Fortunately it's on the web as
9 well. Our first report was presented to our Board in
10 winter of 2004, the second in 2005. My staff is back
11 in the office putting the finishing touches on the
12 third version, which will go to our Board in
13 February.

14 And from the very first, we distributed the
15 report widely. We didn't just talk about it in
16 advance, but we actually sent it to people. We
17 talked to people about it. And as I'll describe very
18 briefly in a minute, we're using it.

19 We have to have a strategic framework.
20 It's true that we have a big report, but it's really
21 a simple five part framework. And it's not that
22 different from the five-part framework in Measuring
23 Up or probably in some of your other state systems.
24 We talk about student success, access and outcomes.
25 We talk about research and teaching excellence and

1 healthcare excellence. We talk about our service to
2 and collaborations with the community, and this is
3 where we get to impact society, not just impact the
4 individual. And we do talk about institutional
5 efficiency and productivity. And that's really not
6 just about internal management, but it's another way
7 of demonstrating the return on investment.

8 And the fifth part is where we focus on
9 peer institution comparisons for each of our
10 institutions separately, so we can begin to ask some
11 questions about how they're doing, what are their
12 plans and their goals.

13 In the interest of time, I'm not going to
14 run through every one of those sections for you. You
15 have the documentation of that in your handouts, and
16 I'd be happy to send you your own personal copy of
17 the whole thing if you're interested. But what I
18 would like to do is give you just a couple of
19 examples of how we're doing this.

20 In our section on student access, success,
21 and outcomes, we asked a bunch of questions: How
22 diverse are our students? Are they prepared? Are
23 they staying in school for more than their first
24 year? What is the cost of attendance? What is the
25 net cost of attendance? Are they graduating on time?

1 Are they passing professional certification exams?

2 All those good things.

3 But there are a few issues that actually
4 have more salience than some others, and this gets to
5 the prioritization that a number of people have
6 talked about earlier today.

7 Let's talk about graduation rates a little
8 bit. Graduating on time is a big deal for a lot of
9 reasons. We looked in our report at four-year, five-
10 year, and six-year graduation rates, and we also
11 looked at the graduation rates for transfer students.

12 And we display all those data. We can show that for
13 most of our campuses the rates are going up
14 gradually, if somewhat unevenly.

15 For example, at UT Arlington and UT Permian
16 Basin, our six-year graduation rates improved by 20
17 percent over three years. And that sounds good
18 unless you know the base was pretty low to start
19 with. The fact is generally our rates are just not
20 very good.

21 Displaying them created a little
22 discomfort. But I have to say no one said don't do
23 it. In fact, it was the representatives from each of
24 those nine universities who said put in the four-year
25 rate, put in the five-year rate. Let's set the bar

1 high and then see how we're doing. Pretty brave.

2 And now we have a Board initiative. To
3 improve graduation rates, each president will be
4 setting very specific targets for improvement over 10
5 years that will be tied to the particular situation
6 of the students in that particular campus.

7 Let's talk about student learning outcomes
8 for just a minute. And this will connect with what
9 Pat and Paul talked about. Graduation is important.

10 But as Mr. Miller emphasized when he testified at
11 the House Committee on Education in the Workforce a
12 couple of years ago, it's also very important to
13 assess what students have learned and how prepared
14 they are to use it. This is one of the newer areas
15 for development for us certainly and across the
16 country.

17 Our framework includes four types of
18 indicators for student outcomes. This is something
19 that the SHEEO Report advocates. We do look at
20 learning outcomes. We use the collegiate learning
21 assessment test that the Council for Aid to Education
22 developed. We administered it for the first time
23 this year. I can't tell you what the results are
24 because we have not yet released them publicly, but I
25 think they will prove very, very useful in terms of

1 benchmarking something that's beyond what a student
2 learns in a particular class. And certainly it's
3 calling attention to this very important topic, but
4 it's not enough. The learning outcomes are not
5 enough.

6 In the student outcomes framework, you have
7 to have multiple measures. So we also look at
8 student engagement, and fortunately we have the
9 National Survey of Student Engagement with robust
10 data, thousands of institutions involved, unlike the
11 hundred and some in the CLA right now, although I
12 know that will grow.

13 And we displayed those data for our
14 institutions. Again when we presented or discussed
15 this with our institutions, there was a little bit of
16 discomfort. But in the end nobody said don't do it.

17 Let's see what it looks like. So now we have
18 student learning outcomes and we have their
19 satisfaction. We do this for our health institutions
20 as well, except they don't participate in the CLA.

21 Then, of course, we have easier to get at
22 stuff. We have licensure exam pass rates. And
23 thanks to the work of our coordinating board in
24 Texas, we can get at post-graduation employment or
25 professional graduate study as long as they're

1 staying in Texas because we use social security
2 numbers and we can find them. And we can ask them at
3 what rates the graduates of UT System institutions
4 are joining in the workforce or going on for graduate
5 or professional study in Texas.

6 Now these sound like pretty non-
7 controversial items. But to put all this together in
8 one place where our Board and legislators and
9 business people and citizens can find them is
10 something that was fairly revolutionary in the state,
11 which leads me to the last part of my comments.

12 Is it working and what could we do better?

13 Some things are occurring that suggest, yes, it's
14 working. Internally not only are we using these data
15 as administrators, but our Board is using the data.
16 Our institutions are developing their own planning
17 documents structured around our framework, so that we
18 can have alignment up and down, up and down.

19 We have now some accountability related
20 initiatives. I mentioned the graduation rate
21 initiative. We're benchmarking data on private
22 giving. Because when we talked about the different
23 mix of revenue and changes in our expenditure
24 patterns in the coming 10 years, what we do with
25 private giving is incredibly important to our

1 success. Our Board is actually beginning to ask us
2 to add additional measures, which is quite amazing
3 given the size of the report. But they use the
4 information.

5 Externally, we have signs that it's working
6 too. The first time we presented the report to the
7 Senate Committee on Higher Ed in Texas, a long-time
8 senator picked it up with both arms like this. She
9 said this is the best thing she had seen come out of
10 higher ed in all her time in the Senate.

11 And I thought, well, that's lovely. It's
12 just one time. Every time we see her that's what she
13 tells us, and she tells other people when we're not
14 there. So we think she really means it.

15 And for other policy makers who may not be
16 carrying it around, they do have it in their office
17 and they remember it and their staffs are referring
18 to it.

19 We're developing spinoffs. We talked about
20 distance education earlier today. We wanted to have
21 some measures about the usage of electronic media for
22 our students. We thought we'd go to our Coordinating
23 Board. It turns out their data are horrible for the
24 same reasons that Peter Stokes talked about earlier
25 today.

1 So we've now instigated a little
2 brainstorming session in our state to try to figure
3 out how we can do better to collect data on distance
4 education. Fortunately we have a very robust tele-
5 campus in our system, so we're at least now for the
6 first time displaying some data on distance education
7 trends, just putting a stake out there before anybody
8 else is saying we're going to pay attention to this.
9 It's going to be important for the future.

10 Accountability is catching. Now the state
11 of Texas has its statewide accountability system for
12 over 100 institutions. And we're not alone. It's
13 still the case that relatively few higher ed
14 institutions and systems do something on the scale
15 that we're doing it. But more and more are
16 attempting to do this. It gets back to there being a
17 lot, so let's not add any more than we absolutely
18 have to. But there are great examples of work all
19 over the country from Arizona to Wisconsin.

20 In Minnesota in 2001, we established the
21 first similar kind of accountability report. Even
22 with big changes at that university system and
23 political changes in the state, that accountability
24 framework is intact and improving every year. I just
25 heard last week from a colleague there that they're

1 now beginning to tweak their measure so it aligns
2 with their new strategic planning goals.

3 It's now the official accountability report
4 for that system to the legislature. So I think these
5 are good indicators that accountability is becoming
6 embedded in another higher ed system at many
7 important levels.

8 So finally, just a couple of words in
9 conclusion, I want to underscore the importance of
10 leadership, and I think this Commission exemplifies
11 what that is about. It does take some leadership.
12 It takes some effort and some investment of
13 resources, some highlighting of the issue. It's not
14 just going to happen automatically. And it's not the
15 same thing as institution planning or institutional
16 reporting, although it's related to both.

17 Involvement. Accountability can be
18 contagious if all stakeholders are kept involved at
19 every level. This means leadership, management,
20 faculty, students, policy makers. You need focus and
21 flexibility. There is no perfect system at any
22 level.

23 Secretary Spellings has said, "You can't
24 let the perfect be the enemy of the good." You've
25 just got to get out there and try something, and

1 something that works can be devised. We've done
2 that.

3 And last but not least, improving data. We
4 have to work to prioritize our data and to improve
5 our source of comparability and the acceptability of
6 those data. I agree it may be time to reconsider
7 some kind of national student record system.

8 As Secretary Spellings said at the
9 University of Texas when we hosted an Accountability
10 Symposium there last year, we're to *piddle a moment
11 in higher education. We can take the responsibility
12 and initiative to explain our costs, our students'
13 outcomes, and our institutions' impact, or it can be
14 done to us. Accountability, approached in this way
15 voluntarily and creatively, collegially,
16 collaboratively, can ultimately help us measure and
17 communicate and improve the benefits of the
18 investment we have all made in higher education.

19 Thanks.

20 CHAIRMAN MILLER: Thank you, Geri.

21 Please.

22 MR. STEPHENS: Geri, that was a great
23 assessment of the perspective, as I believe
24 leadership is fundamental to accountability in any
25 organization: business, education, or from a

1 legislative standpoint.

2 Paul, one of the things that I'm trying to
3 reconcile in my mind is some of the testimony that
4 you went through, particularly with regard to state
5 responsibilities, where you talked about avoiding the
6 trap of holding institutions accountable. I'm trying
7 to reconcile in my mind what Geri just went through
8 and trying to understand the testimony that you went
9 through.

10 Could you help us?

11 MR. LINGENFELTER: I think the right
12 analysis, the right unit of analysis for student
13 learning is the student. And we need to hold
14 institutions accountable for focusing on improvement
15 in student learning.

16 But if you look at an institution as an
17 aggregate entity and you say your student learning,
18 you know, value added or your student learning has to
19 measure against somebody else's, there are all kinds
20 of perverse effects that get in there. And also it's
21 too tough an intellectual problem to really solve,
22 given the way students move among institutions.

23 Who contributes? What we see now in higher
24 education is institutions sort and select in order to
25 look good. And if we want to add value, we can't put

1 incentives in the system that will reinforce that.
2 At the same time, the kind of thing Texas is doing is
3 absolutely essential at every institution.

4 But it just is who's holding who
5 accountable for what at what level?

6 MR. STEPHENS: So you support
7 accountability at the institutional level, including
8 student learning. While here as at the state level,
9 you don't want to compare one against the other?

