Memorandum

Date: December 9, 2013

To: University Governance Work Group,
   Oregon State Board of Higher Education

From: Sheila M. Stearns, AGB Consultant and Senior Fellow

Subject: Final Report on Transition Options for Governance of the Technical and Regional Universities in the Oregon University System

In this memorandum, I briefly describe characteristics, advantages and disadvantages of several governance options for the regional and technical universities of Oregon. This memo is an updated version of the report presented on October 17, and includes an addendum that addresses in greater detail one option, a consolidated multi-university. We provide this updated memo as context for the addendum.

My reflections take into account the following:

1. Governing options suggested by you in our initial phone call and in the meeting of the governance work group, options that may best enable the universities to prosper and meet the state’s goals for educational attainment of 40-40-20 by 2025. It now expands the multi-campus governing options to consider multi-campus system and multi-campus university models, all of which share in common a single governing board.

2. Fundamental principles of effective university governance as identified by AGB;

3. Governance standards of the Northwest Commission on Colleges and Universities, the accrediting agency for all of Oregon’s universities; and

4. Best practices and comparable examples of governing structures for regional universities in a few other states.

Current Relevant Developments:

- Recent legislation (SB270) provides that Oregon will soon have three public universities with their own governing boards (Oregon State University, Portland State University, and University of Oregon), members of which have
already been appointed. These governing boards will assume their full powers effective July 1, 2014.

- This same legislation provides the option for the presidents of each of the other four institutions in the Oregon University System (Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University) to request of the State Board of Higher Education their own governing board. This request may be made during the period March 1, 2014 to June 1, 2015 (Section 168a).

- The Higher Education Coordinating Commission (HECC) is a relatively new entity with considerable authority to accomplish what its name implies: the coordination of the over-arching public purposes for Oregon higher education achievement especially the 40-40-20 degree attainment goal by 2025, responsibility for statewide strategic planning, the authority to approve or disapprove academic programs, and the responsibility to design a new financing model for higher education. HECC will not hire or supervise presidents, but it will evaluate annually the governing boards in reports to the legislature.

- A Shared Services Enterprise is under construction by the presidents and their staffs. The enterprise would distribute administrative expertise among the public universities through specialization by one university, on behalf of all. Shared services will include complex administrative functions such as risk management, payroll, employee benefits, etc. This will be accompanied by a protocol for distributing the costs of conducting the enterprise among the universities utilizing a shared service.

- The University Governance Work Group has been formed by the State Board of Higher Education to advise the Board and a legislative panel about governance options for four public universities, sometimes known as the TRUs (technical and regional universities) or simply as the regional universities: Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University. This report is focused on governance options for these four institutions.

The three options you are considering include:

1. **Multi-campus Options**—These models have in common one board that governs the four TRUs but they differ in significant ways in their organizational and administrative structures, institutional identities, reporting relationships, and degree of change from the current Oregon University System. **Multi-Campus University Model** – The four TRUs become one single integrated university, with one governing board, one CEO (president), and four campus
directors. Each institution’s campus director reports to the university president. The president has a cabinet, which supports and oversees campus operations. The president reports to the board, which governs the university. The faculty belong to a university-wide faculty senate. Accreditation, policies, and budgets are conducted on a single university-wide basis.

**Multi-campus System Model**—The system is governed by one board and has a centralized administration, led by a chief executive. The number of staff and range of responsibilities of the system administration may vary. In a *chancellor model*, the chief executive reports to the board and the presidents of the four TRUs report to the system chief executive. The system staff provides leadership and support to their campus counterparts in primary functional areas (academic affairs, finance, student affairs, government relations, etc.). In an *executive director model*, the system administration’s primary function is support of the board, and the presidents of each of the four universities report directly to the board, not the executive director of the system.

2. **Affiliated Universities Model**—Each of the TRUs affiliates with Oregon State University, Portland State University, or the University of Oregon, and is governed by that institution’s governing board. The president of the TRU reports to the president of university with which it is affiliated. The integration of academic, administrative, and other functions may vary.

3. **Institutional Governing Board Model**—Each university has its own governing board (as does Oregon State, University of Oregon, and Portland State), partly or potentially connected to each other in several ways: through HECC, a Shared Services Enterprise, and possibly a President’s Council of the Oregon Universities, or subset thereof.

