Progress Report, March 31, 2004

It hardly seems possible that as recently as January 21, 2004, most of us were sitting in front of a State Senate Confirmation Committee. We had agreed to serve our Governor; mindful of the specific set of tasks for analysis and improvement he set forth. Since our confirmations by the full Senate the following day, every member of the Board, with the support and encouragement of our Presidents, their staffs, and key staff of the Chancellor’s Office, has worked with urgency toward fulfilling the Governor’s mission statement.

- **Access and Affordability**
  This group, led by Tim Nesbitt and Portland Community College Campus President Nan Poppe, is working toward an early consensus on a package that can be vetted around the State for conversations with affected parties, partners, and interested citizens.

- **Excellence in Delivery & Productivity More-Better-Faster (MBF)**
  President Schuette and literally dozens of leaders from community colleges and university campuses, joined by State Department of Education staff, are working to build a model for Oregon that will give us the tightest integration between years 11 and 12 in high school, through all of our 17 community colleges, and seven OUS universities. It will be student centered, focused on reducing time to graduation, reducing student debt caused by system delays, reducing drop out rates, and focusing seriously on the quality of academic offerings. They will be ready to begin informal conversations with legislative leadership very soon.

- **Academic Excellence/Economic Development**
  Kirby Dyess and Clatsop Community College President Greg Hamann have perhaps the most daunting task of all—moving at high speed to identify a set/list of economic opportunities, perhaps even imperatives, for Oregon to which post-secondary education may be the critical element in our state’s ability to compete in the global economy.

- **Chancellor’s Office Review**
  The final assignment to the Board involved a review of the Chancellor’s Office to determine whether this function in Oregon’s current climate is still valuable and important to retain. If it is to be retained, is it doing what it ought to be doing? Focused on what is most important to the Legislature, the universities, and Oregon’s citizenry?

The Working Group, which is constituted to carry out the review which the Governor requested and which many legislators joined in believing was necessary and appropriate,
concludes that retaining the existing leadership and coordinating structure for higher education is appropriate. The model of seven universities speaking to the Legislature with separate uncoordinated voices seems no more attractive now than it did to the citizens when they created the vehicle for statewide prioritization, coordination, and leadership reposed in the Office of the Chancellor.

That the Office of the Chancellor is currently focused on those things which make the most difference, or that its resources are deployed in ways that facilitate good governance by each of the seven universities, does not automatically follow. It is the conclusion of the Chancellor’s Office Review Working Group that substantial changes in this area need to made; some of them immediately, others to follow over the next six or so months.

While we believe that the concept of the Chancellor’s Office is still a valuable construct, in the long term the focus of the Office should be on providing thinking capability and strategic direction for OUS in:

1. Academic leadership  
2. Financial/Administrative leadership  
3. Fiduciary accountability  
4. Coordination and integration with other postsecondary organizations  
5. Broad advocacy and dialogue with Oregonians about the future of OUS

This Working Group believes that the Office can and must be streamlined, with likely redeployment of some current resources to add greater value to the OUS mission, enabling more rapid response to opportunities in the future.

1. **Is there a roadmap?**

   It is belief of the Working Group that significant and valuable contributions have been made by previous boards and other study efforts and their ensuing reports, as far back as 1992, and again in 1996. These reports are commended to the Board and are attached for your perusal.

   Significant thinking concerning how much centralization of authority and regulatory control is wise or necessary occurred during these study efforts and there is no need to repeat them. Interviews both within and outside the OUS suggest that many of the issues deemed relevant then remain to be confronted, and continuing efforts on several fronts will significantly advance some of these suggested and not yet completed objectives.

2. **Realignment of the Chancellor’s Office resources and personnel to meet the new Board initiatives and agendas.**

   The principles set forth in the 1996 Solutions Team Report were several, but recommendation number two is, we believe, important:

   “The presumption should always be in favor of decentralization to the individual campuses or units.” It went on to announce “agreement that the campuses should play a significantly larger
role than they do at present in organizing and providing the following services: j. Developing and implementing new programs to respond to market needs (without prior approval).”

