To translate the existing OUS Viewbook would be a one-time cost of approximately $1,700 in addition to a nominal fee to cover OUS staff time for slight redesign of the existing English language Viewbook. Cost for annual revisions would be minimal. Costs for printing additional Viewbooks are estimated at $5,000 annually (10,000 Viewbooks at an estimated 50 cents each).

Translation of three existing OUS web pages under “Enrollment & Student Services: Admissions, Costs and Aid, and Transfer Students” would have a one-time cost of approximately $500 for text and links only. Translation of resource links would cost an additional $80-$100 per page, depending on content. Additional costs include staff time to create Spanish links/pages and post information.

The proposal would also fund a single day event to serve campus marketing, outreach, and admissions staff. Potential partners include Univision, El Hispanic News, and local consultants. The event’s estimated cost is $5,000-$7,500 for facility rental in a central location, catering, speaker fees, materials, and promotion for an anticipated attendance of 100 people (10-15 staff members per campus).

Finally, there would be a one-time development cost for creation of an OUS Spanish language television commercial to promote higher education in Oregon, estimated at $2,000 (plus an annual fee for any revisions or updated footage) and $10,000 for 150 “showings” (estimated at 36 per week, over four weeks).

B. Increased Support for ASPIRE and GEAR-UP; Summer Institutes for Rural Counselors and Mentors

This proposal would expand ASPIRE (Access to Student assistance Programs In Reach of Everyone) and GEAR-UP (Gaining Early Awareness and Readiness for Undergraduate Programs) programs and support summer institutes for public school counselors and volunteer mentors from rural communities. Since GEAR-UP and ASPIRE are well established in the state, increasing their coverage in rural Oregon will help foster college-going cultures in communities and schools that might not otherwise have the resources to do so. Expansion of GEAR-UP and ASPIRE will increase college-going rates among currently underserved rural Oregonians, and will increase the number of these students seeking and obtaining financial aid and scholarships. Summer institutes will increase the knowledge and skills of key influencers of pre-college students, so that they will have current information about financing college (including updated knowledge of federal, state, and other financial aid available), college readiness, and application/enrollment procedures at community colleges, OUS institutions, and private colleges.

The ASPIRE Director has identified 95 sites where schools have already indicated the necessary interest and support for an ASPIRE Program. $341,400 in 2011-12 would add 45 ASPIRE sites to the current 115 statewide. $697,600 in 2012-13 would add another 50 sites to that total.

GEAR-UP’s current operating budget totals $1.5 million. In the first year of its 2008 grant, 1,450 7th graders were served by the 12 GEAR-UP clusters and 20 schools. The number of rural
Oregon students served by an additional 10 clusters would depend on the particular school clusters chosen.

C. “Hub and Spoke” Models for Educational Delivery to Rural and Remote Underserved Areas.................................................................................................................. $800,000

Oregon’s size, terrain, and population distribution present challenges to educational opportunity in geographically large and remote areas of the state. In areas of relatively recent population growth, such as in Central Oregon, higher education services have struggled to keep pace with the rate of growth and demographic change. The Board of Higher Education’s Long-Range Plan recognizes the challenges faced by these underserved parts of Oregon and notes among the Board’s strategic priorities finding effective solutions to these challenges.

The proposals described below aim to fund and support the development and implementation of several targeted initiatives and pilot programs in regions of Oregon that serve rural and other underserved populations, and/or serve students in fast-growing regions of the state, in order to increase access to postsecondary education and educational attainment overall in these regions. Funding would be requested from the state General Fund budget process and would come from reallocated, in-kind, and/or matching funding from OUS institutions and from the formation of educational collaborations.

The “hub and spoke” concept is an approach to deliver postsecondary educational opportunities outward from a “hub” location – such as OSU-Cascades in Bend – to rural satellite locations – such as Madras and Prineville, for example, or Eastern Oregon University’s Regional Centers throughout the state – in order to offer greater access to rural Oregonians who live outside of commutable postsecondary delivery areas. Currently, large primarily rural regions within the state, such as Central and Eastern Oregon and some coastal regions, for example, are left with few postsecondary options and the inability to drive the distances required to attend classes at hub campuses. Given that postsecondary participation and degree attainment rates of rural areas are significantly lower than those in metropolitan areas of the state, it is important to reach out and offer alternative methods of delivery of postsecondary options to these Oregonians.

Under this proposal, Oregon University System campuses would work in collaboration with community college partners to extend targeted bachelor’s degrees to existing satellites and expand certificate programs related to the workforce and economic needs of that particular region. OUS campuses would work with community college partners to expand satellites to other areas of need in the rural area. In addition, these sites could offer gateway courses such as college skills, basic math, and/or writing courses to help facilitate the transition to college-level work. It is well understood that there would have to be a certain “critical mass” of student enrollments to be able to maintain an economically viable delivery model through satellites.

The proposal is targeted to Oregonians who need additional postsecondary education options in order to have to the requisite skills to meet regional workforce and economic development needs and to increase their own employment and earning opportunities. The proposal also
targets communities in rural areas needing to build a larger pool of highly skilled workers in order to retain current and attract new businesses and industries that need employees with skill levels beyond those generally obtained through achieving a high school diploma.

The proposal for 2011-2013 is a pilot test of the approach, anticipating that a successful result would lead to broader implementation across more sites in the future, with the goal of increasing college participation, retention, and degree or certificate completion rates for rural Oregonians. As a pilot, the proposal seeks to determine the most successful location and delivery options that will achieve this goal by assessing and evaluating programs and approaches.

D. Academically and Administratively Aligned “University College” for Central Oregon

While Oregon State University-Cascades and Central Oregon Community College are co-located on the COCC site, they remain separately funded and administered institutions also governed by different Boards and under different state agencies. The two institutions currently are not aligned administratively, programmatically, and in other ways that would facilitate improvements in student success and outcomes by increasing enrollment, retention, and degree completion rates. Thus, there necessarily exists separate staffing and operations that are not incentivized to build bridges across administrative and academic lines that would make it easier for students to move through a four-year degree. With transfer, administrative, and other barriers eliminated, the success and completion rates of the students would be improved.

The proposal to create a University College for lower-division students will strengthen the partnership between OSU-Cascades and COCC by maintaining the community college mission and also providing dually-enrolled community college students with a “four-year experience” that assumes, from the beginning of the student’s freshman year, completion of a bachelor’s degree as the end goal. COCC and OSU-Cascades faculty would work together to provide cohort experiences for these students, along with learning communities to increase retention and success and thus greater degree attainment. The cohort lower-division education will be located next to the upper-division programs, which need a new instructional facility within the next few years.

In order to create a transparent, student-centered University College for Central Oregon, COCC and OSU-Cascades must collaborate in more efficient ways—for example, through their IT systems, other administrative functions, and academic/curricular alignment. By sharing some of the main administrative functions and aligning IT systems, the University College will enable students to experience a transparent transition from lower-division to upper-division in their bachelor’s degree programs, the same as students who begin at a traditional four-year university, such as OSU in Corvallis.

Currently, students who wish to transfer from COCC to OSU-Cascades must do so in the traditional way of transferring credits, transcripts, etc.—a 2+2 model, similar to most community college and OUS partnerships. By creating a transparent four-year experience
through the University College for students who are seeking a bachelor’s degree, students will be more likely to continue in school to a four-year degree. The University College would also be able to attract students who currently leave the Central Oregon area in order to achieve the four-year experience offered at other institutions at higher cost to the students; in the University College model, students would continue to pay community college tuition rates for their first two years in the program. The 2+2 model would still be available for students who begin their academic study entirely within the community college rather than in the four-year learning cohorts which they begin as freshmen.

The University College concept will also focus on increasing the potential of more students to complete their two-year degree, involving increased collaboration between COCC and OSU-Cascades in sharing transcripts and collaborating to make administrative processes transparent, thus helping students who are close to completion to reach their degree goal. Within this model, lower-division students will continue to save about 30 percent on tuition costs during their first two years of college as they would pay COCC rates.

From a branding and marketing perspective, OSU-Cascades can use the University College model to align itself as an “equal” four-year university option, the same as any other within the OUS, complementary to a continuing 2+2 model. This would attract more students from within the region to access a four-year degree, as well as out-of-state students whose tuition helps support Oregon students, and it would be attractive to existing companies and companies exploring a location in the Bend/Central Oregon region. The Central Oregon business community has commented strongly that without a four-year university in the region, new companies will be difficult to attract because it is perceived that that there is not a diverse skill set and educational level within the area’s workforce, nor potential for student internships and apprenticeships, nor the potential for signature or applied research collaborations between higher education and the business community.

11. **Sustainability Research Initiative** .......................................................... $4.4 million

Since 2001, the Oregon legislature and U.S. Congress have created three multi-institutional interdisciplinary research institutes focused on natural resources and sustainability within OUS. In addition, efforts are underway to consolidate OUS research on water and renewable energy, which could lead to the creation of two new multi-campus centers, positioning Oregon to compete better for new federal funding. These centers often struggle with limited resources and can be more efficient and effective under a coordinated model that includes shared administrative support services, research seed funds, and collaborative data management.

This proposal will promote interinstitutional and interdisciplinary collaborations and centers supporting Oregon’s competitiveness in addressing critical state and national research priorities for sustainability (natural resources, climate change, water resources, renewable energy, and sustainable mobility). The proposal includes reallocation of existing positions and/or resources to support proposal writing and development for large multi-campus interdisciplinary research proposals. At an estimated 5:1 return-on-investment, economic impact is estimated to be $22 million.
12. **Product Design Collaborative in the Portland Area** ............................ $2.24 million
Portland firms are internationally renowned for their innovative design talent and Portland’s reputation as a design center allows local talent to export their skills globally. The Portland Development Commission (PDC) identified “activewear and outdoor gear” as an important regional cluster and is making strategic investments to strengthen the cluster. A long-term goal identified in the PDC economic development strategy is to “develop a world class design program by enhancing existing educational programs through strategic partnerships.”

Higher education programs and resources related to product design are scattered throughout Oregon and disconnected from the growing Portland design industry cluster.

A higher education center for creative enterprise around product design, with integral connections to architecture, interior design, and art practice, will help to support Portland’s industry cluster and provide students with both an ambitious education and resources that will help them succeed beyond the university. The concept builds on a consortium of organizations and individuals representing the full spectrum of creative, entrepreneurial, civic, and educational interests.

The participating Oregon higher education institutions include the Oregon Institute of Technology, Oregon State University, Portland State University, University of Oregon, Pacific Northwest College of Art, and Marylhurst University. The proposal targets program development and infrastructure investments, including research studios, resource centers, incubator space, and production facilities. The goal of the design collaborative is to create a world-class level of higher education in design in Portland.

13. **Metals and Manufacturing “Collaboratory”** ............................... $4.495 million
Oregon State University and Washington State University offer technical expertise and equipment to support the Oregon metals and manufacturing industry but the current model is inefficient, requiring duplication among campuses and creating unnecessary challenges for industry to access the resources.

The Metals and Manufacturing Working Group, made up of representatives of OUS institutions, WSU, and metals industry companies, proposes creation of a multi-institution “collaboratory,” with participation from OIT, OSU, PSU, and WSU. The Northwest Collaboratory for Sustainable Manufacturing (NWCSM) concept mirrors a “center of excellence” approach where technical expertise and equipment are leveraged across the University System and WSU to keep duplication to a minimum and maximize access to resources.

The 2011-2013 budget request has three principle thrusts: 1) to protect the university assets that are currently critical to supporting the active industrial base, 2) to prepare for impending changes caused by faculty retirements, and 3) to work towards the long-term vision of NWCSM. The participating institutions are committed to provide for the continuing costs of maintaining faculty capacity beyond 2015.
14. Doctoral Education in Sustainability, Health/Life Sciences, and Targeted Engineering Areas .......................................................... $3,000,000

This proposal supports doctoral student recruitment and support in the research areas identified above by providing stipends that are at competitive levels. Because students typically require five to six years to complete a doctoral degree, this should be recognized as the first of three biennial budget requests.

A fellowship fund to recruit new graduate students in the targeted areas aligned with the signature research areas of ONAMI (Oregon Nanoscience and Microtechnologies Institute), OTRADI, and BEST (Oregon Built Environment and Sustainable Technologies Center), and the Board’s focus to increase graduates and impact in sustainability, the health/life sciences, and the engineering areas of applied science, technology, and advanced manufacturing, will strengthen the link between graduate education and economic and workforce development.

OUS institutions are losing students to whom admission offers have been extended because other universities have made more attractive financial offers. To make OUS institutions competitive with top universities nationwide, stipends offered to doctoral students need to be raised to a minimum of $33,333 per year. This amount is about the average currently provided by the National Institutes of Health and National Science Foundation research in grant support per doctoral student.

In order to have a real impact, it is necessary to add, as rapidly as possible, at least 30 new doctoral students each year (10 in each of the three targeted areas). Therefore, this proposal seeks two years of support for a cohort of 30 students who would begin in the first year of the biennium and one year of support for a cohort of 30 students who would start in the second year of the biennium. These 60 new students will require $3 million. As noted above, each student can be expected to need, on average, 5 or 6 years to complete their doctoral courses and thesis, so the request to support these students will be resubmitted for each of the 2013-2015 and 2015-2017 biennia.