Each option has advantages and disadvantages. There are also a variety of possible permutations for the four TRUs, such as one or two TRUs with its own governing board and the others affiliated with another university or joined under a single governance structure. The following analysis is hardly all-inclusive of pros and cons, but provides an overview.

**Principles of Good Governance**: Before reflecting on pros and cons of the five options, the University Governance Work Group might consider each in light of the following principles of good governance. The committee could identify additional important principles within the Oregon context. At a minimum, the governance structure that is selected should ensure that each university:

- Achieves statewide educational and economic goals;
- Collaborates systematically with other universities and K-12;
- Fosters communication to the public and the legislature with a unified voice;

- Promotes fiscal stability through cost efficiencies; and

- Enhances academic quality through focus on mission-centered programs.

Three Governance Models:

1. Multi-Campus Models (Multi-Campus University and Multi-Campus System)

Multi-campus systems and universities exist in many states and can take different forms. The advantages and disadvantages common to them are enumerated first.

Advantages of multi-campus models:

- Fewer governing boards: One board for four institutions. Oregon could have four boards instead of seven for the seven public universities, plus HECC.

- Strategic focus: A shared board is somewhat more likely to operate at a strategic policy level rather than at a management level since its members must oversee several universities, not the details of one unit. Ideally, as Aims McGuinness of the National Center for Higher Education Management Systems advised the Virginia coordinating board: “Effective boards focus on core policy functions; build and sustain a long term agenda for the state; shift from detailed program review/approval to focus on changes in mission, and exhibit balance in process and decision-making by working with all entities."

- Regional advocacy: A single board for Oregon’s small to mid-size universities can develop regional expertise outside of metropolitan areas that benefits all the similarly situated institutions. It often creates allies and advocates among at-large board appointees from other regions who gain new knowledge and appreciation of the mission and service of universities elsewhere in the state.

- State Advocacy: A multi-campus model provides a collective and larger voice with state officials, including the legislature, than that of just a single institution. A multi-campus university or a multi-campus system comprised of institutions of similar missions can build understanding and support among a larger number of legislators who will appreciate their special role in state higher education. The same collective voice can also work with other external stakeholders, such as the K-12 community, and the corporate and business community.
- **Operating efficiency and synergy:** Experience in Oklahoma and Nebraska suggests that one board for small or midsize universities does foster or even requires synergies among the institutions they govern because of their shared agenda, board, and meetings. University governing boards are expensive to maintain in both time and money. A multi-campus board can share the costs and should receive sufficient appropriation for its operation. The system staff may also provide specialized expertise, such as legal services, that smaller institutions may otherwise outsource. Small institutions, no matter how frugal, generally have to spend a higher percentage of their budgets staffing their own independent governing board than do larger universities, even taking into account travel time for their executives attending system-level meetings. Governing boards require staff coordination, travel budget, and board development. None of these is inexpensive.

- **Complex collaboration:** Especially in states wherein most university employees bargain collectively, the expertise for bargaining, for employee benefits administration, and other complex issues can be a distinct advantage within a system office under a single board, rather than dispersed among many.

**Disadvantages of multi-campus models**

- **Lukewarm institutional support:** Board loyalty and advocacy may be diluted when the board oversees several universities or campuses instead of just one. The connection between the board and each institution is more distant. Unless they feel threatened by a major issue, few alumni or local citizens will make the trip to board meetings in other locations when their campus is just a small part of the agenda.

- **Costs:** This is the other side of the “cost savings” mentioned above. Executive teams, faculty and student leaders, and others have to travel frequently to other parts of the state for board meetings. This would probably be the case in all multi-campus options. In other states with multi-campus systems, generally the board holds only one meeting per year, if that, on each campus. Yet at the meetings held elsewhere in the state, the president (or campus dean, director, or provost) usually needs key members of his or her executive team to be present, depending on the action agenda. Additionally, campus administrations often reimburse student, staff, or faculty associations to assist them in having a representative at most meetings, especially if they are hundreds of miles away.

