

New Jersey and New Mexico:
Explaining Differences in the Performance
of Higher Education Systems

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and
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September 2002

Organizational Performance and Policy Decisions in the U.S. and Mexico



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Contents

About the AIHEPS Project	iv
Introduction.....	1
Organizing the Discussion	1
Policy Environments, Rules of the Game, and System Behaviors	4
State Policy Environments.....	4
Rules of the Game.....	6
State System Design	6
State Fiscal Policy.....	8
System Behaviors.....	10
Comparing Performance	13
Preparation	14
Affordability	15
Participation	17
Completion.....	18
Benefits	20
Explaining Differences	22
The Grounded Model.....	23
Propositions.....	26
Proposition I.....	26
Proposition II	27
Proposition III.....	27
Proposition IV	27
Proposition V	28
Proposition VI.....	28
Proposition VII.....	29
Proposition VIII	29
Proposition IX.....	30
Proposition X	30
A Concluding Note	30
References.....	32

About the AIHEPS Project

The Alliance for International Higher Education Policy Studies (AIHEPS), a collaboration between New York University (NYU) and the Autonomous University of Puebla (AUP), was funded in September 1999 by The Ford Foundation to conduct policy research in Mexico and the United States over a three-year period with two primary objectives: (1) to improve comparative understanding of how changes in higher education policies (rules of the game) alter the nature of institutional behaviors and system performance, and (2) to serve as a vehicle for training a small cadre of younger policy scholars in both nations. The project is also aimed at building capacity at NYU and AUP for conducting further policy studies, and making the information available to appropriate policy audiences.

The following questions reflect some of the lines of inquiry the project has pursued:

- Higher education systems operate in very different policy environments as measured by such attributes as constitutional status, federal/state influence, political culture, and executive powers. Are there aspects of the policy environment that seem to be associated with particular performance patterns? Have states attempted to alter their policy environments? Are there particular combinations within policy environments that seem to facilitate or constrain the capacity of a state to adapt to changes in the external environment?
- Starting from quite different points, states appear to be changing their system designs, their arrangements for collaboration, communication, and accountability, and their fiscal policies to incorporate greater emphasis on market mechanisms. How have these changes influenced performance as measured by the indicators conceptualized by the National Center for Public Policy and Higher Education in the U.S. and comparable indicators in Mexican settings? Can aspects of performance be traced to particular configurations of these “rules of the game?”
- Federal governments may play the defining role in a national system of higher education (as in Mexico), or the role of change agent, consumer advocate, and research contractor (as in the U.S.). How are federal roles changing? To what extent are federal roles complementary to those enacted by states? Are there discernible differences in system performance patterns that can reasonably be related to differences in the “rules of the game,” as these are defined and implemented at the federal level?

The AIHEPS project has produced the following products, all of which are or soon will be available in Spanish and English on our Web site: www.nyu.edu/iesp/aiheps. Links to these products are also available through the National Center for Public Policy and Higher Education (National Center). Products are written according to a mutually agreed upon framework that facilitates comparative analysis.

- Case reports for the states of Guanajuato, Jalisco, New Jersey, and New Mexico.
- Federal reports for the United States and Mexico.
- A conceptual overview describing the current model for understanding linkages between policy and performance, as well as graphic and textual representations of the remaining work.
- A summary report of the younger scholars who have been involved with the project, and their contributions.¹
- This synthesis report for the United States, which incorporates insights from the federal report and the two state reports. The intent here is to suggest propositions about the linkages between policy and performance that can be inferred from the data collected in the U.S. studies. An earlier draft of this report provided a “jumping off” point for a discussion among policy leaders that was held in Jersey City, New Jersey, on June 21, 2002.
- A similar synthesis report for Mexico that served as the focus for a policy discussion held in Guanajuato in July 2002.

The following products for this third year of the project will soon be available on the Web site.

- A policy paper reporting the conclusions from the U.S. meeting written in a format designed for wide distribution to a policy audience. The National Center will assist in the development and distribution of this paper.
- A policy paper reporting the conclusions from the Mexico meeting designed for wide distribution in that nation.
- A synthesis report by the project co-directors that incorporates the results of the cross-national analysis of data from the two countries.
- A revised report of the grounded model for understanding how policy can constructively contribute to the attainment of public priorities.

Thanks to the continuing support of The Ford Foundation, the model generated during the first three years will guide an expansion of our work during the next three years, when we will be joined by Don Fisher and Kjell Rubenson of the University of

¹ Since the inception of the project, 10 younger scholars have contributed to the research.

British Columbia, as we add Canada to our national profiles. We will be increasing the number of state and provincial profiles constructed around the model. Additional profiles will individually and collectively expand our understanding of the linkages between policy environments, rules of the game, and higher education performance in the United States, Mexico, and Canada. The addition of Canada will help us gain a better understanding of the consequences of a reduced level of federal involvement in higher education systems and provide a contrast between a system that is entirely “public” and systems that are mixed between public and private institutions. It will also make possible some comparison of the policies within different higher education systems for improving access and opportunity, including provisions for indigenous/aboriginal peoples.



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Introduction

This report was written as part of a larger study undertaken with support from The Ford Foundation to improve understanding of how changes in public policy affect higher education performance in selected states in Mexico and the United States. The U.S. study team has completed case studies of higher education policies and practices in New Jersey and New Mexico, as well as a report that describes federal policies that have helped shape the context within which state higher education systems operate. In this paper, we offer a first attempt at explaining why performances differ for New Mexico and New Jersey in relation to policy decisions made in the two states that have shaped their respective higher education systems. An earlier draft of this paper served as background for a meeting that brought together policy leaders from the two states and elsewhere at New Jersey City University on June 21, 2002, to reflect on the model and propositions offered at the conclusion of this paper. This final draft reflects our attempt to capture insights gained from participants' comments during that roundtable.

A similar process is underway in Mexico. By early fall, we plan to have comparative reports from both projects. Concurrently, The Ford Foundation has approved a new three-year cycle for AIHEPS, during which we will involve additional states in the United States and Mexico, as well as three provinces in Canada. As our database expands, we hope to provide increasingly useful insights about ways in which higher education leaders and policymakers can work together to achieve outcomes that will help colleges and universities in all nations become more productive, while concurrently improving the outcomes most essential to achieving public priorities.

Organizing the Discussion

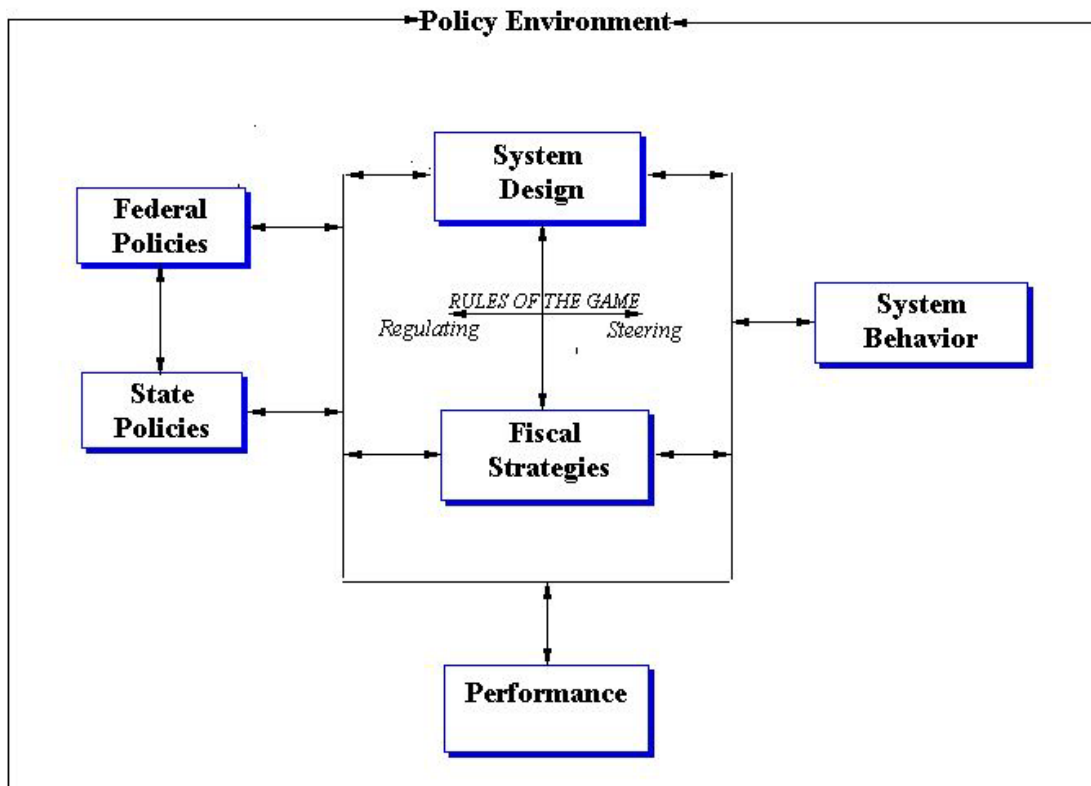
The AIHEPS project is most fundamentally about understanding the systemic consequences of state policies as they influence higher education performance. Our central question focuses on how policy contributes to and helps sustain purposeful reform that improves the performance of higher education systems in areas of public priority.