15. Coordinated Support for Campus Sustainability Efforts ......................... $470,000

There is broad desire to collaborate on sustainability activities among students and faculty and low-cost solutions to foster communication and collaboration can be effective. Currently, the capacity to provide appropriate coordinated support does not exist. Creating functional support at the System-level, with the right balance between a Systemwide focus and facilitating the diverse sustainability activities of the individual institutions, provides a resource and mechanism to achieve effective communication and coordination among campuses. Through the creation of a well-designed OUS web portal for sustainability, as well as through symposia and conferences that convene OUS and external partners and experts in sustainability fields, a System-level function would provide an effective and efficient means to identify sustainability strengths and put forward an “Oregon” face to the world.
This proposal would develop functional support within the Chancellor’s Office to assist campuses in facilitating partnerships where appropriate, communicating sustainability efforts, and providing coordinated information, including website and performance metrics support.

OTHER AGENCIES’ POLICY PACKAGES FOR BOARD ENDORSEMENT
In addition, the Board will be asked to endorse budget packages being requested by partner agencies. These include:

1. Continued funding for the Oregon Opportunity Grant Shared Responsibility Model, developed by the Board’s Access and Affordability Working Group, but being requested in the budget of the Oregon Student Assistance Commission;
2. Items that may be sought in September by OregonInC, either directly or through the budget of the Oregon Economic and Community Development Department, to fund signature research centers and other aligned activities; and,
3. Oregon Department of Veterans Affairs in pursuing the other one-half of the funding needed to maintain services to students who are veterans.

Together, these proposals, along with those advanced by the State Board of Higher Education, provide a sound, strategic plan for both the investment needed to ensure a vibrant economy and society for Oregonians, and the integrated framework and approach to service embodied in the Governor’s proposal for a closely linked education enterprise for Oregon and Oregonians.

MANDATORY TEN PERCENT REDUCTION PLAN
In addition to submitting the budget request as outlined above, OUS is required by state law to submit a 10 percent reduction plan. The System currently has record enrollment and research growth that has provided increased revenues. These enrollments and revenues are forecast to continue to grow in 2011-2013, thus can offset much of a reduction in state funding at this level. In addition, campuses have increased fund balances as a means of getting through the next two years without major program or expense reductions at a 10 percent reduction in state funding. The System is committed to maintaining access and affordability for all qualified Oregonians seeking to attend an OUS institution during this time.

SUPPLEMENTAL TWENTY-FIVE PERCENT REDUCTION PLAN
OUS is already underfunded compared to other states, and reductions in state funding of this magnitude will precipitate tuition increases above the single digit increases currently forecast, could lead to enrollment reductions or restrictions and/or force structural changes within the System, including a number of cuts across all programs, limiting access to higher education, and limiting the services received by Oregonians. It could also result in added furloughs or employee pay reductions, reduced equipment purchases, deferring of facility maintenance, and other measures. It will also force major changes in the manner in which the Statewide Public Services are delivered by Oregon State University.
**Staff Recommendation to the Board:**
Staff recommends that the Board approve the 2011-2013 OUS Biennial Operating Budget request, including Policy Packages reflecting the Board’s budget priorities, and 10 percent and 25 percent reduction options. The Vice Chancellor for Finance and Administration is given authority to make funding adjustments if revisions in the estimates for the Current Service Level, revenue projections, or student enrollment information are necessary.

*(Board action required.)*
OUS, Capital Construction Budget Request, 2011-2017

STAFF REPORT TO THE BOARD
Each biennium, prior to the legislative session, the State Board of Higher Education submits a capital program summary to the Governor covering the ensuing three biennia. For 2011-2013, a formal capital budget request is presented; for the outlying period 2013-2017, a forecast of needs is identified (see Appendix A).

The 2011-2013 capital budget recommended to the Board for approval totals $1,544,219,899 for the seven OUS campuses and University Centers. Approximately 11 percent of the request pertains to projects related to capital repair, code needs, modernization, and collaborative projects; 71 percent is related to Education and General projects, which directly provide facilities for instruction, research, and service missions of the System. The remaining 18 percent is for projects carried out by auxiliaries, including student facilities funded by the student building fee.

A supplement to the recommendation has been prepared under separate cover and provides details of the requests by biennium, including information on the major issues and a summary of the outstanding and forecasted bonds. Lists of exhibits and tables provide further detail.

Staff Recommendation to the Board:
Staff recommends that the Board authorize the Chancellor, or designee, to prepare and submit to the Department of Administrative Services a proposed 2011-2017 Capital Construction Program in accordance with this docket item and the supplemental materials included herein. Further, it is recommended that staff be authorized by the Board to apply for the necessary grants and seek the necessary bonding and Certificates of Participation authorizations to effect the projects and purchase the equipment and systems described in this docket item for the 2011-2013 biennium. In addition, staff recommends that the Chancellor, or designee, be authorized to make any technical adjustments required to the program during the ensuing period prior to the end of the 2011 Legislative session.

(Board action required.)
OUS, Governance Proposal

INTRODUCTION
The Board has grasped the critical importance of the universities to the economic and civic success of Oregon and its citizens. In 2007, the Board adopted its strategic vision and committed itself and its universities to raising the education level of Oregonians, offering high quality education, advancing knowledge in support of economic vitality, and supporting vibrant communities in every part of the state. The Board set its sights on making sure that Oregon and Oregonians could succeed in a complex and competitive world that placed a high and increasing value on education. For the past several months, the Governance and Policy Committee has considered the financial condition of the University System, the legal framework within which it operates, the advantages and impediments offered by that framework, and a wide variety of public policy objectives necessary if the Board’s goals are to be achieved in an equitable manner across all the geographic and demographic distinctions within the state. The Committee essentially considered a public policy framework within which to consider any changes. The attached document, “Considerations for Change,” details the Governance and Policy Committee’s recommendations, and this document summarizes the legislative changes needed to implement these recommendations.

Oregon’s state support per student ranks among the lowest in the United States. For the past two decades, the state has gradually reduced its support for its public universities and increased their reliance on student tuition and other non-state revenue sources in order to survive. Despite the lack of state funding, Oregon’s universities now are more successful in moving students to their degrees than at any other time in recent history. And the level of external funding to support university research has never been higher. But continuing erosion of state support has not been accompanied by concomitant reductions in state controls over university operations. The same legal structure has been in place for the Oregon University System since it was established prior to the Great Depression when the state paid virtually all costs of university operations and fully funded all construction efforts.

The costs and inefficiencies inherent in the current legal status of the University System as a state agency are legion and have been chronicled repeatedly. “Considerations for Change” provides more detail about the impediments that a structure created early in 1929 (months before the stock market crash) places in the way of success for Oregonians in 2010. Simply put, Oregonians and Oregon will not be positioned to succeed in the 21st century if OUS remains a state agency. The state agency status restrictions for OUS are the product of a bygone era during which state support warranted greater controls. Repeatedly, over the past twenty years, the state government has not afforded to pay to educate its citizens. But it also has failed to permit its universities the flexibility to use other resources to do so. That is purely and simply the result of state agency status for the OUS. The flexibility to operate more effectively will not substitute for the lack of funding, but it will enable the universities to be more successful at educating Oregonians and bringing discoveries into the Oregon economy than would be possible with the same level of state financial support under the strictures of state agency status.
In contrast to OUS, Oregon operates its public community colleges as special districts established by the legislature that do not suffer the restrictions of a state agency. Oregon’s community colleges are not products of the “roaring twenties,” but of the seventies, when Oregon recognized the limits of its finances and established postsecondary education institutions with the status to meet contemporary needs and the flexibility that success in the modern world demands. Ballot Measure 5 swept them more fully into the state budget but the state chose not to alter its relationship with community colleges at that time. Thus, although Oregon’s community colleges receive from state appropriations almost half the funds they use to education students (in comparison with the 30 percent OUS receives from the state), they preserve the necessary flexibility to succeed on behalf of Oregonians that their original legal status conferred.

Education has become ever more critical for the success of an individual and of a society in every part of the world. Yet Oregon’s younger adults are less likely to hold a college degree of any kind (associates, bachelors or advanced) than are their elders who are likely to retire in the next few years. In the late 1960s, young Oregonians (25-34 years of age) were among the best educated people in the world. Now, Oregon lags the nation and many countries of the world in terms of the education level of Oregonians in that age category.

Further, innovation has become the keystone for the economic success of the United States and perhaps its greatest competitive advantage in a rapidly changing world economy. Innovation often comes from the research conducted at universities—research whose value to society frequently derives from the introduction into the economy by business of the discoveries and ideas of university faculty and students. Oregon’s public university faculty members are among the most successful in the country at receiving federal support for their research and discoveries. But Oregon lags in seizing the commercial advantages of the work of its faculty.

The quality of Oregon’s faculty is unquestioned. Oregon has been one of the leading states in confronting the issue of what students learn, assessing that learning, and linking that learning to the needs of success in society and the economy. Although much remains to be done, Oregon’s public universities and their faculty are in the forefront of figuring out and delivering learning that matters.

Oregon needs its citizens to be educated to world competitive levels. Oregon needs innovative research to spur its economy and create jobs. Oregon needs all its citizens to have access to high quality education at prices they can afford. Oregon, in short, needs its public universities to be successful.

That success demands that the state and the universities, through the Board of Higher Education, establish a new compact: an agreement that provides the state with the educated population and innovative research it needs for a prosperous future and the University System
with the flexibility and funding it needs to effectively and affordably educate Oregonians and conduct the research that will lead to economic vitality and jobs.

**SUMMARY: GOVERNANCE PROPOSAL LEGISLATIVE CONCEPT**

The Governance and Policy Committee recommendations describe a **new compact between the University System and the state that commits the universities to provide the state with measurable education, and research outcomes (enrollment of Oregonians, degrees, employable graduates, externally funded research, affordable education for Oregon students, workforce enhancement, and achievement of specified state education goals) in exchange for funding and flexibility.** The level of appropriations and the specific targets would be developed each biennium but the framework for success would be the same: affordability for Oregonians, graduates, and research for the state, and flexible operations for the University System. The Board will be asked later this year to establish the performance measures and the targets that will be the subject of the 2011-2013 agreement between the Board and the state government.

The result of the Committee’s deliberations is the conclusion that the public nature of the Oregon University System must be maintained but that the legal status of the System be changed from that of a state agency to one that more closely resembles a statewide community college district. That System would continue to be governed by the State Board of Higher Education but the Board would have authority, should it elect to exercise it, to establish local governing boards for some or all of its institutions, delegating such power to local boards as seemed appropriate, in order to better meet the four main goals the Board set for the System in 2007 (raising the education level of Oregonians, offering high quality instruction, conducting innovative research to improve the Oregon economy, and supporting vital communities in all parts of the state).

**All the current powers and responsibilities of the State Board of Higher Education would be retained.** The State Board would retain tuition-setting authority and require a participative tuition recommendation process at each campus that emphasized the financial needs of the campuses in order to provide quality education and affordability for Oregon students. The Board also would establish standards for need-based financial aid and include the use of fee remissions based on total undergraduate tuition income as a means to help achieve affordability for Oregon undergraduate students.

However, specific changes would be sought in **legislation needed to implement the recommendations** of the Governance Committee including:

1. Change of legal status to that of public University System with the powers now resident in community college districts except for the imposition of property taxes;
2. Authority to enter into performance agreements with the state and to undertake strategic planning to help establish measures related to state and student success;
3. Authority to seek state appropriations and investments for both capital improvements and operations;
4. Authority to establish tuition (currently in statute but suggested for reaffirmation);
5. Authority to require a participative tuition recommendation process at each institution;
6. Authority to require affordable access for qualified Oregon students at each university;
7. Recognition of fee remissions as a means of providing need-based financial aid;
8. Authority to provide risk management services and purchase insurance;
9. Ability to receive the earnings associated with the investment of student tuition and all other revenues other than state appropriations;
10. Authority to establish optional retirement plans for new employees;
11. Authority to issue revenue bonds and other debt instruments whose repayment would be from non-state sources;
12. Authority to delegate such powers as it would choose to delegate to governing boards for specific institutions, as deemed desirable by the State Board;
13. Exemption from requirement for legislature to establish other funds limitations;
14. State budget process and requirements to be same as for community colleges;
15. Authority to acquire all property and to undertake all capital projects without prior authorization from legislature except for projects requiring the use of state appropriations or state general obligation debt;
16. Authority to allocate appropriations and other funds among institutions and programs;
17. Authority to approve the missions of and allocate academic programs among institutions and responsibility to determine allocation of programs to meet state requirements/needs;
18. Authority to offer employee benefit plans and programs;
19. Authority to establish and fund collaborative ventures involving universities (both public and private), community colleges, the common schools, other government entities and agencies, and business and community partners in furtherance of the achievement of the Board’s goals and the agreement between the Board and the state;
20. Authority to delegate powers and responsibilities to committees of the board, to the chancellor, and to institution presidents in order to enhance the achievement of Board goals and state objectives; and
21. Retention of all current authority and responsibility.

The result of this change would be a more vital and flexible University System better suited to the times than our current 80-year-old state agency governance structure and better able to increase the number of Oregonians educated to meet the standards for success in the competitive world economy and to provide the research needed to spark the innovations that
will improve the vitality of Oregon’s economy and provide the sustainable prosperity Oregon so desperately needs.

**Staff Recommendation to the Board:**

Staff recommends that the Board approve a legislative concept that changes the legal status of the Oregon University System from that of a state agency to that of a public university and provides the Board the authority noted above. Staff further recommends that staff, working with the Governance and Policy Committee, develop and negotiate a compact with state government with measurable outcomes for the level of appropriations that constitute state investment in 2011. Staff recommends finally that the Board authorize an ongoing, highly participative public process, with citizens, state officials, and groups from throughout Oregon regarding the education, research, and service activities and programs of the Oregon University System and its institutions in order to ensure that OUS is meeting state needs as best it can and to help ensure that Oregonians understand the value of its public University System.