- **Lack of cohesive strategic planning:** Depending on the role and authority of the top administration of the multi-campus system, it can be more of a loose confederation of institutions or an integrated organization of regional universities, responding in a unified way to strategic objectives. The state may choose a chief executive with clear authority over campus presidents/executives or an executive director whose responsibility is primarily organizational for the board and as a convener for the presidents.
Additional reflections about advantages and disadvantages of multi-cAMPus options:

**Multi-cAMPus University:**
An advantage of a multi-cAMPus university, with a strong CEO of a single university (and their campus directors) in different sites is the possible reduction of administrative positions and possibly more modest salary levels for officers of the campuses. This could be the most efficient model. Campus executive directors are clearly officers of a single university.

A disadvantage of a multi-cAMPus university is that campuses with long histories of independent accreditation, alumni organizations, fundraising, campus traditions, and regional leadership by campus officers can be seriously disrupted by change of this magnitude. It could discourage alumni philanthropy and loyalty. Finally, it would most likely require each institution to give up its independent accreditation with NWCCU, and establish accreditation for the new university. This is not good or bad in and of itself, but it is a major substantive change to universities with longstanding regional accreditation.

No university model exists that would be relevant or analogous to such a new university in Oregon that would be created out of four relatively comparable institutions.

A more detailed description of the multi-cAMPus university model is provided in a separate addendum.

**Multi-cAMPus System, Chancellor Model:**
An advantage of a multi-cAMPus system with a strong CEO and central administration is that the campus presidents are clearly accountable to one individual ideally with longevity and authority for meaningful evaluations and accountability, without loss of the institution’s historic identifying characteristics or accreditation.

A disadvantage of a multi-cAMPus system with a chancellor (strong central CEO, distinct campuses still individually accredited) is that a full-service system office can be expensive to maintain to perform the functions expected in a strong central CEO model.

**Multi-cAMPus System, Executive Director Model:**
An advantage of a multi-cAMPus system with an executive director, in which presidents report directly to the board, is that costs in the central office are generally lower.

A disadvantage of this model is that board members come and go and there is no institutional memory in a central administration. It is also challenging for a board to
supervise directly several presidents, even with the assistance of an executive director, and it is challenging for individual campus executives to report to and be supervised by a group.

Two examples

The Nebraska State College System (NSCS) is a multi-campus system with three universities in rural areas of the state. It originally resembled most closely the system with an executive director model, but about 10 years ago changed to a stronger central office, chancellor model. The board of seven members appointed by the governor always has a member from one of the three communities in which the universities are located. The other four are at-large appointees from around the state, plus the chief K-12 school officer of the state. Of the four standing meetings per year, each campus hosts the board once a year. Until ten years ago, the chief executive was entitled Executive Director. The office has a staff of about nine people. The system office does the collective bargaining for all the campuses and the faculty of all three institutions is in one bargaining unit.

The Regional University System of Oklahoma (RUSO) changed its name about five years ago to better identify itself as a governing board of regional universities. Its Board of Regents has nine members, each with a nine-year term. The CEO is an executive director with a staff of seven to administer the work of the board and the policies of the system. The four university presidents report to the board, although the executive director does the groundwork and campus interviews to prepare biannual presidential evaluations for the “board committee on presidents”; the four committee members reach conclusions on the actual evaluations.

The Pennsylvania System of Higher Education (PASSHE), the University of Louisiana System, the Texas State University System (TSU), and the California State University (CSU) are examples of large systems with strong regional universities under the governance of one board. The PASSHE and CSU systems are large with 14 and 23 institutions, respectively. The TSU System and the University of Louisiana System govern eight and nine universities, respectively. All four of these systems have strong CEO models and relatively large central administrative staffs.

2. An Affiliation Model

Definition: An affiliation model does not have a precise definition in higher education that we know of, but examples can be found in many states. One variation can be described as an integrated flagship model with branch campuses. These tend to exist where there has been population growth in a state or region, and the largest university in the region has reached out or responded to communities expressing the need for a branch campus in their area. OSU-Cascade in Bend seems to be an example
of this form of affiliation. Purdue, Colorado State and many other flagship universities have established branch campus systems in this manner.

A second example of affiliation is not the establishment of branch campuses, per se. The affiliated campuses maintain their regional accreditation and chief executive with a customary university title such as president or chancellor. The purpose is to link the regional campuses to a larger one in the state for purposes of operating efficiencies under the governing board of the larger institution. The regional campus presidents generally report to the president of the larger university, not directly to the board.

Advantages of an affiliation model

The advantage to the state is the governing connection of two or more presidents and universities working together for common purposes and accountability. Success reflects well on both or all presidents in an affiliated arrangement; failure can reflect badly on both/all. It promotes collaboration. Another advantage is expansion of “the bench” for smaller universities. Where this works well, affiliated universities similar to Oregon TRUs have ready access to a broad range of expensive administrative services such as IT, legal, architectural, facilities management, and fiscal, to name a few, with or without a system office, and with or without a Shared Services Enterprise. The large-campus university extends its services through interdependent support with the other smaller universities affiliated with it.

Affiliated campuses are also somewhat more likely to have cooperative arrangements among faculty in similar programs and disciplines, such as identification by joint faculty of learning outcomes and common course numbering. All of these possible advantages depend on the ability and willingness of both or all presidents in the affiliation to communicate throughout their campuses that the two (or more) universities are a team that explicitly rewards collaborative behavior through most policies. Similarly, mobility can be somewhat easier for students at the smaller affiliated campuses who wish to transfer to the sister campus, particularly for upper division study.

Note: This can be accomplished without changing identities, logos, athletics, foundations, or other campus-specific traditions.

Disadvantages of an affiliation model

Same as above, in one sense; tethering two or more universities creates both good and bad news. For one thing, all presidents already have a lot on their plates and collaboration adds to it; the single life is simpler, cleaner. Another downside can be dicey but hard to get out in the open: the real or perceived loss of stature and authority for the president of the smaller affiliated university in his or her region and on campus. The loss of autonomy is real, impairing the ability of one president to
make expeditious management decisions. It can create the reality and/or perception of yet another level of bureaucracy for the president to navigate.

The experience of many presidents of the larger universities and their faculty and senior staff is that they are expected to expand (in some cases almost double), their responsibilities with and for another university, without any allowance financially or otherwise, for the time, travel, and expanded responsibilities and duties of joint responsibility for affiliated universities. It is the experience of many presidents and the faculty and staff of both the larger and smaller affiliated universities that they are expected to attend more meetings and absorb more responsibility without added value to their ability to perform the core duties of the presidency on their home campus.

The experience of the smaller universities and their staffs sometimes is that they are never sure who is boss: is it horizontal (e.g., one chief academic officer to the chief academic officer at the larger university), or vertical (to the president on one’s own campus). It might seem easy to answer; it rarely is in practice. Sometimes when sharing occurs, presidents feel resentful that they are accepting charity; other times they feel (usually incorrectly) that their coffers are being raided to benefit the big university where the CEO/president has his or her corner office and closest allegiance. On the other hand, the president of the large university is frequently accused on his or her own campus of giving away the store to smaller campuses, or funneling money (e.g. tuition dollars) to another campus that some believe should fund activities on the large campus.

Two examples

Five campuses are affiliated with Oklahoma State University under its governing board, the Board of Regents for Oklahoma Agricultural and Mechanical Colleges. The campuses include an Institute of Technology, a Center for Health Sciences and a Center for Veterinary Health Sciences, a relatively new urban institution in Tulsa, and a largely two-year urban institution in Oklahoma City. Generally, affiliated campuses with long histories maintain their historical names and other aspects of identity such as athletics, foundation boards, etc.

In 1993-94, the Montana Board of Regents changed the reporting relationships of the presidents of the regional universities. Two of the four regionals became affiliated with Montana State University, and two with the University of Montana. There are many more details, of course, but for this discussion the only presidents who continued to report directly to the Commissioner and to the Board of Regents were the presidents of the two flagship campuses. One of the advantages was increased collaboration among the units within each affiliation. Campuses maintained their individual accreditations, athletics, foundations, etc. A notable disadvantage is that even after 20 years the affiliation is resented by some presidents and communities,
and creates awkward resource-sharing and accountability ambiguity that can be troublesome to officers of both institutions, to the board itself, and to puzzled accreditation teams.

An advantage/disadvantage cited by a president in Oklahoma of his institution that is affiliated with one of the flagship universities in that state is that he likes the autonomy and hands-off approach of the president to whom he reports. But he thinks it is a major loss to lose the contact, support, and accountability of reporting directly to a board dedicated to his institution.

