September 30, 2010

The Honorable Mark Hass, Co-chair
The Honorable Tobias Read, Co-chair
Joint Legislative Working Group on Higher Education
State Capitol
Salem, Oregon 97301

Dear Senator Hass and Representative Read:

In adopting its governance proposal, the Oregon State Board of Higher Education was guided by an intention to better achieve the statewide goals of its Strategic Plan: to increase the number and percentage of Oregon adults with high quality degrees, and to contribute to economic vitality and community vibrancy throughout the state.

All seven university presidents support the Board’s governance proposal. It calls for the Oregon University System to be legally categorized as a public university system rather than a state agency, recognizing that the arrangement between the public university system and the state must be flexible enough to adapt to changing needs.

A notable element of the Board’s governance proposal is the development and execution of a performance compact with the state that focuses on outcomes aligned with the Board’s goals. The public university system would enter into a performance compact with the state in order to better to meet its objectives under the state’s 40-40-20 aspirations, and to build an internationally competitive workforce and a well educated adult population. The hallmarks of that compact would include: affordability for Oregon students; access for Oregon students from throughout the state and from every socio-demographic category of Oregon residents; a participative tuition setting process; protection of the reserves of the universities so that they can be used to educate students and advance research; removal of state restriction on the expenditure of tuition and other non-appropriation revenue; linkage of innovative research to Oregon’s economic vitality; and support for local communities.

The Board agreed that proposals for institutional governing boards would be considered if adoption of them was more likely to lead to the achievement of the goals than would
continuing the single statewide governing board. Development of the criteria and conditions of establishing such institutional boards has been deferred but will be undertaken by the board.

The Board, through its Governance and Policy Committee, intends to further discuss and develop the proposed performance compact with the state: (e.g., degrees awarded, affordability for Oregon students, enrollment of Oregon students, innovative research linked to Oregon business, etc.) what the Systemwide measures and targets should be, what the appropriate measures and targets for each institution might be in order to sum up to the Systemwide/statewide targets, how they would change over time to meet altered conditions, and how performance would be monitored and corrective actions taken (if needed), are the subject of current and ongoing discussion within the Board’s Governance and Policy Committee. These topics must be addressed regardless of whether institutional boards are established. The discussion is necessarily more complicated if institutional boards are created.

Some of the issues to be addressed for any university seeking separate status from or within OUS include:

1. Access for Oregonians
   a. Sufficient enrollment to meet 40-40-20 goals
   b. Geographic and demographic equity
   c. Percentage of high school graduates and community college transfer students enrolling
   d. Admissions and transfer criteria, guidelines, and requirements
   e. Collaborations with other Oregon universities, community colleges and schools

2. Affordability for Oregonians
   a. Availability of dual credit options for high school students
   b. Net cost of attendance as a percentage of Oregon family income
   c. Need-based grant aid as percentage of need
   d. Tuition setting process and guidelines

3. Student success
   a. Degrees awarded
   b. Degrees awarded to Oregon undergraduate students
   c. Completion rates and time to degree for Oregon students (both freshmen and transfers)
   d. Total degrees as compared to institutional average
   e. Total degrees by geographic, demographic and socioeconomic category
   f. Achievement of student learning outcomes
4. Meeting state workforce needs
   a. Degrees in shortage areas (e.g., health care, science, mathematics, technology, engineering, computer science)

5. Meeting changing state needs
   a. Process for identification of needs and development of programs
   b. Program authorization and implementation

6. Academic quality/Quality of programs/Currency of programs

7. Economic development and Innovation
   a. Connection to Oregon business/economy
   b. Technology transfer
   c. Productivity and effectiveness of research enterprise
   d. Effects on Oregon communities

8. Financial viability of institution and of overall enterprise charged with meeting state targets
   a. Reserve policies and performance
   b. Tuition and financial aid policies and market prices for institution
   c. Cost control
   d. Impact on viability of other Oregon universities of separation from System, and of pricing, admissions, salary, location and other actions
   e. Management and other support capability

9. Accountability
   a. Who is responsible for setting statewide targets/goals?
   b. Who is responsible for achieving those targets/goals?
   c. How will achievement be monitored and ensured?
   d. Who will establish targets for each university and how will these targets be aligned with statewide targets?
   e. What happens if targets are not achieved: in total or by institution?
   f. How are targets adjusted for changes in state funding or due to other conditions outside the control of OUS or of the universities?
   g. If state funding is not tied to targets (e.g., if funding is guaranteed regardless of performance or if funding is inadequate to motivate performance), what mechanisms are available for ensuring achievement of targets?
   h. Who allocates state funds?
   i. Who is responsible to ensuring ethical behavior and compliance with state laws, rules, and policies?

There are various approaches that can be taken to addressing these issues. Accountability levers that can be considered include (among many others): mission and
program approval, goal setting, relations with state government, allocation of state appropriations, property ownership, debt authorization, financial policies, tuition adoption, admissions and transfer requirements, policy and rule making for academic and administrative subjects, defining requirements for collaboration, performance monitoring, and hiring and firing the institutional president.

The Oregon State Board of Higher Education, through its Committee on Governance and Policy, intends to address all these issues as it considers the desirability and viability of institutional requests for boards. The Board's purpose will be to help ensure that any internal structural change within OUS will help it achieve its goals for educating and improving the lives of Oregonians throughout the state. Although a final schedule has yet to be determined and although statutory changes might not be sought at that time, the Committee's intent is that these matters will be considered fully enough for its recommendations prior to the deadline for filing legislative concepts for the 2013 legislative session.

Thank you.

Sincerely,

George Pernsteiner
Chancellor

cc: Paul Kelly, President, Oregon State Board of Higher Education
Members, Oregon State Board of Higher Education
Governor Theodore R. Kulongoski
Presidents of OUS Universities