*(Board action required.)*
I. BACKGROUND

The recent history of state support for its universities and their students has been chronicled at length. Over the past twenty years, state funding per student has declined from about the average of all states to very near the bottom (44th in the most recent compilation and likely to fall further due to recent cuts of about $32 million). Adjusted for inflation, state funding per student is little more than half what it was in 1991. Although it is easy to lay the blame for this disinvestment at the feet of a variety of ballot measures that reduced taxes, shifted responsibilities from local jurisdictions to the state, and mandated expenditures for prisons and parks, the real impact comes not in the spending of the universities but in the education levels of the Oregon’s young adults.

In the 1990s, in response to the first major round of state budget cuts, the universities eliminated more than 70 academic programs, raised tuition quickly and substantially, laid off faculty and staff, and saw enrollment plummet by 6,000 students. For at least a decade, enrollment lagged expectations (based on the number of high school graduates), with the result that younger Oregon adults are less well educated than are their elders—an unusual occurrence in modern world history. This has occurred at a time when the global economy has placed an ever higher premium on an educated population as the means of advancing prosperity. Like only a few other states and unlike almost every country in the world, Oregon has for years systematically reduced the education level of its adults. Oregon’s best educated—and, arguably, most competitive—workers are about to retire. The strategy of importing educated young people from other states and countries worked for a time in the 1990s, but no longer is sufficient to advance Oregon’s prosperity and disadvantages those who grow up in the state.

As a reaction to the rapid tuition increases that characterized the early 1990s in Oregon, the state’s legislature in recent years has restricted the tuition that Oregon’s public universities can charge their students. This has meant that the universities must cope simultaneously with both low state support and restricted tuition. In 2007, the combination of Oregon’s state support per-student and the posted undergraduate tuition for Oregon students suggested that total support could rank as low as 49th among the states—ahead of only Colorado.

The universities survived and were able to offer quality education (and actually improve on every measure of student success) because they were able to attract students from other states and countries who pay at least three times as much as the state allows its universities to charge Oregonians. Further, the faculty of Oregon’s universities competed successfully for more grant dollars per-faculty member than those in all but four other states as they strove to advance knowledge and provide more funding for their universities to fulfill their missions. By 2010,
nearly 70 percent of the cost to educate a student came from tuition and federal grant cost recovery, with only about 30 percent coming from state appropriations. (Although state funds pay for about 30 percent of support for instruction costs, they represent just 15 percent of total revenue available to the universities which also receive money from other resources; for example, federal government funds that are restricted to research and from students for housing and dining costs.) The dedication of the OUS faculty and staff has led not only to an increase in acquiring highly-competitive federal research funding but also to an increase in enrollment and student success (as measured by improved retention and graduation), despite having some of the lowest total costs per student in the country.

For the past several years, Oregon’s universities have served record numbers of students. Enrollment, which remained in the range of 80,000 students from 2002 to 2007, has risen rapidly in the past two years and stood at more than 93,000 students at the end of Fall term 2009. If this can be sustained (and recent projections actually suggest enrollment of more than 100,000 students by 2013), the state finally will be on target to raise the education level of the next cohort of Oregon’s young adults to levels at or above those of older Oregonians.

II. ISSUES OF STATE AGENCY STATUS

However, the state could reverse this positive trend at any time by not permitting the universities to spend the tuition income paid by students to provide the instruction and services required for those students to succeed. This is a result of the fact that the Oregon University System is a state agency, a status that means the legislature sets the maximum amount the universities can spend to educate students and conduct business, regardless of how many students enroll and regardless of who is paying for the costs of the universities’ operations. Disapproval of OUS requests to spend student tuition funds to educate students could force enrollment restrictions as universities scramble to limit costs by limiting enrollment, offering fewer classes to the students already admitted to the institutions, possibly capping admissions, and compromising the quality of education that the universities can offer. A possible and much-feared result could be a return to the enrollment declines of the 1990s and a continuation of the trend of younger adults less well educated than their elders, limiting the potential for Oregonians’ income in the future.

The state could take such action in order to divert university resources and reserves to help balance the state’s general fund budget. This occurred in 2009 when $33 million of university reserves was used to make up for state revenue shortfalls. There is a risk of a similar action later this year and in 2011 to help meet other state budget needs (although legislative leaders now are pledging not to take that step). The approval of a recent OUS request for the ability to spend tuition funds to educate the growing number of students may signal that a renewed conversation between legislative leaders and OUS can lead to a plan that addresses some of the issues that have confronted the universities in the past. One element of such a plan could be a changed relationship between OUS and the state. Legislative leaders recently appointed a bi-cameral and bi-partisan new Higher Education Working Group to consider how to achieve greater student success and more research activity even with fewer state funds to invest in the
University System. It is expected that the Working Group will consider many of the issues raised in the Board’s governance discussions and will look at whatever proposal the Board develops as a part of the evolving relationship between the University System and state government.

Oregon’s 17 public community colleges receive almost half the funds they need to educate students from state appropriations (in comparison with the 30 percent OUS receives from the state) and have seen similar reductions in state support in the past few years. They, too, have seen rapid increases in enrollment in the past two years. However, unlike the universities, their tuition is not limited by the legislature, the monies they earn from student tuition cannot be taken by the legislature for other purposes, and the colleges can spend the money they earn to educate students without special approval by the legislature (an advantage not enjoyed by the universities). The result is that Oregon’s community colleges can serve their students without fear of fund diversion. Although the community colleges in Oregon face many challenges, they are able to serve students to meet the state’s educational goals without having to clear the innumerable hurdles that face the universities, which are state agencies.

The reason for the difference lies in just one key distinction: the community colleges are not agencies of state government. Oregon operates its public community colleges as special districts established by the legislature that do not suffer the restrictions of being tightly controlled by state government but are granted in statute significant authority not enjoyed by OUS or its universities. They are free to succeed.

Some will argue that the universities should continue to be state agencies since they have been established and supported by the state for many years. This might be said, too, of community colleges and of a number of other Oregon public entities (e.g., OHSU, OPB, SAIF) which share the fact that they were established in statute to carry out a governmental service or public benefit and often have been supported by state funds. Furthermore, higher education provides services to society (education, research, etc.), but this is distinguished from the regulatory functions provided by some other agencies. In addition, higher education receives only a minority of its funding from state taxpayers (about 15 percent of the entire enterprise is paid for with state appropriations, with the balance coming from students, the federal government for research, and a variety of private sources via contract or philanthropy). Since higher education does not fulfill a regulatory function and receives most of its resources from non-state sources, it need not be a state agency. In fact, being a state agency creates the risk that funds paid for education services by students and others could be used by the state for other purposes or even that the universities will be denied the right to use the funds paid by students to educate them.

The costs to OUS and its students of state agency status go beyond the risks and inefficiencies noted above. OUS also is required to participate in the state’s employee benefit plans which are more costly to OUS than is the case at other public university systems in the United States. This has led to abnormally low (and noncompetitive) faculty salaries as universities have tried to find ways to pay for those mandated benefits. A few years ago, a study determined that OUS employees should be less expensive to insure for healthcare than those of other state agencies.
yet, at the time, OUS paid the highest premiums of any state agency. The net impact was estimated by this outside consultant (hired by the state) to result in OUS transferring $12 million per year to insure the employees of other state agencies. Essentially, university students are paying a hidden tax to support the expenses of other state agencies. Community colleges are not required (but are allowed) to participate in the health care plan (but are required to be part of the state’s also expensive retirement plan). OUS efforts to establish separate pools of coverage within the state’s healthcare plan have been rebuffed but could be renewed if OUS were not a state agency.

OUS may not buy its own property and liability insurance even though alternatives that are less expensive than the state’s plan are readily available for colleges and universities. This is estimated to add $2 million per year to OUS costs while adding a layer of bureaucracy in the state capitol that further adds cost and time. Community colleges do not face these requirements or hurdles.

As a state agency, OUS faces a budget development effort that involves separate consideration of literally thousands of line items—each for specific programs or expenses, each having different restrictions, and each subject to complex and varying funding divisions between state appropriations and a variety of other funding sources generated by the universities. This complexity is masked by the fact that the actual legislative appropriation for OUS contains relatively few specific allocations. However, the complexity is compounded by the superimposition of legislative intent statements (known as budget notes) over the appropriations (themselves built on the complexity of the thousands of line items).

OUS is required to use the services of the state’s elected attorney general, secretary of state (audit), and treasurer. In the case of legal advice, this has added confusion, complexity, and cost on many occasions. Community colleges do not face that requirement. National benchmarks for how much universities pay for auditing services suggest that OUS pays more than would normally be expected.

OUS pays millions of dollars each biennium toward the operation of state government—from the landscaping on the capitol mall to the budget office. Community colleges do not pay these assessments.

OUS cannot retain the earnings on investing the tuition, room, board, and other fees paid by students but must turn them over to the state government. This means that the state benefits by more than $2 million per year from the payments made by the students to the universities. The community colleges are not subject to such provisions.

The savings in direct costs paid to the state for assessments and related charges and the income from receiving interest on tuition dollars are estimated at $10 million per year—even after paying for the services now received through the state. This does not include any estimate of savings from changes in employee benefit packages or eliminating the subsidy OUS students provide to other state agencies through healthcare premium payments. (Such savings are
difficult to quantify. In light of rapid cost increases in healthcare and the uncertainty created by recent federal legislation, one approach might be for the state as an entity to find ways of saving costs in healthcare for all participants in its plan.) Nor does it include any savings that might be associated with changes in auditing, treasury, or legal services since these are provided by separately elected officials in Oregon.

Unlike the community colleges, the universities must seek specific legislative approval for all capital projects—even those which are entirely funded by donations and do not involve either state appropriations or state-authorized bonds. This has led to project delays, difficulties with donor relations, and the consideration by state budget regulators or legislators of the loss of state support in exchange for accepting such donor-funded projects.

In 2008-09, the state provided about 18 percent of the funding used by the universities but, through its controls on salaries and benefits and its charges for “state assessments,” dictated well over half their expenses. In the category called “Education and General Services,” which covers all expenses related to educating students and operating the core functions of the universities, the state provided 37 percent of the support but dictated 80 percent of the costs.

All these issues—low education attainment levels of Oregon’s young adults, growing enrollment, low and falling state support, unstable and unpredictable state funding, lack of university control over major cost-drivers, and micromanagement by the state—have been noted or recognized in the various papers advanced by President Emeritus Frohnmayer, President Wiewel, President Lariviere, and President Minahan. However, a public policy framework has not yet been advanced within which to consider these or others perspectives and proposals.

III. PUBLIC POLICY FRAMEWORK

Late in 2006, the State Board of Higher Education adopted four key goals that animate Oregon’s public universities:

1. Increase the education level of Oregon’s adults;
2. Provide high quality education;
3. Provide research for an innovative and successful Oregon; and
4. Contribute to the civic and economic success of communities throughout Oregon.

Striving to achieve these goals by 2025 guided the discussions of the Board’s Governance and Policy Committee as it considered the challenges faced by the state and OUS and what alterations in the relationship between OUS and the state and OUS and its institutions might be suggested in 2011.

The Committee established the public policy framework within which it would consider and advance suggested changes. Various policy documents were developed and are attached. They focused on affordable access to and success in high quality education for Oregonians regardless
of their income, ethnicity, and location. The Committee emphasized the importance of diversity at each university and called for effective transfer among OUS institutions and Oregon community colleges in order to facilitate student success.

The policy and values statements also addressed research that focuses on Oregon jobs and Oregon economic development; educating Oregonians to become members of an internationally competitive workforce aligned with state workforce needs; collaboration for student success among all the public education entities in Oregon; and collaboration among universities (in both education and research) to meet the needs of the state and its citizens.

Within that policy framework, the Committee developed outcomes that could form the core of a performance compact with the state: degrees awarded, enrollment of Oregonians, employment of graduates, externally-funded research, workforce enhancement, affordability for Oregon students, and investment made per-degree and enrollment-level related to the level necessary to meet state needs for an educated citizenry. Also of importance is a code of ethical conduct that will help ensure that universities comport to high standards of behavior and transparency.

In short, the Board would enter into a performance agreement with the state each biennium in which, for a given appropriation, the Board would commit to providing a certain level of enrollment, a certain number of degrees, etc., and would provide funding to the campuses to achieve these results with the targets and funding for each campus being established based on campus mission and programs, size, location, etc. Campus efforts to meet the targets would be made while fulfilling the public policy purposes noted in the policy and values statements and in the more specific guidelines considered by the committee regarding those statements. Each campus would have different targets and may have different performance measures to indicate progress. The Board and chancellor would be responsible for determining those targets (in consultation with the campus leadership), for allocating funds, and for monitoring and evaluating performance.

It was within that framework that governance changes were developed and are being considered. They have been guided, in part, by the papers advanced by President Emeritus Frohnmayer, Presidents Wiewel and Lariviere, ideas suggested by President Minahan, and the policy statements prepared by all seven presidents and the guidance proposed by the Interinstitutional Faculty Senate. The joint presidential policy statements and the IFS guidance are attached. The papers by President Emeritus Frohnmayer and Presidents Wiewel and Lariviere are available on the OUS website.
IV. GOVERNANCE RECOMMENDATIONS

In order to continue progress toward the Board’s goal of raising the education attainment level of Oregon’s adults, it seems essential that the relationship between the Oregon University System and state government be changed to permit Oregon’s public universities a similar level of flexibility and insulation from political and bureaucratic intrusion as is enjoyed by Oregon’s public community colleges. But the achievement of the Board’s long-term and statewide goals and the essence of the statewide performance compact it may negotiate each biennium with the state demands that the efforts of the universities be orchestrated.