The number of potential influences on higher education outcomes—as well as the delay between the implementation of a policy change and the opportunity to observe consequences—makes this question highly complex. Nevertheless, our case studies of New Jersey and New Mexico, with the experiences of other states, provide abundant evidence that elected and appointed state officials often identify areas in higher education they see as problematic, and they design strategies to encourage the desired change.

Several writers have stressed the importance of enhancing public understanding of issues and alternatives as part of a process for building the public consensus essential to support sound policies in any realm of public service.² It is from this perspective that, from the beginning of this project, we have searched for a model that organizes in an understandable way the key policy influences on higher education performance. Our search began with higher education literature, then broadened to include the literature of public administration and other relevant fields. Concepts from the literature have been tested against the experiences of those we talked to in New Mexico and New Jersey, and in the federal government. Since the final version of the model must be useful across national boundaries, we have also shared ideas with and benefited from the suggestions of our Mexican colleagues.

Figure 1 represents a simplified version of the model that emerged from the U.S. study. We use it in this report on New Jersey and New Mexico to organize the case-study evidence of policy differences between the two states, inasmuch as the differing policy approaches seemed to relate to observable differences in performance.

FIGURE 1: A Schematic Model Linking Policy to Performance



² See, for example, Yankelovich (1991) and Haifetz (1994).

The model suggests that differences in policy environments—including federal policy, state constitutions, political cultures, demography, economy, and state-level priorities—lead to different choices in the way states design their higher education systems, and in the fiscal policies they employ to fund them. System design encompasses the number and types of institutions in the state, the arrangements for governing them at the state and institutional levels, and information and technology that affect such arrangements. Fiscal policy includes the means by which providers and students are supported. System design and fiscal policy incorporate the “rules of the game” that shape institutional behaviors such as leadership, communication, collaboration, accountability, and priorities.

The behaviors of the institutions that make up a state higher education system produce in aggregate the outcomes used to assess performance. While elected state leaders seek to influence higher education behaviors and performance, the higher education community works equally hard to influence the policies, both formal and informal, that determine the rules of the game within which they must operate to achieve their priorities. The notion of performance indicators is a relatively recent addition to the equation. Many states have only recently begun to evaluate performance and to think about ways of influencing it.

In the next section of this paper, we use the conceptual structure provided by this model to compare approaches chosen by New Jersey and New Mexico in organizing and managing their higher education systems, and report the effects of these rules of the game on the behaviors of system participants. We then compare the performance of the two systems with respect to the five performance categories described by the National Center for Public Policy and Higher Education in their report card *Measuring Up 2000*: preparation, affordability, participation, completion, and benefits (National Center for Public Policy and Higher Education, 2000). Finally, we present an elaborated version of the model and use it to develop 10 propositions (hypotheses) about the impact of different policy approaches on system performance.

Policy Environments, Rules of the Game, and System Behaviors

New Jersey and New Mexico share a common federal policy environment characterized by a national constitution that is silent on education, and by an historical context in which fiscal policy has been a predominant strategy for pursuing specific education goals, for as far back as the Northwest Ordinance of 1787. While the national political culture varies depending upon the party in power, over the past quarter century, a well-defined trend toward greater emphasis on consumer determination can be observed. Concurrently, federal policies have placed increasing emphasis on transparency, accountability, and collaboration across sectors. Within the U.S. federal policy environment, the President is critical to the adoption and funding of new higher education initiatives, while Congress negotiates the degree of change acceptable to a political culture that is essentially conservative. Typically, federal policies make no distinction between public and private providers of higher education services.

State Policy Environments

New Jersey grants no public institution special status in its state constitution. The governor is as powerful as any in the nation. No community in the state is much more than two hours driving time from Trenton. This combination of determinants has encouraged a central planning approach to developing and managing the state system of higher education.

New Mexico's governor is also relatively strong. The governor's influence was enhanced during the 1980s by a state constitutional amendment removing a provision that effectively limited an incumbent to a single term. While the governor appoints institutional governing boards, the boards must be composed of members in approximately equal numbers from both major parties. New Mexico is very large geographically, and historically is among the most diverse of all U.S. states. The state leans decidedly in the direction of autonomy for its public institutions. With few exceptions, public colleges and universities have each developed more as a consequence of individual leadership and community activism than as a result of any state policy.

During the past decade, the New Jersey policy environment has shifted sharply toward greater autonomy, particularly for those segments of the public sector previously subject to the most state control. Spurred by a change in party control of both the

executive and legislative branches, the political culture has embraced greater emphasis on consumer choice, a direction quite consistent with federal shifts as well. A watchful Legislature and a governor who did not hesitate to increase subsidies to community colleges—even amid her general efforts to cut direct state support of higher education—have helped to moderate the consequences of a movement many saw as a dramatic reversal of previous policies. They kept community colleges affordable amid much talk about a “market-driven” system. This suggests that those responsible for changing the policy emphasis from regulating to steering³ kept a watchful eye on the potential impact of these changes on the participation of part-time students, who are not eligible to participate in a generous need-based student assistance program.

During our study, the New Mexico governor’s influence on higher education was constrained by his perceived lack of interest, and by a contentious relationship with a Legislature controlled by the opposing party. Even without these constraints, however, “no governor in his right mind,” according to a former governor, “would spend much time trying to influence higher education.” Despite this bleak assessment, the governor in office during our study strongly supported a non-need-based higher education student assistance program funded by a state lottery. The Lottery Scholarship Program, spearheaded by a powerful state legislator, is politically popular. The program’s continued appeal has provided momentum to alter the balance between funding institutions and funding students.

In terms of each state’s general beliefs about the influence of policy on higher education, New Jersey’s elected leaders emphasized their view of policy as a tool for improving higher education performance. And they believe that policy affects performance by changing the expectations of those who operate the system. Institutional leaders, while emphasizing the degree of autonomy their institutions enjoy, remain attentive to state goals and priorities.

New Mexico’s public four-year institutions are highly autonomous, partly as a consequence of their constitutional status. But significantly, their autonomy also reflects a belief that elected officials have little influence over higher education behaviors. The prevailing view, held both by higher education leaders and elected officials, sees university leaders as autonomous, pursuing goals dictated by “market forces” rather than by state goals or priorities. Policy leaders have experienced little success in establishing statewide priorities for higher education. While state and institutional leaders do agree about the importance of access, such agreement is believed to be largely fortuitous.

³ We use the terms “steering” and “regulating” in the sense that they are used by Osborne and Gaebler (1992).

Rules of the Game

While the design of the higher education–federal interface has historically been intentionally vague, the 1990s brought a number of important changes. Direct lending changed the student loan industry by providing competition to commercial lenders. Direct lending also required new structures in the interface, including an office, a new delivery system, and a management structure. And direct lending brought the Department of Education (DOE) into direct contact with students, not a typical relationship. Because of these changes, the 1998 reauthorization created a Performance-Based Organization within the DOE. This program was dedicated solely to student assistance, which highlighted dominant policy themes of the decade, including streamlining, cost saving, and middle-class tax relief.

Fiscal policies are the strategies of choice for federal efforts to influence higher education goals and priorities. During the past decade, the fiscal rules of the game at the federal level have changed. While most federal funds continue to be awarded to students on the basis of need, there is now less emphasis on need-based grants and more on subsidized loans. While low-income and underserved populations remain a federal concern, the middle class has been the focus of most new initiatives. Students and families must have substantial income to benefit from federal tax incentives for college participation. These federal changes in fiscal policy have more easily aligned with the policies of high-aid, high-tuition states such as New Jersey than with low-aid, low-tuition states. Perhaps in recognition of this, policymakers in New Mexico, while retaining a low-tuition access strategy, have significantly increased their commitment to financial assistance, to the point where New Mexico now ranks 10th in the nation in the total amount of need-based and merit aid provided per resident to undergraduates.

State System Design

Public higher education in New Jersey is for the most part a centrally planned creation of the last half of the 20th century. Beginning with the acquisition of previously private Rutgers University in the mid-1950s, the state developed a comprehensive public system of research universities, comprehensive universities, and community colleges, either by founding new institutions or converting and expanding pre-existing ones. Among the new institutions was a college-without-walls serving a statewide mission. Most of this development was guided by the firm hand of a strong board of higher education, whose chancellor served as a member of the governor's cabinet.

In contrast, there is little evidence of central planning in the design of New Mexico's system of higher education. Six public four-year institutions operate under the supervision of independent boards. Three of the six operate branch campuses and two have off-campus instruction centers as well. Nine two-year institutions vary widely, both

in their histories and in their current governance arrangements. Two were established in the state constitution, and operate under boards appointed by the governor that have no taxing authority. Three community colleges are converted vocational-technical institutions, each with locally elected boards.

