Thursday, December 1, 2005

1. CALL TO ORDER/ROLL CALL/WELCOME

President Henry Lorenzen called the retreat of the State Board of Higher Education to order at 3:04 p.m.

Board members present: Don Blair, Bridget Burns, Kirby Dyess, Henry Lorenzen, Tim Nesbitt, Geri Richmond, Howard Sohn, John von Schlegell, and Tony Van Vliet. Gretchen Schuette and Adriana Mendoza were both absent due to personal conflicts.

OUS staff members present: George Pernsteiner, Jay Kenton, Susan Weeks, Ryan Hagemann, Ben Rawlins, Diane Saunders, Marcia Stuart, and Neil Bryant.

Others present included: Presidents Dan Bernstine, Martha Anne Dow, Khosrow Fatemi, Dave Frohnmayer, John Minahan, Ed Ray, and Elisabeth Zinser. OHSU Provost Lesley Hallick was also present.

Retreat invitees included: Scott Burns (IFS), Earl Potter (SOU), James Sager (Office of the Governor), Bob Turner (IFS), Melissa Unger (OSA), and Dave Woodall (Provosts' Council).

Chris Ertel of Global Business Network (GBN) facilitated the retreat.

Meeting attendees also included interested observers and the press.

2. STRATEGIC PLANNING RETREAT INTRODUCTION AND CONTEXT

President Lorenzen welcomed the retreat attendees and thanked Directors Blair, Dyess, and von Schlegell for their work leading up to the retreat. He recognized SOU President Zinser on her retirement and noted that she would be at SOU through August 2006. President Lorenzen asked Director von Schlegell for some introductory comments regarding long-range planning and the retreat agenda.

Director von Schlegell acknowledged the work of several Board members and OUS staff and noted that they would be going over some ground rules that would provide a framework for the retreat discussions. Director von Schlegell stated that the retreat objective was to discuss how four distinct visions allow excellence, opportunity, and access to constitute the OUS mission over the next twenty years. He offered that with the visions, he wanted the Board to start to develop specific outcomes, policies, and
priorities, but the objective was not to wordsmith. Director von Schlegell added that the process was designed to examine the tradeoffs that would be necessary in an era of limited revenue.

Director von Schlegell stressed that there would be time for drafts and wordsmithing, but there would be subgroups to refine what the Board developed over the course of the retreat. He acknowledged that the work would include input from the presidents and others. He noted that the retreat work would ultimately lead to a strategic plan, but he hoped that some of the existing structural assumptions would be challenged along the way.

Director von Schlegell turned to some assumptions that might guide the retreat discussions. First, he observed, that the Board should assume that there was no more state funding in its current form. He stated that the Board could still talk about expenditures and revenues, but concluding that the Board needed to go the Legislature to ask for more money would deflate the discussion of important tradeoffs. Second, Director von Schlegell asked the Board to assume the "platform was burning" and that the Board needed to remind itself of a sense of urgency. Third, he offered that the Board could not offer an "all things to all people" vision. Director von Schlegell acknowledged the disappointing or pessimistic tone of discussions in a time of limited resources, but offered that it could provide the chance to think boldly and creatively. He asked the Board to remember the quality on each of the campuses and that discussing the reality of the situation should not be confused with value judgments about any of the institutions.

Director von Schlegell shared that the governor would be joining the retreat later in the afternoon to offer some words. He stressed the importance of respecting the opinions of others and noted that everyone on the Board was on the Board because they cared about higher education. Director von Schlegell introduced Chris Ertel of Global Business Network (GBN) as the retreat facilitator. He explained GBN was a consulting firm that pioneered the use of scenario planning.

Director Nesbitt shared concern about the constraints, including the assumption that there would be no increase in state funds. He offered that it might be a useful constraint for the next phase, but hoped that it would not be a constraint for strategic planning. Director von Schlegell acknowledged Director Nesbitt's comments and stated that he wanted a clear understanding of the tough tradeoffs that might be necessary to come out of the retreat discussions. Chancellor Pernsteiner added that, in the past, higher education attempted to make its case for additional funding and, in most cases, did not get the funds. He offered that it might make more sense to examine what higher education can achieve and what it cannot achieve, thereby making the choices more clear.

Director Van Vliet noted that there were really two major funding considerations in higher education: academic programs and facilities. He offered that it might make sense to separate the two because too often legislators tell OUS that it has money to fix
problems or fund programs, when, in fact, it does not. He stated that funds that should be focused on academic programs are frequently used to shore up facilities.

Ertel thanked Director von Schlegell for the introduction and noted that he was present to help the Board facilitate and discuss long-term future possibilities. He observed that the Board had an interesting set of challenges, but that Oregon had a prior history of rising to, and solving, challenges. Ertel stressed that he was a neutral facilitator and that his job was to keep the Board and its discussions on-track and on-time. He turned to the objective, agenda, and ground rules. Ertel observed that the objective was to create at least four different future visions for the Oregon University System to the year 2025 with specific draft outcomes, policies, and priorities for future refinement. He stressed it was an exploratory session.

Director Blair offered some additional explanation on the structure of the discussion. Director Blair outlined the difficulty of strategic planning in the educational context because the System was not trying to optimize one variable, but several. He observed that this fact drove the decision to talk about some various outcomes and specific situations to trigger reaction and discussion by the Board. Director Blair stated, with the complex set of outcomes, it made sense to start with four visions to illustrate tradeoffs and permit a "real-world" reaction to possibilities. President Frohnmayer asked for clarification as to what a "scenario" was supposed to do. He asked what the definition of scenario was and whether the discussion would be guided by survivability or pre-conditions. Ertel noted that the retreat was a forum where small groups would be able to organize by affinity to create the kind of vision that they would like to put forward. He stated that the different scenarios were like trying on different sets of clothes and were exploratory.

Director Van Vliet observed that the year 2025 seemed awfully far out and that it might be hard to articulate a vision and Weeks added that the timeline captured a period of time that would allow many of the Board's decisions to reach fruition. She stated that she wanted to include students that were in the college pipeline right now. Director von Schlegell added that he wanted to get beyond the technical details of two or three years down the line when the focus would be on who was governor or who was in the Legislature. Director Blair noted that even if the vision was twenty years out, there would be mileposts along the way.

