

Innovation America Initiative
Forum on Postsecondary Education
Ewing Kauffman Foundation

Kansas City, Missouri

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Actions and Accountability

10:30 – 12:00 p.m.

“Examples of State Compacts”

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“The Kentucky Mandate

Ten Years Later”

I am honored to be part of this two-day discussion on postsecondary education.

While enjoying most of my role as president of the University of Louisville, I do miss my days as a “policy wonk” in Kentucky state government, and my active involvement in the National Governors Association. I have an affection for NGA for several reasons:

1. The NGA was kind enough to recognize me for Distinguished Public Service in 2001.
2. The winter and summer meetings of the NGA provided the opportunity to be involved in important policy discussions – many of which were of great benefit to us in Kentucky as we molded many of our initiatives such as the Postsecondary Education Improvement Act of 1997.
3. During Governor Patton’s term as chairman of the NGA, I had the opportunity to work closely with NGA staff and in particular Ray Scheppach, a fellow economist. There are still some of us who like to use fundamental economic concepts and try to apply them to public policy decision making.

To begin today's discussion I suggest that never has higher education been more important to both our national and state public policy agendas than at this time; yet never have so many of us in higher education felt more under attack than now.

Can we in the academy do better – yes; can we do more – sure we can.

Our campuses understand the national/state discussions on the three “As” – access, accountability, and affordability, and how higher education must ensure our competitiveness – nationally and within our states.

But I believe it is important to recognize that we have a strong higher education system in our country and that progress is being made (I know this is the case in Kentucky). Further, constructive and positive discussions are far superior to the adversarial dialogues such as emanated from the Spellings Commission report; the current negotiated rule-making process taking place with the Department of Education; and even many of the attacks on higher education that are undertaken by states' elected leadership.

So I applaud the focus of the Innovation America Initiative to bring us together in a positive, meaningful dialogue on state postsecondary education compacts.

My specific focus is the Commonwealth of Kentucky: starting with the comprehensive Postsecondary Education Improvement Act of 1997 and our experience over the last 10 years.

Our reform was less of a compact – more of a mandate. The mandate was clear – education must drive a public agenda in our state – an agenda of increasing economic opportunity and the quality of life for our people.

The basis for this public agenda with defined goals and output measures was simply: Kentucky is, and has been, a poor state. Per capita personal income in Kentucky has been, and remains today, about 82% of the national average. As we looked to other states in the southeast that were once low income states, we saw that in some of these states progress was being made; real economic growth had taken place over time while such growth did not occur in Kentucky.

Econometric studies to isolate why some states were successful in improving their personal income while we in Kentucky were stagnant, pointed to the fact that we had an undereducated population – in particular, we had too few college graduates. This, clear and simple, was the reason for our reform.

In addition, Governor Paul Patton, who drove the reform, served in various public policy positions in state and local government before being elected as Governor. He had observed in his economic development efforts that our higher education system was failing our communities and businesses – our institutions of higher education did not talk to each other, nor did they work together to promote improved economic opportunities.

Governor Patton also realized that while Kentucky had undertaken landmark and progressive K-12 reform several years earlier, and that an outstanding system of K-12 education without significant improvement in higher education would not allow the state to achieve its full potential. Far too many Kentuckians already believed that upon graduating from high school they needed to leave our state to get a quality college education. The research is clear – these bright people that leave will not return to our state and add to our communities and workforce. We needed an improved system of higher education.

The reform then gave all of higher education “public agenda.”

Specifically, the University of Kentucky was mandated to be a Top 20 public research university – the community college system which had been part of the

University of Kentucky since its inception nearly 50 years ago was separated from the University of Kentucky so that UK could achieve this focused mission.

The community college system was then merged with the postsecondary technical schools that until that point were part of the greatest bureaucracy of all – state government. We created a Kentucky Community and Technical College System to address specific workplace skills and issues, and to be a point of access.

The University of Louisville had been a private school for most of its 200 year existence – only entering the family of public higher education 30+ years ago. For most of its existence as a public institution, the University of Louisville was viewed as “another mouth to feed.” With the reform, the University of Louisville was, for the first time, given a specific mandate – to be a “premier metropolitan research university,” realizing that for Kentucky to succeed, its only major urban community had to grow and that such growth was dependent on a strong vibrant research university.