10 MR. LINGENFELTER: That's right. And I
11 also would support accountability within
12 institutions. I mean departments should be held
13 accountable for whether their students are meeting
14 the learning objectives of individual courses.

15 MR. STEPHENS: Okay, thank you.

16 CHAIRMAN MILLER: We're nearly caught up,
17 so I'm going to take advantage of that, and I want to
18 thank you for doing that. But let's see who else
19 wants to make a comment or do a question. We've got
20 a few minutes.

21 Go ahead, please.

22 MR. ZEMSKY: Just a quick question for Geri
23 and Paul really.

24 I kept listening to both your
25 presentations. I really liked them, and I kept

1 waiting for you to say, "And now we have real
2 consumer information." And the way that Peter said
3 it. And you know to be honest, the word "consumer"
4 never really crossed either of your lips.

5 And I kept hoping that Geri was going to
6 hold it up and say, "Here's the new consumer reports
7 for Texas." And it's not there.

8 Was there any kind of discussion that the
9 real issue was going to be consumer accountability?

10 CHAIRMAN MILLER: Actually I heard it, but
11 it was submerged and I was going to ask Geri to
12 expand on it because the CLA sheet, used in acronym
13 to talk about, is one of the most important
14 breakthroughs in measuring student learning that's
15 ever come down the path. And what actually Pat
16 Callan talked about was --

17 MR. CALLAN: We used it too.

18 CHAIRMAN MILLER: -- it's a measure of
19 student learning.

20 So if that's consumer, and I think that's
21 what you meant --

22 MR. STEPHENS: No, no, I want the consumer
23 to choose where the consumer is going to go, what's
24 the consumer to learn, and what's the consumer going
25 to pay based on that kind of information.

1 CHAIRMAN MILLER: Well, I think the
2 question -- I'm going to answer that again. The
3 question of the student learning is just emerging.
4 So the breakthrough actually this fall for the first
5 time in history in American or any other kind of
6 education is that we have begun to develop techniques
7 to measure critical thinking skills, broadly
8 speaking.

9 I'm going to quote from one of the pieces
10 of paper passed out by one of our Commission members:

11 "We're attempting to educate and prepare students
12 and hire people in the workforce today so that they
13 are ready to solve future problems not yet
14 identified, using technologies not yet invented,
15 based on scientific knowledge not yet discovered."
16 That's not -- Rick Stephens distributed that, but
17 that's not his quote.

18 But what we're saying in general is what
19 higher education probably needs to be doing is
20 teaching students how to learn. But we don't have
21 any way to measure that. In other words, we get a
22 degree that's one way. It's a certificate.

23 But what Geri said and what Pat said are
24 there are now some new instruments -- is that the
25 right scientific term? -- that does that. Pat

1 developed a sample of it. And the CLA was developed
2 by Rand Corporation, just recently released.

3 One of our Commission members is on the
4 board of a new organization that was spun off from
5 Rand just this month, last month, or something like
6 that. And what they developed -- and University of
7 Texas was part of it with over 120 higher ed
8 institutions -- was a way to measure that critical
9 thinking skill. Now that's a new instrument that
10 hasn't been fully validated, but it's been done by
11 very, very -- pardon?

12 MR. STEPHENS: A large pool, yes.

13 CHAIRMAN MILLER: Very, very significant
14 people.

15 I was hoping she would emphasize that a
16 little more. But that's a very big breakthrough.

17 There is a third test like that developed
18 by education -- who develop maps.

19 MS. MALANDRA: ETS.

20 CHAIRMAN MILLER: ETS, so a major
21 distributor -- contributor of testing for higher ed
22 has developed another instrument due to do the same
23 thing. It's not going to be available until January.

24

25 So all of a sudden, we have three major

1 breakthroughs in measuring this kind of student
2 learning. And that is a consumer piece of
3 information. It doesn't do the final job yet because
4 it's just now coming through that part of it.

5 MR. ZEMSKY: One of the not talked about
6 little bit of secrets to this game, not the game of
7 accountability, but the game of marketing higher ed,
8 is we have almost no evidence that that kind of
9 information has much impact on where students go to
10 college.

11 CHAIRMAN MILLER: Where students --

12 MR. ZEMSKY: Yeah, that the fundamental
13 problem is that we produce the information here. We
14 hot house over here. And we don't really know how to
15 get it into the market, so it sends signals.

16 Now there is a very famous institution,
17 which I cannot name because we're public, in
18 Milwaukee, who was known as the best
19 teaching/learning institution in the world. And they
20 had so much trouble because they could not enroll
21 students. But they had so many people coming to
22 visit how well they were doing, they had to get extra
23 foundation money to handle all the visitors. But
24 what everybody in the business signified that this
25 institution has a superior product. And the market

1 never read the signals.

2 MR. CALLAN: Wouldn't you have to have (A)
3 a lot more institutions doing this and (B) the public
4 institutions have to be transparent about this but
5 the privates don't?

6 And a larger portion, at least last time I
7 looked, of the institutions using the CLA were
8 privates, and they were using it for their own
9 purposes. But it wasn't finding its way to the
10 market. Now, whether people would use it if we had a
11 bigger critical mass, I don't know. But I think that
12 partly explains why the size of that number of
13 institutions and the fact that it's not accessible to
14 students in many institutions is why it's not being
15 used right now.

16 CHAIRMAN MILLER: You can't use something
17 that's never been developed and which the
18 institutions that were regarded as having given you
19 that service didn't want it to be measured or said we
20 couldn't do it.

21 Actually the real question is after we get
22 to a tipping point some more of that information
23 would be available, at least we'll be able to decide
24 whether it is valuable. At least the people who are
25 getting the education will know if it has some

1 validity. There will be some way they can measure
2 that, as opposed to a certificate or a number of
3 credit hours. I think there is an inevitable demand
4 for that. And the big difference today is --
5 compared to three years or five years ago, is the
6 technology is available now, and we didn't have the
7 ability to do that. We actually finally can do it,
8 and we can do it in a hurry.

9 So if we came up as a Commission with the
10 idea that it would be valuable -- and that's one of
11 the questions -- we should do anything we can to
12 encourage the development of it without directing it
13 or forcing it legally. It's something we could say
14 has a great benefit, if it does.

15 MS. TUCKER: Charles, I think Bob hit upon
16 an important point.

17 For those of us that involved in
18 conditioning family about the importance of college
19 and how to collect, candidly, right now any list that
20 comes up, for example on the top campuses for
21 Hispanics, is discounted by my community simply cause
22 they think it's just numbers and what does that mean
23 for my child. So right now in the absence of having
24 student learning outcomes, all I can do is talk about
25 campuses that either have the enrollment criteria

1 that meets the needs of your family or the
2 affordability piece of your family.

3 Frankly, I have a lot of donors who come to
4 me and say, "Tell me the schools that are the best at
5 graduating engineers that will be successful in
6 corporate America. Tell me the schools that are best
7 in computer science, finance, whatever."

8 And I dole information just simply based on
9 hiring and persistence at campuses, but I lack
10 information to be a better coach for my families.
11 The hunger is there for the families. There just
12 isn't a way of getting at it.

13 So we're excited about these breakthroughs
14 because I think it's going to equip those of us that
15 do outreach in a systemic way with better information
16 for the consumer, not just information for the
17 funder.

18 MR. ZEMSKY: But what the problem is doing
19 is going back and forth here. As I sit on the Board
20 of * and I watch this discussion every year when we
21 get together, there isn't -- the thing that you can't
22 get the instrument widely distributed unless you
23 promise you won't release any results. And if you
24 actually look at * or a whole set of these things --
25 Pat was just beginning -- the top of the market will

1 not use the instrument cause in market terms they
2 have nothing to gain and everything to lose.

3 And in a way what we don't have is a --
4 this is what Charles said at the beginning. There is
5 not sufficient demand on the consumer. They don't
6 know how -- even what questions to ask, little lone
7 what information to take.

8 MR. GRAYER: In a vacuum though, U.S. News
9 filled it with exactly the metrics that will sell
10 magazines/books and that is a shame. And if you look
11 at the accountability that is used to hold higher ed
12 institutions accountable in that document, you are
13 defaulting to a set of accountability metrics. Some
14 of them are academic; some of them are not even close
15 to academic.

16 And to use the Commission's recommendation
17 as a platform to define how our students and families
18 should be choosing institutions based on
19 accountability would be a big breakthrough.

20 *: It should be dedicated no doubt about
21 that.

22 MR. ROTHKOPF: I'd just pick up on that
23 point and this has been an old -- an issue I've been
24 writing about for many years. I've sort of given up
25 on it. And that is that if U.S. News has become a

1 surrogate for, frankly, at least a large number of
2 institutions, I'm not very confident that the data
3 that's supplied, most of which is supplied by the
4 institutions, is at all trustworthy. So I think
5 that's an issue.

6 So you have untrustworthy information going
7 into a system that is -- U.S. News is doing its best;
8 it tries. But I think the consumer at the end of the
9 day is very, very disadvantaged by, I think,
10 inaccurate information being put together in a very
11 odd way.

12 CHAIRMAN MILLER: Thank you.

13 Emily.

14 MS. DEROCO: I couldn't let opportunity
15 pass without asking Geri in particular, but Pat as
16 well, how important, even if we're successful in
17 measuring student learning through these assessment
18 tools, is matching that to you labor market outcomes.

19 In Texas you said you could get employment outcomes.

20 I assume using wage records.

21 Is that an important comparison to make for
22 higher ed broadly?

23 MS. MALANDRA: I think it will be. Once we
24 began to draft this year's report, there were some
25 people who were ready now to try to make those

1 correlations. And we think it's a little premature.

2 We would like to use all of these data or subsets of
3 these data for consumer information.

4 MS. DEROCCO: I assume that is the bottom
5 line, consumer information, that we're talking about.

6 MS. MALANDRA: Yeah. When we have
7 sufficient -- year two at least not just a first
8 year, I think we need to be doing that.

9 MR. VEDDER: Mr. Chairman, I strongly
10 applaud this Panel's presentation, but most
11 importantly picking up on the point that was made
12 earlier about the U.S. News rankings. And I think
13 U.S. News is doing exactly what they should be doing.

14 They are reporting; they're meeting a need the
15 people have for information. But in meeting that
16 need, they are using an input base model largely,
17 self-reporting, which in itself makes it susceptible
18 to error and corruption. But beyond that, it isn't
19 largely, not totally, an input-based model.

20 So the academic arms race, where
21 universities trying to get to the top on the U.S.
22 News rankings, how do they do it? Well, we turn down
23 more kids. That helps us get on. So let us reduce
24 access to minorities. That will help us get up there
25 on the rankings a little bit. So let's do that.