President Minahan returned to the notion of the scenario. He asked whether a scenario meant defining a state of educational affairs so if that state of affairs was changed, the System could predict the consequences. Ertel observed two different types of scenarios and described that the participants would be dealing with normative scenarios. President Minahan asked if the groups were to ask about the scenario and infer some action from the scenario and Ertel replied yes. President Ray asked if the scenarios were like considering alternative states of the world, leading to what the outcome variables would be and how they would be weighed differently. Ertel stated that the process was designed to address both means and practice. President Ray clarified that the groups would be looking at four alternative menus of outcomes and then alternative
paths to achieve the outcomes and Ertel said yes. President Zinser asked about the
affinity groups and whether or not it would make sense to put participants in groups
outside of their affinities. Unger asked how the various groups would come together and
how tradeoffs would be examined and Ertel explained that the first set of options would
be created at the retreat and staff would work after that to design the process to move
forward. Ertel noted that Weeks and Kenton would offer background presentations, the
governor would be joining the group, and the agenda and schedule for the retreat was
aggressive and packed.

Ertel turned to the ground rules of the retreat. He offered: (1) no asking the Legislature
for money, (2) no structural changes to the System, organization, or administration until
the future visions were articulated, (3) no tactics or micromanaging, (4) no decisions or
actions, and (5) leave solutions at the door and share ideas. Ertel asked Susan Weeks
for her presentation on the context for the retreat.

Weeks explained that she would be reviewing familiar themes in the context of planning
and discussing the issues in terms of successes, opportunities, and challenges that the
Board would face. She observed that the benefits of higher education were well-
documented, that OUS did relatively well with participation, but did not do as well with
completion. Weeks offered that OUS showed high student demand, but the problem of
affordability was masked by that demand. She noted that faculty was successful in
completing research, but doctoral enrollment was down.

Weeks moved to economic benefits. She explained that 80 percent of high-wage jobs
would require at least a bachelor's degree and offered the data regarding the difference
in earning potential between those with a bachelor's degree and those with only a high
school education. Weeks also offered information on the tax revenue generated by
college graduates. She added that volunteer and voting rates increased with education.

Weeks continued with educational attainment. She observed that 26 percent of
Oregonians had bachelor's degrees, which was low compared to other neighboring
states. She stated that the number was impacted by in-migration in the 1990s and
Director von Schlegell asked if there was any way to document how many people with
bachelor's degrees moved here versus the number the state produced. Weeks explained
that the state demographer would have the numbers. Weeks explained that the "two Oregons"
was a source of concern regarding educational attainment. She discussed the difference between educational attainment regarding urban and rural areas of the state. She summarized that Oregon was not doing too badly in getting students in the door, but stressed it was not doing well with degree completion. She
observed that Oregon was near the bottom of the list for graduation rates as compared
to peers. President Frohnmayer asked which peer groups were used and Weeks replied
the groups used for salary comparisons.

Weeks also observed that a degrees to completion measure was important to
measuring access for students of color and Director Richmond asked if staff did any
analysis on the student satisfaction of minority students. Weeks offered that the
graduate outcomes survey included an ethnic minority variable and Director Richmond asked if there were campus climate issues revealed in the satisfaction survey that would cause a lower degree to completion rate. Weeks added that lower affordability affected both access and completion and that growing demand masked the problem of the nature and composition of the demand. Weeks continued, observing that graduate degrees cost nearly twice that of bachelor's degrees and Director Burns clarified if it was per year.

Weeks offered that high school graduates were projected to grow and that a slightly larger share of the graduates would be from lower-income families. She also observed the substantial increase in Hispanic and Latino high school graduates. Director Van Vliet asked if there was any examination of the relationship between OUS and community colleges regarding reaching out to students from lower-income families and Weeks replied that OUS had not matched up with community colleges regarding projections. Director Richmond and Weeks discussed the lower participation rate of Hispanic and Latino students.

Weeks turned to questions regarding learning and teaching, noting the exploration of technology and other forms of service delivery. President Minahan asked about the effectiveness of other forms of service delivery and Weeks directed the participants to a study about the use of technology in the classroom. She summarized that passive sitting and listening would not produce the same learning outcomes as engaging students. Provost Potter offered comments on the study, observing that many of the classroom interventions were not passive and student engagement was increased through many less expensive strategies than a professor in the class. Weeks noted that there were increased retirements of faculty and increased mid-career departures of faculty.

Weeks offered that student-faculty ratios were getting worse, observing that enrollment was increasing at the same time the System was losing full-time faculty. She added that with the loss of full-time faculty, the institutions were relying more and more on part-time and adjunct faculty. Director Burns asked how graduate teaching assistants were factored into the analysis and Weeks offered they were not in the data.

Weeks stated that the state was doing a pretty good job with research and development funding, with an emphasis on federal funding. She observed that Oregon ranked fairly high on the new economy index. Weeks shared that Oregon started with some strengths here, but that the growth in doctoral degrees had slowed and that the System had not maintained its level of enrollment in that category. Weeks discussed a comparison between per capita university appropriations and per capita income. President Ray observed the same comparison from Ohio, stating that the lack of in-migration to Ohio impacted the relationship between per capita expenditures and per capita income.

Weeks stressed some of the strengths and opportunities. She stated graduate participation, research competitiveness, and new learning models were all bright spots.
She offered, however, that there were many failures that required attention, including lack of access for rural Oregonians, affordability, undergraduate completion, stewardship of the faculty resource, doctoral education, and investment in higher education. President Zinser stressed the importance of outcomes assessment and learning. Weeks concluded her presentation and asked Vice Chancellor Kenton to continue with a discussion on funding.

Kenton stated that he would be discussing the dire funding outlook. He observed that funding was inadequate for operations, capital, and student aid, revenues were limited by budget note, and that costs were constrained or inflating faster than CPI. He offered that deferred maintenance and the use of self-liquidating debt was increasing and that faculty salaries were lagging behind peers. Kenton stated that projections indicated that costs would grow faster than revenues and that campuses were projecting significant deficits and some of the campuses were projecting drawing fund balances to zero in the next biennium.