The New Mexico Commission on Higher Education appears stronger on paper than it does in operation. Elected leaders often interact with institutions just as they did before the commission's authority was expanded and strengthened. There are few staff members for the extensive responsibilities assigned. During our study, divisions among board members further limited staff influence. Previously titled the Board of Educational Finance, the commission remains stronger in its fiscal functioning than in planning, articulation, or program review. Associations or councils representing public two- and four-year sectors and a small private sector also operate in the interface between state government and higher education providers.

The New Jersey Commission on Higher Education is a significantly diminished successor to the powerful Board of Higher Education it replaced in 1994. The executive director does not enjoy cabinet status. And the commission must share many of its responsibilities with newly strengthened institutional governing boards and a council composed of the presidents of all of the state's public and private colleges and universities. Statutory councils for the state colleges and universities and for community colleges keep a watchful eye on statewide activities affecting higher education. While the New Mexico commission appears stronger than its New Jersey counterpart, differences in modes of operation appear to be more a function of differing approaches to leadership on the part of the two executive officers than any real difference in operating authority. Both commissions must stay constantly alert to intrusions into their legitimate functions by state government and higher education representatives.

New Jersey has an excellent information system. The New Mexico system is somewhat less credible because of incompatibilities with university systems. Staffing limitations prevent either system from taking full advantage of capabilities. Both state agencies are viewed as reliable sources of relatively unbiased information, although neither state makes policy decisions primarily on the basis of information provided by its respective commission.

New Jersey has invested significantly in technology to improve the research capacity of its universities, to adapt an information system that provides articulation information for prospective transfer students, and to enhance instruction, including distance learning. New Mexico has been much less willing to make similar investments, providing only a small appropriation to its commission, to be distributed largely in terms of priorities defined by individual institutions. New Mexico colleges and universities have not been responsive to collaborative approaches to distance education. The few existing independent efforts in distance education may indicate philosophical differences about the need for distance education, as well as a lack of state incentives.

The two states have quite different approaches to integrating independent colleges and universities with the public sectors. Private institutions dominated higher education in New Jersey from colonial days into the 1950s. The independent sector now functions as a full partner in providing state higher education services. New Mexico's very small private sector has never been a major factor in state thinking about how best to deliver higher education services.

State Fiscal Policy

New Jersey and New Mexico follow very different strategies in the ways they allocate and distribute state dollars for operating purposes. In fiscal year 2001, New Mexico ranked second among all states with its higher education appropriation of \$14.80 per \$1,000 of personal income. New Jersey ranked 44th in appropriating \$5.68 per \$1,000. The undergraduate tuition and required fees at flagship universities in the two states were very different as well, \$6,333 in New Jersey and \$2,795 in New Mexico (Mortenson 2001, pp. 14, 17). When revenues from all sources are considered, New Mexico's public institutions cost more per full-time student (\$18,088 in 1998) than their New Jersey counterparts (\$16,410). For 1998, tuition and fees covered 55.1% of that total in New Jersey, compared with 22.7% for New Mexico (Finney, 2001).

More than a decade ago, New Jersey decoupled operating support from student enrollments for its public comprehensive and research universities. There is no formula now, and increases are determined by applying a percentage to what each institution received the previous year. Independent institutions receive state operating dollars as well, but for them and for the community colleges, operating funds are based on an enrollment-driven formula. Individual governing boards determine tuition levels in all four sectors. While the governor and the Legislature make public statements about the importance of keeping tuition increases low (during our study, they provided extra operating support to community colleges and to one comprehensive university to help them keep tuition charges as low as possible), no state agency has intervened in the authority of any board to set tuition. Actual tuition charges vary widely, even among institutions within the same sector. Performance funding was adopted to anticipate some of the potential problems with allowing tuition to vary as a function of market demand. Although the amount involved in performance funding was relatively small, the state commission was charged with reporting publicly on institutions' success at earning available dollars. The public reports provided an incentive for institutions to make a reasonable effort to achieve their underlying goals.

New Mexico uses enrollment-driven formulas to allocate operating dollars to all of its public colleges and universities. Institutional representatives consult with the state commission about formula revisions. Changes to the formula typically require substantial consensus. While new legislation to enforce accountability will take effect in 2003, the

act does not specify guidelines for performance indicators. Nor has there been any indication from the state as to which priorities or problem areas are to be addressed by any given agency. Even so, the legislation is perceived to have influenced the activity of individual institutions, and of the community colleges and universities as an enterprise. Policymakers remain somewhat skeptical about the results of this activity, but most acknowledge that higher education is further along on accountability measures than other state agencies.

Direct appropriations to public colleges and universities for capital outlay have been very meager in New Jersey during the past decade. The 1994 restructuring decentralized capital planning, eliminating the central oversight role played by the former Board of Higher Education and investing institutional governing boards with the responsibility for capital planning. The 45 public and private institutions eligible for state grant programs select their own priorities, with or without up-to-date facilities plans. The role of the New Jersey commission is limited to ensuring that proposals submitted under five of the state's debt-financed programs are consistent with legislative intent. In the absence of direct state appropriations or available debt service funds, public institutions may arrange their own capital funding by pledging student fees for debt service.

In New Mexico, public institutions submit a list of priority projects. The New Mexico commission reviews all lists and assigns priorities to projects from the statewide perspective. The commission's recommendation is passed on to the Legislature and the governor's office, and, by most accounts, this list provides valuable guidance to policymakers. Besides this process, however, institutions also approach the Legislature individually for capital funds and special projects. The universities employ lobbyists to communicate their priorities and advocate for funds, in addition to working through their Council of University Presidents. Community colleges lobby the Legislature as one body as well.

Incentive grant programs are an important ongoing strategy in New Jersey for achieving state priorities. The commission recommends initiatives to the governor and the Legislature, and administers those that are funded. Colleges and universities are not fond of incentive grant programs, however, both because they believe the state should be providing more operating dollars and because incentive grants involve more oversight from the commission than institutions willingly accept. During the past five years, the state has used incentive grants to improve transfer and graduation rates for minority and low-income students, to enhance technology and workforce preparation, and to improve university research in biomedical and other high-tech areas. A significant teacher-preparation and development initiative was also pending at the time of our study.

New Mexico has rarely made use of incentive grants. A onetime legislative appropriation for distance education may illustrate why. Colleges were asked to forward proposals to the commission outlining how they would use the money they received. The

primary criterion in the guidelines, collaboration, was largely ignored. As in New Jersey, New Mexico institutions prefer to receive state funds without strings attached.

New Jersey administers one of the most extensive need-based student assistance programs in the nation. The state also offers educational opportunity fund grants to students with exceptional need and educationally disadvantaged backgrounds, and awards state scholarships on the basis of academic merit. Student aid funds now approach 20% of the total state appropriation for higher education. As part of the 1994 restructuring, the state transferred responsibility for administering student aid to a separate, fully integrated administrative agency with responsibilities for coordinating aid programs, advancing policy recommendations to state government, leveraging state and federal resources, and providing direct services to students. Removing restrictions on the authority of governing boards to increase tuition has allowed public colleges and universities to compete with private institutions for a larger share of student aid funding.

New Mexico also places significant emphasis on student assistance as an access strategy. When both need-based and merit aid are combined, the state is only three places behind seventh-ranked New Jersey, which is somewhat surprising given that New Mexico also emphasizes low tuition. The newest and largest program, the Lottery Success Scholarship Program, was started in 1996. The program pays up to 100% of tuition at any in-state public college or university for any full-time student who meets relatively modest academic criteria, regardless of income. Students attending private institutions are eligible for a \$3,000 student choice scholarship, but not for lottery scholarships. New Mexico leaders believe that the lottery scholarship program has increased access to higher education. Data indicate that enrollments have increased and the distribution of students among public institutions has changed. For eligible students, the decision to enroll in a public institution is no longer influenced by tuition.

System Behaviors

Congressional actions during the past decade have significantly altered the behaviors of institutions that expect to remain eligible or competitive for federal funding. Reporting requirements have increasingly been tied to legislation. At the beginning of the decade, higher education was not regulated in such areas as student loan default rates, costs associated with college, graduation rates of students—including student athletes—pass rates of teachers on state licensure examinations, campus crimes, or hate crimes. By 2000, colleges had to report information and comply with regulations in all of these areas. The federal government has also placed new emphasis on collaboration across institutions and sectors through criteria that require partnerships and consortia if colleges are to qualify for such programs as Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) and Tech Prep. Accountability has also become a

prominent federal theme, as evidenced in default rate triggers, information disclosure requirements, and mechanisms that cap indirect cost rates for research grants.

New Jersey state actions during the past decade have also had an impact on communication, collaboration, and accountability, even as the state moved away from regulating and central planning. The Commission on Higher Education is heavily involved in “benchmarking,” a process used to track system performance through comparing national and state indicators. Public institutions publish annual accountability reports. The commission prescribes the format for these reports and publishes its own accountability report for the system. Performance information is used to allocate some state funds, and the commission publishes a report on performance criteria and institutional success in meeting them.

