Meeting Agenda

1. Call to Order
2. Consideration of Minutes
3. New Compact Discussion
4. Legislative Concept Status
5. Next Steps for Compact
6. Campus Visitations
7. IMD Changes Stemming from Athletics Issues

Handouts:
Draft Minutes, June 2010
1. **CALL TO ORDER**

Chair Kelly called the meeting of the Board’s Governance & Policy Committee to order at 9:05 a.m. Committee members present included Chair Paul Kelly, Matt Donegan, Rosemary Powers, Kirk Schueler, and David Yaden. Other Board members present included Directors Brian Fox, Jim Francesconi, Dalton Miller-Jones, and Lynda Ciuffetti (newly appointed).

Chancellor’s Office staff present included Chancellor George Pernsteiner, Ryan Hagemann, Ruth Keele, Jay Kenton, Bob Kieran, Di Saunders, Charles Triplett, and Susan Weeks. Presidents Chris Maples (OIT) and Wim Wiewel (PSU), Provost Jim Bean (UO), Emily McLain (OSA), and Vice President Mark Weiss (WOU) were also present. Those joining by telephone included: Provost Steve Adkison (EOU), Melissa Unger (SEIU), and Courtney White (UO).

2. **OVERVIEW OF MEETING AND PAST DECISIONS**

Chancellor Pernsteiner called the Committee’s attention to the document (see: http://www.ous.edu/state_board/meeting/index.php), “Overview of Meeting and Past Decisions,” to view the decisions previously made and decisions to be made at this meeting and the July 2010 meeting. He advised that decisions made by the Committee will then be submitted to the legislature as a revised statute and/or legislative concepts/policy option policies by Ryan Hagemann, OUS General Counsel.

Chair Kelly called for discussion on the decisions made to date. Director Yaden opined that adding the parenthetical statements in #5 and #6 regarding collaboration with PK-20 and research were unnecessary. Chancellor Pernsteiner responded that calling for collaboration without added value or an orchestrated end would not serve the System; Director Donegan added that having a defined goal or target for collaboration is necessary for success. Director Yaden agreed but noted that adding the parenthetical language would be unnecessary and Director Powers agreed. Director Francesconi recommended moving #13 to the first position as it defines the goals.
3. **Tuition and Need-based Financial Aid**

Chancellor Pernsteiner noted that the three areas of decisions to be made include 1) tuition setting authority, 2) tuition setting process, and 3) need-based financial aid. He then provided background for each area.

Under tuition setting authority, three options have been proposed: campus only, campus under Board guidelines, or Board. He recommended that the Board have tuition setting authority; Chair Kelly added that, by statute, the Board has the tuition setting authority with the legislature retaining the authority to apply budget notes. President Maples noted that the legislative caps are not addressed in this document; it was pointed out that the legislative actions are included in the compact between OUS and the state. Chancellor Pernsteiner advised that a constitutional amendment would be necessary in order to move out from under the legislative budget note authority. Provost Bean asked if “Board” can apply to local boards; Chair Kelly advised that it applies to the State Board and local boards would be under Option 1A (campus only).

Director Schueler asked for clarification on the current structure; Vice Chancellor Kenton advised that there is a schedule and process under which fee proposals are developed by the campuses and, under the guidance of the System budget office, consolidated and submitted to the Board for approval. Director Donegan queried if campus proposals have ever been disapproved by the Board; Pernsteiner advised that in 2004, Western Oregon’s proposal was disapproved as the increase was viewed by the Board as unnecessary given the level of fund balance held by the campus.

Following agreement that option 1A was insufficient, Director Francesconi noted that 1B and 1C have subtle differences. Donegan opined that Option 1B gives campuses flexibility but Option 1C provides a safety net for the Board to use in cases such as the Board’s decision in 2004. Powers supported Option 1C with the ability of appeals. Kenton advised that the 2004 decision was made in the meeting where the Board approved the fund balance policy. Francesconi added that clear criteria and clarified policies are vital to the campus decision-making process. Schueler cautioned against the Board guidelines becoming as controlling as the legislative budget notes. Director Miller-Jones opined that campuses will be seeking their best options and he fears that this could lead to limiting access. Yaden recommended that the end result be that campuses have enhanced flexibility to set tuition in order to achieve their goals under the Board set guidelines and established goals (e.g., affordability, retention, graduation rates, etc.). He added that he would encourage the shifting of authority to the campuses as long as they are maintaining Board goals. Emily McLain opined that there is a difference between Options 1B and 1C in that 1B gives too much authority to campuses and advised that the students support the authority continuing to reside with the Board and the legislature rather than at the campus level. President Ray shared that, with the greater significance of the Oregon Opportunity Grant, the legislature will expect the Board to have provided guidelines to the campuses on setting tuition and that the Board will continue to be held accountable on tuition matters within the System. President Wiewel supported campuses having the freedom to set tuition.
acknowledging that campuses would have the students’ “best interest at heart” yet still operate to ensure the institution’s success.