Kenton discussed the revenue mix. He noted that the state provided roughly 23 percent of total revenues, down from 40 percent in 1989. He stated that he did not believe that state funding would improve significantly over the next twenty years. Kenton observed the significant growth in gift, grant, and contract funding for the System and the increase in student aid funding that was flowing through the campus books. Kenton reviewed five-year snapshots of revenue over the past twenty years, observing that tuition and fees were a greater proportion, gifts, grants and contracts were growing, and auxiliaries had remained roughly the same. He also reviewed the five-year revenue snapshot in dollars, non-adjusted for inflation, illustrating growth in state appropriation and tuition.

Kenton turned to the expense mix. He offered that 76 percent of expenditures were for salaries, wages, and other payroll expenditures, 3 percent utilities, 19 percent on services and supplies, and a small amount on capital outlay. Director von Schlegell asked about the numbers for individual versus government gifts, grants, and contracts. Chancellor Pernsteiner noted that the System took in $270 million in federal and private research and $150 million in private donations. Provost Hallick expressed surprise at the larger percentage of gifts, grants, and contracts in the 1980s and President Ray observed that the data demonstrated that most of the tradeoffs were between state appropriations and tuition.

Kenton continued with payroll expenses. He discussed the fringe rate, or the proportion between other payroll expenses (OPE) and salary, and stated it was 48 percent, compared to 29 percent 20 years ago. Kenton explained that on $660 million in salary and wages, 48 percent OPE costs would represent a $125 million increase in expenditures per year to the System. He offered the peer OPE average was 30 percent. Kenton used some University of Oregon numbers to demonstrate the OPE dynamic. He stated the average UO all-ranks faculty salary was $65,200; with a 48 percent OPE, the total cost of employment would be $96,000. He compared it to peers with higher salaries but lower OPE costs, resulting in a difference of about $10,000 to the bottom line.
Director Van Vliet pointed out that much of the OPE costs were tradeoffs with the Legislature for not providing salary increases and Kenton observed that Oregon had a unique situation. Director Nesbitt stated in examining the peers and their average salaries, some figures were showing up on the benefits side of the equation because the state was covering the cost. Kenton added that in 1978; the state did agree to pick up the 6 percent retirement contribution in lieu of a salary increase, but he was unsure as to how many of those employees would be around in 2008. Dr. Turner noted that there were two populations of employees: one with actual benefits and one with a much lower level of benefits. Kenton replied that even those employees got a 14 percent retirement contribution paid for by the state, which was higher than most peers. Kenton stated that there were financial challenges and either the revenue or the expenditure side of the equation needed to be addressed. He offered, in this biennium, revenues were limited and expenses were increasing or out of the control of the System.

Kenton moved to outcomes and public goods, noting that the System produced many public goods, but that they all came at a cost and that the System might have to focus on core mission in evaluating the costs of all of the public goods. He noted the advantages of the current situation, including the state's recognition that it had an obligation to help, increased independence in research, and better coordination with government partners. Kenton also observed the disadvantages of the current state of affairs, stating there was a shortage of incentives for innovation and entrepreneurial activity, the System did not fully control its revenues or costs, and the System was unable to realize accrual of investments. He noted that, through rough calculations, many of the costs added up to $100 million each year. Kenton stated that, with $100 million, the System could bring the faculty salaries to market and pay for an additional 10,000 students. Director Sohn asked what the $100 million represented and Kenton explained the cost of the things included in his chart, including benefits. President Zinser remarked that many of the items had a cost, but that the revenue opportunities might not have been explored.

Director Blair offered some thoughts on the presentations. He observed that he did not believe that all of the relevant constituencies understood how vital higher education was. He stated that all of the statistics and data were well-known and the state's benefits that emerged from higher education were unassailable, but that the Board, the state, and all relevant constituencies needed to understand it. Director Blair also noted that the System had done enormously well under difficult conditions, but that it could not continue on that path. Reflecting on Kenton's funding comments, Director Blair stated that the System was headed off of a cliff and the model could not be sustained. He observed that, noting Weeks's presentation regarding the number of jobs that would require a bachelor's degree, the System might not be able to satisfy those requirements in the future. He noted the phenomenon of in-migration and observed that Oregonians might be competing for the lower-wage jobs and out-of-state individuals with bachelor's degrees would migrate to Oregon for the higher-wage jobs.
Ertel turned to Pernsteiner for some comments. Pernsteiner asked participants to take a step back and understand a larger context than Oregon. He observed a single integrated economy and society that placed a premium on nimbleness, creativity, flexibility, and critical thinking. Pernsteiner stated that over the past 100 years, American universities had achieved in these arenas better than anyone else and American higher education had impacted the way the entire world thought about and approached higher education. He stated, however, that American universities no longer graduated more engineers than other countries. Pernsteiner shared that if the United States, and Oregon, wanted its citizens to participate in a 21st century economy and society, it would need to determine how it provides the opportunity of a university education.

Pernsteiner also noted the blessings in the state. He stated that throughout the 1990s, Oregon increased the proportion of its adult citizens with college degrees. He observed, though, throughout most of the decade, Oregon imported college graduates and started to produce them in-state at the end of the decade. Pernsteiner noted, however, this year, the System was educating fewer freshmen than the 30-year average and fewer eastern Oregonians than in their parents' generation. Pernsteiner echoed Director Blair's comments and observed that the System did well with what it had, but had 20,000 more students than 10 years ago, with 250 fewer full-time faculty members, representing a 27:1 student-faculty ratio. Pernsteiner observed that there were important questions of quality and expectations facing the System. He remarked on the difference between importing college graduates and educating Oregon's own children. Pernsteiner stressed that higher education was in the optimism business. He noted that the purpose of the retreat would be to make the choices clearer in order to harness the future.

Before the arrival of the governor, Ertel asked the participants if there were any reflections. President Ray observed the necessity of figuring out what was core to the System, what the System should do less of, and what the System should stop doing. Ertel echoed President Ray's comments and noted that the groups could not make choices without taking some things off of the table. Director Sohn returned to Pernsteiner's comments and stressed the globalization context. He noted that the university system of the past emerged when boundaries meant more.