The legal relationship between the University System and the state can take any of several forms. However, each of those forms is a variation on a theme that provides greater self-governance for OUS and its universities and greater distance from the state central government for their operations. Oregon already has several successful models for such relationships ranging from the community colleges to SAIF to OHSU and even the Oregon State Bar. All these are state-created entities that serve public purposes. None are state agencies subject to the vagaries that are routinely visited upon the universities and keep the universities from making and fulfilling long-term plans in an enterprise built on long-term efforts and long-term results. None also runs the risk of the monies paid by their clients being used to fulfill other state obligations at the peril of their own success.

Perhaps the simplest way to express this point is to propose that the Oregon University System be granted the same status as would be enjoyed by a current community college district if that district were statewide. Legal counsel may suggest a more apt comparator and may suggest slightly different legal status and powers. However, the public nature of community colleges is not challenged and, therefore, makes a reasonable beginning point for a governance discussion for the public University System and its institutions. Granting such status, by itself, would make the most fundamental change needed to allow progress toward the goals of educating Oregonians and fostering an innovation economy in a diverse and inclusive manner for residents of all parts of the state and of all groups within the state. Obviously, such a change would require amendments to the Oregon Revised Statutes, particularly ORS Chapter 351.

In such a System, the State Board of Higher Education remains a public body and would continue to be appointed by the Governor and confirmed by the state senate. An alternative is to have a statewide-elected Board (as is the case in Nevada). This step does not seem necessary at this time but would make the status of the Board more akin politically to that of the locally elected boards of the community colleges.

The Board might have to be expanded slightly because of workload demands on its members and to help ensure geographic, demographic, and skill diversity. A board of fifteen members is suggested.

This proposal continues to operate the seven universities and their programs and branches as a single System. This is done to enhance the value of the changed status and to ensure that
resources can be allocated and programs allotted with an eye toward meeting statewide goals rather than only to meet the needs of individual institutions. In this model, the institutions are means to achieve the statewide public goals of the Board within the public policy framework that the Board establishes and in fulfillment of the Board’s agreements with the state, and not as stand-alone entities with their own independent agendas.

However, operations would be the province of the individual institutions whose performance would be judged and whose state-related funding would be allocated based on achievement of targets specifically designed for each university in recognition of its mission and of the nature of the students and communities it serves. Those targets would be met within the context of the Board’s values, principles, and policy directions and would be different for each university. The overarching principles the Board might use in allocating both responsibilities and funding to campuses could be:

1. The achievement of the four goals of the OUS strategic plan (attached), which include increasing the educational attainment of Oregon’s adult population, offering high quality instruction, providing innovative research that drives Oregon economic development, and providing services that improve the vitality of communities throughout the state;
2. The Board will enter into an agreement with the state government each biennium that details state funding and performance expectations for the System;
3. The Board will enter into agreements with each institution/campus for the fulfillment of its compact with the state and will include appropriate accountability measures in such agreements along with the provision of state appropriations;
4. Oregon’s public universities have public responsibilities to educate all qualified Oregonians;
5. Functions and responsibilities should be performed in order to achieve Board goals with as low an expenditure of resources (funds, facilities, and time) as possible, consistent with achieving the quality goals of the Board;
6. Each entity and employee within Oregon’s public universities is responsible for contributing to the achievement of the Board’s goals;
7. The Oregon University System and its institutions will honor and respect the value and contributions of its employees, both faculty and staff;
8. Activities in support of Board goals should be carried out by those most qualified to do so and closest to the delivery of the fundamental undertakings of education, knowledge advancement and creation, and service to Oregon and its citizens and the accountability mechanisms adopted and maintained by the Board will be appropriate to ensure that goals are achieved by those responsible for activities at each level of the organization;
9. The Board will establish and maintain accountability and performance frameworks and agreements with entities and senior employees to ensure achievement of goals;
10. The Board will develop a compact regarding achievement and resources with the state and will encourage, monitor and enforce institution progress toward achievement through its accountability and performance frameworks and through the allocation of state funds;

11. Every Oregon public university will be responsible to the Board for the achievement of Board goals and must be sustainable financially in order to fulfill its responsibilities and commitments;

12. Every Oregon public university will ensure that all qualified Oregonians can afford to attend and succeed;

13. All Oregon public universities and related entities will be responsible for adherence to the policies and values of the Board and to high ethical standards;

14. All Oregon public universities will protect and enhance the academic enterprise of their institutions, will embrace the precepts of shared governance, and will honor the freedoms of expression and inquiry essential to a university;

15. The Board will ensure that the portfolio of programs offered by Oregon’s public universities has sufficient scope and quality to meet the Board’s goals and state needs; and

16. The Board will ensure that its strategic plan takes into account the needs of Oregon, its citizens and business community and that the achievement of that plan informs the allocation of missions, programs, capital improvements, and appropriations to Oregon’s public universities.

Bearing in mind these overarching principles, the following outline of a new compact with the state describes the proposed Oregon University System in general terms.

1. The State Board of Higher Education oversees a Public University System (rather than a state agency), which would lead to effects such as:
   a. Protection of fund balances/reserves and dedication of their use to education of OUS students and support of OUS programs and operations
   b. No tuition caps by legislature
   c. Same automatic inflation adjustment as used for community colleges
   d. Control of risk management and insurance
   e. Retention of investment earnings on funds other than state appropriations
   f. No limitations on operating expenditures other than appropriations
   g. No limitations on capital expenditures except where appropriations or state general obligation debt is used
   h. New salary and benefit plans (at least for new unclassified employees) might be considered and could be phased in, subject to collective bargaining, where appropriate
i. This could mean co-pays on health insurance premiums or other changes to health care charges
ii. This could allow for a cafeteria benefit plan
iii. This could mean a new defined contribution pension plan for new unclassified employees who choose not to participate in PERS
iv. Savings from current benefit costs (if any) should be directed to increase salaries (if financially possible)
v. This would permit universities to have greater control over their principal cost drivers

i. Greater flexibility for some legal services
j. Board approves missions and programs of campuses
k. Board, through chancellor, hires, evaluates and fires presidents of campuses
l. Board develops and approves strategic plan for OUS
m. Board is responsible, through the Chancellor, for developing and monitoring performance relating to a compact with state
n. Board is responsible for establishing policies regarding conduct of business by campuses
o. Board is responsible for establishing common standards such as residency requirements, student records, employment conditions, and other standards applicable to all campuses
p. Board is responsible for minimum admissions requirements applicable to all campuses

2. The Board would establish a tuition process:
   a. Board guidelines take into account affordability (related to Oregonians’ income) and level of state support
   b. Board sets affordability targets (need-based aid, fee remission requirements, etc.)
   c. An open tuition-setting process on each campus involving students, faculty, and others would be used to develop annual or longer tuition proposals
   d. President proposes a plan for tuition
   e. Presentation of a university’s tuition proposal to the Board with comments to the Board by the university’s student government representative
   f. Board adopts tuition for each campus

3. The state would provide funding to the Board for (and performance targets would be set for):
   a. Enrollment of Oregonians
   b. Affordability for student enrollment (need-based aid to OSAC, remission targets [e.g., 15 percent of undergraduate tuition revenue])
   c. Degrees awarded
d. Employment of graduates

e. Level of funded research

e. Workforce enhancement or other economic development measure

g. Achievement of specific state goals and initiatives (e.g., special workforce category or innovation effort)

4. The Board would provide appropriation funding to campuses based on Board-approved mission and programs and based upon assuring that the sum of the efforts of the campuses can meet state targets. Areas that might be funded include:

a. Degrees

b. Oregon enrollment

c. Research/economic development

d. Graduate and/or employer satisfaction/professional licensure

e. Retention/graduation rate/time to degree/first generation student success/transfer student graduation rate/diversity, etc.

f. Collaboration among OUS institutions and collaboration with OHSU, Oregon community colleges, and Oregon K-12

g. Cost control, quality improvement, new programs to meet state needs

h. Affordability for lower income students

5. OUS campuses would be responsible for education, research, service, and for operations and oversight of all construction, for private fundraising, and for establishing partnerships and collaborations

6. The Chancellor would be responsible for supporting the Board, all connections with state government (funding, advocacy, and capital and operating budgets, etc.), auditing, developing and monitoring performance agreements with the state and with campuses, monitoring financial sustainability standards, monitoring success of implementing Board policies regarding diversity and equity, monitoring the affordability for Oregonians of attendance at each university, evaluating presidential performance, developing and sustaining collaborations with other education entities (e.g., K-12 schools, Oregon Department of Education, community colleges, Oregon Health and Science University, and independent colleges and universities), strategic planning support for the Board, supporting the Board in mission and program allocation and approval, federal advocacy in policy areas, allocating state appropriations, developing incentives and a framework for collaborative education and research, and such central functions and services as are appropriate to carry out other responsibilities.

The entirety of the System would be used to achieve the overall performance needed to fulfill agreements with the state. The agreement with the state would involve the provision of a block grant to the University System along with the performance agreement.

As a public entity with powers similar to those of a community college district, OUS would no longer be subject to control and oversight by the Department of Administrative Services.
(e.g., for risk management and insurance), would have a budget process with the state similar to that now used by the community colleges and K-12, and would not have its funds subject to expenditure limitation except for state appropriations. The universities, like their community college colleagues, would retain eligibility for state funding for operations and capital. The Board, like its community college counterparts, would have an open and public process for budget development and the allocation of appropriations. Universities also would be expected to have similar processes for their individual operating budgets.

This proposal does not require the establishment of local governing boards, retaining governance as the province of the Oregon State Board of Higher Education. However, the proposal does call for the State Board of Higher Education to have the authority to establish boards for any or all of its individual institutions. The desirability, nature, and authority of these local boards require further discussion and investigation and may vary by institution. Local boards have value in permitting citizens appointed for that purpose to advise the leadership of a university and to provide oversight to its programs and operations. Further, based upon experience in higher education’s independent not-for-profit sector, members of local boards can be a source of philanthropy for the institutions they oversee. On the other hand, local boards can exacerbate the resource and influence differences among universities in ways that may be antithetical to the principles and values of the Board and the best interests of the state or of regions of the state. Finally, the roles of the State Board and of any local boards need to be delineated carefully so that the needs of the state are met and the lines of authority and accountability are clear. Based on these conflicting considerations, it seems reasonable to have a separate reflection about the role of local boards and of the State Board and to permit the State Board to choose if, when, and how to delegate portions of its authority over the operations of the universities to local boards associated with those campuses. Such decisions could be made at any time and could require state review or approval prior to execution. Local boards need not be established for every university even if they are created for one or more universities. The guiding principle for the State Board’s decisions on the matter should be whether the establishment of a local board furthers the achievement of the Board’s four main goals. The framework and responsibilities for each local board could be somewhat different from those of other local boards as long as clarity is maintained and as long as each local board reasonably can be expected to assist the State Board to achieve its overall goals and to fulfill its commitments to the state. Local boards, if established, should be agents of the State Board and must be public agents of the State of Oregon. Their public nature, their public purpose, and their public responsibilities and those of the campuses for which they bear some responsibility cannot be compromised.

Models for local boards from other states do not offer a consistent picture of their responsibilities or of their relationship to the state or system board. In some cases, local boards have considerable authority (e.g., in Ohio) while in others (such as North Carolina) the system board retains most authority and the roles of the local boards are limited. As is currently the case in Oregon, most western states (California, Montana, Idaho, Arizona, Hawaii, Alaska, and Nevada) do not have local boards for their universities. Washington, Colorado, and New Mexico have local boards for their institutions but do not have state systems of higher education.
Wyoming has just a single university. Utah, which has a statewide board, also has local boards for its universities. Most authority is vested in the statewide board (e.g., hiring and firing the institution presidents, setting tuition) but local boards do have some operational authority over the universities.

There are three basic models for local boards. In the first, the state board has no governing authority but has some planning, policy, and program review roles. It also may provide some coordination of multi-institution programs. All responsibility and authority for all aspects of the universities (operations, capital, admissions, tuition, aid, personnel, contracts, property, state relations, etc.) is vested in the local boards. Washington uses such an approach.

The second basic model is one in which the state board has all the legal authority and delegates some of it to the local boards, usually within guidelines established by the state board. North Carolina is an example of a state that uses this alternative. Its local boards have some authority (delegated from the state board) in the areas of admissions, conferral of degrees, hiring and firing (except for the campus chancellor, which is done by the state board), budget development, tuition collection, recommendations regarding some aspects of tuition setting, purchase and sale of property, and auxiliary enterprises. Members of the local boards may be elected by the state legislature.

The third model is one in which the state board and local boards share authority that has been granted to them by statute. Ohio seems to use this model and may do so because its local boards predated the governing power of its state board (which until recently was a coordinating board). The boards might oversee different aspects of universities or have different powers limited by thresholds. Discussions with Ohio leaders did not suggest that clarity has yet been achieved in what is essentially a new approach to governance. Utah has had this structure for a longer period of time. Most authority in Utah (e.g., tuition-setting, program approval) lies with the state board but local boards have some powers and, like the state board, are appointed by the governor and confirmed by the legislature. Tensions seem to have arisen between the boards from time to time and have been resolved, according to one observer, by convincing the president of the campus who was diverging from statewide policy to “collaboratively” reach agreement with the system.

The underlying premises of the proposal for a new compact between the Oregon University System and the state involve conveying to the Oregon State Board of Higher Education all the authority it now enjoys (as well as some authority now vested in other state agencies), but as a new public entity. The Oregon State Board of Higher Education also would have the authority to determine whether, when, and under what conditions and circumstances it would delegate some of its authority to local boards. The composition of those local boards and their respective authority can be determined by the State Board of Higher Education. Clear authority is essential if accountability is to be achieved.