1 Let's get our alums to give five dollars a piece to
2 the university. That will raise our rankings.

3 What does that say about learning? Zero.

4 And I could go on and on. Faculty
5 resources. The more money we drop out of airplanes
6 over faculty houses, the higher we go up on the
7 rankings. (Laughter) This is not the way it should
8 be done.

9 We need -- I'm not faulting U.S. News, but
10 I think we need to find alternatives. I would hope
11 that our staff to our Commission would at least try
12 to find some information for us, following up on
13 Geri's fine presentation about the Collegiate
14 Learning Assessment test, for example. There may be
15 others as well.

16 Maybe Chester Finn once said to me, "We
17 ought to use the NAEP. Make them take the National
18 Assessment of Educational Progress at age 21." Have
19 they learned anything between the age of 17 and 21?
20 I think at least it's a legitimate and low-cost
21 approach. We should be looking into this.

22 CHAIRMAN MILLER: All right. Thank you.

23 I want to make sure -- I'm not amending
24 what you said, but tomorrow's headlines won't be US
25 News is corrupt. (Laughter) You're a capitalist and

1 you said great things about what they're doing is the
2 right thing to do.

3 MR. VEDDER: They aren't corrupt. It's the
4 people providing them the information.

5 CHAIRMAN MILLER: Thank you. (Laughter)

6 That's a statement of statistics. You
7 could say that. That's an archaic definition of
8 corruption.

9 So I want to finish cause we want to finish
10 in time. We will bring the Collegiate Learning
11 people and others like that. We've already made a
12 contact with Roger Benjamin, who heads up the new
13 entity that pulled off of Rand. I think you will be
14 pleased to hear what's happening there. Again it's
15 not a final statement, but there are transitory
16 measuring student learning. It's possible that there
17 could be a set of universities that choose not to do
18 it.

19 You're always limited by what your
20 experience is, and one experience we had in Texas,
21 just to say it, when we put public school
22 accountability in places, we had high schools or
23 districts that had a great sense of their great
24 ability to teach because their kids were better kids
25 so they had higher resources mostly, but for a

1 variety of reasons. When we put tests in to measure
2 student learning and began to measure and
3 disaggregate the data and began to measure compared
4 to each other, we found out there was a substantial
5 difference in that. And the districts learned to do
6 things a lot better. Even the ones that thought they
7 were doing well, actually weren't doing very well.
8 They just had, as you said, pretty good input, good
9 number of resources. At the end of the day, they
10 weren't working very hard to do what they were
11 supposed to do. So they improved themselves because
12 they were able to measure that.

13 There's a fairly good sense in the world
14 that if you measure something you do get results
15 based on that, oftentimes good results. And that's
16 what the goal would be to measure student learning
17 without directing it, I think. And that is a an area
18 I feel like I'm already designated to be part of,
19 whether I want to or not. So I'm going to take a
20 more active role in making those conclusions.

21 Thank you again, Panel. I want to remind
22 you that you're being watched with camera now, so
23 please stay at the table and let this new group come
24 in here so we can catch up on the time and finish on
25 time if you don't mind. Okay? Thank you.

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SESSION 3 - AFFORDABILITY

CHAIRMAN MILLER: We lost a little time for you, but Rich, he took some responsibility for that.

So let him take it out of his presentation.

Please begin.

MR. ZEMSKY: To be legal of the Commission, this is not testimony. This is two other the Task Force Chairs. Charles in his intimate wisdom has shackled Richard and I. You might think a little bit what that means those of you who know both of us. And actually we've gotten a pretty good head start on where we've been. We've been blessed with some significant attention from Charles that helped move us along.

And what we're going to do today is that Rich and I, as Co-Chairs, sort of developed initial positions. We shared them with the rest of our Task Force. They were the subject of a couple of Task Force meetings. We're going to sort of highlight pieces of that, two quick presentations. Then the other three members of the Task Force will also share briefly their perspective. And we hope to leave almost half the time for discussion frankly.

I just need to say some of you do know me.

At some point I really do have to get up and leave,

1 and I apologize for that. I have actually never
2 stalked out of a meeting, no matter how angry. I
3 just stay there and slug it out for those of you who
4 know me. (Laughter) So you can be sure it isn't
5 that I have done that.

6 This assignment actually reminded me of
7 another effort that I headed about 20 years ago for
8 some of this country's most pricey, most selective
9 institutions. And this was just at the beginning of
10 what we now recognize as the admissions arms race.
11 And this was actually an attempt to stop it. And we
12 put together about 15 really key people to see if we
13 could stop the high competitive competition for
14 places before it really got out of control. This was
15 20 years ago.

16 It was a very interesting panel, included
17 the columnist Ellen Goodman and the psychologist
18 Howard Gardner, a number of other people.

19 And it also included Fred Harginon, who
20 some of you may or may not know, but he was Dean of
21 Admissions at Stanford. Then he went to the College
22 Board, and now he's just finishing up as Dean of
23 Admissions at Princeton - or may have actually
24 finished last year. And Harginon was always very
25 nervous about the activity as many of, I think, us

1 who serve on this Commission can get nervous.

2 And he reminded us -- and I remind you --
3 that the French philosopher George Benous' warning
4 that the worst, most corrupting lies are problems
5 poorly stated. I think we, as a Commission, bear
6 particular responsibility to state the problems well.

7 And I think in the area and arena of affordability
8 we bear a special challenge to really make clear what
9 needs to be talked about.

10 My own view, it's personal, not necessarily
11 the Task Force's, is that this affordability rap is
12 beginning to become what people who study Greek and
13 Roman mythology recognize as a Chimera. That is a
14 fanciful, non-existent creature who's largely meant
15 to frighten people. And I say that because it is
16 actually the term "affordability" that gets in the
17 way of understanding what the real problems are.

18 And part of the problem, I think, is just
19 conceptual in that at least to my common sense way of
20 thinking if everybody is buying it, it by definition
21 can't be unaffordable. And I know I get into
22 arguments with Charles when I say this. To me health
23 care in America is really unaffordable for lots and
24 lots of people.

25 And it's not unaffordable for lots and lots

1 of people in higher education. It may be expensive.

2 It may be getting more expensive. But that in
3 itself can't be the problem. And this was reminded
4 of me long before I was asked to be on the
5 Commission.

6 I was asked by essentially the
7 administration in Pennsylvania to do a study on the
8 current status of higher education in Pennsylvania.
9 And as part of that, because they also were worried
10 about the affordability questions, we, or I
11 commissioned and helped design a survey that really
12 was meant to focus on Pennsylvanians, just
13 Pennsylvanians age 18 to 30 on whether and how money
14 mattered in the college choice going or not. And
15 there were 519 responses done by the best political
16 polling group in Pennsylvania, the Keystone Poll.

17 And the results are very, very interesting.

18 I want to share a little bit with you. You know
19 when you do these kind of surveys, you inevitably ask
20 every question three times. That's just good
21 technique because you see that people define them.
22 And so there were three basic thrusts on the
23 affordability. I want to just give you the results.

24

25 When the question was, "Are public

1 universities a worthwhile investment?" 86 percent of
2 the sample said "yes." When the question was framed
3 later in the instrument, "Do Pennsylvania's public
4 universities provide a good education for the price?"
5 77 percent said "yes." But when the question was
6 actually framed, "Are Pennsylvania's public
7 universities affordable?" only 63 percent said "yes."

8 The problem is in the perception of affordability.

9 And that's what I'm going -- and I've
10 argued in the Task Force, I'm arguing now that we
11 need to walk away from the term because it has this
12 huge variance and it gets all kinds of things going
13 in the wrong direction.

14 Now the other way of looking at this, the
15 technical reason to do the survey was not what I just
16 reported. That's just one of the serendipitous
17 findings. It is really designed to identify how
18 many, when, where, and who of these young people in
19 Pennsylvania are really being excluded from higher
20 education because they cannot find a low enough cost
21 portal for it.

22 And the answer -- and I'm a little bit like
23 Russ -- and next week we'll release this survey. So
24 I'm so glad that you did it first, so I knew I had to
25 do it. But that when we really come down to it, it

1 is not more than four to eight percent.

2 That doesn't mean that people aren't upset,
3 doesn't mean they aren't crying. But when it really
4 comes to it, somewhere -- cause this is the sampling
5 business -- between four and eight percent of the
6 people wanted to go to college in -- or they didn't
7 have to go in Pennsylvania, but they were living in
8 Pennsylvania at the time -- and couldn't because of
9 cost.

10 And we know something about that four to
11 eight percent, and it's just like what we know from
12 where we started this today. They were more likely
13 to be African Americans. They were more likely to be
14 Hispanics. But interestingly the one thing we never
15 say in these discussions, and we need to start
16 saying, they were more likely to be rural.

17 If you want the third great under-served
18 population in America for postsecondary education, it
19 is rural America. And we have results in some of our
20 most rural counties in Pennsylvania where nobody says
21 they're going, they don't think they want to be
22 prepared to go, and they are serving in schools that
23 won't get them there. And the study in part looks at
24 that nexus.

25 Now the reason that this is important is

1 because there really is an affordability issue, and
2 it's the affordability issue, we think, that Charles
3 put on the table. Only I'm going to put it on
4 slightly stronger terms cause he gave this to me a
5 week ago, and I've now sort of juiced it up. He will
6 reclaim it, I'm sure, by juicing further. But I
7 think the affordability issue is the affordability of
8 the system for the system. That something is about
9 to give; something has to give.

10 One way of looking at it is we're on the
11 verge of a perfect storm. And it's the three things
12 that Charles said this morning. There isn't going to
13 be aggregate more money from the feds, so that if it
14 comes here, it's got to come from there. There isn't
15 going to be much more money from the states.

16 You know you had this -- it was interesting
17 that Paul didn't mention it. We have this now living
18 experiment of what happens when states get more
19 money. They don't spend it on higher education. You
20 can just read story after story and not one of them
21 is spending the windfall tax relief on higher ed.

22 You might argue that the compact in
23 California is, well, one of these days we'll give you
24 some more money, but that in the current term's not
25 there.

1 And I think we are reaching the point where
2 the families aren't going to do more.

3 Now the problem is and the thing we don't
4 talk enough about in the Commission -- and I think we
5 should talk more about it -- is that higher education
6 need major unfettered funds to retool and refit.
7 This is the things that Secretary Bodman talked about
8 in science and engineering. This is the quote that
9 Charles read that really came apparently from Rick.
10 Charles did his homework better than I did. That
11 there are just all kind of uncertainties growing.

12 And what we have is -- and I think it was,
13 Peter, you said this, or if you didn't, you should
14 have -- a very mature industry that is pretty close
15 to being complacent. And I'm part of it. And I
16 believe that that is not being sufficiently
17 challenged and in some ways is actually lazy. I
18 believe that.