Governor Ted Kulongoski thanked the group for letting him make some comments. Governor Kulongoski observed that he reconstituted the Board and pushed to move forward because something was wrong with the way higher education was being funded. He noted that higher education, community colleges, and K-12 education competed against one another for funding in the current legislative model. Governor Kulongoski shared that the access and quality could not be achieved with the current funding mechanism and that the legislature, currently, under-funded and micromanaged OUS. Governor Kulongoski discussed fundamental questions about developing a higher education system, including whether or not the System was perpetuating some bad decisions that might have been made in the past.
Governor Kulongoski also talked about the structure of postsecondary education and the possible opportunity to explore relationships between the four regional OUS institutions and the state’s community colleges. He discussed the different missions of the OUS institutions and how the differences play into structural questions. Governor Kulongoski stressed that the Board needed to look out and see the System differently. He stated that the State could not under-fund the System and then deny it the flexibility it needed to operate. Governor Kulongoski noted the realities facing the state and the System. He acknowledged the limited capacity to grow revenue because of Measures 5 and 11. He noted his surprise, during the work on the ASET proposal, that the public was not responsive to the tuition scholarship idea because it did not view higher education as a right. Governor Kulongoski shared, however, that getting a college education was more difficult than it has been in the past. He wanted citizens to see education as an enterprise. Governor Kulongoski offered that he wanted to construct his budget around the notion of an education enterprise, with the intention of increasing education budgets by 10 percent after setting aside 61 percent of the state budget for the enterprise. He acknowledged the controversy of the proposal.

Governor Kulongoski discussed participation in an economic forum and some data that illuminated for him the need for stable funding. He shared that Oregon had an older population and, by 2010, would have the fourth oldest average age population in the United States. He posited that retired individuals coming into Oregon might not have the same level of commitment to fund education as others already in the state. Governor Kulongoski also observed that because Oregon structures its revenue around the income tax, recession hits the state hard and no state falls harder or faster during recession than Oregon. Governor Kulongoski talked about the history of the K-12 funding debates; all focused on taxes, but observed that policymakers never provided Oregonians with the reason to change. He stressed the importance of tying education to the economy.

Governor Kulongoski stressed that the Board must focus on a different postsecondary education model. He offered that a long-term vision was important, even though government was not necessarily good at long-term visions. Director von Schlegell opened the session up to questions. President Ray observed that one of the ground rules of the retreat was not to talk about structure and focus on the vision. He asked Governor Kulongoski if he wanted the Board to come up with a compelling vision and a structure to support that vision and Governor Kulongoski replied yes. He acknowledged, however, that he needed to deal with the legislature and budget issues. He stressed the importance of educating legislators about the value of higher education and its relationship to the global marketplace. Governor Kulongoski stressed that investment in higher education would need to come in several legislative sessions. The group discussed the proposed Taxpayer Bill of Rights and Tabor Amendment and focused on why the public had moved to the initiative, rather than the elected Legislature, as its form of government.

Director Sohn asked if there was a way to eliminate the discontinuity between K-12 education and higher education, particularly due to the fact that the public viewed
K-12 education as an entitlement and higher education as more of a privilege. Governor Kulongoski noted the constitutional differences between K-12 education and higher education, observing that the difference motivated his initial desire to place the ASET program in the Oregon Constitution. Governor Kulongoski stated that the message from leadership was important to how the investment in higher education was viewed.

After the governor's departure, Ertel observed that the group should use the remaining time to firm up the platform and framework for the next day's discussions, but opened the floor to brief comments about the governor's remarks. President Frohnmayer noted that polling of the public's perceptions and attitudes might be helpful. He stated that he believed Oregonians understood that a college education was important to future expectations and that it was the System's responsibility to translate that message more broadly. Director Blair responded to President Frohnmayer's notion that Oregonians understood the value of higher education, but were unwilling to fund it. Director Blair argued that Oregonians might believe that the System had enough resources. He stated that he did not want the group to lose focus of the things that were within its control. Director Nesbitt added that he wanted to remain focused on Pernsteiner's concept of the challenge of expectations. Director von Schlegell reiterated the idea that choices and tradeoffs were important to the process.

President Ray, reflecting on visions and thinking creatively, offered that the objectives could not be couched in what was in the interest of the individual institutions. He stressed that the visions and objectives needed to be about students, economic development, and social progress. President Dow added that she heard the importance of the education continuum from the governor.

Ertel mentioned the next agenda item was to introduce the framework and scenarios for the next day's activities. He turned to Director Blair to explain the framework. Director Blair, reflecting on President Ray's comments, noted that as staff and Board members were devising the process, they focused on the outcome that they wanted to achieve. He added that strategy in the for-profit context was easier because the dashboard gauges were much simpler. Director Blair observed that there could be up to twenty different measures and outcomes, but they tried to narrow them to a small group for consideration. He noted that two--access and quality--were referenced by the governor, but he wanted to walk through the four scenarios that would be discussed the next day.

Director Blair started with "educated citizenry," noting that they tried to outline some qualitative outcomes for each scenario. He noted that this scenario was described as: "Oregon citizens will obtain a level of education necessary to sustain and advance the economic, social, and cultural vitality of Oregon." Director Blair stressed that the scenario did not presume how the objective would be achieved.

Director Blair moved to the second scenario: "Opportunity for Oregonians." He described this scenario as different from the first scenario, with its focus on Oregonians and the opportunities available to them.
Director Blair turned to the third scenario--quality of programs--and acknowledged that it was the most difficult to measure. He described the scenario as: "The Oregon University System will offer degree programs of sufficient quality to ensure graduates the intellectual and practical skills needed to be successful and responsible citizens, employees, entrepreneurs, and leaders." He observed that there were many measures, but not many good output measures for quality. Director Van Vliet asked whether quality was tied to the mission of the individual unit or programs and Director Blair replied it was. He added that OUS could be viewed as a portfolio of different institutions with different missions and roles. Director Blair stated that the measurement of quality would be different depending on what the institution was trying to accomplish.

Before turning to the final scenario, Director Richmond discussed the importance of high quality leadership to bring about high quality programs. Director Blair agreed with Director Richmond, but observed that in devising the scenarios, they were trying to differentiate between an outcome measure and a means measure. He stated with the quality scenario the focus was trying to get at the quality of the ultimate education.