Chancellor Pernsteiner concluded that the Committee supported the Board retaining the tuition setting authority with Board-determined guidelines, open process on each campus, and Board review and approval of campus proposals.

Pernsteiner asked if there should be an independent review established; Directors Francesconi and Schueler advised against it since Board members are appointed by the governor and senate to oversee the campuses. Yaden stated that the Opportunity Grant/financial aid information is never included in the discussion of tuition when the Board approves and/or disapproves the annual tuition levels. He opined that an affordability framework is necessary and recommended an inclusion of external entity reviews. During the discussion, McLain clarified that the Opportunity Grant stakeholders include community colleges, OUS, and independent colleges; Bridget Burns added that the Oregon Student Assistance Commission Board is open to discussing changes to the process.

Chair Kelly advised that, under need-based financial aid, Option 3C is recommended (affordability targets). Director Powers asked for presidents to comment. President Wiewel opined campuses should be held accountable but not tied to defined targets that may result in unexpected outcomes. Pernsteiner advised that remissions were, in the past, not used for need-based aid and that the statute is “silent” and does not define remission usage. He added that fee remissions is the only tool currently available to campuses for need-based financial aid and recommended that language be added to the statute for definition. Provost Bean advised that campuses have different aid models and that defined performance outcomes may restrict or hinder. However, upon clarification, Wiewel and Bean agreed that statutory language defining and supporting the use of remissions for need-based aid is necessary. Yaden noted that the language should be broadened to include the other uses of remissions (e.g., scholarships, athletics). McLain advised that the 15% percentage rate is supported by the OSA in that it is perceived as an increase of funds available for need-based aid.

Chancellor Pernsteiner summarized the statement in the statute as: “the Board shall have the authority to provide or allow the campuses to provide fee remissions and the ability to use tuition for those remissions.” The statute would memorialize the language but that a percentage rate would not be established until a later date.

4. **LOCAL BOARDS**

As background, Pernsteiner advised that western states tend to have state governing boards but that, nationally, states may use state boards or local boards, or combinations (state coordinating board with independent campus governing boards, state governing board that delegates some authority to campus boards, shared or divided independent authority between state board and campus boards, state governing board with no campus governing boards [the OUS currently operates under this model], or state governing board with some campus
governing boards [but not boards for each institution] and delegated authority from state board to local boards). He advised that staff recommends the State Board continue as the governing board and can delegate authority to local boards as it deems fit as long as clarity of responsibilities and accountability are maintained. Provost Bean advised that, at the University of Oregon, the use of a local board would provide a necessary advisory capacity that would meet the needs of the complexity of the UO; however, he noted that not all campuses would require a local board (he recommended 1E). Pernsteiner advised that the types of boards described are delegated authoritative boards established by statute and not advisory boards. Flexibility, responsiveness, advocacy, innovation, research—are issues that President Wiewel suggested be added to the list of issues. He advised that delegated authority is dependent upon the continued support of the delegating authority and that can raise issues if that delegation is rescinded. Chair Kelly agreed that the System should seek autonomy that provides authority to establish local boards at the institution level.

Francesconi agreed that the issue of advocacy needs to be included in order to engage those closest to the problem in developing solutions without adding bureaucratic layers and confusion. He approved the recommendation but asked for further information on other state practices. Powers stated she does not support local boards and would prefer shared governance with universities working within the compact with the state and supports a uniform system of higher education. Donegan supports decentralized authority with the State Board delegating authority to the local boards; however, he opined that 1B should be used as a stepping stone to 1C. McLain noted that local boards can be just as disconnected to the actual functioning of the university if they are state appointed; she promoted including faculty, staff, and students on the local boards to provide that connected advisory capacity. Schueler advised he is unconvinced that local boards are necessary. President Maples stated that he supports the “CEO model” in that flexibility is provided to the president and campus with defined outcomes used in performance evaluations. Yaden agreed with President Maples and added that campus missions need to be firmly established.