A more complete (but not exhaustive) listing of possible responsibilities in a construct that does not involve local boards follows. Obviously, the State Board, if authorized to do so in the
enabling legislation, could delegate some of its responsibilities or the responsibilities of campuses to local boards.

**SELECTED BOARD RESPONSIBILITIES**

1. Mission approval
2. Academic program approval
3. Strategic planning for higher education in Oregon
4. General and overall policies and principles for higher education in Oregon
5. Tuition framework, principles, policies, and guidelines and tuition approval
6. Financial aid framework, principles, policies, guidelines, and requirements
7. Framework and incentives for collaborative research and education
8. Framework and incentives for collaboration with K-12, OHSU, and community colleges
9. Approval of requests for state funds for operations and capital
10. Approval of distribution of state funds to universities
11. Authorization of university debt and approval of requests to use state debt
12. Performance compacts with state and with individual universities
13. Performance monitoring
14. Allocation of state funds to individual universities, collaboratives, and programs
15. Hire and fire Chancellor and, upon advice of Chancellor, presidents
16. Framework for presidential contracts and evaluations
17. Financial policies
18. Property acquisition and disposition
19. Minimum admissions standards
20. Residency requirements and other standards
21. Guidelines for conduct and ethics
22. Public standards for operations of public universities

**SELECTED CHANCELLOR’S OFFICE RESPONSIBILITIES**

1. State relations and advocacy (legislation, operating and capital budgets, performance compact, and related reporting)
2. Federal relations regarding policies and executive initiatives (as opposed to earmark appropriations)
3. Develop budget/state appropriation request
4. Performance compacts with state and with universities
5. Performance measurement and monitoring
6. Evaluate presidents’ performance
7. Distribute state funds (base, performance, incentive, and [as appropriate] capital)
8. Central financial requirements and reporting
9. Financial policy development and financial sustainability guidelines monitoring
10. Staff Board strategic planning efforts and mission/academic program review and approval
11. Develop and administer (if appropriate) innovation, collaboration, and other incentives
12. Develop incentives for research and community enhancement
13. Develop Systemwide student success and other initiatives and provide support to universities
14. Participate in Joint Boards and other activities to promote student success and achievement of state goals throughout the education enterprise (including PK-12, community colleges, and independent universities)
15. Statewide partnerships
16. Monitor compliance with public standards, law, and rules
17. Internal audit

SELECTED CAMPUS RESPONSIBILITIES

1. Education
2. Research
3. Public Service
4. Statewide public services (for OSU)
5. Campus admissions standards
6. Consultative tuition setting
7. Tuition recommendations
8. Financial aid administration
9. Human resources administration
10. Conferral of degrees (including honorary degrees)
11. Collaboration with other education entities in Oregon
12. Campus operations
13. Campus plans and programs
14. Private fundraising
15. Federal relations related to institutional mission and to funding
16. Design, construction, operation, and maintenance of campuses and facilities

SELECTED SERVICE CENTER RESPONSIBILITIES (IF ANY)

These are cost reimbursable, separate entities with voluntary participation, except for aspects associated with required reporting and compacts or as required by the Board for efficient
management/cost savings, policy implementation, system management, etc. This list is by no means exhaustive and is illustrative only.

1. Information technology for 5th site
2. Purchasing and contracting services
3. Labor relations coordination
4. Employee benefits plans and negotiations
5. Risk management and insurance services
6. Treasury/cash management and investment services
7. Other (e.g., payroll processing/reporting)

Services such as those provided by the state’s separately elected officials (State Treasurer, Secretary of State, and Attorney General) should be considered in terms of their efficacy and cost. No specific proposal is made in this paper regarding them.

If local boards are established in the future, careful consideration must be given to the clear division of responsibilities between the State Board and the local boards—a division that cannot attenuate the public purpose of the university, a division that improves the achievement of overall Board goals and Board performance commitments to the state, and a division that does not pit the State Board against the local board or the various local boards and their universities against one another.

Although steps would be taken and policies and procedures adopted to ensure that the universities fulfill their public missions and meet the outcomes required by the state, the aim of this governance change away from state agency status for OUS is intended to change the University System’s culture from one of compliance to one of creativity. Regulation will not educate the workforce of the 21st century or generate the innovation necessary for Oregon’s economic success.

The purpose of the change is to better achieve the Board’s goals of raising the education level of Oregonians, providing high quality instruction, providing research that leads to innovations for Oregon economic development, and providing services to ensure the vitality of communities throughout Oregon.

V. FUNDING

Although changing the status of the Oregon University System from that of a state agency to a legal entity more akin to an Oregon community college will go a long way to ensuring that progress can be made toward the goals of educating more Oregonians and improving an innovation economy, such a change cannot substitute for stable and adequate public funding for higher education. Given recent and historic trends, Oregon is not likely to have additional General Fund resources in the upcoming biennia to support higher education adequately and, if the past is a guide, the universities face large reductions in state support in the near future.
However, a lack of state funding in the near-term cannot be allowed to doom Oregon and Oregonians to a second class future.

The presidents, in their joint letter on governance principles, stressed the need for stable and adequate state funding. This need cannot be ignored. In addition, the predictability of funding may be as important as its adequacy. The roller coaster of state appropriations over the past 20 years has given rise on at least a couple of occasions to false hope of improved state investment—hope that evaporated within months in both cases, but hope that led to faculty hiring and enrollment expansion before giving way to draconian cuts and resource constraints. Because higher education is a long-term enterprise whose “products” (educated graduates and research innovations) take years to develop, greater resource predictability is essential. Recent moves by legislative leaders to enter into a discussion with OUS regarding enrollment, tuition, financial aid, programs, reserves, and state investments over the next five years suggest a dawning recognition in the capitol of the long-term nature of the higher education enterprise.

Although efforts can be made to moderate the impact of tuition increases through the use of need-based financial aid, there are limits to the utility of this strategy to raise money for university operations to serve students. Oregon’s per capita personal income lags the national average by about 9 percent—a situation that has been slowly worsening since the state budget reductions of the early 1990s. Coming as this has at a time characterized by tax reductions (Measure 5, for example), this shows that Oregon cannot simply cut taxes and public spending and find prosperity for its citizens as a consequence. It also suggests that there is an upper limit to the tuition that middle income Oregon residents can pay—a limit that is lower than that which might prevail in many other states.

Therefore, a high-tuition/high-aid model may not be successful for Oregon and Oregonians if the state and its citizens are to see education attainment levels rise. At least, it does not seem likely to permit the state to educate enough of its citizens to reach its 40-40-20 educational attainment goals.

Different universities may have more upward price elasticity in their resident undergraduate tuition rates than do others. The OUS presidents all have stressed that they would oppose any attempt to “level the playing field” by moving either state or tuition monies among campuses to take account of the relative ability of the students at one institution to pay higher tuition than those at another institution. That will ensure that some universities have more resources than others. Even within that context, it will be necessary for all universities to increase the amount and proportion of fee remissions dedicated to needy Oregon undergraduate students.

In 2004-05, the Oregon State Board of Higher Education, through its Access and Affordability Working Group, developed the Shared Responsibility Model for Oregon resident undergraduate students attending Oregon community colleges, the Oregon Health and Science University, Oregon’s independent not-for-profit colleges and universities, and the universities of the Oregon University System. This model defined affordability and called for a sharing of responsibility for the costs of attending Oregon colleges and universities among students,
families, the federal government’s grant and tax credit programs, and the state’s Oregon Opportunity Grant. This proposal formed the basis for a large increase in funding for the Oregon Opportunity Grant in 2007. However, that funding was curtailed below expectations in 2009 and has not kept pace either with student growth or student need. Both the state and its universities must find ways to increase need-based financial aid for Oregon resident undergraduate students. Promising programs at the University of Oregon and Oregon State University, relying in part on donations by philanthropists, have made a positive difference in the past two years. However, it may not be possible for all universities to find sufficient donor and other resources to replicate these programs. The use of fee remissions to provide need-based financial aid will be essential. Those fee remissions must be taken from the entire undergraduate tuition pool (including payments made by both resident and nonresident students) and used to provide need-based financial aid to Oregon undergraduates in low-and moderate-income situations.

In order to meet the state’s needs for higher education, means of stabilizing or increasing public funding must be found. President Lariviere has proposed that the state issue general obligation bonds and pay the debt service using the state’s current appropriation for the University of Oregon. The University would match the principal amount of the bonds (about $800 million) with private donations and use the investment earnings from the bonds and the donations to pay for University operations. Although there have been legal, financial, and political issues raised in opposition to this proposal, it remains one alternative that could increase the resources available to one Oregon public university. Under current state debt policies, there is not sufficient bonding capacity to extend this approach to other universities in Oregon. Further, the ability of other universities in the System to find sufficient donations to match the state bonds is doubtful and may never eventuate.

Numerous other revenue proposals have been made. However, it is not within the scope of a governance discussion to consider them all or to determine which might lead to increased financial support for the universities as they seek to fulfill their public missions and achieve the Board’s goals. Nothing in this proposal would preclude subsequent consideration of any funding approach. However, it does seem important for the Board to emphasize that sufficient, stable, and predictable public funding is essential to achieve the public purposes of providing Oregonians a high-quality education that will enable them and their state to be successful in a highly competitive world. Establishing a mechanism (such as a percentage of the state General Fund that would be devoted to higher education or tying the OUS and community college appropriations to that of the K-12 schools as a means of adequately funding the entire education enterprise is essential for the future success of Oregon and Oregonians).

A credible proposal dealing with the future prosperity of Oregon must find a way to provide the Oregon University System and all of Oregon’s public universities with the flexibility to operate effectively and with the adequacy and predictability of funding that allows them to plan for and offer high quality education programs for Oregonians and could be a part of any compact between the Oregon University System and the state.
VI. CONCLUSION

A new compact between the Oregon University System and the State of Oregon is being proposed—an agreement that focuses on outcomes for the state and on flexibility and predictability for the universities. The results will be greater student success and greater prosperity for Oregon while maintaining affordable access to quality education programs for all Oregonians.

The state would be able to count on its universities to provide quality education, innovative research, and community services at a price that would affordable for Oregonians—both students and the state. The universities would be able to count on the ability to operate more flexibly and to expect predictability in state and student funding.

The only way to approach this compact is through a partnership: a partnership between the University System and state leaders; a partnership between university leaders and their faculty, students, and staff; a partnership between the universities and businesses and community organizations throughout the state; a partnership between the universities and Oregon’s K-12 schools and community colleges; and a partnership between the Board of Higher Education and each university in the System.

To succeed, there must be value for each member of these diverse partnerships. The value to the state can be measured in terms of enrollment, degrees, economic vitality, and community vibrancy. The value to the universities can be measured in terms of flexible efforts directed on outcomes rather than on compliance with restrictive rules and on the financial sustainability of the higher education enterprise in Oregon; the value to the faculty and staff can be measured in terms of job security and of competitive salaries and reasonably priced benefits, as well as in the opportunity for creativity that comes when the enterprise focuses on results instead of compliance; the value for the students can be measured in overall enrollment, enrollment of currently underserved populations, student success/degrees attained, learning, and affordable access; the value to businesses and communities can be measured in terms of an educated workforce/citizenry, research-driven innovations that translate into new economic activity, new and expanded companies, jobs, and community vitality; the value to Oregon and Oregonians can be seen in a brighter future, higher average incomes, more jobs, and better communities.

These outcomes are a lot to expect and the universities cannot achieve them alone. Hence, there is need for the commitment of all the partners to make Oregon and Oregonians successful. That is the real promise of the new compact: that in exchange for greater flexibility and more stable (albeit, in the immediate future, probably lower) state investment and the active participation of business and government partners, the universities will provide more access for Oregonians to high-quality education, more affordable access, and more success for Oregon as measured by degrees attained and research-inspired innovation that drives economic growth and job creation.
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- “Preserving Our Public Mission Through a New Partnership with the State” (UO)
- Principles to Guide Restructuring (Letter from University Presidents to the Chancellor) (January 2010)
- Interinstitutional Faculty Senate of OUS: Restructuring Principles
- PSU-AAUP Principles: OUS Restructuring (April 2010)
- “The Coming Crisis in College Completion: Oregon’s Challenge and Proposal for First Steps (President Emeritus Dave Frohnmayer, November 2009)
- Principles for OUS Restructure (SEIU 503)

Capital Construction Program Request for 2011-2017

- Table 1: 2009-2011 Adopted Capital Construction Summary by Campus
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July 8-9, 2010

Oregon State Board of Higher Education
Overview of Meeting and Past Decisions

Governance and Policy Committee
June 24, 2010

A. DECISIONS TO DATE

1. Any proposed change must help achieve the Board’s strategic goals of raising the education level in Oregon, providing high quality education, focusing high quality research on Oregon economic development and jobs, and supporting vital and vibrant communities throughout the state.

2. Policy and Value Statements (summarized):
   a. High standards of academic quality;
   b. Student admission and success for qualified Oregonians regardless of income, ethnicity, geography;
   c. Student transfer from Oregon community colleges and among OUS institutions to be easy and consistent;
   d. Faculty and staff diversity to reflect Oregon;
   e. Student diversity to reflect Oregon;
   f. Research and education that lead to jobs and competitive advantage for Oregonians and Oregon companies;
   g. Emphasis on collaboration in both education and research in order to meet goals most effectively, and
   h. Engagement with communities throughout Oregon to address economic, civic, cultural, sociological, and environmental needs.