It should be noted that both Oklahoma and Montana are examples of “integrated flagship affiliation,” whether or not the term “flagship” is used.

3. Governing Boards for Each University

Definition: Governing boards for each institution are self-explanatory. They differ from state to state primarily in whether and to what extent the presidents and the boards report to a coordinating board rather than directly to state leaders.

Advantages of institutional governing boards for TRU universities

- **Focused attention and advocacy:** The primary advantage for each university in having its own governing board is oversight and advocacy that is strongly focused on the issues of that particular university, with its own traditions and culture. This may mean less travel time and more focused local or regional meetings for presidents and board members.

- **Presidential preference:** Our experience is that many presidents across the country would trade the extra hassle and expense of having their own boards for the sake of more autonomy, enhanced personal support, and enthusiastic attention by at least one board on their own beloved university. The purpose of state universities is to educate students, advance knowledge, and enrich the economic and cultural milieu of the state. The purpose is not to make presidents happy. But enthusiastic, highly productive presidents are critical to the success of the educational mission.

Disadvantages of institutional governing boards for TRU universities

- **More governance:** For all of its virtues, an institutional governing board requires significant staff work, travel expenses out of the already stretched campus budget, and at the very least one additional support staff member. It requires additional meetings staffed entirely by campus personnel, with responsibility for orientation, board education and development including board assessment retreats and occasional attendance at state or national board-development seminars. Individual boards require time, preparation, information, entertainment, and follow-up for yet
another meeting of yet another set of civilians who occasionally are more interested in local, athletic, or management details than in supporting the university toward overall excellence or statewide strategic objectives.

- **Accountability without commensurate resources.** In Oregon, all institutional boards and their universities will be reviewed by HECC. They may be held accountable for shaky fiscal situations that may or may not stem from board policy decisions or presidential management decisions. Unlike local community college boards, they will not have the power to raise revenue via mill levies. The ability to raise tuition beyond five percent is (wisely, I think), subject to approval by HECC. Alumni from regional universities frequently have a high proportion of local non-traditional students in vital professions that are not highly compensated. Former teachers’ colleges have a high percentage of teachers with relatively modest incomes, or graduates in other vital but relatively modest income service professions. Philanthropy cannot pick up the slack as it sometimes can in universities with, for example, endowed professorships or alumni who earn high salaries even in their first jobs.

- **Institutional prestige over state achievement goals:** It is natural for institutional governing boards and their presidents to enhance their university. One way to do this is to recruit and attract students on a more selective basis, which may enhance national rankings, but does not serve well educational attainment objectives for all citizens who can benefit from higher education, regardless of family income, and regardless of their higher retention risk. It may be difficult for institutional boards to adhere to the institutional mission, and as a consequence, they and their presidents are in frequent conflict with state higher education officials over mission or academic program expansion. This happens often in states with independent governing boards. Such boards should not be “speed bumps” on the road to a decision by a coordinating board or agency, but rather exercise authority and due diligence regarding the mission of the university and the public-purpose needs of the state for higher education.

**Factors to consider regarding the quality of boards:** The caveats mentioned in an earlier draft of this document are now listed in this separate section because they can apply to all university governing boards, regardless of organizational model:

- **Appointment Process:** The quality of boards really varies around the country for public universities. When a southeastern state transitioned to institutional boards for each unit in the 1990’s, the governor for the most part appointed each unit’s advisory board to become its governing board. This worked well for a few years until some appointments began to be made primarily as rewards for political activism rather than to support the educational quality of the university or statewide educational goals. Some boards in that state became so contentious politically that governance and quality of the university took a back seat to political issues. To make all governing boards more effective, it is a good practice, indeed best practice, for the governor to consult with the
president and the current board chair or regional leaders about the needs of the board when vacancies are approaching. Good boards need diverse individuals from a variety occupations and backgrounds. As with judicial nominating commissions, the quality of boards is strengthened when there is a formal mechanism for board or presidential input to the Governor, clear criteria for selection, and when political payback is kept to a bare minimum in the political ideologies playing themselves out on a university governing board.

- Board leadership and education: University boards require a strong, well-respected chair and excellent board education to keep the board and its agenda focused primarily at a strategic policy level rather than on management details of a particular campus.