New Mexico passed accountability legislation that will take effect in 2003, but has not established exact guidelines for performance indicators, nor any direction about the priorities or problem areas to be addressed. Public higher education institutions, through their respective sector organizations, have taken leadership in addressing accountability legislation, but policymakers are skeptical about probable outcomes even as they remain hopeful that, over time, better information about institutional strengths and weaknesses will emerge. New Mexico has a student information system, but the reports generated from it are mostly descriptive. Universities use their own sources and databases to produce informational reports, which often differ from those produced by the commission. Most “cutting-edge” comparative reports on higher education are produced by outside consultants.

Collaboration in New Jersey has clearly improved since the 1994 restructuring. Much of this change seems attributable to the creation of a Presidents’ Council that has brought together chief executive officers from two- and four-year, public and private colleges and universities. Council responsibilities were defined to require close collaboration with the commission. The presidents’ and commission staff needed several years of experience before they learned how to use the council/commission structure to best advantage. Presidents now report closer working relationships with their counterparts in institutions across the system. Restructuring explicitly placed greater emphasis on self-regulation for community colleges and for state colleges and universities, and according to those we interviewed, this has produced different and more entrepreneurial presidential leaders.

Collaboration in New Mexico has also increased over the last five years. Any movement in this direction is noteworthy, given the relative absence of collaboration between sectors in the past. The best-case scenario for collaboration in New Mexico, according to higher education leaders, would include a forum where politically and geographically autonomous institutions could collectively conceive of solutions to prominent problems.

In the early 1990s, New Mexico's community colleges—the sector in the state closest to what might reasonably be described as a system—formed an association and hired an executive director. The association has had success in providing a link to state government (measured in part by increased legislative appropriations), keeping community colleges visible, and working on such issues as accountability—results sufficient to stimulate the universities to form the Council of University Presidents. This council adopted a set of priorities for the 1990s in areas such as accountability, teacher quality, and economic impact. According to many in the state, the two organizations function mainly strategically to compete more effectively for state resources, but they are also recognized as facilitating dialogue across sectors and with state-level officials.

The commission and the State Board of Education have also begun to build a stronger relationship through collaborating on roundtables and statewide meetings. This represents a significant change for a state where, historically, professional autonomy has been the defining feature of higher education.

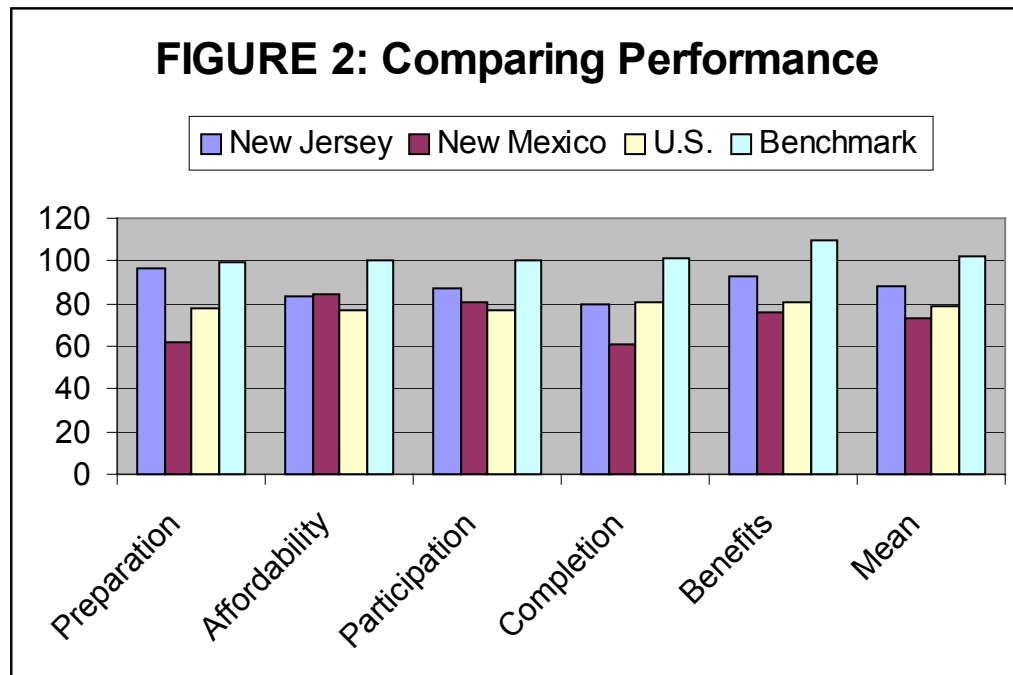
Comparing Performance

To assess performance in New Mexico and New Jersey, we chose to use—with slight modifications—the five categories developed by the National Center for Public Policy and Higher Education in the United States, as reported in *Measuring Up 2000: The State-by-State Report Card for Higher Education*. This report gave each U.S. state A–F grades in five categories: preparation, affordability, participation, completion, and benefits. While some higher education professionals have criticized these indicators, no one has proposed a better alternative for assessing performance at present using available data. Definitions for this study are generally consistent with those used by the National Center.

- *Preparation* assesses student readiness for postsecondary education on the basis of high school completion, K–12 courses, and K–12 student achievement.
- *Affordability* refers to the ability of families to pay for higher education (the family share, after financial aid, of higher education cost), state strategies to promote affordability, and the degree to which students rely on loans to finance their education.
- *Participation* is the extent to which young adults and working-age adults enroll in postsecondary programs in their state.
- *Completion* is assessed according to the proportion of first-year college and university students who return for their second year and the proportion who complete their certificate or degree program in a timely manner.
- *Benefits* relate to the economic and civic advantages of having a highly educated population, including the educational attainment of the population, the economic benefits that accrue from residents' having a bachelor's degree, the civic benefits to the state, and the skill level of adults. This also includes the research and development contributions that institutions make toward economic development.

Figure 2 compares the performance of New Jersey, New Mexico, a benchmark state, and the U.S. average for all states. Benchmark states, as defined by the National Center, are the five best-performing states in each category. The U.S. average was

calculated as the weighted mean of category index scores for all 50 states. Mean scores in the last column of the figure reflect average performance for all five grading categories.⁴



New Jersey outperforms New Mexico on four of the five performance categories and is above the U.S. average for all five categories. Overall, New Jersey ties with Illinois as one of the two top-performing higher education systems in the nation.

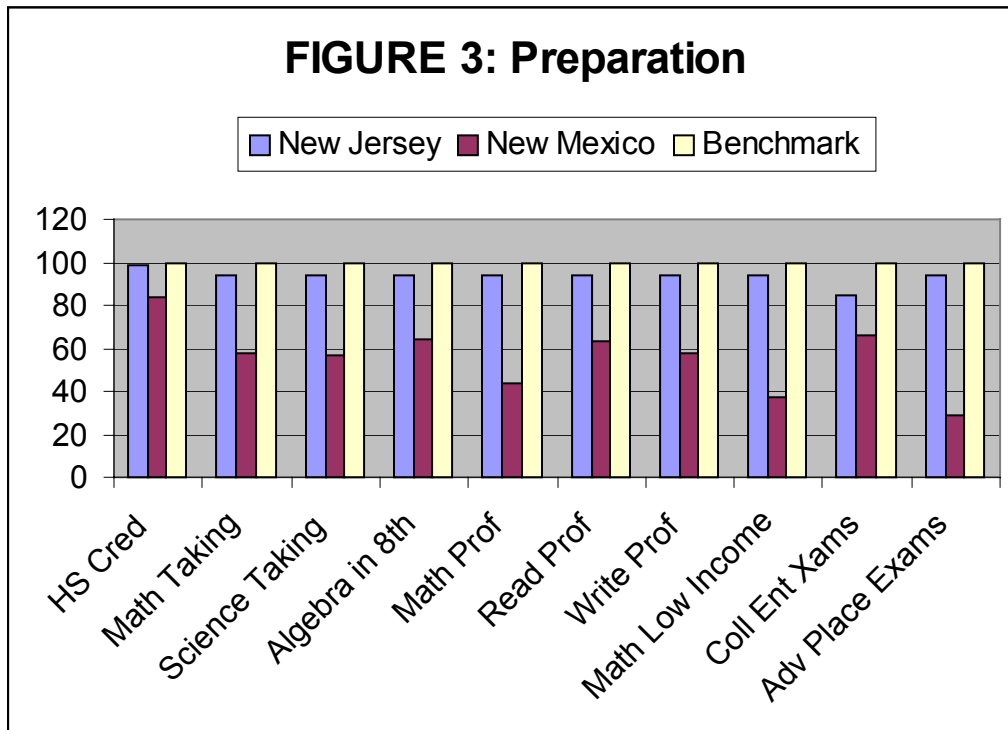
A closer look at the components used by the National Center in calculating the grades will set the stage for the propositions linking policy and performance we advance in the concluding section of this paper. In each of the following five figures, we include a benchmark state as well as New Jersey and New Mexico. In selecting benchmark states, we avoided extreme outliers that would have distorted the scales. Generally, we used the state that scored second-highest—or in some instances, third-highest—in each category. All states chosen were identified in the National Center report as benchmarks.