The comprehensive institutions were given mandates to develop programs of excellence in selected areas; to take the lead as an engine for educating more of our residents; and to focus on local economic issues.

As we speak today, a task force of business leaders created by the State Chamber is doing a comprehensive/independent review of what's happened over the last 10 years. What are our successes? What are our failures? What do we need going forward?

So it's premature for me to preempt this process and provide a detailed assessment of the last 10 years. But the higher education publication CrossTalk five-years ago reviewed the reform and quoted a long-time Kentucky journalist who covered educational issues who said, "Because of the reform, higher education in Kentucky will never be the same." Given our dismal pre-reform performance, this, in and of itself, was a positive assessment.

Without providing my own biased/detailed assessment of where we are, let me say we are different today.

- Our enrollments are up by over 40,000 students.
- Our graduation rates are improving.
- Our research continues to grow despite the competitive environment and a challenging federal funding environment.

- We see increases in patents, licenses, and business startups coming out of our research laboratories. In fact, most of our research focus is what we call translational research – taking “research from the mind to the marketplace” so that we can improve our quality of life.
- Our Community and Technical College System is working closely with existing and prospective businesses to help them meet their workplace needs.
- All of our campuses are more engaged in their communities than ever before, bringing leadership to address health care, education, economic development and social issues.

While the State Chamber study will do a more detailed assessment, one can easily conclude that we are different; we have made progress; but 10 years into the reform we know we have a long way to go and a new “sense of urgency” is called for if we are to meet the original goals of the reform set for 2020.

For today’s discussion, let me identify several points – perhaps lessons learned – from our experiences of the last 10 years. Most of these points are the obvious.

Lesson 1. The Postsecondary Education Improvement Act of 1997 in Kentucky would never have occurred had it not been for strong committed executive leadership. Only a few years earlier another Governor created the Higher Education Review Commission—it failed. The legislature then undertook reform which was of minimal impact. The Reform of 1997 was enacted because a Governor was willing to stake his administration and political future on the outcome of the reform.

In addition, unfortunately, the education community – our Council on Postsecondary Education and we, the institutions – failed to keep the business community engaged over the last 10 years – we failed to maintain the dialogue, communication and a working relationship; thus, over ten years the business community became detached from the reform.

The original business community that supported the reform included the stalwarts of our economy in Kentucky – Humana, Ashland Oil, UPS, etc. Each of these companies had strong leadership that recognized the importance of higher education and put their corporate muscle behind both K-12 and postsecondary education reform.

The business world has changed. Many of our businesses in Kentucky are different today – more out-of-state ownership; more focus on Sarbanes-Oxley; all of which some would say diverts attention from policy issues.

So for a number of reasons, the business community became disengaged.

It is important that the State Chamber has now determined that a ten-year assessment of the reform is needed and the new generation of corporate leadership in our state has taken this on personally and financially. (I might add that this assessment sprung from discussions that the university presidents initiated with the Chamber leadership as, feeling under attack, the presidents of our colleges and universities knew we had to reconnect with the business community – understanding or realizing that having an independent review of our success was high risk).

Recognizing that political leadership – both Executive and Legislative – change, compacts and mandates must have long-term champions. This is a marathon and not a sprint. Change does not come as quickly as we like. Without building and reinforcing the case for the importance of postsecondary education, the passion, urgency, and commitment, will often waiver and reduce the probabilities of

success. The business community can and must ensure this continuity of commitment.

So Lesson One—fundamental change in the academy is a “contact support”; it requires a real meaningful commitment of capital and effort. Governor Patton created a Task Force of legislative leaders to study the issue; the business community was engaged; problems were identified and solutions put on the table; and then the reform was sold.

Lesson 2. Political leaders come and go. Toward the end of Governor Patton’s term in office, Kentucky, like many other states, was suffering an economic slowdown and the consequences of that on the state budget. The new Governor had fiscal issues and other priorities to address. Governor Fletcher’s commitment to postsecondary education was strong but more focused on, specifically – What can higher education do to help us achieve our economic development initiatives?

This may not sound dissimilar from the original public agenda of the reform; however, the original reform recognized higher education’s role of meeting the specific workforce needs of businesses; but also recognized the broader roles of providing, as Richard Florida has discussed, the “creative class,” thus realizing the paradigm shift that people no longer follow jobs, jobs follow creative people;

growing research and development is economic development and leads to an improved quality of life; and the social, cultural, and artistic fiber of a community and state define quality of life factors critical for economic development and that higher education can drive these quality of life factors.