3. Board will seek new legal status with state that differs from that of a state agency.

4. Board will seek and direct new and existing state funding to attract, retain, and graduate students from every demographic group and every part of the state.

5. Board will provide incentives for collaboration and PK-20 integration as means to achieve an educated citizenry (but not as ends in themselves).

6. Board will provide incentives for collaborative research as means to achieve improve economic development and Oregon business competitiveness (but not as an end in itself).

7. Board will develop guidelines for tuition that reflect state investment, affordability for Oregon students, state needs, cost control, state and board priorities, and financial aid.

8. Board will require an open and participative process at each campus for the development of tuition recommendations. NOTE: FURTHER DISCUSSION ABOUT TUITION PROCESS AND FINANCIAL AID/REMISSIONS REQUIREMENTS WILL OCCUR ON JUNE 24.

9. Tuition will be retained by the campus on which it is earned and remissions will be granted by the campus in which the student enrolls.

10. Board will enter into a performance agreement with the state that focuses on outcomes
    a. Enrollment of Oregonians;
    b. Degrees awarded;
    c. Employment of graduates;
    d. Externally funded research;
e. Workforce enhancement;
f. Affordability for Oregon students;
g. State investment per degree and enrollment level related to level needed to achieve state goals; and
h. NOTE: DETAILS AND TARGETS TO BE DETERMINED BY JULY 2010.

11. Board will enter into performance agreements with and allocate state funding to universities based on their individual missions, programs, and other factors with the aim to use the entirety of the System’s universities and programs to fulfill the performance required by the state. The performance measures for each campus are likely to be different from one another.

12. Board will develop and maintain performance criteria and measurements and will monitor its own and the universities’ performance in achieving Board goals and the requirements of the agreement between the Board and the state.

13. OUS and its universities are public, will fulfill public purposes, and will have public responsibilities to serve and assist all qualified Oregonians. Every university will be responsible for contributing to the achievement of Board and state goals and expectations.

14. Board will approve all academic programs and will ensure that there are sufficient programs of high quality and necessary scope in the state to meet the needs of Oregon and Oregonians generally and in areas of specific program or geographic need.

15. Board will seek funding from the state for both operating costs and capital improvements in order to provide the resources needed to fulfill its public purpose.

16. Board will seek authority to be able to expand both public and private resources to meet its goals and will provide such authority to universities, as appropriate.

B. DECISIONS TO MAKE

1. Local boards for universities.
2. Tuition process requirements.
3. Affordability and remission guidelines or requirements.
4. New funding sources.
6. Folding in other legislative concepts.
Affordability for Oregon Students + Adequate Financial Support for Oregon Universities = Student Success

Note: Staff suggestions are in bold print.

If sufficient state appropriations are not available, universities must turn for financial support to philanthropy, efficiency, and tuition.

The amount of fungible donated money has been limited in the past and may continue to be insufficient in the future to both adequately support the universities and keep student tuition low. Obviously, universities will seek to increase donations for both operations and financial aid, but, although important, gifts have not historically been really significant sources of income for either purpose.

Universities must strive at all times to reduce costs to a minimum. Oregon’s universities in recent years have spent less money (from all sources) per full time equivalent student than have their counterparts in most other states and, in many cases, than have Oregon’s community colleges. Although there is always an opportunity to reduce costs further, relying on cost cutting as the sole means to provide affordable tuition may not be a successful strategy.

Tuition is the other source of income available to universities to support operations and financial aid in light of state budget reductions. Oregon’s universities have relied increasingly on the premium tuition paid by nonresident students at six of its campuses. The tuition paid by these students far exceeds the cost of their education and has provided resources to universities that have supported campus operations even as state appropriations have declined. Efforts to attract these students can be expected to continue but this strategy increasingly is being adopted by other states. This may limit the expansion potential of this strategy and probably means that it cannot be expected to yield sufficient resources to sustain operations and hold down resident tuition.

This leaves resident undergraduate tuition, by far the largest source of income for most of Oregon’s universities because the largest category of students in OUS is that of undergraduates from Oregon. The tuition charged to these students has increased over the past two decades and stands near the national average. However, because both state need-based aid and per capita income are lower in Oregon than in most other states, even average tuition has caused financial hardship for many resident students and families and often is seen as a barrier to enrollment and graduation.
As the Board considers a new compact with the state, it also might consider a compact with students regarding either the level of tuition charged or the process for setting tuition. An agreement regarding the level of tuition charged may be difficult to reach because of the uncertainties around state financial support for the universities, inflation, enrollment, and other factors. Because these and other matters can so greatly affect tuition in any given year, it might be more fruitful to establish a process for the setting of tuition that includes student voices in formal roles.

Also of great importance with respect to affordability is need-based financial aid. The State’s Oregon Opportunity Grant has been unable to keep up with growing financial need due to three factors: the rapid increase in postsecondary enrollment in Oregon, state budget reductions that affect the appropriation for the Opportunity Grant just as they do other state appropriations (including those for university operations), and the increasing cost of attending colleges and universities. That suggests that any compact with the state must take into account the unlikelihood that the state will be able to increase the opportunity grant sufficiently to meet student need. This is especially true when viewed against both the likely state budget shortfalls for the next several years and in light of the need for enrollment at colleges and universities to nearly double by 2025 if the Board’s education attainment goal and the state’s own 40-40-20 vision are to be met.

Below are some points for consideration regarding both tuition and need-based financial aid for Oregon resident undergraduate students.

1. Tuition setting authority
   a. Campus only
   b. Campus under Board guidelines
   c. Board
2. Tuition setting process
   a. Campus determined
   b. Board determined
      1. Guidelines
      2. Open process on each campus involving students
      3. Review of results by Board
         a. Board approval?
         b. Presentation by president of campus with separate presentation by student government from same campus?
      4. Review by state?
         (a) Separate commission?
         (b) Legislative committee?
      5. Issues of transparency, openness, accountability, ease of administration, cost
3. Need-based financial aid
   a. Oregon Opportunity Grant
   b. Current statutory ban on use of appropriations by OUS for financial aid
c. Affordability targets
   i. Percentage of undergraduate tuition (both resident and nonresident) to be used
      for need-based aid for resident undergraduate students (e.g., 15%)
   ii. Tuition and aid tied to keeping college costs at a percentage of the income either
        of each student or of the average family income in Oregon
   iii. Board targets or institutional goals?

Note: Staff suggestions are in bold print.
Discussion of Local Boards

1. **TYPES**
   a. State coordinating board with independent campus governing boards
   b. State governing board that delegates some authority to campus boards
   c. Shared or divided independent authority between state board and campus boards
   d. State governing board with no campus governing boards
   e. State governing board with some campus governing boards (but not boards for each institution) and delegated authority from state board to local boards

2. **ISSUES**
   a. Clarity and accountability
   b. Ability to achieve statewide goals
   c. Multi-campus and multi-sector initiatives, efforts, and policies
   d. Close campus oversight and advice

3. **RECOMMENDATION**
   a. State Board of Higher Education continues as governing board
   b. State Board can delegate authority to local boards as it deems fit as long as clarity of responsibilities and accountability are maintained
(This page intentionally left blank.)
In recent months, the members of the Oregon University System have been engaged in multiple conversations regarding how we might respond structurally to the past and current crisis of funding for higher education in Oregon.

When addressing seemingly intractable problems in government, business, and civil society, international facilitator Adam Kahane argues that “problems are tough because they are complex in three ways. They are dynamically complex, which means that cause and effect are far apart in space and time and so are hard to grasp from first-hand experience. They are generatively complex, which means they are unfolding in unfamiliar and unpredictable ways. And they are socially complex, which means that people involved see things very differently, and so the problems become polarized and stuck.” (2007, pp. 1-2).

This delineation of the dimensions of complexity provides a useful starting point for reflecting on our problems as a system of public higher education for Oregon. In the following pages, we summarize the ways the problem has been defined and briefly discuss the major proposals for responding to the current and ongoing crisis. We then present our perspective, insisting on the importance of continuing a unified system approach to governance and securing public funding, raising questions about the assumed relationship between a restructured system and funding potential, calling for an approach to any increased “flexibility” that engages faculty and staff as real partners and ensures a tuition policy that truly safeguards access, and seeking a stronger consideration of alternatives for increasing state funding for our state universities.

DEFINING THE PROBLEM

The formal proposals, reports and statements of principle calling for a redefinition of the Oregon University System’s relationship to the State’s Government have centered around two fundamental issues: persistent disinvestment in public higher education and lack of OUS and campus autonomy.

1. Persistent Disinvestment in Public Higher Education

The State of Oregon does not provide adequate financial resources to support a high quality, affordable system of public higher education in Oregon. The state has not made available adequate support for services to students or to our faculty, who in terms of salaries, remain at the lower quartile among our comparator institutions. The success of ballot measures to decrease taxes or to require increased expenditures on public safety have meant greater competition for available state funds.
As Kahane’s definition of “tough problems” suggests, having a clear sense of cause and effect with respect to tax reduction measures or public safety measures, separated by many years and shifting policy debates, becomes difficult with a public discourse shaped by sound bites and short attention spans. The failure to fund public higher education adequately—year after year—becomes over-determined—almost a thing of nature—and as evidence (to the despairing) of a majority population that does not care if its higher education treasures are cut to the bone or become inaccessible to vast number of qualified Oregonians.

2. Lack of OUS and Campus Autonomy

The numerous constraints and restrictions imposed on each campus by state agency regulations make it extremely difficult for OUS to achieve its stated mission and goals. This point is sometimes expressed with reference to the tortuous process of having to be accountable to the legislature for over 6,000 budget line items for the projected $751.5 million for the next OUS budget cycle. This seems excessive on its face but is especially onerous when considering that the K-12 system requires approval of only a single budget category after negotiating on a few specific areas for the $6.2 billion they received in the last biennium. This lack of autonomy has been demonstrated most recently in the requirement to approval from the E-Board to use funds generated by increased tuition and employee furloughs during the past biennium. The possibility that these funds, needed to pay for the increased expenses incurred by increased enrollments or equalization of salaries lost, might be “swept” to pay for other state purposes, has made it more clear that our current relationship with the state must be adjusted.

PROPOSED STRUCTURAL CHANGES THAT ADDRESS THESE TWO PROBLEMS

1. Establish a funding floor for state General Funds

University leaders have urged the state to provide a stable foundation for higher education through a “funding base” or “funding floor.” This proposal appears in a variety of formal documents prepared by individual university presidents and is reinforced in a joint statement of principles signed by all System presidents.

Frohnmayer: From The Coming Crisis in College Completion: (We) “…strongly argue for substantial reinvestment in the state’s universities as an urgent priority. A reasonable, sustained appropriation, based on costs of comparator institutions in comparator states, would be $1.55 billion per biennium compared to the current level of OUS funding of $751.5 million. Comparing OUS to national averages of State General Fund per student FTE also signals significant underfunding of $1.059 billion per biennium, if funded at the U.S. average.” (November 2009, p.29)

Wiewel: Restructuring PSU’s Relationship with the State: The Case for Change (draft document) calls for “…establishment of a state funding floor to ensure state contributions do not continue
to decline. In return, PSU would agree to meet specific performance and accountability goals.” (November 2009, p. 4)

**Ray:** Reset Committee Testimony: “Stable real dollar funding per student FTE from the state could provide the Universities with greater year to year predictability in their overall resource availability and promote longer term planning for instructional support and research activities. (January 2010, p. 4)

**Lariviere:** *Preserving Our Public Mission Through a New Partnership With the State.* “There are many ways a new financial partnership can be structured...The University of Oregon proposes an entirely new conceptualization for the form of the state’s funding, creating incentives for private investment in public higher education, and stabilizing the funding support provided to the institution through the creation of a public quasi-endowment...We propose that the state capitalize its investment in the University of Oregon and create a public endowment earmarked to fund educational opportunities for future generations of Oregonians.” (May 2010, p. 18)

**Presidential Consensus Principles for OUS Restructuring:** “…Regardless of which model is used, it should be grounded in five principles: ...(2) Establishment of a state-funding floor per student to ensure that state contributions do not continue to decline. Funding would be provided as long as the universities meet relevant, measurable performance goals and would be based on student enrollment.” (Jan. 4, 2010)

2. **Establish One or More of the State Research Universities as Public Corporations**

As described to date, these proposed new entities would maintain an association with a statewide System Board, but with individual institutional governing boards, and with much greater autonomy in seeking funds and in general operations.

This proposal is a centerpiece of Dave Frohnmayer’s proposal, and has been promoted by former State Board members John Von Schlegell, Kirby Dyess, and Don Blair both in a letter to the governor (Von Schlegell, 2009) and in commentary to the Portland City Club in November 2009. While the proposal for forming one or more public corporations has been provocative and has stimulated the restructuring conversation in productive ways, there has been a lack of clarity on the meaning of the concept and no positive consensus on this as a direction for the System at this time. In his response to the Frohnmayer proposal, WOU President John Minahan (December 2009) raised questions about the argument for a public corporation model as a solution to the current crisis and encouraged the Board to examine carefully the explicit and implicit premises (both logical and observational) on which this proposal (or any proposal for change) has been based.

3. **Provide Option of Individual Governing Boards for All State Universities**

Initial responses to the proposal for one or more research universities to reorganize as public corporations raised concerns among other university leaders regarding potential consequences
for their own institutions. While the most recent proposal from University of Oregon President Richard Lariviere embraces the model of an independent policy board, as has Portland State President Wim Wiewel, most presidents are less unconvinced of this model as a way to address the funding crisis, and would not support such independence for some universities and not others. While agreeing that organizational efficiencies, better operational processes and procedures, and greater effectiveness in securing regionally-based or mission-specific funding could require more institutional independence, there has been no consensus among campus leaders about individual policy boards’ purported ability to achieve these outcomes.