19 But that I don't want that to be the
20 charge, and I almost didn't say that for fear that's
21 what will be remembered cause I want to leave you
22 with one last thought. We have to be very careful
23 how we go out with this agenda. If we go out with
24 here is what's wrong with higher education, fix it,
25 let me tell you what higher education is going to do

1 presentation this afternoon. The first part derives
2 to a large extent from my little paper that I wrote
3 originally for the Task Force that has now been
4 included in the packets of all members of the
5 Commission. It's a six-page document.

6 And there's also another paper in there by
7 Daniel Hammermesh, the Professor of Economics at the
8 University of Texas, that Charles provided which I
9 think is quite good. I recommend it quite highly.

10 Bob has written a very interesting and good
11 and provocative paper which one of these days will
12 find its way to you, but it is under deep secrecy and
13 embargo now. (Laughter) But when it comes, I hope
14 you will read it as well.

15 MR. ZEMSKY: They'll burn it before they
16 even open the envelope.

17 MR. VEDDER: So the first part of my
18 presentation, I want to ask what do we mean by
19 affordability. Affordable for whom?

20 And in the second part of my short
21 presentation I want to ask the question are there
22 some key concepts or words that we can focus on as we
23 proceed that would help us in seeking solutions to
24 our problems.

25 Turning to the first part -- and I'm moving

1 very quickly here -- are we talking about
2 affordability to individual students? Are we talking
3 about affordability to institutions of higher
4 learning? Or are we talking about affordability to
5 society as a whole? And, of course, at some level I
6 think we're talking about all of these things.

7 Let me speak briefly about affordability to
8 individual students. And the presentations made by
9 Pat and others earlier dealt with this, so I don't
10 need to go into a lot of detail. With my
11 presentation there are three charts enclosed, the
12 first one of which makes the point that costs are
13 rising and they're rising a lot. They're rising even
14 if one looks at net tuition. They're rising
15 relative, not only to the consumer price index which
16 is a better measure than the higher education price
17 index. I could spend two hours arguing with you about
18 that and will if you give me a chance at the cocktail
19 party tonight. But we don't have time to get into
20 that.

21 MR. ZEMSKY: You're in for a lonely
22 evening, Richard.

23 MR. VEDDER: The cocktail party is going to
24 be like having a hemorrhoid operation. (Laughter)

25 But why are costs rising so much? As an

1 economist, I would say there are two reasons why
2 costs or prices go up to people or to buying things.

3 They go up because the demand is going up or the
4 supply is going down. I mean that's the two -- the
5 root causes relate to demand and supply.

6 Demand is going up in higher education a
7 lot; supply is not rising a lot. It may in some ways
8 even be falling. And the demand is rising for a lot
9 of reasons, and I don't have time to talk about them
10 today. They're in the paper. But third-party
11 payments are one element in that, and they are an
12 important element because that's the part we are
13 dealing with in terms of public policy, the third-
14 party payment component of the financing of higher
15 education.

16 The supply is not rising for reasons which
17 I also talk about in the paper, and I'll come back to
18 it every briefly in a minute.

19 Now in a strict financial sense, looking at
20 higher education very narrowly as an investment in
21 human capital and that people go to college to in
22 effect have a good rate of return. Looking at it as
23 a way a business person might look it, Hammermesh and
24 others have observed a nine or ten percent rate of
25 return on higher education investment. That's

1 inflation adjusted. It's not bad; it's pretty good.

2 It's not quite as good as Microsoft and IBM and
3 Boeing would do, but it ain't bad. And it means it's
4 a pretty good investment.

5 As costs have gone up for higher education,
6 so have the differential earnings between high school
7 and college, and that is important to keep in mind.
8 However, even if the rate of return is reasonably
9 good, it still takes cash to go to college. And there
10 is a -- well, let's call it -- if you want to look at
11 this in a narrow financial way, let's look at it as a
12 cash flow problem. There is a cash flow problem for
13 a significant number of people. Is it eight percent,
14 as Bob says, four to eight percent? Is it higher?
15 We can quarrel about the numbers, but it is
16 significant.

17 My chart too shows some racial ethnic
18 differences, and there were others that were
19 presented earlier. Part of this relates to high
20 school preparation and high performance, but part of
21 this relates to accessibility, affordability issues.

22 Moreover, the statistics on the return of
23 higher education in my judgment are flawed because
24 they ignore a very huge group of people, namely the
25 45 percent or so who go to college and never

1 graduate, never get out. There's a chart in there,
2 the third chart, on sort of what percentage finish or
3 the ones who finish in six years. That fifth and
4 sixth years add a lot to costs.

5 So we have to even be somewhat skeptical of
6 what the true rate of return at the very narrow
7 individual level is. And the past rate of return
8 doesn't necessarily mean the future.

9 What about institutions? Is higher
10 education affordable to the institution? Well,
11 obviously they're delivering services. But there are
12 different kinds of services that higher education
13 deliver. For example, a complex university delivers
14 undergraduate instruction, graduate instruction,
15 research, football teams, basketball teams, runs
16 dormitory operations, has a whole variety of
17 operations. It is at least conceivable that some
18 operations are quite affordable, profitable, even
19 lucrative and others are not.

20 Is federal research a positive or a
21 negative thing to universities from a strict
22 financial point of view? Is there cross
23 subsidization?

24 I've heard two points of view. John Siller
25 recently in his latest attack on me -- which I rather

1 liked, by the way. (Laughter) -- said that we make a
2 lot of money off federal grant money. I mean, you
3 know, it's a cash cow. It helps pay for
4 undergraduate schooling. And I don't know whether
5 that's true or not, but it's at least an issue that
6 needs to be addressed.

7 Cross subsidization, does it go on and how
8 much and is it good or bad?

9 Society as whole, what is the -- can
10 society as a whole afford higher education? And the
11 answer, of course, is yes. We spend three percent of
12 our GDP, if you stretch things broadly, on higher ed
13 today.

14 This is less than we spend administering
15 the federal tax system. The tax army costs more
16 broadly defined to include a lot of our own time.
17 We're all involuntary members of it when we fill out
18 our taxes. The tax army in the United States costs
19 us more to fund that higher ed at the moment. In
20 fact, that's maybe kind of a shame.

21 And if I were in David Ward's shoes, I
22 would use that. And I'll be glad to share my --
23 (Laughter)

24 So but on the other hand there are
25 competing uses of our scarce resources. The private

1 sector wants a hunk of the money we make.

2 And there seems to be an iron law in the
3 United States in terms of public finance. I teach
4 this and I observe this. Over the last 35 years,
5 state and local governments don't want to spend more
6 than 10 percent of their personal income or exact
7 taxes that exceed 10 percent of personal income.
8 That's one of the great constants of history. We
9 have tax revolts when the numbers go above that. We
10 have cries for more government services that are
11 successful when it goes below that. That's an iron
12 rule. We tithe to leviathan 10 percent.

13 At the federal level it's more like 20
14 percent. When the taxes go above 20 percent, we have
15 a revolt. When it goes below that, we say we've gone
16 too far and we need to raise them. So there's
17 limits.

18 And this is all saying what Bob did and
19 others did. There's a limit to what we're going to
20 get from the feds, what we're going to get from the
21 state. There's Medicaid problems that are crowding
22 out appropriation, and so on. Enough has been said
23 on that.

24 Now what are the key words we are looking
25 at or concepts as we sort of grope for solutions to

1 some of the problems that have been very well defined
2 today?

3 And I think we are off to a great start.
4 We came up with three in our discussion a week or so
5 ago. These are for the whole Task Force. Different
6 members of the Task Force mentioned them. I would
7 add my own personal fourth one. But let me mention
8 the three in particular. And these words have been
9 mentioned today and so this is just reinforcing what
10 has already been said.

11 The first key word is "transparency." A
12 second key word is "incentives." A third key word is
13 "measurement" for information, or dare I say metrics.
14 That's a dirty M word I understand. I personally
15 kind of like it, but... A fourth word, which is kind
16 of my own word, is "competition." And these are
17 words that I think are -- that can help us grope for
18 solutions. Let me say a few things about each.

19 Transparency. Good decisions by parents,
20 students, legislators, federal officials, tax payers,
21 whatever require information. We have a lot of
22 information, but it is not readily available. Bob
23 spoke to this earlier. We need openness in finances.
24 We need openness on student performance, better
25 measures more readily assessable by parents. We need

1 -- universities brag about the good news, but they
2 often try to suppress the bad news. That asymmetry
3 needs to end.

4 Our universities, even the most private
5 ones, are funded in large measure by the tax payers
6 who have a right to know how their dollars are being
7 spent. That's just a matter of good public policy.
8 And a lot of good can come out of transparency. And
9 decisions cannot be made intelligently unless we have
10 it.

11 Incentives, buzz word number two.
12 Incentives should promote desirable practices and
13 discourage less desirable ones. We have to define
14 what those practices are and then we have to define
15 what the incentives are. But this is a way of
16 helping looking at it.

17 How might changes and incentives change
18 some questionable practices? Let me throw out three
19 or four real quick examples of something which might
20 be areas. And I just use these -- and this is
21 something we didn't talk too much about in the group,
22 but it's important. The ratio of the employees to
23 students is rising in higher education. Just the
24 opposite of what is going on in private industry.

25 Does this reflect in some sense perverse

1 incentives, or is it some other phenomenon? It's a
2 question at least worth asking.

3 A second question worth asking. Many
4 schools feel sort of an incentive effect to deny
5 students admission. I spoke to this earlier. Is
6 that good or bad? I already, I think, tipped my hand
7 on this. I think it is bad. But at least that's a
8 question needs to ask. The U.S. News incentive
9 effect, if you want to call it that.

10 A third, needs-based financial aid is in
11 relative decline. Is that incentive driven? And if
12 so, is that something we want to investigate? I
13 think there was earlier testimony before this
14 Commission that suggested that it might be. I would
15 like to throw that out as something under the
16 incentive category. Let me pick one very personal
17 that I've personally observed in my own lifetime.
18 Teaching loads for faculty have been declining over
19 time. Is this incentive driven? I think it is.

20 And should those incentives change? And if
21 so, how?

22 The next thing is the metric or
23 measurement, the third one. Did Vanderbilt, where
24 we're going tonight, Gordon Gee's little university
25 over here, have a good year last year? Who knows?

1 (Laughter)

2 Now I see Jonathan Grayer here; he knows
3 whether they had a -- I don't know if he had a good
4 year or bad year at Kaplan last year. But he knows.

5 The stock market made an evaluation of it. There
6 was a profit and loss statement on it. The
7 University of Phoenix knows.

8 But most schools are relatively clueless as
9 to the answer to that question, partially because of
10 the non-profit nature of an institution and the
11 measurement problem.

12 If we are going to increase productivity
13 and efficiency, we have to measure outcomes and
14 input. We had a discussion on it earlier. I'm
15 saying, "Right on with that discussion. Let's pursue
16 it."

17 Should we be developing at the federal
18 level more output measures that we encourage schools
19 to use?

20 Should we look at the value added per
21 dollar spent or something?

22 Should federal incentives be created for
23 schools to maximize value added per dollar spent?

24 Well, we have to have the measurement tools
25 to do this. Jonathan is going to speak a little more

1 about that in a minute. And the issue of testing or
2 performance measures is an important one.

3 I would like in my remarks -- and I am
4 ending them, much to the relief of some in this room,
5 by commenting a bit on competition. I think one of
6 the great strengths of American higher education --
7 indeed, I think the greatest strength of American
8 higher education flow from the fact that we have
9 thousands of individual institutions that have been
10 sort of slugging it out in the marketplace in a way
11 and who have been competing by offering differential
12 services and so forth in a way that school -- that in
13 nations where they have Ministries of Education
14 running things you just miss that dynamic dimension.
15 I think it has made us a better nation, a better
16 educational system.

17 And I wrote an article recently comparing
18 us with K-12 schools that argued the superiority of
19 American higher ed vis-a-vis K-12 is precisely
20 related to this competitive dimension.

21 But can we strengthen competition in higher
22 education? I'll just throw out a couple of areas
23 where we might want to look.

24 Is accreditation a major barrier to entry
25 and should it be redesigned to make it less input

1 based and less directed by the very people being
2 evaluated? Who does the accreditation? The
3 accreditees (sic). That's crazy. Private business
4 it would be like, you know, the SEC being run by
5 Enron, I mean, you know, the company that's being
6 evaluated. That's the market analogy. And I think
7 we need to ask those kind of questions.

8 Something else we've mentioned is
9 transfers. Is it costly to transfer from Institution
10 A to Institution B in this country? Well, to some --
11 it is. Students often lose credit. They are
12 restricted in what they can transfer. And sometimes
13 this inhibits mobility and movement when it should be
14 encouraged.

15 Should the federal government restrict the
16 right of institutions that receive federal government
17 from denying credit for other accredited institution?

18 I'm not answering the question; I'm asking. And I'm
19 saying that this is something we might look into.

20 These are merely illustrative. There are
21 other things as well.

22 That's my presentation. Thank you.

23 CHAIRMAN MILLER: Thank you, Richard.

24 Well, we did really well in time. I think
25 we can generate some questions.

1 MR. VEDDER: Well, we have -- we want to
2 call on our three illustrative colleagues if we may,
3 Charles.

4 CHAIRMAN MILLER: I didn't realize that.
5 Thank you.

6 MR. VEDDER: For five minutes each.

7 CHAIRMAN MILLER: Good, good.

8 MR. VEDDER: I don't know the order.

9 MR. GRAYER: I have the distinction of
10 following Rich.

11 My comments really in the Task Force have
12 been around the merger of accountability and
13 affordability. The question I'm trying to focus on
14 is affordability of what. And the for-profit sector
15 has grown because it answers that question very
16 deliberately.

17 If you go to a program run by Kaplan
18 University to get your vocational nurse degree, you
19 come and ask what the graduation rate is and what the
20 starting pay on average for its graduates are. That
21 is a type of tertiary education that serves the needs
22 of some of our citizens.

23 Our system, or the one we are talking
24 about, is going through a process of -- the word is
25 tough to come up with, but probably stratification of

1 offerings might be a way to describe it -- where the
2 student, the family, and society -- the institution
3 is a tougher one to play out on this -- sign up for
4 an educational program because they want the outcomes
5 that they will get and they know what those outcomes
6 are.

7 And that's why I was so interested in the
8 reaction to my comment about U.S. News because those
9 metrics are so hard to come by in the non-for-profit
10 world.

11 Now what's very good about the federal loan
12 program as it applies to for-profit proprietary
13 schools is that all of us who benefit from Title IV
14 loans are required to keep religiously and publish
15 our job placement rates against the programs that we
16 provide, especially on the certificate level. That
17 is the metric, if you will, that the customer is
18 buying. And non-profit higher ed is not really asked
19 in any way to provide that type of information other
20 than, of course, graduation. Graduation, the degree,
21 the regionally accredited degree is the metric
22 really.

23 And I don't know if we as a society --
24 again jumping from individual to society -- can
25 afford to provide just a single or a monolithic sense

1 of what tertiary education should be defined by a
2 kind of gross, if you will, metric of graduation.
3 And I think our Commission, or certainly our Task
4 Force, is going to try to struggle through what is a
5 way to define that and tie to the federal loan
6 program.

7 And I would just add one final point that
8 we haven't really got at although the last Panel
9 addressed. The difference between the impact that
10 state can have versus the federal government can have
11 is enormous here. And the Texas example is a
12 fantastic example.

13 But all of that is being driven at the
14 state level, not by any kind of federal mandate. And
15 obviously Title IV, the Pell grant, the loan program
16 is where there can be some room for our Commission to
17 attach metrics and outcome driven requirement.

18 CHAIRMAN MILLER: Thank you.

19 MS. ELLIOTT: I keep coming back to the
20 overall problem that we're trying to solve, and so I
21 think about it as a parent. I want to make sure that
22 we're focused on the global competitiveness of our
23 future workforce. As a business leader, I want to
24 make sure that we focus on the shortage of skilled
25 experts in the sciences. And then as a woman, I'd

1 say I want to make sure that we're focused on the
2 downward trend of women and minorities in those
3 sciences.

4 And so because of those three factors, I
5 think we have to have a quantitative focus on
6 tracking the progress and the effectiveness of our
7 educational system to reverse that tide. So I just
8 look at affordability, the conversations we've had of
9 affordability within our Task Force, as really all
10 about driving the efficiencies through innovation and
11 focus. So it's all about effectiveness and
12 efficiencies and focus.

13 And I always want to look outward and
14 learn. Since I have a global role, I like to learn
15 from different countries around the world.

16 And we've already heard about our global
17 competitors in India, China, Korea. They've all
18 created international competitive pressures that by
19 both continuing to expand their public funding into
20 all levels of education, including those institutions
21 that are focused on lifelong learning. And they're
22 all driving a tremendous focus on math and science
23 and information technology majors, and they're using
24 innovative IT driven techniques to do that.

25 I just came back from Korea recently, and I

1 was just struck by this country of 47 million people.

2 If you look at the data, they're number one in
3 problem solving, number two in math and reading,
4 number three in science, number five in E-government
5 readiness. This country has a goal of lifelong
6 learning.

7 I found that amazing cause they're no
8 longer focused on E-learning. They're focused on
9 what they call U-learning, ubiquitous learning.
10 Eighty-six percent of their teachers use ICT in
11 primary and secondary education. A hundred percent
12 of their students use ICT.

13 We call it IT in this country. Everywhere
14 else outside the world calls it ICT, Information and
15 Communication Technology.

16 A hundred percent of their students use it.
17 Sixty percent of their higher education faculty use
18 IT, 62 percent of graduate students. And they have
19 17 cyber universities already in Korea.

20 And you look at the children in primary and
21 secondary education who have a goal around any time,
22 anywhere learning, and they've got curriculum on PDAs
23 that they're taking on public transportation. It's
24 just the most innovative things I've seen.

25 And so I say our universities are training the

1 next generation of scientists and engineers. And
2 we're struggling to find -- as a business community,
3 we're struggling to find well-trained people to fill
4 our open positions. In the IT related fields, it's
5 largely left to companies and/or the workers
6 themselves to continuously upgrade their IT skills
7 that U.S. workers need to compete with their growing
8 number of international counterparts.

9 And by the way, it's international
10 counterparts who may not be bringing that mastery of
11 sciences to the U.S., not only because of visa
12 limitations but because these growing countries
13 believe they can't train people fast enough to fill
14 their own needs. China recently said that they feel
15 they are going to have two million jobs that they
16 literally can't fill and they're going to be training
17 their workforce as fast as they can because of those
18 growing needs.

19 So it's certainly not the only factor, but
20 the substantial and ongoing cost of lifelong learning
21 is a significant expenditure that must be taken into
22 account by U.S. companies that face the growing
23 economic pressure to out source jobs.

24 And so, Charles, I agree with you that,
25 yes, we need to fix this problem. But productivity

1 and competitiveness measures must be shared
2 responsibilities between the public and the private
3 sector, so together I think we can actually do that.

4
5 Some other recommendations that we talked
6 about. We have to recognize that the value of
7 engineering and science education includes providing
8 a liberal foundation base of relevant and real-world
9 critical systems, thinking and design approaches to
10 those students who wish to use it as a springboard
11 for pursuing careers in other professions, such as
12 education, business, medicine, and law. We need to
13 strengthen the support for education research within
14 engineering and science disciplines.

15 We need to encourage institutions,
16 departments, and individual faculty to develop and
17 implement assessments of student learning and
18 instructional quality that can be used to guide
19 course and curriculum development as well as to
20 communicate the value added by education to students,
21 parents, and other stake holders of the academic
22 enterprise.

23 I think we need to exploit innovative
24 instructional technologies in order to enhance the
25 affordability of and access to collegiate study in

1 engineering and science for all students, especially
2 obviously members not fully participating, such as
3 under-represented minorities, women, and persons with
4 disabilities.

5 We need to facilitate student transitions
6 from community centers, community colleges to the
7 baccalaureate program. We need to re-engineer the
8 process of -- business process of education.

9 And, of course, we need to prioritize and
10 agree on a set of outcomes about which we need to be
11 really hardcore. And Jonathan made some
12 recommendations about some outcomes that we could.

13 And then separately I think we need to
14 focus -- and I don't think we have this. I think we
15 need to focus on women and applied sciences that is
16 more holistic than just this Commission because we
17 know from data that we lose them early before they
18 get into higher education. So that's just a separate
19 thing that I think we need to focus on.

20 The only other thing I would add, based
21 upon the conversation today, is the same way that the
22 President put us in public and private sectors
23 together to talk about the national medical records.

24 I think we need to do the same for the student
25 record that we've been talking about today.

1 And I would make that recommendation that
2 that's something separate that we could do outside of
3 the Commission to help figure out what are the
4 standards, what are the issues, what are the things
5 that we can do together public, private partnership
6 to get that rolled out nationwide.

7 CHAIRMAN MILLER: Thank you. Excellent
8 input.

9 Arturo.

10 MR. MADRID: The only test I ever failed
11 was a financial aid test. I couldn't figure out how
12 to beat the system and I really couldn't afford to
13 send my kids to school. That is the school that I
14 had set them up to, to attend. And I did it in two
15 ways: by tapping into the wealth that my parents had
16 generated over time and by freelancing a great deal
17 and not thinking about my income as being money.

18 Very interesting many years later to ask my
19 sons, who were beneficiaries of that first effort,
20 what they thought about it. And much to my surprise,
21 their perceptions of what that process had been
22 involved did not match the reality. They thought
23 they had gotten scholarships and gotten through
24 college on scholarships.