- Board Attention to All Campuses: Not all regional multi-campus system boards or boards with affiliated universities travel to meet on a rotating basis on the campuses they govern, but to do so is best practice. If a board never meets on one of the campuses it governs, it creates a distinct disadvantage for that university.

**Fundamental Responsibilities of Effective Boards of Colleges and Universities**

(See AGB’s *Effective Governing Boards* and also Merrill Schwartz’s article in *Trusteeship*, March/April 2010.)

1. Keeping the mission current and aligned with public purposes.
2. Selecting a chief executive for the institution.
3. Assess the performance of the chief executive and set compensation.
4. Task the CEO with leading strategic planning process; participate in process and monitor progress.
5. Ensure the institution’s fiscal integrity.
6. Ensure the educational quality of the academic programs and the institution overall.
7. Protect institutional autonomy and academic freedom, and the public purposes of higher education.
8. Ensure the policies are current and properly implemented.
9. In concert with the chief executive, engage regularly with the institution’s major constituencies.
10. Conduct the board’s business in an exemplary fashion with appropriate transparency.

**Northwest Commission on Colleges and Universities Governing Standards**
Institutional accreditation is essential for a college or university in order for its students to be eligible for federal financial aid and its education and degrees to be valued. Each of Oregon’s accredited colleges and universities—from the smallest community college to the largest research university—is evaluated by a regional commission on the standards shown below over a seven-year cycle. To the extent that the governing board(s) can synchronize their reviews and expectations with those of NWCCU, the less faculty and administrative time will be consumed in meetings and in writing reports. Some boards pay little attention to their university’s assertions and supporting evidence as submitted to NWCCU; they should and they must.

The Governor should provide nominees to governing boards with a statement of expectations in advance and ask if they have the time and dedication to read, reflect, and respond to the many reports, including the documents pertaining to the university’s accreditation review. Ideally the enormous campus effort to conduct self-analysis for accreditation standards provides rich evidence for governing boards, not just for NWCCU, evidence that is either reassuring or alarming, but invaluable either way. Accreditation reports can simultaneously provide evidence to the governing board (whether a single unit board, affiliated, consortium, or system model) of the institution’s compliance with mission, public purpose, and expectations of the governing board itself and of the state’s coordinating board.

The five NWCCU standards categories are listed below. Within each category are more specific outlines which colleges and universities must address, including a subsection on Governing Boards, within Standard Two.

- **Standard One:** Mission, Core Themes, and Expectations
- **Standard Two:** Resources and Capacity
- **Standard Three:** Planning and Implementation
- **Standard Four:** Effectiveness and Improvement
- **Standard Five:** Mission Fulfillment, Adaptation, and Sustainability

This excerpt is from the sub-section on the Governing Board from Standard Two (Resources and Capacity) and should be kept in mind for the Work Group’s discussion:

*The Governing Board (2.A.4 through 2.A.8)*

2.A.4

The institution has a functioning governing board consisting of at least five voting members, a majority of whom have no contractual, employment, or financial interest in the institution. If the institution is governed by a hierarchical structure of multiple boards, the roles, responsibilities, and authority of each board—as they relate to the institution—are clearly
defined, widely communicated, and broadly understood.

2.A.5
The board acts only as a committee of the whole; no member or subcommittee of the board acts on behalf of the board except by formal delegation of authority by the governing board as a whole.

2.A.6
The board establishes, reviews regularly, revises as necessary, and exercises broad oversight of institutional policies, including those regarding its own organization and operation.

2.A.7
The board selects and evaluates regularly a chief executive officer who is accountable for the operation of the institution. It delegates authority and responsibility to the CEO to implement and administer board-approved policies related to the operation of the institution.

2.A.8
The board regularly evaluates its performance to ensure its duties and responsibilities are fulfilled in an effective and efficient manner.

As the University Work Group on University Governance considers its recommendations to the Special Committee on University Governance for the upcoming legislative session, it would be wise for all concerned, not just the campus presidents, to be aware of and to synchronize to some degree with the governance standards for regional accreditation.

We hope this document informs the Work Group’s deliberations. Thank you for inviting AGB into your discussions on the future of public higher education governance in Oregon. I welcome your questions.