Additionally, a local board, by definition, assumes primary advocacy for its individual campus. Proponents of separate governing boards have stated their continued commitment to collaborative efforts with other state institutions, citing evidence from other state systems with independent boards regarding such continued collaboration. Skeptics argue that given the history of higher education in Oregon, a strong central policy board can be more effective in prioritizing and providing incentives for joint efforts—in programs and research, and in seeking legislative support to address state educational needs in toto. For the smaller and regional universities, the wide range of autonomies implied by independent governing boards also raises concerns related to legal representation and other System-level assistance that have been unaddressed in this proposal.

Perhaps anticipating limited support for state approval of individual governing boards at this time, at least one campus leader informally urged the OUS Board to seek authority to create separate governing boards in the future, if provided assurance of the continuing commitment of the institution(s) to the public education goals of the OUS Board.

4. Establish a New Compact with the State that Changes the Current State Agency Status

At OSBHE’s annual retreat in December 2009, Board members agreed that the current state University System is not sustainable given the current funding level provided by the state legislature. The Chancellor’s Office staff and state university leaders also argued that state agency status has not been a good fit for the kinds of institutions governed by OUS. Based on these assessments, the Board determined to seek “a new compact with the state” that would exchange greater flexibility in managing the institutions for mutually agreed-upon performance outcomes related to the promotion of public higher education goals for the state. The State Board’s Governance and Policy Committee was charged to review current practice and prepare proposals for consideration of the full Board.

OSBHE Governance and Policy Committee discussions have been wide-ranging, and organized within the general frame of “this is what we would want to see regarding (tuition policy, financial flexibility and accountability, performance measures, etc.) whatever restructuring model is determined.” Tentative consensus has been reached regarding general principles and values related to governance and broad mission goals, with specific emphasis on commitments to ensuring access for persons from different demographic groups and geographic areas and to collaboration among institutions. Discussion continues on specifics of tuition policy, approaches
to need based aid, and the shape of an overall performance framework for the OUS and the campuses. (See Governance and Policy Committee working documents.)

The most recent planning document presented by Chancellor Pernsteiner for consideration by the Governance and Policy Committee of the Board makes strong arguments for the creation of a new public entity of higher education outside the current state agency status, tentatively called A Public University. This document makes clear that the state agency model, while providing strong legislative oversight, does not facilitate the efficient and sustainable operation of our state universities. Pernsteiner’s review of the current situation summarizes state requirements that are universally experienced as overly prescriptive and restrictive.

The proposal seeks on-going financial support from the State of Oregon in exchange for a specific performance compact with the state. The State Board of Higher Education “would commit to providing a certain level of enrollment, a certain number of degrees, etc., and would provide funding to the campuses to achieve these results with the targets and funding for each campus being established...The Board and Chancellor would be responsible for determining those targets (in consultation with the campus leadership), for allocating funds, and for monitoring and evaluating performance.” (May 27, 2010, draft document, p.4)

While specific proposed structural arrangements are yet to be determined, this proposal seeks a “similar level of flexibility and insulation from political and bureaucratic intrusion as is enjoyed by Oregon’s public community colleges” while acknowledging that achieving “the Board’s long-term and statewide goals and the essence of the statewide performance compact it may negotiate each biennium with the state demands that the efforts of the universities be orchestrated.” (p. 5)

University presidents have proposed specific financial and operating flexibilities that they argue are essential to the efficient and sustainable operation of their institutions.

1. Authority, such as community colleges have, to go directly to regional voters for funding support (desired by PSU).
2. Ability to manage tuition at individual university-level
3. Ability to control capital expenditure decisions and issue their own bonds.
4. Assumption of a student-based funding model for state allocations.
5. General operational flexibility. As the PSU restructuring document argues: “Accountability and responsibility for managing operational functions such as information technology services, purchasing, vendor relations, auditing, financial reporting, personnel and benefits are key to PSU’s ability to function efficiently.” (Wiewel, draft proposal, 2010, p. 4)
6. Seeking funding stability with a public university model funded through a new major public quasi-endowment, creating incentives for matching the endowment with private monies, and with greater autonomy to fulfill the university’s mission (University of Oregon, Lariviere, draft proposal, May 2010).
Other voices have included a statement of principles from the Interinstitutional Faculty Senate that is neutral about particular structures but insists that any change should maintain a strong System and acknowledge the important continuing role of all of the universities. Collective bargaining organizations representing OUS employees as well as the Oregon Students Association have made their own formal and informal statements of principle related to potential restructuring plans—insisting on the importance of a strong System, and raising concerns in particular about how to protect tuition affordability and negotiated or past practice rights of employees (faculty and staff).

OUR FACULTY PERSPECTIVE

As Kahane (2007) argues, problems are *socially complex* because our definitions of important issues differ, and we are too often unwilling to listen to other definitions. This can cause us to become stuck—and unable to seriously consider alternative futures. What Kahane suggests as a way out involves a process of intensive listening, and of creating different scenarios that need not pursue allegiances until multiple stakeholders have had the opportunity to construct futures that “might” be possible (both positive and negative) without permitting one proposal or agenda to frame the discussion. We applaud the efforts of the Chancellor and the Board to seek broad consultation on principles and values that should drive any proposals for change. This kind of listening is essential, and we will benefit from these conversations in any changed relationship. Still, the restructuring conversation has been largely framed by the proposals that were the primary catalysts for a reconsideration of our relationship to the state.

The publication of both the Von Schlegell letter to Governor Kulongoski and the Frohnmayer report occurred in a context where the only structural scenario being presented as an alternative to the status quo was a devolution of the System (at least with respect to the research universities) into public corporations—a concept that was not generally well-understood. Given the recent and increasing privatization and commercialization of multiple aspects of U.S universities (Bok, 2003, Slaughter and Rhoades, 2004), initial negative reactions to these proposals for restructuring OUS assumed that the goal was to transform the largest OUS institutions into private, not public, corporations. While this was clearly not the intent, the misunderstanding illustrates “the power of the rumor.” The *power of the rumor* equals the *importance* of the information times the *ambiguity* of the situation (Lernoux, 1980, p. 472). With ambiguous but expected consequences for working conditions and benefits, tuition policies, academic program continuations, and even the fate of whole universities—the power of the rumor is, in this instance, significant.

As the OSBHE Governance and Policy Committee is about to consider specific restructuring models for OUS that will be proposed to the state legislature for the next session, we offer a perspective as faculty members of the State Board. Listening to the proposed solutions, and engaging in the discussions ourselves as members of the Board, we were concerned that there had been little empirical investigation of the premises on which the proposed solutions are based. How, for example, would the lack of support we experience now be significantly altered by these solutions? We were not convinced of a demonstrable and direct connection between
the proposed changes and the problems they appeared designed to resolve. Still, when we
started this essay, in early March, we were committed to a neutral position with regard to the
two major issues confronting the System and the proposed changes to the state’s authority. We
primarily wanted to step back to consider the proposals and the data/evidence relevant to
them. Our major initial concern was to examine the assumptions behind the specific proposals
for change, and to respectfully challenge the attributions of causality regarding the primary
obstacles to the efficient and sustainable operation of OUS and our individual state universities.

Subsequent events have caused us to modify this initial position. We do believe there is value in
a systematic investigation of various approaches to the structure and conduct of public higher
education. We continue to question whether the kinds of structural changes suggested will
result in greater financial stability without risking an even greater de facto privatization of our
universities and the diminishment of access at the very time we have so strongly advocated for
the increased participation of all Oregon citizens in higher education.

However, during the current economic crisis, we have been powerfully reminded that our state-
agency status makes all funds collected or held in reserve by OUS institutions vulnerable to
action by the legislature in “sweeping fund balances” for other state needs. We have been
encouraged by the words of Senate President Peter Courtney (at the June 14, 2010, State Board
meeting), and by subsequent positive response by the legislative Emergency Board to a request
for increased funds limitation for this biennium. Still, as we reviewed the financial picture of the
past year, we have recognized the importance of changing our status to something other than a
“state agency.”

Universities must be able to budget responsibly to use money collected from students for
educating students. In the past year, tuition was raised as much as 8% at some universities,
which was above the level agreed to with OSA (not more than 3% above increases in median
Oregon family income). Large increases in enrollment in addition to the tuition increases, and
wage give-backs from staff and faculty furloughs (where these occurred) led to a $130+ million
surplus Systemwide, which campuses clearly need to provide quality education for these new
students and to pay competitive wages to faculty and staff. The right of the legislature to access
such funds, even if it is not exercised, threatens the ability of the state universities to fulfill their
missions, and makes long-term financial planning impossible.

While we are convinced of the importance of a “new compact with the state” that secures
some financial operating independence and flexibility, we are unconvinced that separate
institutional governance and policy boards could actually lead to a better capacity to fulfill our
educational and research missions. Establishing individual boards might lead to increased
financial stability for single institutions (although we are not yet convinced that this would
necessarily follow). We assert that such a step at this time would unavoidably reduce our
common focus on creating a sustainable system, and in the current economic climate would
risk even greater financial instability for smaller institutions, whose contribution to our
statewide education mission remains essential.
We have witnessed increasing collaborations among our institutions in the past few years, with a stronger sense of our common work than ever before. Additionally, we believe that our successes in the 2007-2009 Legislative Session in obtaining increased public funding were greatly influenced by our speaking with a unified voice. Thus, proposals supporting separate boards and even separate compacts with the state are disconcerting, strongly suggesting a “re-siloing” of our enterprise just when we (as a System) were beginning to demonstrate the kinds of deep cross-institution collaborations that most other public systems of higher education have not achieved to the same degree.

The Governance and Policy Committee discussion to date makes no commitment to a governance model along the lines of proposals presented by Frohnmayer, Wiewel, or Lariviere. But with increasing consensus on the goal of achieving independence from state agency status, we may too easily accept the framing of independence provided by such proposals. “More powerful than any invading army, than any constitution, is an accepted frame of reference.” (Howard, 2001, p. 8) With the current frame of “public university” as a placeholder name for the structure we may propose (Pernsteiner draft, April 29, 2010), we need to ensure that what we take from those earlier proposals for independence support the principles endorsing a unified system approach to the future.

We have concerns in a several areas where possible consequences and alternatives should be fully considered in any final proposal:

1. **The Importance of a Unified Approach to Securing Public Funding**

The models being proposed assume the continuation of base funding from the Oregon legislature. We think that the unified front OUS has recently presented with some success could continue under most proposed restructuring plans. This hope, however, does not take into account the limits to persuasion that would result from separate boards making individual appeals.

Further, in their assumption of a continuing disinvestment by the state, current proposals do not acknowledge significant recent actions by the Oregon legislature that resulted in increased funding for higher education:

a. The 2007-2009 biennial budget provided a dramatic increase in OUS funding from the legislature. Admittedly, the global economic crisis eroded the promise this increase had provided. However, in approving the increase, the legislature responded positively to collective action across all campuses that involved students and faculty presenting their stories in a persuasive manner. Presidents, Chancellor's office, OSA, and others went before the legislature as a common lobby, speaking strongly and with one voice. The structure we propose as a Board must include incentives for this kind of collective action, with awareness of predictable negative competition resulting from institutions all seeking specific individual legislative support.
b. While it is true that state support for higher education has declined (especially since the passage of Measure 5 in 1990), in 2009, the legislature sought to reduce the negative impact of the economic crisis by producing two revenue measures designed in part to continue essential funding for higher education institutions. These measures, which were then approved by Oregon voters, increased the corporate minimum tax from $10 to $150 and increased income taxes for individuals making over $150,000 and $250,000 for joint returns.

We need to ask if the downward trend lines for state support over the past years are really immutable. Are these recent funding measures simply insignificant blips or upticks that will shortly be forgotten, with disinvestment returning as the dominant narrative? Or do these positive actions suggest that we might be able to increase the state’s future commitment (acknowledging the challenging current financial situation) with an even stronger and more unified approach in presenting the case for public support for higher education?

2. The importance of Clarifying the Assumed Relationship between a Re-structured System and Funding Potential

As we consider the claim that a re-structured relationship will provide a new foundation for seeking more and alternative sources of funds, we need to take account of the following:

a. The limitations of reliance on external funding: The ability of OUS faculty to secure significant research funding (5th in the nation in per-capita awards) is impressive, and clearly such funding will continue to be critical to the research mission of OUS. However, we worry that institutions may come to rely too heavily on grant funds to support permanent faculty teaching positions, and believe the experience of OHSU faculty is instructive. Moving to a public corporation model for OHSU has meant increased expectation for faculty to raise much of their own salaries through external funding, and for students has resulted in very high tuition. We also worry that institutions responsible to raise a majority of their own funds under a public corporation model might prioritize support for faculty who emphasize research with proprietary potential. Relying on private corporate grants for such research will reduce opportunities for knowledge production that do not have immediate economic applicability.

b. Clearly faculty at teaching institutions, and faculty in the humanities and some social science fields, will not be able to make as large a contribution in securing external funds. This could lead institutions to cut programs that do not have significant independent funding capability, even though these programs are typically more than self-sustaining because of large student enrollments. (Watson, Chronicle Higher Education, March 21, 2010)

c. While we support renegotiating our status as a state agency to achieve autonomies that would result in better stewardship, better ability to plan, and a reduction of overly prescriptive budget reporting requirements and approval processes, we do not yet see
the evidence that increasing autonomy itself will lead to greater funding potential. Further, while the funding model used by private universities includes a strong emphasis on alumni giving, many of our universities—especially the small rural regional universities and the urban-serving PSU, are not as likely to be able to count on many wealthy alumni to make the kind of long-term funding commitments that would be required for financial sustainability.

d. The most recent economic downturn led to requests for sacrifices at several levels with some unanticipated consequences. First, campuses were urged to reduce or suspend spending in certain areas in the event that voters would reject the two revenue ballot initiatives. This eventuality did not come to pass and the consequences of their passage led to budget gains on many OUS campuses. Secondly, tuition was increased for the 2009-10 academic year. On some campuses, this increase exceeded previously agreed-upon percentage caps on tuition based on a percentage of the Oregon median family income. This tuition increase, coupled with record level enrollments across all post-secondary education sectors, led to increases in campus funding. Finally, faculty and staff furloughs led to significant savings that contributes to these unanticipated budget surpluses. This appears to be good news in the short-term.