While the recognition of the importance of our research and development programs in building new economic clusters continues, the political reality has been that these things take time, and with tight budgets many of the funding mechanisms put in place for this part of the “compact” or mandate of several years earlier were deemphasized.

Lesson 3. Governors really do matter beyond policy formation. The role of the Executive Branch is absolutely critical beyond the leadership role of establishing the mandate. While obvious, let’s mention some examples.

Part of the job description for a university president is to constantly whine and complain about how underfunded we are. That’s what we do. So there will never be enough funds to make individual institutions happy. But Governors can create the organizational structures and processes that ensure that funds are available to incentivize and reward the activities and behaviors that are important to the state.

The role of the Governor in the budget process is critical. Without strong leadership, the likelihood that the allocation of scarce resources fails to drive change is greatly increased. Legislators representing particular areas of the state and with biases for particular institutions have a political duty to make sure their institutions' interests are funded. Only strong executive leadership can continue to keep the agenda on track.

A second example of the importance of gubernatorial leadership is the appointment process. Never underestimate the value strong policy/community based leadership makes. But strong appointments are not enough. Appointees must come to the table with a passion and understanding of what needs to be done and then exhibit the courage and leadership to follow through with the same fiduciary responsibility required on corporate boards.

Finally, Governors should never underestimate the importance of the bully pulpit and the power of their public statements. In many of our states, such as Kentucky even ten years after the reform, we do not significantly appreciate the importance of higher education and its correlation with economic well being. Many in our state still believe that other public policy initiatives, such as highways, sports facilities, etc., pay a higher dividend in terms of long-term state investment. Many

in our state continue to believe the primary role of the Governor is to recruit a new factory for their community.

Higher education is an investment good – dividends will be paid. Governors who talk about the importance of postsecondary education will help change a culture and mindset that is difficult to change.

Governors should never underestimate the value of the bully pulpit.

Lesson 4. One size doesn't fit all. One of the strengths of our higher education system in this country is the very thing that makes it most difficult to manage from a strategy or policy perspective; that is, our system of higher education is diverse and decentralized.

The University of Louisville and the University of Kentucky are both research institutions but we are very different, with different roles to play in moving our state forward.

The success of Louisville's economy is critical to the policy success of our state. Louisville cannot be successful without a strong system of higher education. The role of the University of Louisville in driving the community's economy is very

different than the role of the University of Kentucky, with its ag extension programs, etc.

The reform in Kentucky called for a differentiation in missions of the two research institutions, yet policy makers often insist on policies, funding models, etc., that try to make “one size fit all.” Our research universities have a very different role to play than our community colleges. Our comprehensive/regional universities’ role is still yet different. As is often said, the devil is in the detail, and any successful mandate must recognize mission differentiation if the policy is to be successful in practice.

In the Louisville community, we are fortunate to have a major research university with professional schools. We have two private schools that target very different types of students. We have a very strong community & technical college, and across the river we have an outstanding comprehensive university (we even have two theological seminaries) as well as numerous proprietary schools.

Working together to achieve community goals allows us each to take advantage of the specialization and division of labor that characterizes our institutions.

Most in higher education today are concerned by the dialogue taking place at the federal level as part of the negotiated rule making process to force a “one size fits all” model on all of higher education. It won’t work – a tough lesson that we are still struggling with in Kentucky.

Lesson 5. Forget what John Maynard Keynes said about the long run; Governors must promote mandates that recognize the long-term efforts necessary to be successful.

We understand politics and election cycles, and that Governors are strong leaderships who as a rule are impatient, but one doesn’t flip a light switch and improve student learning outcomes, graduation rates, enhanced research productivity, etc.

Markers, benchmarks, metrics are all important to show progress and to allow for policy changes but change is not immediate, and failing to give the compact the opportunity to be successful will be a self-fulfilling prophecy.

Summary and Conclusion

We undertook a giant effort in Kentucky a decade ago—something we are proud of. We are doing better; we are a better state because of the reform. But the rest of the

world is not standing still. At this time a new “sense of urgency” is required. I hope that we have over the last 10 years learned these valuable lessons that will allow us to achieve the important goals set up for the year 2020.

Thank you.