Preparation

Preparation included 10 areas of assessment, with the first four carrying 60% of the total weight. New Jersey was a benchmark state in the percentage of its students earning a high school credential. New Jersey also did well on most of the other nine indicators. Overall,

⁴ For a detailed discussion of the evidence on performance for New Jersey, New Mexico, and the United States, see Richardson (2002), Martinez (2002a), and Prisco et al. (2002), respectively. All of these reports can be downloaded from the Web site for the AIHEPS project: www.nyu.edu/iesp/aiheps.

the state tied for third place in preparation, and received an A. New Mexico’s D– performance was the second lowest in the country; the state lagged on every measure. Figure 3 provides comparisons in all 10 areas for New Mexico, New Jersey, and the benchmark states.

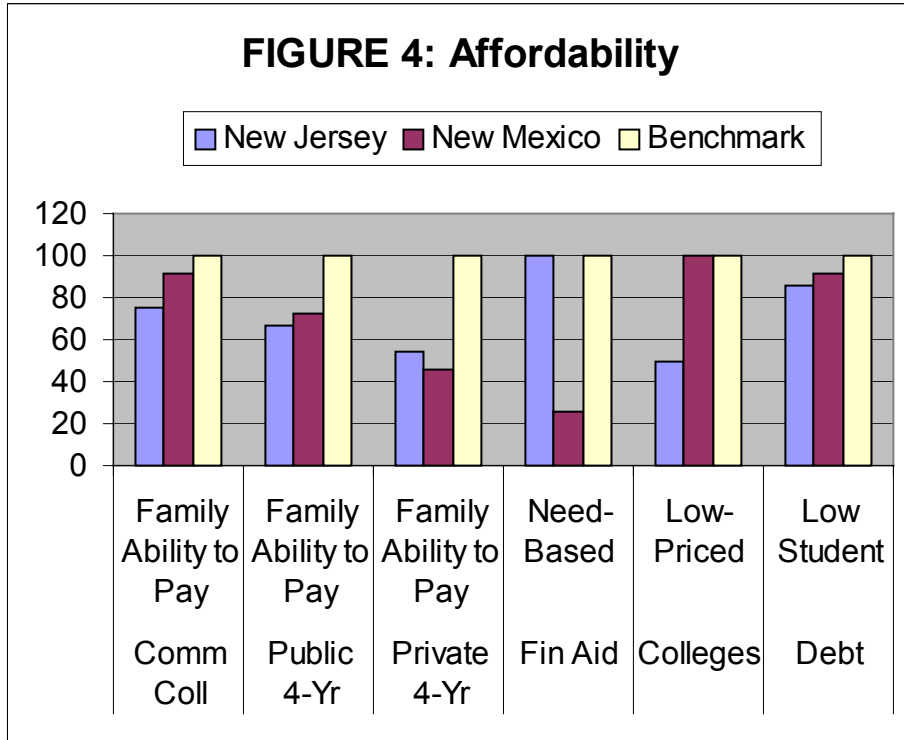


Recent efforts in New Mexico to include higher education and K–12 representatives in conversations about teacher education and quality may help address issues of preparation. Both states have put forward many institutional initiatives to address preparation issues. The difference seems primarily to be in the number of state incentives, and in the extent of system coordination. New Jersey has more centrally planned and collaborative initiatives addressing preparation, in such areas as teacher quality, equal opportunity, and GEAR UP.

Affordability

Grades for affordability were based on family ability to pay for college, the amount of state assistance to low-income families, the share of income needed by the poorest families to pay tuition at the lowest-priced colleges, and the amount of student debt. New Mexico outperformed New Jersey on all of these measures except for need-based financial aid and ability to pay for private four-year institutions. Both states received the

grade B from the National Center. Figure 4 provides information on the affordability categories for New Jersey, New Mexico, and the benchmark states.



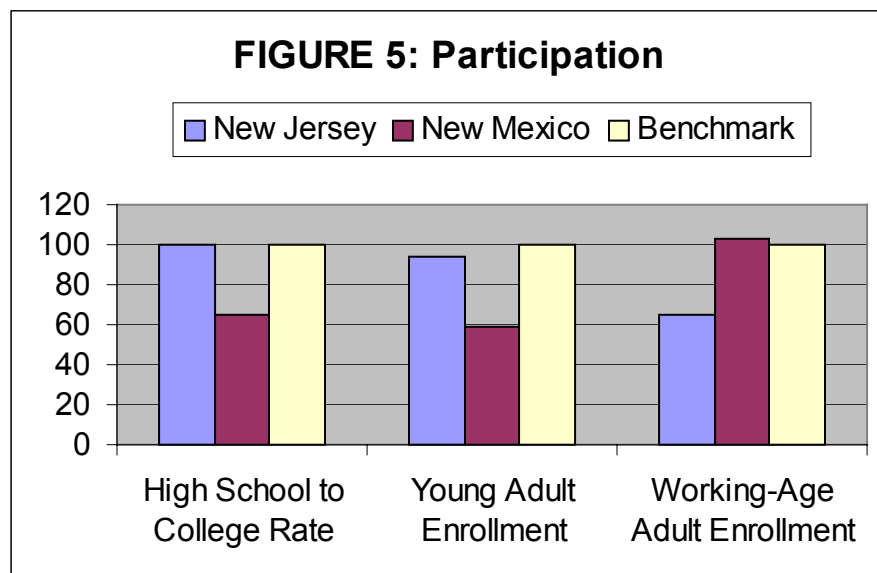
In New Mexico, state financial aid allocations and the number of state aid awards have increased faster than enrollment demand. State aid has also outpaced the growth rate of tuition increases. However, New Mexico does not target most of its state aid to low-income families, and students in New Mexico rely more on loans than the national average. In fiscal year 2001, New Mexico ranked second of the 50 states in appropriations of state tax funds for higher education operating expenses per \$1,000 of personal income (Mortenson, 2001, p. 14). In 1998, New Mexico state and local governments appropriated \$8,611 per student to public institutions in 1987 dollars. This represented an increase of 23.8% in constant dollars over the 10-year period (Finney, 2001).

New Jersey makes an unusually high commitment to student assistance. In every sector, the percentage of full-time undergraduate students receiving need-based aid, and the average grant awarded, are significantly higher than for the nation as a whole. In 1999, New Jersey ranked second in the United States both in the number of full-time students receiving state aid, and in the size of the average state grant. For community colleges and the state college and university sector, student loan amounts are about the same as national averages. Student loan amounts are higher than average in public research universities and lower in the independent sector.

In New Jersey between the years 1994–95 and 1999–2000, tuition and fees for public four-year colleges increased by 49%. Increases for community colleges and independent colleges and universities grew at the more modest rates of 25% and 29%, respectively. Tuition and fees at public institutions continue to exceed the national average, although the differences have narrowed somewhat at community colleges. Between 1987 and 1998, state and local governments in New Jersey reduced per student appropriations in constant 1987 dollars from \$9,071 to \$7,936, a decrease of 12.5% (Finney, 2001). For fiscal year 2001, New Jersey ranked 44th in its appropriations of state tax funds for higher education operating expenses per \$1,000 of personal income (Mortenson, 2001, p. 14).

Participation

Participation was assessed by the percentage of high school students who go on to college immediately after high school, and by the proportions of young and working-age adults who enroll in postsecondary education or training. New Jersey received a B+ on the strength of a near-benchmark performance on the first two measures. Enrollment of working-age adults was much lower. In contrast, New Mexico received a B– and was at the benchmark for working-age adults. It lagged far behind on the first two measures. Figure 5 displays performance results for participation.



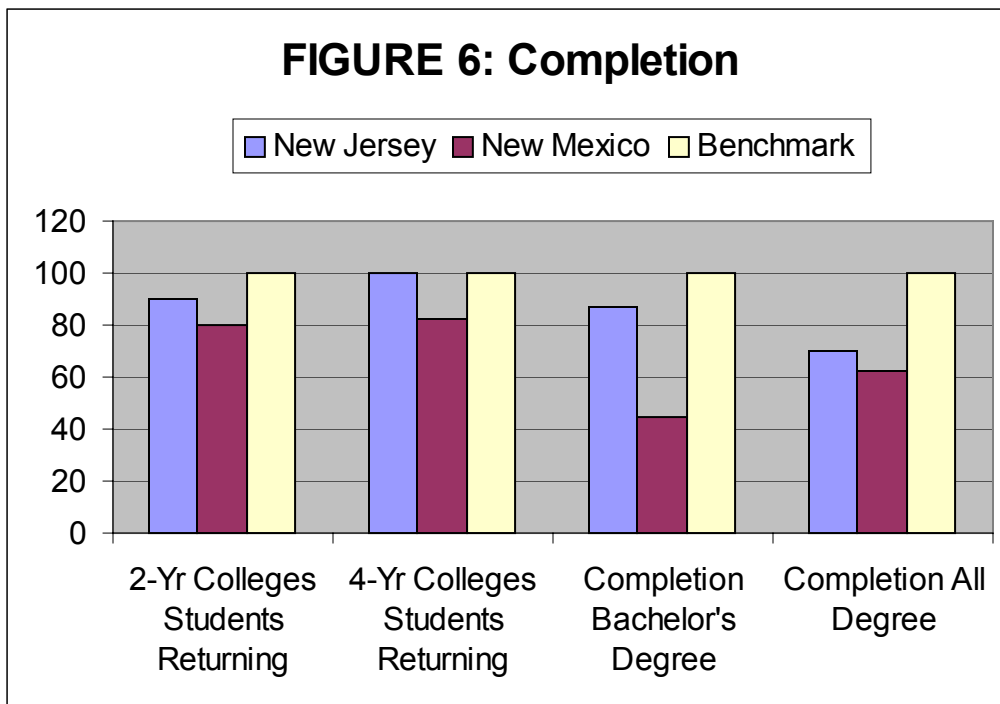
Here, differences between the two states appear to be closely related to differences in state policies. New Jersey does not currently provide need-based assistance to part-time students, so its higher-than-average tuition charges are a significant barrier for this group. During the study, concern about low and declining participation rates