Less clear are the costs associated with these temporary gains in budget position. Students may have taken on the largest stress in this situation, increasing their debt load by a substantial amount. Faculty and staff, already at the low end of income when compared to our comparator institutions, continue to have little hope for salary gains while ever increasing demands are placed on their intellectual capital and scarce time.

We have asked faculty to increase class sizes to accommodate increases in enrollment. This is an unfunded stressor. We have asked faculty to engage in ever more productive grant applications in a highly competitive environment where they compete with faculty from better resourced public and private universities. We have asked our faculty to take the extra effort to develop even more creative areas of research and scholarship, to develop even higher quality courses and programs of study that will be responsive to the state’s economic development and social service needs. All these factors together lead our most talented and productive faculty to consider leaving for more manageable quality of life situations elsewhere. We may not be getting our top candidate choice when hiring faculty as well, and we have heard many informal reports of high rates of employee stress, in general.

We need to understand more clearly how proposed structural changes would address these ongoing issues. A state funding floor could help with predictability, but we do not see how the pressures on students or faculty would lessen— and could increase dramatically with higher tuition for students and more expectation for faculty to secure external support.
e. The State of Oregon should not be relieved of its responsibility to provide adequate funding for a quality system of public higher education—creating an educated and globally competitive workforce, with critical and creative capabilities required of citizens in a healthy democracy. This requires the strongest advocacy for a view of public education, and especially public higher education, as a public good and not just a personal or private good. A strong version of late consumer capitalism suggests that students (defined as “customers”) are primarily responsible to pay for individually beneficial career or vocational services (Kirp, 2004). In this conception, the democratically transformative value of higher education for all qualified applicants is viewed as a luxury the fiscally limited state cannot afford. As a System, in our statements of principles and values, we have rejected this conception of higher education.

Instead, as a System, we have taken decisions based on our understanding of our collective mission to promote the public good. This is not simply a wish that all Oregonians be better educated citizens, although the value of that goal for a vibrant democracy is undeniable. The employment implications are clear. As the American Association of Colleges and Universities (AAC&U) informs us, employers (as well as our own Oregon Business Council and others) want a workforce that has a strong liberal education background with precisely those skills in communication, creativity, and critical thinking that will spur innovation and the economic development essential to Oregon’s future.

This commitment on the part of the state must be more than providing a predictable funding floor, or base, with an expectation that significant or even majority funding for this mission must be sought from private donors and corporate sponsors, from federal sources, or even from local/regional sources (as has been proposed by PSU).

Our accountability to all citizens of the state of Oregon should make us cautious about exchanging the current experience of micro-management by the state legislative leaders for the micro-management that may also result from targeted and restricted private funding.

3. The importance of involving faculty and staff as real partners in creating new “flexibilities” for the System

Conversations about restructuring have certainly included a faculty voice. The Interinstitutional Faculty Senate is represented at the Governance and Policy Committee discussions and has engaged in wide ranging conversations with the Chancellor over the past six months regarding faculty concerns. Our position as faculty members on the Board also demonstrates the importance of that perspective in policy-making for the System. Still, we have concerns about the potential consequences of changes in established relationships guaranteeing strong faculty and staff voice on individual campuses in matters essential to their economic security and working conditions. In talking with faculty and staff about proposed re-structuring proposals, we have heard the most concerns about flexibilities regarding possible new salary and benefit
plans (acknowledging that draft statements indicate these would be “subject to collective bargaining where appropriate” (Pernsteiner, Governance Committee draft, May 27, 2010). In addition, we heard testimony at the last State Board meeting (June 4, 2010) from SEIU representative Marc Nisenfeld, seeking more engagement of classified employees in discussions about restructuring.

We have seen, through our involvement on the Board, a real concern by the Chancellor and his staff, as well as university presidents, about maintaining financially sustainable institutions that can maintain secure employment and good working conditions for System employees. We also know that the restructuring of organizations permits administrators the chance to change established practices in ways that might reduce gains made by employees over time. We understand that rising costs make sustaining and even increasing employee compensation difficult. But we understand, as well, the wariness with which faculty and staff view “flexibility” in this context, especially with regard to the suggestion for even more “tiers” in benefits. We urge the Board to make every effort to engage faculty and staff representatives as real partners as we move forward.

4. The Importance of a Tuition Policy that Safeguards Access

Proposals we have reviewed argue that with increased autonomy, campuses will be able to manage tuition more effectively at the campus-level. Given decreased state funding, tuition has become the major source of operating revenue for OUS institutions and managing it effectively a key to financial sustainability. Campus administrators state that they know their constituencies best, and that they should be trusted to devise appropriate tuition plans. Empirically, we know that whenever universities have the authority to raise tuition, they do—sometimes dramatically—if this is the only way they believe they can meet their obligations and maintain quality programs.

In making his argument for autonomy, President Lariviere references the work of Frank Newman, Lara Couturier, and Jamie Scurry (2004) on higher education and the risks of the market. We too, think this thoughtful analysis deserves mention. These authors claim that: “The shift in organization of the higher education sector toward a market is likely to make the problem of access and completion even worse...The intensifying competition for students with higher tests scores, or students from wealthier families, has resulted in an increase in honors programs and honor colleges and increasing use of merit-based financial aid programs. At the very time that society needs more low-income people entering and exiting the gate of higher education, the market is, as currently structured, pushing colleges and university in the opposite direction.” (2004, p. 166)

To support our call for a more careful study of each area of proposed changes, we point out that, consequent to its shift to public corporation status, OHSU’s tuition now rivals that of many private universities. While we do not appear to be moving towards such a public corporation model, clearly such a choice would have a dramatic impact on our access mission. In his provocative analysis of state disinvestment in higher education as “a forty year assault on the
middle class,” Christopher Newfield reminds us that “private funding can build great universities for elites but private funding cannot and will not do the same for society’s majority.” (2008, p.271)

We are concerned that a predictable increase in tuition at Oregon’s state universities will have a number of negative, even catastrophic, consequences:

— With higher tuition, many of our best students and their families will decide that for the new, higher prices they can attend universities in other states or enroll in private colleges, some of which offer substantially better financial aid packages. For example, in 2004, 20% of OUS attending dependent students had family incomes over $100,000 compared to 17% of dependent students attending Oregon independent (private) colleges (OICA). Fifty-five percent of OUS and 60% of OICA dependent students were from families earning between $40,000 and $100,000. The trend to decide to attend private colleges is reflected in the number of degrees these institutions award each year as a proportion of total degrees awarded in Oregon, which has increased from 18% in 1970 to 34% in 2007.

— Higher tuition will deter first generation, lower income and under-represented students from attending a four-year university. We are told that a High Tuition/High Aid policy will mitigate this concern. Some current data suggests this might not be the case. For example at PSU, the Diversity Scholarship awardees have declined from 220 to 180 over the period of recent tuition increases.

— The promise of high aid as a reserved portion of higher tuition cannot begin to meet the demand we have identified for need-based aid, as the recent experience of the over-subscribed Oregon Opportunity Grant illustrates. We do not yet have any proposals that offer a realistic alternative.

— Increasing tuition and other financial costs place an extremely heavy burden on students. College loan debt can make a college education less financially rewarding than we often claim. For example, using data from the College Board in its Education Pays reports, we are told that “The person with a college degree will earn at $1 million more over their lifetime than a person with a high school degree.” This figure has been challenged; with Charles Miller (2008) arguing that as tuition rises but wages do not, the differential will be less than $300,000 over a lifetime.

There was a time when the costs of a public higher education for U.S. citizens, many of whom were recent immigrants, at places like the City College of New York or the University of California at Berkeley were ZERO! It was Free! Even as late as the 1960s, tuition at State Universities was as low as $400 a year. This fueled what some have claimed as one of the greatest economic expansions in history. In a passionate plea for “saving ourselves by saving higher education,” economist Nancy Folbre argues that “advocates for public higher education should develop a plan to finance free public
higher education for all who can prove that they will take good advantage of it” (2010, p. 144). She states that “a conservative estimate of the total cost of eliminating tuition and fees would be about $80 billion a year in the near term” (2010, p. 160)—far less than the annual expense of the Iraq war and achievable through such measures as rescinding Bush era tax cuts for the wealthy.

Given the current fatalistic assumptions about public disinvestment in higher education, the likelihood of a “free tuition” proposal gaining traction at this time is clearly negligible. That this should be so demonstrates both the poverty of our imagination and our general acceptance of the frame of expected continuing disinvestment by the state. As other nations (especially Pacific Rim nations) dramatically increase their investment in higher education broadly conceived, U.S. students face ever-higher personal costs and increasingly turn to for-profit postsecondary institutions emphasizing specific short-term programs that promise a quick return on investment.

— Oregon students are understandably wary of proposals about tuition flexibility. They have seen the future in what has already happened with Oregon tuition and the enormous increases in states like California, Arizona, and Washington. Whatever proposals we put forth regarding tuition, we must ensure that all those who are qualified to attend our universities are able to do so. The evidence we have seen, both in recent tuition increases for OUS and nationally, suggests that this pledge will be very difficult to keep.

5. The Importance of Focusing on Increasing State Funding as an Alternative Response to the Crisis

The word “crisis” is a powerful term that deserves closer attention. Consider conservative economist Milton Friedman’s assessment: “Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.” (as quoted in Naomi Klein, 2007)

A crisis thus creates an opening (expressed more often as a necessity) for proposing new structures that in more prosperous times would not gain much traction with legislators, governors, or governing boards. In the case of OUS, the idea that had been “lying around” was Dave Frohnmayer’s public corporation model, presented years earlier to less sympathetic ears but which for the past months has powerfully shaped the framework for a state-wide restructuring discussion. As we consider why we need to restructure, we need to keep as strong a focus on the problem of state support as we currently have on the restrictions of state agency status. State Board Director Tony Van Vliet advocated just such a focus as he completed his term on the State Board this year (December 2009):

“I have always appreciated Dave Frohnmayer’s ability to frame problems facing his institution, but he scooted by the real issue without offering his always creative mind to the basic problem...For him it remains an unfair distribution of money...
Higher Education relies on two major sources of funds – the general fund and tuition-we have no property tax base (the most stable tax of all) as K-12, Community Colleges, and local Government have!

One idea is to create a statewide “local” option allowing a funding source based on the total statewide value of assessed property values ($285.4 billion).

A second idea is to confront the four Federal Government agencies that occupy Oregon land. The Dept Agriculture (USFS), Dept of Interior (BLM), Bureau of Indian Affairs, and the National Park Service account for 62% of Oregon land. In the past...the Feds were contributing a portion of their sales income in lieu of taxes to local government...It does not seem unreasonable that the Feds pay something in lieu of taxation on 16 million acres of land. Five hundred million dollars a year dedicated to higher education (80%) and local government (20%) seems a fair occupation fee.”

Whatever the merits or workability of his specific suggestions, Van Vliet lays bare the crux of the problem. The current structures did not create the problem and changing them will not solve the funding and greater campus autonomy problems. A changed relationship to the state, with the ability to be responsible stewards of all funds, would provide important protections for our educational mission. However, without an increasing investment by the state, we will either become increasingly privatized (Johnstone, 1999), with all the risks to access that implies, be unable to provide the high quality education Oregon citizens deserve, or have to make painful decisions about eliminating programs and even institutions.

**SUMMARY AND CONCLUSION**

We have been privileged to participate in current efforts to address the problem of inadequate state funding and to consider proposals for increasing the autonomy of our institutions in meeting their educational and research missions. From a faculty perspective, we remain unconvinced that requesting a state funding floor from the legislature, permitting the establishment of public corporations with individual boards, and even seeking an appropriate change in our state agency status will actually achieve the desired outcomes, or relieve the deep stresses on faculty and students that current state funding levels have created.

We urge the Board to focus on the importance and recent effectiveness of a unified approach to securing public funding, consider very carefully the assumed relationship between a restructured System and funding potential, involve faculty and staff as real partners in on-going plans, ensure a tuition policy that safeguards access, and focus more attention on alternatives to increase state funding for state universities. Economist Folbre asks, “When does a state university stop being a state university?” and answers: When the state stops supporting it.” She adds the oft-cited assessment of University of Michigan President Emeritus Jim Duderstadt: “We used to be state supported, then state-assisted, and now we are state-located.” (2010, p. 46) Here in Oregon, we have been state-supported, and the proposals under consideration
for a “new compact” assume we will be state-assisted. Without a concerted and collaborative campaign to restore the state’s ability to provide access to higher education for all qualified Oregonians, being state-located will likely be our future too.

These are desperate times. In some sense we are in the process of redefining public higher education. It may need such a redefinition. Our appeal is that we move forward together with carefully considered evidence-based decision making, and with audacious aspirations for the future.

Sources:


