MINUTES OF THE SPECIAL MEETING OF THE STATE BOARD OF HIGHER EDUCATION
SALEM, OREGON
FRIDAY, FEBRUARY 18, 2005

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

Chair Henry Lorenzen called the special meeting of the State Board of Higher Education to order at 2:06 p.m.

*On roll call, the following Board members were present:* Henry Lorenzen, Kirby Dyess, Bridget Burns (via telephone), Adrian Mendoza, Tim Nesbitt, Geri Richmond, Gretchen Schuette, Howard Sohn, John von Schlegell, and Tony Van Vliet.

**Board members absent:** Don Blair was absent due to a business conflict.

**Others present included:** Governor Ted Kulongoski, James Sager, George Pernsteiner, Ryan Hagemann, Nancy Heiligman, Benjamin Rawlins, and Susan Weeks.

Meeting attendees also included OUS staff, faculty, institution representatives, the press, and interested observers.

Chair Lorenzen welcomed everyone to the special meeting and specifically acknowledged the Governor's participation in the meeting. Chair Lorenzen also recognized Portland State University's receipt of the American Association for Colleges of Teacher Education Best Practice Award in Support of Diversity. Chair Lorenzen turned to Governor Kulongoski for opening remarks.

2. **GOVERNOR’S REMARKS**

Governor Kulongoski commented on his travels across the state and opportunity to speak on the importance of education. He noted that he wanted to communicate with the Board on what he wanted to accomplish and how he wanted to get there. Kulongoski mentioned that he believed the state no longer had the luxury to look only to the next legislative session, but needed a plan to ask where the state would be in 2025 and what a system of postsecondary education would look like. He stressed his desire for education to talk more holistically about itself and how various sectors could create a seamless education system. Kulongoski observed that change would not happen overnight, but it might be an important strategy to deflect the angle in order to permit large institutions to slowly move to change.

Kulongoski continued with comments about collaboration between sectors and movement to a seamless system, observing that it would be critical to consider the
funding side of the equation. He noted that he was interested in some resolution regarding the Cascades campus debate and would like the Board to resolve it within two years. Kulongoski asked the Board to consider, even with current constraints, whether it was appropriate to plan for an expansion. He also observed that he would like to see more cooperation, as opposed to competition, among the institutions. Kulongoski spoke to the relationship between K-12 and the students that would end up in the postsecondary system. Kulongoski noted that there needed to be a broader debate about the financing of the System based on a dedicated funding mechanism that assured sustained growth. He commented on the difficulty of changing, how it is externally driven, and how the business community would be the catalyst for change. He asked the Board for assistance in communicating with the business community about coming together to say, "we have to make a change." Kulongoski observed the difficulty with a progressive income tax and the instability of hard economic times. Kulongoski offered that he wanted the Board's help in developing an education system with stable funding.

Director Van Vliet asked if there was any traction from the legislature and Kulongoski commented that the change would come from the business community. Director Van Vliet reiterated that a stable and predictable tax system was at the heart of the problem. Kulongoski observed that the public would not tolerate an unfair system for much longer and Director Sohn noted that individuals and families needed to perceive the current system as unfair to them. Director Dyess suggested taking advantage of university advisory councils and Director Schuette noted it was a strategy used by community colleges. Director Sohn added that it starts a process of identifying what kind of network would be necessary to effect the changes. Director Schuette started a discussion of a strategic plan and Chair Lorenzen echoed her sentiments by noting a master plan permitted identification of the direction in which the education system would go. Director Burns added that there should not be a trade-off between economic success and long-term success of the universities.

Director von Schlegell asked the Governor for some direction on the context in which the Board should plan. Kulongoski stressed that the Board was responsible for higher education matters and should not feel obligated to construct the entire education continuum on its own. He continued, however, that the Board should consider the impact on other education sectors as it moves forward in constructing its own vision. He asked the Board to be cognizant of the other pieces of the puzzle. Director Schuette mentioned the charge to the Joint Boards. Director Van Vliet added that until people of different communities are concerned about education in other parts of the state, the continuum is not there.

Director Sohn noted that many of the pieces were out there and that, perhaps, the work would be in painting a clearer picture about those pieces. Chair Lorenzen observed the reorganization of the Chancellor's Office and movement to delegate more authority to the campuses and offered for each of the Board's working groups to provide brief updates to the Governor. Before the reports, Kulongoski noted that he would be working on the budgetary squeeze on the Chancellor's Office and the additional funding for
community colleges. Kulongoski also noted the importance of including many institution constituencies in the retreat and planning process.

3. **REPORT ITEMS**

   a. **Access and Affordability Working Group**

   Chair Lorenzen recognized Director Nesbitt for an AAWG update. He observed the work to organize the proposed $91.6 million funding of the Oregon Opportunity Grant (OOG). Director Nesbitt talked about the process and the consensus that developed as the working group moved toward the redesign of the OOG. He noted the effort to reach more students and provide more aid to those students. Director Nesbitt also described the proposed incentive grant for students that earned the Certificate of Initial Mastery. Kulongoski added that he would appreciate some consideration on how to get more two-year degree recipients into four-year programs.