25 Needless to say, I didn't tell my parents

1 how much it had cost to send my children to college.

2 What I was paying in tuition and fees was equivalent
3 of what my father had made in his last years annually
4 of employment.

5 He himself had gone to college. He went to
6 college during the depression. His father was
7 unemployed; his mother took out a loan so she could
8 pay the tuition. Can't imagine it was a lot of
9 money, tuition, but it was significant to have to
10 take out a loan during that period of time for him to
11 go to college.

12 He knew he couldn't afford not to go to
13 college. They had not many options. That was the
14 only way out of poverty. For him the perception was
15 that he couldn't not go to college. The reality was
16 that it was very difficult to go to college.

17 In my case perception and the reality
18 matched; there was no issue about it. I was going to
19 college. I was fortunate enough to be able to live
20 at a boarding school and go to college. Tuition was
21 \$100; I had a \$100 scholarship, and I worked 10 hours
22 a week to supplement to pay for everything else.

23 My cousin -- I'm the oldest of the
24 generation -- I spoke to a number of years ago about
25 having his daughter come to Trinity University. And

1 his response -- he had figured out the system -- was,
2 "Show me the money." He had figured it out. He knew
3 what it took. He'd sent his oldest son off to
4 college and done very well. And I'm glad that he had
5 figured out the system. He knew that there were
6 institutions that were willing to pay him to send his
7 children to those institutions.

8 I'm glad he did it that way because his son
9 is now a teacher in the San Jose area and working
10 class community and probably wouldn't make enough
11 money to pay off the loans had he had to depend on
12 those loans.

13 Brings me to my granddaughter whose
14 perception is that she won't be able to go to college
15 because it's going to be too expensive. And finally
16 my niece who's currently in college who finds it very
17 difficult. In order to do what I did in 10 hours,
18 she'd have to work 50 hours. She has a hard time
19 finding classes to meet the needs that she has to
20 graduate. So the perception and the reality are very
21 different.

22 So when Bob talks about affordability as
23 being a Chimera -- for me, I think even paranoids
24 have real enemies (Laughter) -- the perception is
25 important because the perception is that it's not

1 affordable. And for a great many people, I think the
2 perception then becomes a reality, that they don't go
3 to college because they perceive that it's not
4 affordable.

5 And so ultimately is we have an idea,
6 college education, whatever form it might take, which
7 is rapidly becoming a requirement, not an idea, but a
8 requirement. And the realities are that it's very
9 difficult to get that college education for many
10 reasons and many which Richard listed. And the
11 perception is that it's not affordable.

12 And ultimately for me, it becomes one of
13 can we afford not to make a college education
14 affordable for the society, quite apart from the
15 individuals.

16 And so I look forward to more debate about
17 this issue and more information and more
18 clarification.

19 CHAIRMAN MILLER: Thank you, Arturo.

20 Great presentation. Thank you all for
21 bringing that.

22 Let's start over here.

23 MR. SULLIVAN: I would like to ask about
24 the definition of affordability cause I was quite
25 surprised, struck by your statement that only four to

1 eight percent of the students who wanted to go to
2 college could not afford it. Because the school
3 where I've been for the last several years of medical
4 school is a school that is minority. Eighty percent
5 of our students are African American, 15 percent
6 white, and 5 percent are others.

7 But over the years we have seen a rise in
8 the average family income of our entering students in
9 spite of the efforts to actually have our school
10 affordable, available to every student. Now we have
11 assumed -- we haven't studied this and so this
12 certainly is fraught with error -- is that we simply
13 were pricing the low income students out of the
14 market.

15 That is they were there in 1978, when we
16 opened, but they're not there now. So unless we have
17 had a change in the desirability of poor student to
18 go into medicine, I think we have a problem. So I'm
19 not sure how you define the affordability because
20 that certainly doesn't fit with what our assumptions
21 have been.

22 MR. ZEMSKY: Let me make two quick
23 observations. One is, if you really wanted to talk
24 about it, it's what Dr. Sullivan says. It's the
25 difference between Baccalaureate degree and

1 professional degree. You read in the press a lot of
2 the most scary stories of students carrying humongous
3 student debt. It's not the baccalaureate degree
4 debt. It's the post-baccalaureate degree debt. And
5 he's absolutely right.

6 In medicine and law and business, that's
7 all cash on the barrel head, or almost all cash on
8 the barrel head. So I think that there are
9 dimensions to that and it shifts when you move from
10 Baccalaureate education to what we call graduate
11 professional education.

12 One of the other things that Newsweek has
13 this story, if you haven't seen it, it's the November
14 14th issue -- not Newsweek, Business Week, I'm sorry
15 -- about the 30-year-olds going broke. And what's
16 really fascinating is just to add most of them that
17 they highlighted had undergraduate debt, big graduate
18 debt, MBA and law school, and what they had humongous
19 was credit card debt.

20 And what isn't being recognized in some of
21 this study, to be honest, particularly at the post-
22 Baccalaureate level is how much of the attendance is
23 being financed on these zero credit, credit interest
24 -- so called zero credit, whatever they call it,
25 credit card. So that's a major problem.

1 And I wouldn't -- but again I think that
2 part of what I would have us do if we're going to
3 tackle this directly is not write covering statements
4 because the covering statements don't work.

5 The second observation and in a friendly
6 way with Arturo cause he actually -- I will remember
7 this a long time, friend, because it's a story that I
8 will use, no doubt slightly changed. But it's very
9 interesting cause in this survey we did, when we were
10 really focusing on the four to eight percent, one of
11 the questions that was asked of everybody is we asked
12 everybody in the survey what does it cost to go to a
13 community college in the state of Pennsylvania and
14 what does it cost to go to a four-year -- we call
15 them *Pashee institutions in Pennsylvania. And
16 everybody was asked that question.

17 And the students in the system knew the
18 price, and the students not in the system didn't know
19 the price. It was very interesting, almost double an
20 estimate of the price.

21 Now this goes back to something I said
22 earlier in response to Geri's. We just have a market
23 that isn't working with information.

24 Now that's really what Arturo was saying
25 about his granddaughter and his niece and the like.

1 I could sit with her, Arturo could sit with her and
2 show her how to play the game. We would say it
3 differently.

4 MR. MADRID: Assuming I have learned it.
5 (Laughter)

6 MR. ZEMSKY: Yeah, but somebody could.
7 Right.

8 But that's the story is that this is a
9 market. It's a pretty complex market. And if you
10 haven't learned the game, you're at an enormous
11 disadvantage.

12 And there's just a kind of policy question
13 is if you're going to spend scarce resources, do you
14 spend it on trying to lower the price for everybody
15 or do you spend it on targeting. And the targeting
16 is not just more money for to pay the bill, but it's
17 also some real consumer education.

18 Well, I've given away my game. I think
19 what this Commission ought to talk about is how do we
20 get a real market where the consumers know what the
21 hell is going on. And I think that's a fundamental
22 thing.

23 And I think that's part -- but just to go
24 back, Dr. Sullivan, in what you're telling me about
25 medical school is absolutely right. These loans are

1 huge now and that's where a lot of the evidence on
2 student debt is really coming from. It's not the
3 Baccalaureate level; it's the post-Baccalaureate
4 level.

5 I'm sorry, Charles. That was too long.

6 CHAIRMAN MILLER: Fine. Please, Charlene.

7 And then I think Rick.

8 MS. NUNLEY: I don't know quite how to say
9 this or quite how not to say it, so I'll just give it
10 the best try I can. Clearly both of you have thought
11 about these issues and done research that's really
12 incredible, and I've enjoyed reading both of your
13 works.

14 But I have to say that I feel left out. I
15 don't feel like the institution that you're
16 describing bears much resemblance to the kind of
17 institution where 45 percent of the undergraduate
18 students are getting their education, which is in the
19 community colleges. And I really think that it would
20 be problematic if our recommendations that we come up
21 with don't encompass some of the differentials of the
22 kinds of thinking.

23 For example, you know I can't imagine that
24 teaching loads are falling in community colleges.
25 We're teaching institutions. That's what our faculty

1 do. Nor are we able to subsidize teaching with
2 research.

3 Nor do I think we'll be very effective in
4 capital markets, Chairman Miller. I mean if there's
5 not public funding for the community colleges which
6 are the access vehicles, I think, for higher
7 education in our country, I don't think we can
8 compete in private giving. I don't think we can
9 compete in some of the many ways that the more
10 selective public and private institutions that I
11 think most of what we've been talking about today
12 relate to. That's just not where I think the
13 community colleges are.

14 Now I'm not saying I don't see some of the
15 behaviors you're talking in my institutions because I
16 do.

17 And I also will say again that reading both
18 of the books that you've written have really gotten
19 me thinking very reflectively about how this picture
20 can fit together with institutions that have
21 differing kinds of perspectives.

22 But please don't let the community college
23 perspective out of this discussion.

24 MR. VEDDER: Charles, can I respond as one
25 of the -- since she referred to me. And maybe Bob

1 wants to as well.

2 CHAIRMAN MILLER: Sure.

3 MR. VEDDER: I think you're right. In our
4 presentations today we were neglectful of this to
5 some extent. It is a statistic -- in one of the
6 readings for today, I calculated the percentage
7 increase in net tuition over the last 15 years for
8 four-year institutions versus community colleges.
9 And there was a striking difference. I mean
10 community colleges' tuition did rise somewhat even in
11 inflation adjusted terms. I think the difference was
12 like 30 versus 60, or something. But there are huge
13 differences.

14 The teaching loads are much higher in
15 teaching colleges. Faculty salaries in community
16 colleges have not risen in 25 years in real terms,
17 have not risen at all, at all, even though they have
18 significantly in four-year institutions. The
19 community colleges are affordable, are the best
20 bargain in many ways that we have.

21 I would disagree a little bit with you. I
22 do think there is a role for private capital markets
23 in dealing with the kinds of students the community
24 colleges deal with. And I've talked to entrepreneurs
25 who think they can make money in dealing with that,

1 but that's a discussion --

2 MS. NUNLEY: Well, I would love to hear
3 more about that.

4 MR. VEDDER: That's a discussion for
5 another day.

6 CHAIRMAN MILLER: Well, on that score we
7 ought to know that corporations pay for continuing
8 education at community colleges and there are a lot
9 of affiliated programs. I believe there are private
10 capital contributions today. In fact, I doubt
11 community colleges would do what they were if it
12 weren't for support from corporations for their
13 employees. I mean there are different ways private
14 capital can weigh in.

15 Your point is about segmentation and I
16 think it was raised earlier about how to measure
17 different kinds of institutions while we're talking
18 about the big picture. It's not the fact that we're
19 going to ignore that in this debate. So how we put
20 it in and where we study it, I can't tell you. We're
21 at the beginning of the discussion, even defining the
22 terms is part of the difference.