among working adults prompted lawmakers to introduce a bill that would have extended need-based assistance to part-time students. However, early passage seemed improbable, given the state's fiscal dilemma. The compact geography of New Jersey, along with the availability of low-cost public transportation in the more heavily populated counties, provides adults who can afford the tuition with a wide range of convenient choices. Despite these contextual advantages, New Jersey has recognized the need to invest in distance education, partly through establishing Thomas Edison State College, a campus without walls. Its first statewide, high-speed, internet network will deliver data and video to 37 two- and four-year institutions by September 2002 (Arnone, 2002).

New Mexico's low tuition makes access easy for employed adults who live close enough to a campus that offers the courses they need. The state's increased emphasis on student aid may also help more students stay in school for longer periods of time. The largest assistance program, however, is based on merit rather than need, an arrangement that may work to the disadvantage of low-income, recent high school graduates. Competition among public institutions in New Mexico for enrollment-based state appropriations also seems to contribute to inefficient use of available institutions (such as Eastern New Mexico University, which has struggled with enrollment over the years) and to inhibit willingness among higher education leaders to invest in distance education.

Completion

Grades for completion are based on the proportion of first-time, first-year students who return for a second year at two- and four-year colleges, the proportion of full-time students who complete a baccalaureate degree within five years, and the certificates, degrees, and diplomas awarded at all colleges and universities in the state per 100 undergraduate students. New Jersey was close to the benchmark states on the first three of these measures but lagged on the fourth. New Jersey received its lowest overall grade in this category, a B-. New Mexico performed at lower levels than New Jersey on all four measures, with the most significant difference in the completion of bachelor's degrees, an outcome that has been a concern for state policymakers. New Mexico received a D- in completion from the National Center. Figure 6 reports performance on this category for New Jersey, New Mexico, and a benchmark state.

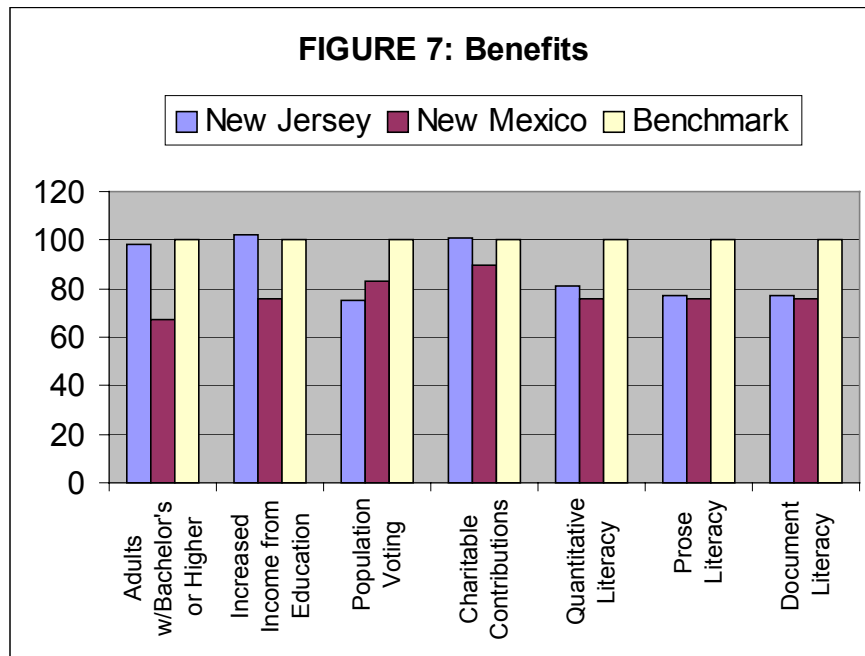


Outside consultants employed by New Mexico reported that the state’s institutions produced relatively fewer baccalaureate graduates than institutions in surrounding states. New Mexico has a much better record for graduate student completion. According to these consultants, the system performs most effectively in the areas of research and graduate education, functions that best serve the wealthiest and most populous counties in the state. Institutions in New Mexico have fiscal incentives to enroll and retain undergraduates (National Center for Higher Education Management Systems, 1999), but no similar incentives related to completion. The new Lottery Success Scholarship Program represents a state strategy aimed at addressing affordability, participation, and perhaps completion.

New Jersey graduation rates at public four-year colleges and universities significantly exceed the national average and continue to improve. The governor has recognized graduation and retention rates as a state priority. The state awards performance funds to institutions that improve on this measure. Graduation rates for community colleges are below the national average, an outcome that some attribute to articulation practices that do not encourage graduation before transfer. Improving transfer has also been designated as a state priority, and is one of the five categories on the basis of which performance funds are awarded.

Benefits

Benefits include the percentage of adults in the state with a bachelor's degree or higher, the amount of increased personal income from education, the proportion of eligible residents voting in national elections, the percentage declaring charitable gifts on their federal tax returns, and three measures of adult literacy. New Jersey received an A in this category. New Mexico received a C. Figure 7 provides information about performance on the subcategories of the benefits measure for New Jersey, New Mexico, and a benchmark state.



New Mexico residents were more likely to vote than their counterparts in New Jersey. Literacy scores were unavailable for New Mexico so the scores for these subcategories reflect the average of New Mexico scores for the other benefits subcategories. New Mexico did least well in the percentage of adults who have bachelor's degrees or better, and in the increased income from having a bachelor's degree. Together these two subcategories accounted for more than half of the total score. State policymakers in New Mexico hope that recently passed accountability legislation will link the benefits of higher education more closely to state goals. While New Mexico expects universities to contribute economically to the state, little is understood about the precise connection between higher education productivity and economic development.

In New Jersey, economic development is a key factor in state funding decisions, and institutions have responded positively. Opportunities for system collaboration include articulated programs, state-sponsored virtual universities, and international and interstate

consortia. Higher education leaders described collaboration as producing competitive advantage, moderate costs, and increased opportunities. As the center of the pharmaceutical industry, New Jersey has more high-tech companies than Silicon Valley. Many of those interviewed attributed these and similar economic developments in significant measure to the partnerships and effective working relationships among higher education institutions, the private sector, and state government.

Explaining Differences

Our purpose in conducting this study was to develop a model and related propositions that explain differences in performance between the higher education systems in New Mexico and New Jersey—specifically, how those differences are attributable to policy differences in the design, funding, and regulation of higher education in the two states. We do not mean to suggest that differences in policy are the only or even the most important explanations that might be offered for differences in performance. New Jersey does not have New Mexico’s Native American or Hispanic populations. And New Mexico lacks New Jersey’s urban immigrant populations and sophisticated public transportation system. The two states have different economies, geographies, industries, and political realities. Any of these differences might arguably be advanced as a significant contributor to differences in the performance of the two systems, and undoubtedly, all play some role.⁵

However, to frame a discussion of performance around socio-political and economic variables that cannot in the short term be easily altered is to accept the view that existing social arrangements are largely immutable. Such a view led many policy leaders in the late 1950s and early 1960s to assert that the time was not yet right for granting full civil rights to all citizens. Yet during that era, public policy decisions at both federal and state levels transformed the United States by opening up vast new opportunities for many. And not the least of these opportunities were provided by newly created and expanded systems of higher education. Anyone who doubts the efficacy of public policy in changing the performance of higher education systems would do well to reread the history of the civil rights era.

We believe that public policy matters. While it is not the only contributor to performance, it is the main contributor that voters expect legislators and governors to influence during their terms of office. This study examines the effects of policy in New Mexico and New Jersey with the hope of developing propositions that could subsequently be tested in other states and modified by additional information. Through this effort, we hope to contribute to an informed public discussion about how desired higher education outcomes can best be attained. We also hope to counter arguments that human failings, cultural deficits, or the economy prevent any meaningful improvements. By illuminating examples of policies that have produced intended outcomes, we support the work of

⁵ Two sources that investigate the contribution of contextual variables to report card performance are Cunningham and Wellman (2001), and Martinez (2002b).