In recent years, the Board has been moving increasingly towards decentralization as articulated in the 1996 Solution Team review of the Chancellor’s Office. This Working Group shares the view that OUS decision-making should be decentralized wherever possible, but that actions be coordinated to provide efficient and effective delivery of higher education to the people of Oregon. The “flexibility initiatives” will receive review in this context.

3. Post Measure 30 budget actions needed.

OUS must withdraw $7.5 million from its budget. The immediate and pressing need is for the Board to provide the presidents with a planning target for each campus. Instructed by the Legislature to reduce campus budgets by amounts equal to what was added prior to Measure 30’s defeat, we have committed to the campuses that the Chancellor’s Office will absorb some of those cuts—perhaps as much as $3.75 million—to take the pressure off students through tuition increases, and lessen other reductions which might harm the quality of education delivered to students.

The Chancellor’s Office Review Working Group also believes, based upon its interviews, review of the aforementioned studies, and guidance from the Governor that significant realignment of the uses of the Chancellor’s Office budget is needed. We are unable to determine at this time what the total reductions may ultimately be, because a significant fraction of the budget is allocated to the controller’s office and information technology portions of the Chancellor’s Office. It is our belief that increasing efficiency and reducing cost and duplication in these two areas require a more lengthy analysis, with significant input from the campuses that these functions serve. Reductions in these areas are anticipated, but will likely occur on a longer timeframe than July 1, 2004. Recommendations for next steps from Board members Blair and Lorenzen will be presented at a future Board meeting.

Members of the Working Group are comfortable at this point in recommending to the Board, and in turn to the presidents, that we commit to immediate and permanent Chancellor’s Office reductions of $1 million. The Board will review all funds in control of the Chancellor’s Office for additional dollars to be applied to this purpose and will notify the presidents as soon as possible. This will lower the reductions required from the campuses to $6.5 million. The savings from permanent reductions would be a result of the elimination of functions, primarily in the Academic Affairs Department of the Chancellor’s Office budget, that will not be needed in the new streamlined structure that is envisioned for the Chancellor’s Office. The savings noted above occur at the intersection of Measure 30 imperatives and needed decentralization. The Working Group recommends to the Board that the most immediate change needed is more decentralization in academic degree and certificate programs to provide more flexibility for the campuses to offer undergraduate courses and programs that best suit the needs of their students. Towards achieving this goal, Vice President Geri Richmond has conducted interviews with many in the OUS academic leadership to develop a new model for conducting undergraduate course review and coordination, with an accompanying budget reduction. The new decision making body for the approval of degree and certificate programs or major changes in existing degree
programs will be the Academic Council for Undergraduate Courses and Programs. This Academic Council would consist of the provosts from the seven OUS institutions plus OHSU. There will be a rotating chair of this Council of provosts with the chair selected annually by this group. Proposals from individual campuses will be forwarded to this body, discussed, and recommendations forwarded to the Board for approval, with a watchful eye toward the Working Group’s implementation of MBF. The Chancellor’s Review Working Group endorses this new model. Adoption of these recommendations in May would allow implementation by July 1, 2004.

The availability of high quality graduate and professional programs is also essential for a strong workforce and economic development in Oregon. Oversight of these existing programs, to assure quality and optimization of resources, as well as to review and make decisions on new courses and programs will remain an important Board responsibility. Additional recommendations will be forthcoming from the Working Group about how these activities will be handled.

These new decision making processes for undergraduate, graduate, and professional courses will replace many of the functions that are currently the responsibility of employees in the Academic Affairs portion of the Chancellor’s Office, eliminating a series of positions and reclassifying others, while eliminating the need for a Vice Chancellor of Academic Affairs.

It is presumed that whatever form oversight for graduate programs takes, the Board will retain authority over financing policy and other tools to enable curbing unnecessary graduate program duplication, “mission creep” which threatens institutional differentiation, and to perform the integration necessary to accomplish a true partnership with the community colleges, and private universities as well.