23 MR. ZEMSKY: Charlene is sitting next to
24 me. She warned me this was coming. (Laughter) No,
25 she did. She was very nice about it. So that I've

1 been thinking about it and then I realized I was
2 tongue tied and I shouldn't have been.

3 Not here and not in the book, but in the
4 report where -- well, we actually made the report
5 yesterday to the Secretary in Education and the
6 Secretary of Policy and Planning in Pennsylvania.

7 But it's very interesting cause in the
8 participation puzzle in Pennsylvania, which we were
9 charged to make sense of, and the two biggest levers
10 out there you could show, in at least Pennsylvania,
11 you could increase participation, particularly rural
12 participation, was the spread of community colleges.

13 Most of you live in states where community
14 colleges are every where. That's not true in
15 Pennsylvania; there's the whole middle of the state
16 has none.

17 And so you actually can see a model of what
18 happens when you don't have a low cost portal. And
19 it really does retard participation.

20 So in that -- and the other one, just for
21 the record, is Pennsylvania even before No Child Left
22 Behind had developed a test for rising juniors in
23 high schools that tested reading. And when we take
24 that data for every school district and try to
25 predict their college-going rate, the two things that

1 make a difference is school districts that have
2 significant number of students who score what they
3 call below basic and/or they live in a area without a
4 community college. You can get a 15 percent
5 depression in the average participation rate.

6 So what we've recommended as policy to
7 Pennsylvania, they've go to think of a way of
8 extending the portals. And they really do have to
9 work on rural schools. The fascinating thing that's
10 happening in this country is fewer and fewer people
11 live in rural areas, and they are falling, I think,
12 further and further behind. That's certainly true in
13 Pennsylvania. And as I've looked elsewhere, I
14 believe that's true.

15 So I think the combination shouldn't be
16 left off the table at all. So anything that I said
17 that didn't talk about those people, I do study those
18 people.

19 MS. NUNLEY: Thank you.

20 CHAIRMAN MILLER: Thank you.

21 I want to come back to that.

22 MR. ROTHKOPF: To identify a point, this
23 discussion which is quite wonderful so it cuts a
24 little bit into what we talked about in our Task
25 Force this morning that Sara chaired about access

1 because access, affordability all cut one across the
2 other.

3 And I just wanted to mention a study which
4 came across to my attention which struck me as
5 counter intuitive. It's a study by a fellow named
6 Jay Green, who's the Manhattan Senior Fellow at the
7 Manhattan Institute, and with his assistant, Marcus
8 Winters. But let me just quote two sentences out of
9 this. They study graduation rates and they also
10 study what they call college ready, who was really
11 ready to go to college and meet the least selective
12 requirements -- or the most of the least selective
13 schools out there, colleges out there. They call
14 college ready.

15 And they said, "There is very little
16 difference between the number of students who
17 graduate from high school college ready and the
18 number of students who enroll in college for the
19 first time. This indicates that there's not a large
20 pool of students who have the skills necessary to
21 attend college but do not do so because of lack of
22 funds or other non-academic factors."

23 Now I don't know if Professor Green and his
24 cohorts are right or wrong, but I think he is a
25 respected scholar and he's come to the conclusion

1 that the problem is that we're not getting students
2 ready to go to college. And it goes, I think, to the
3 issues that will be discussed tomorrow morning, but
4 also goes to the issues that Dick and Bob and the
5 others are talking about. As I say, I don't know if
6 he is right or wrong, but it stuck me as --

7 MR. VEDDER: Winters is my former -- is my
8 student, so therefore, he's right. (Laughter)

9 Sorry, Rick.

10 MR. STEPHENS: Some observations, we've all
11 talked about this notion of the importance of
12 lifelong learning. We've talked about that everyone
13 needs to be involved in this notion of higher
14 education. We've also talked about there's probably
15 not a whole lot more resources out there to be able
16 to do this job. So I think we're dealing with some
17 tough challenges to go off and work.

18 And I think, you know, Jonathan's comment
19 about the importance of this value relationship
20 between education and be able to earn a living
21 afterwards.

22 And so just thinking about one of the
23 questions I think we as a Commission need to consider
24 what does higher education look like.

25 Charlene brought up an important point.

1 The majority of students are going to community
2 college, which is where they're getting their
3 fundamentals and their foundation, a important part
4 of this overall lifelong learning.

5 And going back to Bob's comment, if in fact
6 we need to look at consumer education about what's
7 important, maybe that will be a lever that we can put
8 in place that will help begin to transform higher
9 education. It's not clear to me that the system we
10 have today is the system that we need long term.

11 But the only way we're going to transform
12 it is to get consumers into a point where they
13 understand the relationship between education and the
14 earnings power and, therefore, begin to drive from a
15 market perspective what it ought to look like going
16 forward. And I think that's a tough challenge we,
17 the Commission, ought to look at.

18 CHAIRMAN MILLER: I've got one more person
19 here.

20 MR. GRAYER: If the meeting was happening
21 in Bangalore or in Shanghai and we were to go from
22 here to the closest institution that we could
23 parallel to our own community colleges, then we would
24 all want to run back and talk again cause the
25 distinctions that we're making are based on the

1 incumbent system and we're trying to reform. And
2 we're up against completely new versions of higher
3 education abroad.

4 I mean some of the great education that
5 goes on in community college is burdened with all
6 kinds of things that are, you know, work load, lack
7 of facilities, lack of parking, that exist in our
8 community college system. Our higher ed, some of our
9 best institutions have resources that go well beyond
10 perhaps even what they should.

11 And if you look at it on an international
12 scale, the distinctions in battle for funds and
13 resources is just not there. What they're looking at
14 is creating a national educational system that will
15 be the most productive and lead to the best quality
16 of life for their citizens.

17 And if we were to have to look at that
18 today and look at the proficiency of that in
19 Bangalore, where we just bought a company, you would
20 be amazed at the quality of output, amazed at how
21 well these 21-year-old graduates of the institutes
22 and they have different names, are educated, how well
23 they're educated. But this isn't a new phenomena.

24 So the question about our Commission is are
25 we going to try to say here is the system and here

1 are the suggestions within the system or try to drive
2 a consumer behavior that could, in fact -- cause
3 that's the only way you could do it. And that's a
4 big -- that is well beyond the easily doable. But
5 that's what we're up against regardless if we like it
6 or not.

7 CHAIRMAN MILLER: Thank you. So we might
8 come back to that.

9 MS. TUCKER: As an independent commissioner
10 and one on behalf of the Access Task Force, I don't
11 want to lose as to those points. In listening to Bob
12 when he first said the four to eight percent, I was
13 stunned. But then I sat back and I said, no, he
14 conditioned the statement by saying of those children
15 who want to go to college.

16 And I'm seeing something -- in our data you
17 probably saw that there's -- of the growth and
18 population of college-going kids, 49 percent is
19 Hispanic. And what I'm seeing now is very different
20 from what I experienced, what my parents experienced.

21 And when you're new to this country, there is a
22 belief that education is there and you're going to
23 make your way.

24 But there are parents now who are saying,
25 "Because I can't afford it, I shouldn't put that

1 expectation of my children." And we're fighting
2 harder obstacles in the family now than we are today.

3 So I'm not surprised about of those who want to go
4 to college.

5 I have kids say to me all the time, "Ms.
6 Tucker, if I can't see myself in college, all the
7 money in the world won't get me there." And we have
8 that issue to deal with, so I want to make sure that
9 we deal with that.

10 Responding to Rick's comments around the
11 consumer and the consumer driving choice, one of our
12 earlier panelists quoted David, so I'm going to quote
13 David again. I think as we talked this morning in
14 the Access -- and I'm previewing a little bit what
15 you're going to see tomorrow -- David used the word
16 "mosaic" or "jigsaw puzzle."

17 But we believe that every person, whether
18 it's an adult learner or traditional student, who
19 wants higher education has to understand all the
20 avenues that are available to them, whether it's the
21 for-profit, whether it's the community college, or
22 the community college of the four-year school,
23 private, public, E-learning, U-learning create that
24 path based on what they need, want and then be able
25 to create the financial plan that doesn't put them in

1 jeopardy given the investment required by others
2 outside of them.

3 And that's what we're hoping to make
4 recommendations on, and that's why we want to work
5 more closely with affordability. Because while we in
6 theory say cost of an education versus the price we
7 pay, we just have to put those two together.

8 MR. VEDDER: I think there is a lot of
9 interface between the two. And this was referred to
10 by Arthur. And I think we ought to at some point
11 kind of work together a little bit informally to try
12 to work to common solutions.

13 CHAIRMAN MILLER: Thank you.

14 I want to -- go ahead, please. Actually I
15 was going to ask you involuntarily to comment on some
16 of these things. So I'm glad you -- earlier -- but
17 please do that, Charles.

18 MR. VEST: It's late in the day. I want to
19 make a pain of myself since with all these shrinking
20 violets around.

21 I want to say some things that are going to
22 sound extremely defensive, conservative, and meet
23 several of the worst images that have been painted
24 about universities today. Part of this discussion
25 has fascinated me from the perspective of a private

1 university. And please bear in mind that I spent 27
2 years with a public institution and 15 years now at a
3 private institution.

4 First of all, all of these data that we
5 discussed in terms of accountability with just one or
6 two exceptions, I will tell you every good private
7 institution knows and tracks. These are our
8 management tools. These are, however, our
9 competitive tools, as opposed to what we advertise.
10 We want to know who's doing better than we are and
11 why and so forth and so on. And almost every one of
12 those metrics are things that any good provost, dean,
13 president in a private university and many of the
14 publics maintains.

15 Second and here I really will get myself in
16 trouble, as Nick and others know, within higher
17 education I'm viewed as being way out on the end of
18 the spectrum in the degree to which I think we ought
19 to be interacting and working with the private
20 sector.

21 But I will also tell you that the corporate
22 world does not know how to fix all the problems of
23 higher education. I have spent a ton of money as
24 well as a lot of very generous pro bono time from the
25 corporate world to help us do better. You know we've

1 improved here and there, but there is no magic fix
2 that just cause you come out of the private sector
3 you can run in and accomplish. Nonetheless, we need
4 the dialogue going.

5 I was thinking back to the early `90s when
6 we at MIT, like most institutions, started running
7 into some real structural deficits and so forth. And
8 many of my trustees beat me up one side and down the
9 other because you don't know how to be tough like we
10 do in the private sector. And I challenged them.

11 It turned out that we downsized MIT
12 employees more than any company in the room, 12
13 percent -- 12 percent in one year. It's a big
14 number. Our enrollment since has gone up a little
15 over 10 percent while our faculty size has kind of
16 held constant, maybe slightly going down.