Director Blair concluded with the final scenario: the economic and civic benefit generated by the institution. He recognized that independent from the graduates that an institution produced, it was also an engine for economic, civic, and cultural benefit for the state. He noted that the point of the scenarios would be to capture the metric; wordsmithing could be accomplished later.

Provost Woodall asked about the metrics for the fourth scenario, pointing out that none of the suggested metrics measured the university's social impact on the community. Director Blair agreed with Woodall and welcomed suggestions. Dr. Burns encouraged groups to set the metrics as high as possible and suggested adding the percentage of the population with a master's degree or Ph.D. Director Blair agreed and noted that in the next day's activity, the groups would be asked to develop the scenario in a way that would optimize one of the four, including consideration of appropriate metrics.

President Zinser asked how the notion of a global context figured into the development of the scenarios and the necessary outcomes and Director Blair offered they did not try to set numerical outcomes or goals to reflect the global marketplace. Unger asked if the groups were supposed to look at how the other three scenarios would impact the one scenario on which the group would be working. Director Blair explained that he thought that the scenario development should not be a caricature, so the importance of the other factors should be considered. He characterized the effort as optimizing one of the goals, while satisfying the other three. Director Blair turned to Ertel for additional explanation.

Ertel noted that the four scenarios were interrelated and the activity was premised on a focus on one with spillover benefits to the others. He stressed the importance of balancing options and achieving compromise, although the balance should not be even because each of the groups would be trying to optimize one of the scenarios. Ertel stated that there needed to be clear visions from each of the groups. Ertel explained
that the small groups would be working on various activities over the course of the following day. Ertel noted that the small groups would start with storytelling, focused on what the future would look and feel like. He stated that he would ask the groups to write the story of Oregon’s triumph in higher education. Ertel shared that the second activity would be more nuts-and-bolts, focusing attention on a choice mechanism, template, and brief statement and summary of what each of the groups would like by 2025 and how they were going to get there. Director von Schlegell asked if there was advantage to having more or fewer scenarios as the Board was looking down the road and Ertel commented that if groups were deliberating and came to a fork on how to accomplish the objective, they could note that but that they should try to come to a compromise. Director von Schlegell asked for an example of a “fork” and Ertel explained, using the quality scenario, a subsection of the group might want to achieve quality by privatization and another subgroup might think using peers to educate the public might be the way to go.

Director Sohn stated that Ertel’s examples sounded like means rather than an end to which the groups should be focused. Ertel stated that the vision should entail both. Director von Schlegell shared that he thought educated citizenry and opportunity for Oregonians was a fork and that there could be a discussion about whether they could be merged or kept separately. Director Nesbitt observed that he was having difficulty with the level of abstraction regarding the mission and the concrete goals and metrics. Director Blair noted that the groups should not be focused on the level of details Director Nesbitt was talking about. Ertel stressed that, by the end, staff should be able to see areas of alignment, areas of divergence, and areas that required further research.

Dr. Potter asked if there was advice on how to think about the governor’s request to consider the education enterprise and Sager added that he saw alignment with the other education sectors with the four scenarios that were presented. Hallick asked Sager if the groups needed to worry about the impact on the continuum and Sager suggested the groups keep in mind how the pipeline would be impacted. Director Blair added that solutions or dimensions that referenced community colleges could be included in the work of the groups. Ertel asked participants to submit their first and second group choices.

3. **ADJOURNMENT**

The meeting was adjourned at 6:45 p.m.
Friday, December 2, 2005

1. **CALL TO ORDER/ROLL CALL/WELCOME**

President Henry Lorenzen called the retreat of the State Board of Higher Education to order at 8:32 a.m.

**Board members present:** Don Blair, Bridget Burns, Kirby Dyess, Henry Lorenzen, Tim Nesbitt, Geri Richmond, Howard Sohn, John von Schlegell, and Tony Van Vliet. Gretchen Schuette and Adriana Mendoza were both absent due to personal conflicts.

**OUS staff members present:** George Pernsteiner, Jay Kenton, Susan Weeks, Ryan Hagemann, Ben Rawlins, Diane Saunders, Marcia Stuart, and Neil Bryant.

**Others present included:** Presidents Dan Bernstine, Martha Anne Dow, Khosrow Fatemi, Dave Frohnmayer, John Minahan, Ed Ray, and Elisabeth Zinser. OHSU Provost Lesley Hallick was also present.

**Retreat invitees included:** Scott Burns (IFS), Earl Potter (SOU), James Sager (Office of the Governor), Bob Turner (IFS), Melissa Unger (OSA), and Dave Woodall (Provosts' Council).

Chris Ertel of Global Business Network (GBN) facilitated the retreat.

Meeting attendees also included interested observers and the press.

2. **STRATEGIC PLANNING RETREAT**

To start the morning's session, Ertel asked for reactions or impressions from the previous day's activities and discussions. Director Sohn commented on the evening's speaker’s remarks on the use of technology. Ertel observed that the debate regarding technology and distance education was just beginning. President Zinser observed some concern regarding statements about the elimination of tenure. Director Blair stated that he thought about the possibilities of gaining some real-world experience through the use of adjunct faculty. Director Nesbitt commented on Oregon's role in sustainability and Unger noted discussions surrounding high tuition-high aid models.

President Frohnmayer returned to the tenure comments and stated the discussion should be focused on alternatives. He offered that the alternative would not be free market because civil service and collective bargaining were realities in the public sector. Director Dyess noted the public perceptions on tenure and Dr. Turner acknowledged her comments and observed that there were times that tenure could be disadvantageous to an institution. Director Richmond noted the disadvantages of tenure and the need to push institutions to have clear, rigorous evaluative processes.
President Ray observed that there were some faculty members that barely got tenure, should not have been awarded tenure, and were miserable in their jobs. He used this example to understand public perceptions of the tenure system. President Ray stated that tenure was a source of competitiveness among the institutions and that, if Oregon eliminated tenure, some of the best and brightest faculty would leave. Director Blair used the tenure discussion to highlight the difference between focusing on a label and understanding the concept behind the label.