A. Prioritization of Existing Budget Resources

Governor Kulongoski nominated this Board, having identified an agenda that in itself identified critical priorities. While not named as a separate priority item, it was then self evident that dependence on new sources of funds to support each of the items the Governor named as essential was highly unlikely, a truth underscored by the outcome on Measure 30. In short, the Working Group has proceeded on the assumption that our Board will need to do all within its capabilities to find resources for at least some of the highest priorities within existing budget resources.

B. Excellence in Delivery and Productivity (MBF)

The Working Group believes that the work of President Schuette’s Working Group, community college presidents and their teams, our campus provosts, President Dixie Lund, and the distance learning group and other campus leaders, holds the potential to respond to the sense
of urgency expressed by Governor Kulongoski in directing the State Board to find better ways to deliver services, while focusing on excellence for students.

It is the goal of this Working Group to deliver to the Board and the community college partners, a tightly integrated platform from which together, the 17 community colleges and OUS resources can deliver the following outcomes:

1. Reduced time to graduation.
2. Lower average student indebtedness.
3. Complete transparency of program offerings between community colleges and OUS institutions and methods to access them, and provide to all postsecondary students.
4. Reduced drop out rates from freshman and sophomore years in the 4-year institutions.
5. Increased opportunities for high school students to earn university level credits, leading to reduced years on campuses to earn Bachelor degrees.
6. Additional capacity freed up within existing resources to accept some of the growth in enrollment demand with modest additional fiscal support.

The Working Group is developing a list of “no cost” implementation steps which can be taken by the 24 institutions. Next will follow a package of “low cost” steps which can accelerate capacity to build interconnectedness between the community college partners and OUS, and on which the students will need to depend. The Board will discuss these proposals in full session in the coming months; prioritize based on need and feasibility for immediate implementation; and develop strategies for their funding.

C. Integration of OUS Budget with Executive Branch Budget

The OUS budget is complex and built of many moving parts. Predictions used to build the budget do not always precisely match the updated facts and circumstances confronting the Legislature when it commences review of our budget. Whatever the reasons, the Legislature has been greatly discomforted by our budget and this discomfort, or even distrust, has been converted into budget decisions that have pleased none of the parties, most particularly the Governor who believes we must all perform better.

Success on this task is perhaps the most urgent mission. It will require unprecedented experience with executive and legislative branch processes, proclivities, and needs. Internally, we need to bring much talent and background needs to be brought to retooling efforts, for without it the campuses are less likely to want to fully integrate their planning with System efforts. Additionally, our individual initiatives on affordability and access, excellence in delivery and productivity, academic excellence and economic development, and capital budget planning, if they are to have any chance of success, depend on this integration. Finally, an unprecedented
effort to integrate all of these undertakings, where appropriate, with the community college system cannot succeed without successful budget integration.

5. Departure of the Chancellor

Chancellor Jarvis has been caught up in an agenda changing “perfect storm.” Hired by a previous Board to carry out the mission it determined best, the Chancellor now serves a new Board with different directives and anticipated directions. After initial review and conversations, the Chancellor and the Executive Committee/Chancellor’s Office Review Working Group concluded a “no fault” separation was appropriate.

The entire Board wishes him well and expresses its appreciation for his counsel and service and for his support of the Governor’s initiatives.

In recognition of the urgency and importance of the circumstances, the Executive Committee is proposing that the Board create a new position of Executive Vice Chancellor and Chief Operating Officer to lead budget efforts and to assure inclusion of the products of the Governor’s initiative in the final OUS product. The person who fills this position must be a person with a deep reservoir of state budget experience because the Executive Committee believes that it is in this position the best hope for success with budget work with the Governor and Legislature will be reposed.

It is also the recommendation of the Chancellor’s Office Review Working Group that recruitment of a new Chancellor ought not to occur until the structure he or she would lead is in place; until the priorities needing to be addressed are made clear; and until the relationships to be sustained with the campuses and broader community are well defined. In the interim, to assure stability, organizational integration, and a strong leadership, the Working Group believes that we need an experienced person in place immediately. The Working Group now knows that the reorganization of the Chancellor's Office will continue for some months to come and, to be successful, will require strength and experience to provide our employees top level leadership during this transition.