17 Also I was struck by the comments which I
18 know to be true that teaching loads have dropped over
19 decades. First of all, I'd like to go on record. I
20 hate the term "teaching load." Teaching is what
21 you're supposed to come to work every day wanting to
22 do. It ain't a load, folks. But whatever it is, it
23 has gone down.

24 But we all know in this room, public or
25 private institutions, the sheer amount of work done

1 by faculty and by administrators has continually gone
2 up. And one of the things we need to think about is
3 why.

4 And if I could speak as an engineer, are we
5 doing useful work or are we generating entropy.
6 There are some issues here. But people work very
7 hard and I always try not to offend these hard
8 working people by talking about the fact that they
9 teach fewer courses than I did when I was coming
10 through the system.

11 Finally, I agree with most of what has been
12 said about the amazing growth of both quantity and,
13 starting now, quality in Asian universities. But I
14 had a remarkable experience last month. I spent two
15 years -- two years -- I spent two weeks in Singapore
16 as a guest of the government and universities. I
17 spent a lot of time with the Minister of Education of
18 Singapore, who's a very impressive individual.

19 And one day I sat down at lunch and said,
20 "Okay, now you've been asking all my advice and
21 observations. Please let me turn the tables around
22 because you realize we're sitting around the United
23 States scared to death of the quality of young people
24 you're bringing out of your system."

25 We were talking mostly secondary, primary

1 and secondary, but to some extent higher education.
2 And he made a very interesting observation and he's
3 put this in a speech so I'm not speaking out of turn.

4

5 He said, "The fact is we've really learned
6 how to raise the average knowledge and performance of
7 our kids way better than you guys do. But you know
8 what? You don't have any idea how to work with the
9 peaks."

10 So Singapore, who we've all used and Tom
11 Friedman used an example and so forth, their current
12 strategy in primary and secondary education is
13 entitled, "Teach Less, Learn More." So there are
14 things to be gained from both sides of this.

15 They feel and I still believe -- while I
16 very much agree with the observations on Shanghai and
17 elsewhere in China and India -- we still have a
18 little comparative advantage in combining technical
19 skills, humanistic learning, arts and creative
20 activities. We've got to build on that, even as
21 we're trying to bring that average up. I think we
22 can both learn from each other.

23 CHAIRMAN MILLER: Thank you. That's what I
24 was going to ask you to talk about. We in our
25 framework document -- not everybody remembers that we

1 talked about the strengths, positive advantages of
2 our higher ed system. We're going to hear more of
3 that tomorrow. We're going to continue to do that.

4 While we're dealing with the reality of the
5 need to make significant changes, we're going to have
6 to at times focus on the failings, the faults, the
7 disadvantages. So while a lot of this dialogue is in
8 that direction, I think we can still say and talk
9 about the strikes.

10 Affordability, the way we meant it when we
11 put it on the table, we discussed it, David and I and
12 the Secretary and others -- meant a broad definition
13 of the whole financial model of higher education. I
14 think there was a fairly clear indication of that.
15 The public sees it and the policy makers generally
16 see it as affordability for the students. And we had
17 created for many decades an entitlement in our
18 education. We discouraged savings for it.

19 And now we've come to this confluence of
20 circumstances where it's very hard for the people who
21 paid for it before and particularly the government
22 entities and the tax payer to afford it. It's hard
23 for the families to do it. They have probably at
24 this point in history gotten in debt very heavily
25 because they didn't either plan or expect to do it.

1 And then we have the underserved parts of
2 the community, mostly based on income, not even any
3 doubt about at all, that would have a hard time
4 understanding the system, dealing with the system,
5 and affording to get through the system. And
6 the system today isn't just going to two years or
7 four years of college. The system today has changed
8 a lot. And when we talk about cost, we've got to
9 interject, like we do in the CPI or any other cost
10 measure, quality.

11 And when we talk about some of the things
12 here today, we're talking about that in a way we
13 haven't addressed before. Probably nobody in higher
14 education has done this. If we do have a ratio of
15 less educators teaching children, you can argue that
16 the quality of the education and the learning
17 experience has gone down.

18 So you could say the cost has actually gone
19 up more than the actual specific data has. That's
20 how you would adjust it if you're adjusting the CPI.

21 If the quality has indeed gone down, and it might
22 have, and if we're shifting more people down into
23 community colleges because we can't do the four years
24 or the graduate programs and they have this overload
25 and they don't have the resources, it might not be

1 that we need to put more resources in community
2 colleges or that they even have the right model.

3 It might be that we need a different model
4 for that, maybe more college preparation. And we
5 might need to find a way to get less people going to
6 community colleges in the same sense and more into
7 the rest of the system.

8 So we do have to look at the whole system.

9 We can't say any of them needs this and they have to
10 have help or they can't make changes. I think the
11 whole system has to be looked at and to see if it's
12 delivering what we want in the big picture. So there
13 is a sort of big picture strategy thing that we're
14 obligated to look at.

15 So I would say, not defensively, that I
16 don't know the community colleges, say, need more
17 resources just because they have an overload today
18 and what they're trying to do with the mission. It
19 may be that we don't want to do that, not because
20 they're not performing. It might be because we want
21 to change what they do or do it better or have other
22 people.

23 And I want to be defensive about private
24 capital only in the sense what I mean by that is I
25 didn't spend time on it today. The fact not because

1 they're smarter and know how to do higher education
2 better, I don't believe that. I may not have a clue.

3 I don't think higher education is managed in the
4 most efficient way financially, but I'm not saying
5 business can come in and solve it.

6 I think there probably is some way like
7 we're seeing with the private for-profit companies
8 that we could find combinations of skills where the
9 private capital markets, knowing what they know, how
10 to make money, can find innovative ways simply
11 because they want to make money with the smart people
12 that we have in higher education.

13 I'll just say it again. The two most
14 productive institutions in America today are the
15 capital markets. By far we're more productive than
16 any other system in the world, more productive than
17 Singapore, more productive than China, more
18 productive than Japan. And our workers are more
19 productive by far.

20 The fact that they're more expensive than
21 every place in the world doesn't bother me at all.
22 It means they make more income and they have a higher
23 quality of life on the average.

24 But because they're more productive, we
25 produce economically way more than any other system

1 by far: ten times what China does, five times what
2 Japan does, and many times more than individual
3 companies in the European market. So we have to look
4 at this in a broad strategic sense.

5 And I think the fact is that if private
6 capital markets are one of our best economic entities
7 and higher education would be one of our best social
8 or economic entities, we ought to consider whether
9 there is some kind of match. I don't know what it
10 is. I have some ideas actually. My experience
11 is if you make it worth the while, private capital
12 has a way to flow to the benefits of that private
13 capital. And there is a human need for it and
14 there's a social need for it. And we can probably
15 find incentives from the federal government or other
16 places or some kind of model that would create tax or
17 other benefits for people to do that.

18 We do have a private sector, for-profit
19 sector, that's shown there's some pretty important
20 things. There's a lot of activity going on in the
21 sense of people buying universities and beginning to
22 export our skills to other places and using the
23 branding mechanism or the accreditation services or
24 whatever to build businesses, very attractive.

25 So maybe we should look to those examples

1 and models that are already doing that and see if
2 there is some connection. That's the private capital
3 idea, not only the idea of coming into tell how to do
4 it because I think both sides benefit from each
5 other. Today they do and we depend on it. So I
6 think this whole idea of affordability is broader. I
7 think we do and are going to talk all the time about
8 the benefit.

9 I believe that the entitlement and the
10 change in quality is a reality, and we ought to find
11 a way to address that. We're getting something less
12 than we expected or want, and we're going to have to
13 deal with that from an affordability standpoint.

14 We're going to have to look for some kind
15 of long term strategies that lever the changes you
16 all were talking about earlier. Now whether we're
17 far enough along to do that, I doubt. I mean we're
18 just at the beginning discussion, but I think we've
19 made a lot of progress. We've talked a lot to each
20 other about it.

21 So I think the next stage when we go -- by
22 the time we go to San Diego, some of our work is
23 going to be put together in the form of
24 recommendations. And then in San Diego, we'll try to
25 bring to the table some of those other models,

1 different ideas, and private capital market,
2 investment bankers, and the like.

3 MR. WARD: One of the things I might draw
4 up here is it's interesting that the private sector
5 in its anxiety about higher education, legitimately
6 so, points to Asia. And yet curiously, we're trying
7 to propose a consumer-built, market-driven response
8 when in almost all the success in Asia is state-
9 driven and clearly a regulatory model.

10 And so there's a little bit of stress for
11 me here methodologically. That is there are some
12 outcomes that apparently the private sector would
13 like. And you mentioned certainly Korea, certainly
14 Singapore, and so on in China. So there's a little -
15 - do we -- if we want what they want, then in effect
16 there may only be a state solution to that outcome.

17 We may need an American outcome that may
18 not replicate -- maybe the out -- the out -- the
19 outcomes we may want to be.

20 And I also do believe this point that Chuck
21 has mentioned that is that the search for improving
22 averages may well miss. I mean that was my -- the
23 impact of me coming from Britain to the U.S. was that
24 I was in classes in which generally were far better
25 than anything I encountered in Wisconsin. But I

1 never encountered as many brilliant people as I did
2 when I was there.

3 And that balance between precocity and the
4 average is an important one. Doesn't mean we abandon
5 the average, but that's, I think, what I was hearing
6 from Chuck. There's still some anxiety outside of
7 the U.S. in higher education is where did you get
8 this precocity from, this sort of magical peak, if
9 you like. That's one challenge. So I do think we
10 have a problem.

11 If there's success elsewhere in raising,
12 particularly in raising the average, it is often
13 state-based. And so we need to sort of think about
14 what kind of ingenuity we want to bring to dealing
15 with that average, because I think that is our
16 problem, a feeling that we need to raise the average
17 level at which people are functioning.

18 The other issue is that maybe as we've
19 grown the number of college students from, if you
20 like, an almost merit-based elite based system to a
21 more democratic system, the normal curve of inputs is
22 greater than instead of in a sense having a highly
23 selective system where you can have very high
24 standards. You, in effect, create a more open
25 situation and, of course, the normal curve is greater

1 and the pedagogy may need to adjust.

2 And the British are having a real crisis
3 right now. Blair has suggested raising access from
4 30 percent to 50 percent of the age group. If you
5 talk to any of the people on the ground teaching,
6 they don't believe that their freshman class can meet
7 the needs of these students any more without some
8 alternative pedagogy.

9 So another of our issues about standards
10 is, of course, mass education itself redefines how
11 you might want to calibrate it.

12 And all of those, I think, may need to go
13 into our discussions.

14 CHAIRMAN MILLER: Thank you for that.

15 I'd like if everybody is satisfied they've
16 had their say that we have some housekeeping
17 announcements and that would be the end of the
18 discussion.

19 (Whereupon, this day's sessions were
20 concluded at 5:31 p.m.)

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