Ertel turned to Pernsteiner to break the participants into their small groups. After outlining the participants in each of the small scenario groups, Pernsteiner noted that staff would be able to float around the room to make observations and that Weeks and Ertel were available to facilitate. Ertel walked through the process, noting that each group would have a convener familiar with the planning process. He noted the first step would be for the groups to get on the same page about where they were going and how they were going to achieve the focus on their scenario. Ertel explained the second step would be complete the first template, which was designed to have each group provide a summary of their approach, their top three to five qualitative outcomes, their top three to five quantitative outcomes, their top three to five strategic policy priorities, and some early wins that they could present to the legislature.

Ertel continued with the process, turning to the second template focused on the 2006 budget and people priorities. He presented several examples of people making legitimate claims on the System and explained that each group needed to organize those people into the claims it would support, the "maybe" claims, and the claims it could not support in the upcoming budget cycle. He stated it was designed to have the groups make some real choices. Ertel added that the final step would be to parachute back and tell the story of the triumph of Oregon's higher education system in a publication of the group's choice. Director Dyess asked if the people examples were to be organized according to the affinity of each group and Ertel stated yes.

The participants broke into small scenario affinity groups at 9:01 a.m. and reconvened at 11:39 a.m.

After returning into the general session, Ertel reviewed the schedule and asked one of the groups to report. Woodall reported for the Economic and Civic benefits group. He acknowledged that economic and civic benefits were strongly linked to the other three affinity groups. Woodall offered an ultimate goal of broadly shared economic security for Oregonians through educational attainment. He reviewed the qualitative outcomes as: increased educational attainment, the research innovation in OUS would ensure global competitiveness, Oregonians would be lifelong learners, students would be able to lead into the future, and OUS institutions would play a key role in resolving issues of social and economic conflict. Woodall outlined the quantitative outcomes as: number of graduate degrees produced, research and development expenditures per capita, number of start-ups in the state, number of spin-offs from programs, and the number of OUS programs that were nationally ranked.
Woodall continued with strategic policy priorities. He observed that OUS institutions should invest in research that would be globally competitive in both people and programs and each institution should internationalize education and research. Woodall noted early wins could include a campaign to associate higher education and economic benefits, rising higher education’s profile with the business community, and cultivating further growth in externally funded research. President Frohnmayer added that the group discussed increasing levels of educational attainment to address various dimensions of civic engagement. He noted that an economic development strategy would be a strategy for greater social harmony. Director von Schlegell observed that the group also talked about the national and international context instead of being too institution-specific. Hallick added that it was important that institutions not be viewed as isolated from their communities. Director Richmond stated that it was critical that when students leave, they are able to find jobs that enable them to support their families and that those universities empower students to return to retool. President Bernstine noted that students should learn more than technical skills and that education should be viewed across the spectrum. Director Blair asked the group if they talked about what needed to happen to get to their goals and President Bernstine replied that the way in which they arranged their characters in the people exercise demonstrated that they wanted to take existing resources.

The group turned to the people exercise in which it was asked to arrange people with legitimate claims on the System in the context of the 2006 budget. Director von Schlegell observed that the System would need to focus limited resources on spires of excellence. Director Blair asked if the group meant to say that if the program could not be the highest ranked, it would not participate in the field. Director von Schlegell clarified that it could be within institutions in order to avoid duplication. Hallick noted that the group did not put a ranking threshold, but talked about a national reputation in order to warrant additional investment. Woodall summarized that the group chose characters that were associated with attracting and retaining high quality faculty. The group, he stated, also added an entrepreneur that needed more employees for the workplace.

The Quality affinity group presented second. President Dow observed that the group struggled with a definition of quality and decided not to define it, but looked at what it meant in terms of both qualitative and quantitative outcomes. She noted that the group decided to focus on outcomes and then address the approach necessary to achieve the outcomes. President Dow offered that quality needed to be cultivated throughout the entire System, OUS required excellence in general education, and the preparedness of students was key. She noted the group’s discussion of strategic excellence, accountability, and the need to continually assess programs.

President Dow turned to qualitative outcomes. She stated that the group focused on the need for competitive graduates, alignment that would yield college-ready students, and programs that were aligned with state strengths. Regarding quantitative outcomes, President Dow outlined a measure for both economic and professional success of graduates, recruiting and retaining faculty, including compensation, research awards,
and performance of graduates on critical thinking, analytical assessment, communications, and math tests.

Provost Potter reviewed the group's strategic policy goals. He noted that admission standards needed to be aligned with high school graduation expectations. Potter observed that the group would like to see greater incentives for business, academic, and government collaboration. He observed that the enrollment-driven funding strategy may lead some to make decisions that do not foster quality. Potter identified early wins as alignment of general education outcomes and making the CIM required for a high school diploma. Regarding the people exercise, the group identified the honor student and the student-teacher as "yes" characters for the 2006 budget, the accessibility, Ph.D. student, and entrepreneur as "not now," and the others as "maybe." He shared the headline for their summary of Oregon's higher education triumph would be: "China Comes to Oregon to Study Educational System."

The Educated Citizenry group followed. Chancellor Pernsteiner shared some Latin and asked the participants if they knew what it meant. He explained any student that graduated from a university 40 years ago would know what the Latin phrase meant. Pernsteiner noted that there are differences in what it meant to be an educated citizen depending on timeframe. He shared the group's summary vision sentence as, "Twenty years ago, Oregon invested in its faculty, its students, and programs in a way that leveraged state resources and diversified its fund sources to yield a clear, sustainable, shared resource model to create and maintain an educated citizenry in tune with the times and needs of Oregon in every part of the state, including people traditionally left out of educational opportunities." Pernsteiner noted the group's qualitative outcomes as imaginative, creative, and engaged citizens; a sense of community and what it means to be an Oregonian; and a propensity for lifelong learning. Pernsteiner added that the group's quantitative measures would be the percent of the population with degrees, the percent of the population donating or volunteering, the percent of the population voting, a new measure to quantify lifelong learning, and the percent of OUS graduates that stay in the state.

Pernsteiner turned to strategic priorities. He observed that the System needed to develop a process that would define the needs of the state and its regions and then align programs to meet those needs. Pernsteiner added that OUS needed to focus the missions of its institutions and hold the institutions to those missions. He shared that the group wanted to enter into partnerships with organizations and institutions throughout the world to educate Oregon's citizens. He highlighted, however, that the most important thing would be to capture a sustainable view of sharing responsibility to fund education in the state. Pernsteiner observed that the early wins would be stable education support, starting with a focus on buy-in from stakeholders. In the context of the people exercise, he acknowledged that some interests and people would, in the short-term, be left behind because of the hard choices and tradeoffs.

