

A TIME TO RE-BOOT

California's budget shortfall is compounded by incentives that drive state agencies to work against the general good. I will use the California State University as exhibit A, not because it is egregious but because I know it well.

Decreases in state appropriation have exceeded increases in student fees. Yet many campuses have taught more students who carry more credits than projected. They graduate in greater numbers, faster.

But system-level officers discourage campuses from such enrollment. Why? These leaders are thoughtful and sincere.

More enrollment negates the key strategy to extract more dollars from the state. That strategy is the spectacle of marginal achievement. "We cannot do more, with less," they say. Achieve to allocation and not beyond is management's answer to union members' work to rule. Scarcity will rally deprived users; users will badger funders.

If this strategy is the norm, then California must re-boot its civics drive. Incentives ought to steer leaders to manage on behalf of all the people, not just their clients and employees. If this principle sounds hopelessly idealistic, then we indeed are in trouble well beyond budget woes.

Marginal achievement hurts those whom it is supposed to help. To restrict access this year in order to dramatize the need for more funding next year shortchanges students every year. The CSU commits to recruit and graduate more historically under-represented students. But to force a better budget, it encourages metro universities to cap enrollment.

To change such outcomes, we must change behavior; to change behavior, we must change incentives. The major incentive has been more state revenue, on the assumption of job growth and an expanding economy.

Such has not been the case.

But state-level leadership has not adjusted the major incentive for change. Despite glib allusions to a new normal, leadership behaves as if the current crisis must be weathered but soon will fade, revealing old normal, part 2. California is the land of the sequel.

However, we are not in sequel but rather blockbuster . . . or bomb. Californians have a limitless hunger for the good that government can provide; but they have limited patience with balancing wants with wherewithal.

With the right incentive, the CSU can thrive even with diminishing state support. That incentive is autonomy over the means to achieve outcomes. If the system or campuses do not meet these outcomes, then they should lose autonomy over how to achieve them.

Policy-makers should determine the outcomes—the socioeconomic mix of graduates, graduation rates, rates of entry into jobs that require post-secondary degrees, degree of educational indebtedness, and etc. And of course, they oversee basic inputs like college-ready students and state funding.

The system and campuses should fix the means—presidential salaries, faculty work and pay, tuition, programs and courses, teaching and assessment, etc.

Without such separation of functions, policymakers and educators waste resources by insisting on matters that they lack the capacity to do.

People in the CSU can convert difficult inputs into successful outcomes if they have autonomy to devise the means.

Urban campuses enroll nominally college-qualified students from beleaguered school districts. Yet they have raised graduation rates. They spend far less per student than national peers. And they spend far less per graduate than most for-profit schools, while relying on significantly less federal aid per student.

For the health of the state, we need to teach more students, with less direct funding from the state. If tuition then rises to the level in other states without high subsidy, we can devise offsets. Reducing the average time to degree by one term can save students more than they will see in tuition increases over four years. Efficient scheduling to reduce commutes, as well as open-source textbooks to defray book costs, can be offsets, too.

We can dampen tuition increases, of course, by controlling cost, the bulk of which is in business and bureaucracy, not direct teaching. The technology is here, the incentive not quite. So, the system functions like an archipelago of twenty-four islands, each—no matter the size—duplicating the other.

Over-reliance on subsidy short-circuits continuous improvement. It hardwires entitlement.

We need policy makers who view outcomes as today's moon shot, a stretch but feasible. And we need managers who lead us to outcomes by helping us to see inter-relatedness among the

parts of a system. Only then can we devise, and re-devise, the means of continuous improvement. None of this will happen without the right incentives.