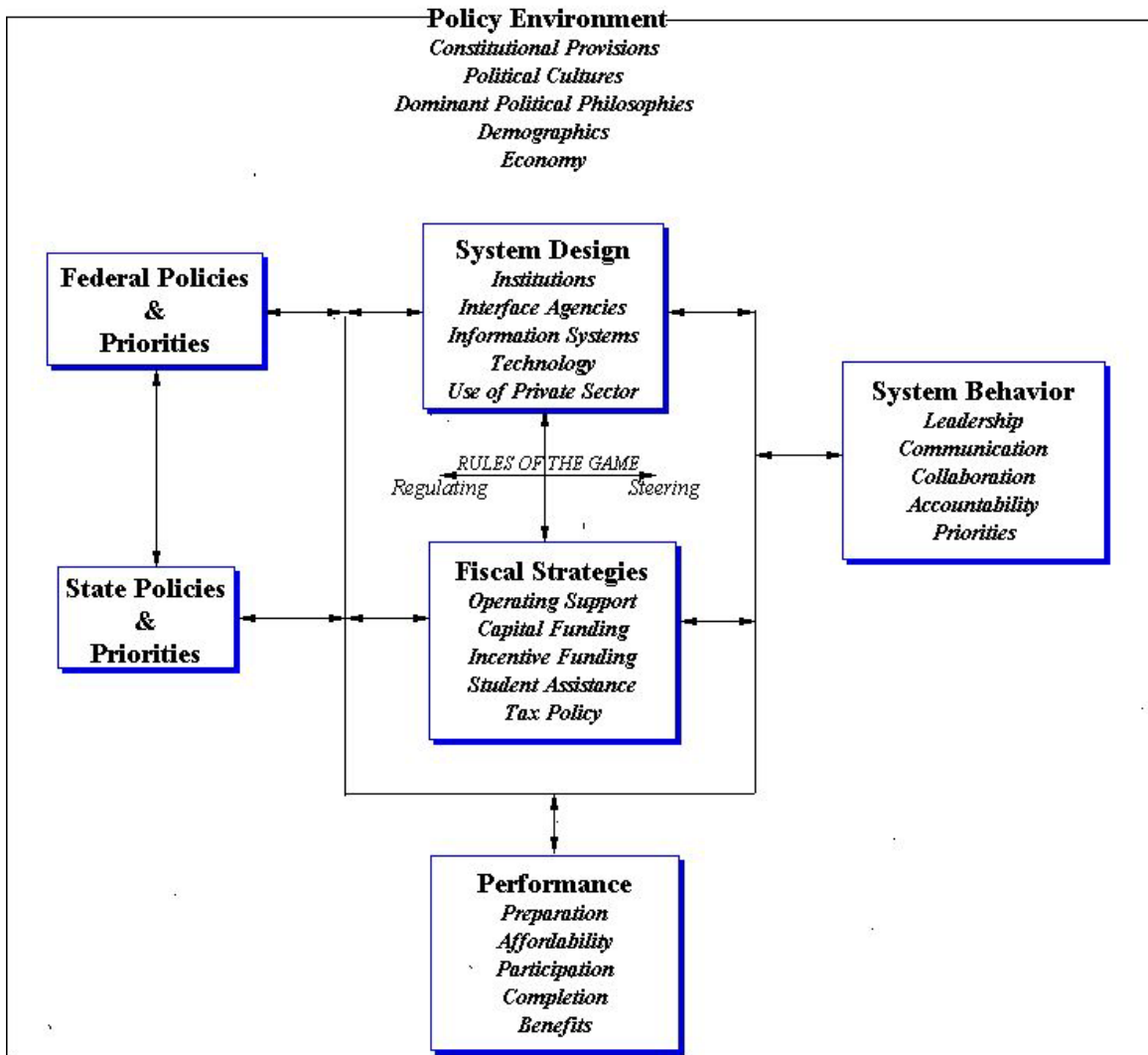
elected and appointed leaders who champion higher education policies that balance the needs of the state with the interests of institutions, while serving the interests of the general public.

The Grounded Model

Because our study was comparative both among states within the United States and between the United States and Mexico, we began by studying the literature on higher education, public administration, and political economy. From this literature, we developed an initial model to guide the process of data collection and our starting point for analysis. Each effort to revise our initial model by taking into account insights produced by our data has generated new questions. With each new set of questions, the model was again revised, so that the model we are using as we end our first three years of study bears little resemblance to the one we used when we started.

Figure 8 reflects our current view of how policy decisions influence state higher education performance. It was developed after policy leaders from New Jersey, New Mexico, and elsewhere attended a June 2002 roundtable where an earlier draft of this paper was discussed. We were told at that meeting that, with some editing, our propositions seemed to reflect reality as experienced by members of the policy community. We were also told that participants did not understand our earlier version of the model. We have tried in this post-roundtable version to revise and simplify the model. We have also reorganized the propositions so that they flow more directly from the model.

FIGURE 8: Linking State and Federal Policies to Higher Education Performance



- *Federal Policies*, including priorities, fiscal policies, and reporting requirements, add to or subtract from the impact of state policies, depending on the degree of alignment. New Jersey’s policies on financial aid, accountability, and collaboration were clearly more closely aligned with federal policies than those in New Mexico. The influence patterns are not one-sided. New initiatives in bellwether states may lead to comparable initiatives at the federal level, as in the case of the Georgia Hope Scholarships.
- *State Policy Environments* reflect political culture and traditions that jointly determine whether elected officials believe they can and should revise, eliminate or maintain policies aimed at influencing higher education performance. The relative authority of the executive and legislative branches of state government and the constitutional or statutory status of institutions also play an important role.

State policy environments for higher education are also impacted by competing interests, as legislative champions for K–12 education, health, welfare, and public safety limit the attention and the resources available for higher education. Some aspects of policy environments are fixed in the short term (population demographics, history, geography) and the costs to modify others are very high (state constitutions). Policy environments do change, however, and sometimes dramatically (for example, as a result of elections that alter party control of the state government, which occurred in New Jersey in 1994).

- *Rules of the Game* are the principal means governments use to influence processes and outcomes in higher education. Rules may be formal and explicit or informal and unstated. They are created over time to reflect the particular combination of regulating (state control) with steering (institutional autonomy) that a state uses in governing its higher education system (Neave and van Vught, 1994). As regulator, the state provides facilities and operating support and tells higher education how to achieve state priorities. As “helmsman,” the state establishes priorities and holds institutions accountable for furthering those priorities in relation to the resources they receive, but does not tell institutions how they should achieve them. During the past decade, New Jersey consciously moved toward a greater emphasis on steering by eliminating regulatory structures and by enhancing institutional autonomy and consumer choice. New Mexico has been hesitant to instigate change aimed at reducing institutional autonomy, but has arguably enhanced consumer choice through the creation of the lottery scholarships. To simplify our discussion, we have classified rules under two categories, system design and fiscal policy.
- *System Design* includes the number and type of service providers; the missions assigned to each; the characteristics and powers of agencies in the interface between government and providers; the information systems that collect, organize, and report data essential to understanding and influencing performance; available technology and its uses; and the role assigned to the private sector.
- *Fiscal Policy* includes the amount of operating support and the regulations that apply to its distribution; institutional autonomy in determining capital needs and in securing funding; the amount and use of incentive funding; types and amount of student assistance; and tax policy.
- *System Behaviors* reflect the impact of rules of the game on institutional leadership, priorities, communication, collaboration, and accountability. Rules of the game may afford higher education professionals considerable freedom to pursue institutional goals, or may direct or encourage institutions to pay greater attention to public priorities.

- *Performance* reflects the aggregated outcomes of the individual colleges and universities that form a state system. In the model, performance is estimated by the grades awarded in *Measuring Up 2000* for preparation, affordability, participation, completion, and benefits (National Center for Public Policy and Higher Education, 2000).

Professionals within a state system adopt the behaviors they believe most likely to further institutional goals under the prevailing rules of the game. For reasons best explained by Nobel Prize-winning theorist Herbert Simon, professionals charged with institutional leadership pay attention to overarching public policy concerns primarily as these coincide with institutional goals, or when the rules of the game require their consideration (Simon, 1957). It is up to public policy leaders at both state and institutional levels to make sure that responses to the rules of the game achieve an appropriate balance between public priorities and the goals valued by the professional community. It is also possible that public policy can create overlapping state and institutional priorities.

Propositions

Based on the experiences of New Mexico and New Jersey, we advance 10 propositions, or hypotheses, about how states can influence the performance of their higher education systems. The propositions benefit from the input of policy leaders from several states contributed through a roundtable process. A separate policy paper reporting results of the roundtable will be available in fall 2002.⁶

Proposition I

State government has the responsibility for identifying areas of performance where improvement is a public priority. Failure to identify state priorities constitutes an implicit acceptance of institutional priorities.