Director Fox asked if presidents are delegated more authority under a CEO model, where is the valued added with the establishment of local boards? He noted that he can see the value in budget advisory boards but remains unconvinced as to the necessity of local boards. Schueler agreed and asked for more clarification. Powers stated she cannot support the staff’s recommendation at this time.

McLain advised that community college boards are elected boards versus the proposed appointed university local boards. She emphasized the need for clearly defined delegation of authority of each university prior to making the final decision.

Kelly stated that requesting the authority from the legislature to establish local boards does not necessarily mean that the State Board will delegate that authority but that the request would provide notice to the legislature that flexibility to make those decisions is necessary to the future of the System’s universities.
Francesconi moved to adopt the staff’s recommendation that the State Board continue as the governing Board and can delegate authority to local boards as it deems fit as long as clarity of responsibilities and accountability are maintained; Donegan seconded; motion passed.

5. **Funding Sources**

Director Francesconi opined that it is too early to propose or support the recommendations; Pernsteiner advised that the three possibilities are just that—possibilities—and do not need to be decided upon at the meeting. Chair Kelly agreed with Francesconi that decisions on funding sources be postponed; however, the Board should not be perceived as not having an opinion or stance on the issue. Powers opined that the disinvestment by the state and lack of autonomy are two areas wherein the Board should be vocal but that specific strategies may need to be delayed. Kelly agreed and added that there are other constituencies and former Board members who need to have the opportunity to weigh-in on the proposals. Director Miller-Jones expressed a concern with establishing what the “base funding” would be as the state may seek ways to work around that. Francesconi advised against voicing the Board’s support of methods that would only benefit one or two universities; however, vocal opposition is appropriate.

Kelly asked Director Yaden to provide an update from the Governor’s Reset Committee pertaining to funding sources; Yaden advised that, with the projected decrease in revenues, the Board should not give the state a way to work around supporting need-based aid.

Donegan shared that he has never been comfortable in combining the proposals on governance with proposals for funding sources and then be perceived as a reaction to the disinvestment of the state and a “quid pro quo” that could be used by the legislature. Chair Kelly agreed but stated that the Committee should articulate at the July Board meeting that funding remains critical but that it is a specific topic apart from the governance discussion. Pernsteiner noted that Donegan’s comments can be included but articulating it as an “adequate funding floor”; however, Wiewel noted that a “floor” may be viewed as “bare bones” and may not be the correct term to use. “Governance is not a substitute for adequate investment” should continue to be the message of the Board to the legislature.

In respect to the UO’s bonding proposal, Chair Kelly recommended the Committee not address this issue or adopt a recommendation as it is not a proposal submitted by the Board. Provost Bean agreed and advised that the University continues to receive analysis from independent sources on the proposal, adding that this may not be the best solution at this time. Pernsteiner cautioned that the Board should address the issue in the future (possibly at the October Board meeting).

Director Powers shared that on page 18, 1H, the subject of the effect of how the Board oversees the System with regard to new salary and benefit plans has caused the most conversation and consternation among faculty. Chancellor Pernsteiner noted that a proposal has not been developed as yet; he clarified that this would, if adopted as proposed, give the Board authority but not necessarily delineate how the Board would exercise that authority.
Several labor organizations continue to hold discussions with Chancellor’s Office staff regarding this proposal and much more work will be needed in crafting the statute before any authority is granted or exercised.

6. **PERFORMANCE TARGETS**

Chancellor Pernsteiner noted that seven categories have been proposed: 1) enrollment of Oregonians, 2) degrees awarded, 3) externally-funded research, 4) employment of graduates, 5) workforce enhancement, 6) affordability for Oregon students, and 7) investment per degree and enrollment related to degree goal. Chair Kelly advised that this item is postponed until the July meeting.

7. **MINUTES OF MAY 27 MEETING**

Director Kirk Schueler made the motion to accept the minutes; Director Rosemary Powers seconded; motion passed.

8. **ADJOURNMENT**

At the conclusion of business, Chair Kelly adjourned the meeting at 12:03 p.m.