   Chair Lorenzen noted that the standard for degree completion is now six years when it used to be four. He stressed the importance of identifying and eliminating barriers to achieving a degree in four years and whether there were additional strategies at the conclusion of college that might help. Kulongoski discussed the possibility of a state service program and Chair Lorenzen added the possibility of a tax credit to Oregon income taxes. Director Burns commented on the efficacy of loan forgiveness programs.

   b. **Academic Excellence and Economic Development Working Group**

   Chair Lorenzen turned to Director Dyess for an update of the AEED. Director Dyess reviewed the charge of the working group and outlined the opportunity areas the working group, with its sub-teams, were exploring. Director Dyess discussed nanoscience and microtechnology; neuroscience and biomedical research; natural resources; sustainability; leisure, recreation and sports; supply of medical personnel; keeping top students in Oregon; arts and creative services; general K-12 issues; and behavior intervention. She also noted the work with the Pacific Rim.

   Director Dyess continued with some observations that emerged from the campus visits, including innovation that occurs between disciplines and campuses and that many of the regional institutions had vibrant research elements. Director Dyess also addressed the issue of commercialization of research and expressed her appreciation for the funds in the Governor's Recommended Budget to respond to that concern. Director Dyess concluded with a discussion of the state commitments necessary to build an ongoing economic engine: facilities, faculty base pay, and keeping top students.

   Kulongoski returned to Director Dyess' comments about medical personnel. He noted OHSU's concerns about its proposed funding level, but suggested there might be different ways to approach nursing education. He offered that he would like a decentralized process to deliver healthcare throughout Oregon.
c. Excellence in Delivery and Productivity Working Group

Chair Lorenzen recognized Director Schuette for an EDP update. She distributed the working group’s work plan and discussed its focus on the long view and the collaboration inherent in its goals. Director Schuette stressed the student-focused, collaborative, statewide platform from which the working group was focusing its efforts. She noted the progress with the student data system and excitement surrounding the articulated transfer link audit system that would provide real-time information about college courses and their transferability. Director Schuette also noted efforts regarding the Oregon Transfer Module, in addition to work on the articulation of majors and on-line delivery and capacity courses. Director von Schlegell asked Director Schuette to characterize the significance of the efforts to change the system. Director Schuette offered that the efforts would make a substantial difference, particularly the retention element of the work plan. Chair Lorenzen reiterated the importance of a planning effort.

d. Budget Update

Chair Lorenzen asked Acting Chancellor Pernsteiner for comments on the budget. Pernsteiner observed the proposed 2005-2007 biennial budget was a starting point for a longer journey. He stressed the four Board priorities of access, affordability, excellence, and economic development. Pernsteiner summarized that the message OUS would bring to Ways & Means would be the Governor’s Recommended Budget would allow OUS to serve 80,000 students, make appropriate and strategic investments, provide additional access to students through the Oregon Opportunity Grant, make an initial investment in faculty salaries, continue economic development, and start to attack the deferred maintenance of the system. Pernsteiner noted that while the System could discuss what the budget does not do, there is plenty that it does do.

e. Long-Range Planning and Retreat

Chair Lorenzen turned to the Director von Schlegell for a discussion of the recent Board retreat and planning efforts. Director von Schlegell described the retreat and identified the general action steps that emerged from substantial discussion: (1) create a viable, stable financial system; (2) create an education ethic; (3) choose and invest in specific initiatives; (4) develop a plan for information technology to further educational and efficiency goals; (5) focus on student-centered goals; (6) clarify institutional missions; (7) identify areas of excellence and build on them; (8) create a fertile and nurturing environment for research and development; (9) provide for institutional autonomy, but strengthen accountability; (10) create a seamless education system to enhance accountability; (11) create a broader higher education constituency; (12) build a sustainable, predictable, and transparent tuition policy; and (13) rethink academic delivery to assure credibility with public and policymakers.

Director von Schlegell also noted that there was good discussion regarding the relationship between the Board and the Chancellor and whether the Chancellor served
in a CEO or staff model. He concluded with comments about constituting a planning committee.

4. **DISCUSSION ITEM**

   **K-20 Continuum: A Vision for an Educated Oregon**

   Governor Kulongoski offered final thoughts: He stressed that as long as he was Governor, education would not take a step backward. Kulongoski offered that his strategy was to figure out how to move education forward. He returned to the discussion of a funding source and observed that three things need to occur: (1) someone needs to exhibit political leadership to identify what is important, (2) there needs to be a vision of where we want to go, and (3) there needs to be a process to get there. He also observed that the public needs to sense that change is necessary.

   Kulongoski concluded with a suggestion about a funding mechanism. He stated if the business community would step up on two issues, he would step up on a third issue. Kulongoski noted that there needed to be a change in the corporate minimum tax, but the business community needed to come to the conclusion that it would be right for Oregon. Kulongoski added he would also include the corporate kicker. The trade-off, Kulongoski shared, would be a different view of the capital gains tax. He mentioned that all of that could be put together and dedicated to education.

5. **ADJOURNMENT**

   Chair Lorenzen adjourned the meeting at 3:58 p.m.

   Henry C. Lorenzen  
   President of the Board

   Ryan J. Hagemann  
   Secretary of the Board