Ertel asked the Opportunity for Oregonians groups to continue. Director Nesbitt stated that the group's vision would be recognition of the excellence for the research
universities, but the achievement of broad-based participation from all Oregonians in education. He observed that development of innovative and flexibility learning systems was important. Director Nesbitt outlined the qualitative outcomes as a broader segment of Oregonians motivated and able to pursue a university education; a broadening share of Oregonians, regardless of income, ethnicity, or geography, pursuing a university education; a mechanism for need-based financial aid; and the desire for the universities to contribute economic, social, and cultural value to the local and regional communities.

As for quantitative outcomes, Director Nesbitt summarized: the percent of adult Oregonians with a four-year degree; the percentage of 18-24 year-old Oregonians enrolled, which could also be viewed by region, income, and ethnic group; percentage of 25-49 year-old Oregonians enrolled part-time in postsecondary education; and a measure for affordability. Director Nesbitt moved into policy priorities and noted the group identified the harmonization of community college programs and the university lower division programs academically and economically as its number one priority. He asked if anyone else in the group wanted to expand on that priority. Director Blair added that the harmonization was important because of the programmatic and economic impact on both the community colleges and regional institutions.

Director Nesbitt observed the second strategic policy priority reflected the recognition of a coincidence between the affordability problem and a more consumer-driven funding model. Director Blair noted that an affordability investment focused on the student, instead of existing institutional structures or frameworks, would change the balance in an important way. Pernsteiner asked if the group if it would let tuition rise and Director Blair stated they did not discuss that detail, but focused on the change in philosophy. Director Nesbitt amplified the focus on the student or consumer, observing that students are not able to pay their way through college anymore and that creating flexible learning systems would be helpful. Director Nesbitt added that creating a culture of expectation for higher education and achieving more operational flexibility would be vital. Director Nesbitt addressed early wins as the community college-lower division harmonization, operational flexibility, and expansion of programs like ASPIRE. Director Nesbitt reviewed the group's article capturing the triumph of Oregon's higher education system.

Ertel asked if there were any observations or reflections before the group headed to lunch. Director Richmond asked if any of the groups discussed curricular development and the education of students in the universities, as opposed to the community colleges, and President Ray commented that in his group's discussion, they used words like "programs" instead of "disciplines" to recognize the potential for interdisciplinary study. Director Blair observed his group touched on the concept, as well; summarizing the group discussed an entrepreneurial approach to what it was trying to create. President Frohnmayer added that he believed that a consumer-driven access model would not leverage economic development models and that it lacked the programmatic stability that provided an institution with some certainty regarding funding.
3. **Action Item**

**a. Authorization of Chancellor to Initiate Search for SOU President**

**DOCKET ITEM:**

Oregon Revised Statute 351.070(3)(a) states: "The Board may, for each institution under its control... [a]ppoint and employ a president..." Oregon University System Internal Management Directive (IMD) 1.140 outlines the procedure necessary to conduct a search for an OUS institution president. It states: "When it becomes necessary to hire a President, the Board will direct the Chancellor to initiate a search." See OUS IMD 1.140(1).

On November 29, 2005, Southern Oregon University President Elisabeth Zinser announced her retirement effective August 31, 2006. In order to conduct a timely search, it is necessary for the Board to start the process and direct the Chancellor to conduct a search for a new president at Southern Oregon University.

**Staff Recommendation to the Board:**
The Board, pursuant to OUS IMD 1.140(1), directed OUS Chancellor George Pernsteiner to initiate a presidential search for Southern Oregon University.

**BOARD DISCUSSION AND ACTION:**

President Lorenzen observed that President Elisabeth Zinser had announced her retirement and that, pursuant to Board and OUS IMDs, the Board needed to direct the Chancellor to initiate the search for a new president. He turned to Director Dyess for the appropriate motion. Director Dyess moved that the Board, pursuant to OUS IMD 1.140(1), direct Chancellor Pernsteiner to initiate the SOU presidential search and Director Burns seconded the motion.

Director von Schlegell asked if there were ways to examine the SOU mission and explore an interim president as opposed to conducting a search. Pernsteiner stated that staff and Board members had thought about SOU and that he and Director Dyess traveled to Ashland and consulted with many SOU constituent groups and concluded that the search should move forward as quickly as possible. He noted one of the first steps would be to define what the System wanted in a president and what the role of the institution would be. Director Dyess added that there was important momentum at SOU and a leader would be required in near future in order to keep the momentum going. Director Sohn reiterated Director von Schlegell's comments and observed, as the job specifications for the SOU president were examined, that the process consider some of the retreat and long-range planning efforts. Director Richmond added that the job description needed to get out quickly, but it did not preclude the Board from examining what it would like to see in a president. Director von Schlegell asked if SOU was one of the institutions with a change in reserve and Kenton replied it was not one of the institutions that had projected its reserves down to zero. Director von Schlegell
confirmed that there would be an opportunity to weigh in on what the president should look like and Pernsteiner observed that the final decision on any president would be the Board's.

President Lorenzen called for a vote on the motion. All in favor: Blair, Burns, Dyess, Nesbitt, Richmond, Sohn, von Schlegell, Van Vliet, and Lorenzen. Opposed: none. Motion passed.

4. **STRATEGIC PLANNING RETREAT**

After the group reconvened, Ertel asked the participants if there were any observations or comments from the other groups that resonated. Director Nesbitt stated that he thought the notion of competitive and adaptable students fit well with quality measures. Director Sohn observed the need to focus energy and attention in certain areas, but acknowledged that he had questions about how to say yes to some concepts and no to others. Ertel asked the participants two questions: whether they were being sufficiently aspirational and whether they were truly surfacing tough choices. He acknowledged that the concepts might be somewhat contrary, but that the Board was charged with both. Director Blair stated that he did not believe the group was getting to the tough choices. He observed that many of the things that were not in the summaries of the four groups might likely be the things that would not make it forward. Director Van Vliet echoed the need to control and focus the missions of the institutions. President Ray observed that there was not much discussion on why certain programs or concepts were "no" or "maybe," but good focus on why certain programs were mission critical.