In New Jersey, the governor identified those priorities that all institutions were expected to address, each from the perspective of its approved mission. In New Mexico, there were no explicit priorities that enjoyed any substantial degree of acceptance, but there was the general understanding among legislators that access was extremely important. New Mexico did well in terms of its understood priority. New Jersey did well on the entire range of performance indicators and was one of two top-performing states in the nation. New Mexico relied heavily on institutional priorities, but as one senior university

⁶ Greg Wegner is editing a policy paper summarizing the results of the roundtable discussion. This paper will be distributed by the National Center for Public Policy and Higher Education. It will also be available in pdf format on our Web site.

administrator noted during the roundtable, “It may not be correct to assume that all institutions have defined priorities.”

Proposition II

States that have designed a rational system of comprehensive and diverse higher education institutions (including the independent sector) will be more cost-effective than those with systems that have evolved over time primarily in response to institutional aspirations.

New Mexico has a very diverse set of colleges and universities, but the degree to which they constitute a system remains a matter for discussion even in New Mexico. Because the missions, funding arrangements, and organizational structures of the institutions are so diverse, the quality and relevance of available educational services are very dependent on where residents reside. New Jersey, on the other hand, has a centrally planned system that coordinates the behaviors of a comprehensive system of community colleges, comprehensive colleges and universities, research universities, and private institutions. New Mexico’s higher education system costs more than New Jersey’s on a per student basis (including student financial aid).

Proposition III

States that use well-defined priorities to steer their higher education systems increase their chances for achieving performance levels that satisfy elected leaders and reflect the needs of all residents.

New Jersey identifies the priorities all institutions are expected to address. Each institution is held accountable for addressing state priorities in relation to its approved mission. Elected officials in New Jersey reported high levels of satisfaction with system performance and the state scored well on national performance indicators. In New Mexico, state priorities have not been identified: the state’s accountability statute did not specify areas in which institutions would be held accountable. Each institution must individually determine the appropriate balance between state needs and institutional priorities. Elected leaders in New Mexico expressed concern about system performance, and the state did not score as well as New Jersey on most national performance indicators.

Proposition IV

A state’s capacity to change the rules of the game in ways that build institutional responsiveness to public priorities is enhanced by an interface agency that is dominated

neither by state government nor institutions, and that is able to craft and coordinate systemwide strategies without controlling or dominating implementation.

System-level planning and coordination need not imply a dominating coordinating board. Given gubernatorial and legislative support, as in New Jersey, a relatively weak interface agency can articulate public priorities developed by state government and provide a significant measure of system guidance and support for both state and institutionally initiated reforms. Both New Mexico and New Jersey have interface agencies with sufficient authority to fine-tune rules of the game without major changes in system design or fiscal strategies. Their credibility as “go-betweens” is enhanced by their relative independence both from state government and from the institutions they coordinate.

Proposition V

The more effective interface agencies have their own data collection and analysis capabilities and prepare independent reports and policy recommendations. Information and public reporting are important inputs to institutional performance. States improve on outcomes they target through rules of the game when the results are tracked, reported, and publicized.

Weak coordinating agencies require supporting structures such as the New Jersey Presidents’ Council as well as statutory mandates to monitor and publicly report on institutional performance. New Jersey’s experience may suggest that the authority required by an effective interface agency depends upon the level of system maturity and the degree of financial stress.

Proposition VI

The “rules of the game” influence institutional actions and priorities. Changing the rules will change performance over time. Performance can be improved by systemic and fiscal strategies that use an appropriate balance of regulating and steering to promote attention to public priorities.

New Jersey changed the rules of the game for community colleges and comprehensive colleges and universities during the study by placing less emphasis on regulation and more emphasis on steering. As these two sectors responded by becoming more entrepreneurial, they put pressure on the public research universities and the independents in the state to compete more effectively and to be more conscious of costs. Graduation and retention rates, and transfer and articulation represent two of four statewide goals articulated by the New Jersey governor’s office. These goals are the basis for awarding performance funding, and results are reported annually to the general public. We reached

no consensus about whether the rules of the game changed in New Mexico during our study. Our ambiguity may well have reflected the reluctance of elected and appointed state leaders to infringe on institutional autonomy.

Proposition VII

States in which rules of the game create systemwide initiatives that encourage joint higher education/K–12 collaboration do a better job of preparing students for postsecondary education than those states in which institutions independently pursue initiatives with little or no system-level coordination.

In New Jersey, the Equal Opportunity Fund has, since 1968, provided state leadership to improve preparation and retention in all state higher education institutions. In 1997, the Higher Education Commission awarded incentive grants to 10 institutions to support efforts aimed at improving retention and graduation rates for minority and low-income students. Several state-coordinated programs promote improved student preparation: College Bound, the Statewide Systemic Initiative, the Network for Education Renewal, and a recent commission-sponsored GEAR-UP grant focused on the state's major urban systems. While institutions in New Mexico have individual efforts in many of the same areas, the systemwide coordination and collaborative behaviors found in New Jersey are largely missing in New Mexico. Institutional initiatives in New Mexico appear more likely to serve geographic targets of institutional opportunity and already well-served districts rather than those areas or groups with the greatest need.

Proposition VIII

States can create a favorable climate for economic development through initiatives that: (a) create partnerships among higher education, the private sector, and state government; (b) invest in strategic and cumulative ways of improving infrastructure; and (c) provide a structure that encourages and rewards collaboration among higher education providers within and across sectors.

Both New Mexico and New Jersey invest in their higher education systems with the intent of promoting economic development. In higher-performing New Jersey, economic development is closely tied to state fiscal strategies for funding technology infrastructure and for promoting collaboration among higher education institutions, the private sector, and state government. New Mexico also invests in technology and encourages increased collaboration, but strategies are more fragmented and less continuous, and rely more on institutional initiatives.

Proposition IX

States can achieve affordable systems either through high-tuition or low-tuition strategies, but high-performing states will offer significant student aid. In the absence of adequate need-based aid, low tuition alone will not create optimal participation levels. In those states with high tuition, the participation of students ineligible for assistance will be inhibited.

Despite different approaches, New Jersey and New Mexico received identical grades for affordability. Identical grades, however, conceal differences between who pays and who benefits in each of the states. In high-tuition, high-aid New Jersey, part-time, working students who are not eligible for state financial assistance are less likely to participate in college study than their New Mexico counterparts. By contrast, in low-tuition, moderate-aid New Mexico, all full-time students who maintain modest academic achievement pay no tuition, regardless of need, if they attend an in-state public institution. However, students in New Mexico with high need may find it difficult to meet the other costs of full-time study.

Proposition X

Fiscal policies in high-performing states reward improved performance on both participation and completion.

High operating support allocated largely on the basis of the numbers of students who enroll in specified programs, as in New Mexico, encourages institutions to focus on access, producing high participation rates but low completion. Operating support allocated without regard to the numbers of students who enroll in specified programs, as in New Jersey, leaves institutions free to place relatively little emphasis on access.

A Concluding Note

In brief reprise, our model suggests that such performance indicators as preparation, affordability, participation, completion, and benefits are influenced by the priorities colleges and universities pursue, by the leadership they encourage or tolerate, and by their response to such system unifiers as communication, collaboration, and accountability. Governors, legislators, and state administrative agencies establish, alter, or reinforce explicit or implicit priorities and the “rules of the game” through which these policies are to be pursued. Colleges and universities try to maximize preferred goals within these rules. No two states have exactly the same rules. While federal rules are consistent across states, their impact is far from uniform. In some states, federal and state rules are complementary, while in others, rules conflict.

Rules of the game are important because they point to the levers available to policymakers for influencing the priorities and behaviors of professionals within their higher education systems. Fiscal policy is the most popular and least threatening way of trying to change performance. Fiscal policies can support diversification of institutional missions, encourage greater participation, and make retention and completion more important targets for institutional action.

Changing systems is a more difficult proposition than altering fiscal policy, so it is less frequently used in efforts to influence performance. But some objectives—such as transfer and articulation, student and teacher preparation, economic development, and distance education—cannot be implemented effectively without systemic initiatives. We have found considerable evidence of system change in New Jersey and somewhat lesser evidence of system change in New Mexico.

Changes in rules of the game should always be sensitive to context and adopted in relation to defined priorities. Even when they are, professionals resist changes they perceive as potentially threatening to the competitive status of the institutions they are committed to protect and enhance. And they will predict worst-case scenarios as the most likely consequences of any change that is proposed. Indeed, it is their responsibility to do so. At the same time, as evidenced by restructuring in New Jersey, players are sufficiently resourceful to learn how to play the game effectively so long as they are given a reasonable period of time to adapt to rule changes. Furthermore, rule changes have both intended and unintended consequences. Sometimes, in a system where behaviors and performance are unsatisfactory, it may make sense to change the rules, even if the consequences are not fully predictable.

We believe that institutionally centered reform, however meritorious, is doomed to failure in the absence of systemic reform. As a speaker discussing the Annenberg Institute on School Reform said, “It’s like running up the down escalator when the system moves in one direction while the reform tries to move in another. Initial gains are quickly overcome as people tire” (Simmons, 2002). Finally, we also believe that systemic reforms are likewise doomed in the absence of relevant institutional initiatives and supportive institutional leadership.

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