Director von Schlegell noted his surprise that the groups did not get into the concept of the Legislature limiting funding, but micromanaging the institutions at the same time. Ertel acknowledged that it was a tough balancing act. President Ray noted that the current regulatory environment impacted discussions, but that he hoped that the discussion might move outside of the box and address issues such as managing resource and dealing with the cost side of the equation. Director Blair stated that his group did try to focus on some of the regulatory constraint questions. He differentiated between the ground rule of not asking for more money and asking for more flexibility. Director Richmond observed that the focus of the groups was on the System, but that she would be interested to see how the individual institutions would rank lists based on their missions and profiles. Director Blair noted that they had discussed that issue in planning exercises, but that they wanted to focus on delivering a portfolio result across the System. Director Richmond observed that it was important to be clear on missions because the System goals could be identified and then meshed with the individual missions of the campuses. She added that the picture was ending up in different places because individuals brought institutional bias to the table, particularly when doing the people exercise. Ertel noted that he expected divergent results.

President Ray asked if it was useful to look at the four scenarios and conclude that the ultimate vision would be a balance of the four and Ertel replied it was. Director Van Vliet added that accessibility could be viewed as permitting students to explore upper-
division courses at different institutions because the first- and second-year curriculums were very similar. Director Richmond counseled, playing devil's advocate, that it might not be productive to deflate an institution's unique way of teaching introductory courses or locking them into a structure that would stifle creativity.

Ertel noted that the next step of the process was important to laying the foundation to consolidate the conversation. He observed that the participants should focus on the key areas of convergence, divergence, and research. Weeks summarized the areas of convergence as the global context and competitiveness, producing graduates capable of critical thinking, qualitative reasoning, and written communication, achieving greater flexibility, and OUS alignment with other sectors. She outlined areas of divergence as what entities should provide education, broad versus narrow vision focus, consumer-driven model versus strategic investment model, and undergraduate versus graduate focus. Weeks added that quality measures and new learning models would be areas of research.

Ertel asked for reactions to the areas of convergence and divergence. Woodall stressed that one of the additional areas of convergence should be enhancing the level of educational attainment. President Frohnmayer added that there needed to be a better understanding of what would move public attitudes. President Lorenzen echoed President Frohnmayer's comments and observed that there were many important elements to a communications strategy, including creating a demand by students for higher education and creating desire on the part of the populace to support higher education.

Director Dyess noted that all of the groups focused on quality and that it might mean that the groups did not want to jeopardize quality to increase access. Director Blair turned the question around and asked if people were willing to sacrifice access to maintain quality. Director Dyess clarified that access was not a thread through the discussion, like quality, so that is why she asked her question the way that she did. Director Blair reiterated his question. Director Richmond stated that she would need to go to each institution to ask that because the access versus quality balance might be different depending on individual campus. Director Blair asked if it was acceptable to have some institutions restrict access and have the other institutions absorb the demand. President Frohnmayer asked what kind of access and how. He noted that if he was told to reduce the number of students at UO, he would do it by raising the GPA. He explained that it would not reduce quality and it might not even reduce access. Director Dyess stressed that it was a fundamental question in her mind.

Potter stated that if the enrollment-driven model was not changed, the regional institutions would face tremendous difficulty. President Fatemi added that it might vary from campus to campus, but wondered how a public system of higher education could not provide access for all Oregonians. President Lorenzen replied a system that was not fully funded. Director Dyess mentioned that she was trying to sharpen priorities, not claim that access was not important. Director von Schlegell stated that the Board needed to start with a quality definition. He observed without a quality definition, the
Director Burns noted that it should not be a question of whether access or quality was more important, but what level of sacrifice would be required of each one. President Frohnmayer added that the concepts were not linear and Dr. Turner returned to Director von Schlegell's comments about a threshold level of quality. Unger reminded the participants that, when given a choice, the legislature funded access. She stated that it would be hard to make the quality case without the access case.

President Minahan observed that it was logically possible to have both access and quality. Woodall stressed the importance of measurement and that, while there were clear measures for access, the measures for quality were more nebulous. Ertel asked Director Dyess if she was proposing a rebalancing of access and quality to focus more attention on quality. He asked the participants if there was a way to support both by being sufficiently aspirational. Director von Schlegell echoed President Fatemi's access comments, but reiterated his comments regarding a threshold definition of quality. President Fatemi noted that there was a difference between admitting students to the university and admitting students to the university and offering courses. Director Blair offered that he did not see the variables in opposition, but viewed it as the challenge of the Board to break the perceived opposition of access and quality. Provost Hallick commented that enhanced quality might enhance investment and revenue, thereby increasing access.

Unger stated that there needed to be some sense of quality because students did not want diplomas that were meaningless. Director Dyess asked how quality could be maintained when the System was experiencing faculty turnover. Sager discussed the need to explain to Oregonians why higher education was important and why it was positive for them to invest in the new future. Director Richmond stated that the outreach to Oregonians should be more to the differences between life with and without a college education. Director Van Vliet observed that there was not much discussion on getting students out in time. Director Sohn stated that both persistence and preparation were critical elements of that issue.

Ertel mentioned that the session was coming to a close and asked Director Blair for concluding comments. Director Blair mentioned that staff and others would take the conversations and information, distill it, and provide it to the Board and others for reaction. Director von Schlegell added that it would be important to keep long-range planning on the front burner. Bryant reminded the Board that its legislative policy packages would be due in May. President Frohnmayer suggested permitting smaller groups to work on issues at the campus level. Director Blair agreed and added that the Board needed to determine how to farm out pieces of work in an orchestrated and organized fashion.

Ertel noted that any ideas after the retreat should be forwarded to Weeks. President Lorenzen thanked Directors Blair, Dyess, and von Schlegell and Pernsteiner, Weeks, and Kenton for their work.
5. **ADJOURNMENT**

President Lorenzen adjourned the meeting at 2:36 p.m.

![Signature]

Henry C. Lorenzen
President of the Board

![Signature]

Ryan J. Hagemann
Secretary of the Board