MINUTES OF THE WORK SESSION OF THE STATE BOARD OF HIGHER EDUCATION
OSU-CASCADES CAMPUS, BEND, OREGON
SEPTEMBER 8, 2005

1. Call to Order/Roll Call/Welcome................................................................. 928
2. Discussion Item.............................................................................................. 928
   a. Long-Range Planning Framework ......................................................... 928
(This page intentionally left blank.)
1. **CALL TO ORDER/ROLL CALL/WELCOME**

President Henry Lorenzen called the long-range planning work session of the State Board of Higher Education to order at 3:06 p.m. and turned the session over to Director John von Schlegell.

The following Board members were present: Henry Lorenzen, Bridget Burns, Kirby Dyess, Adriana Mendoza, Tim Nesbitt, Geri Richmond (arrived at 3:13 p.m.), Howard Sohn, John von Schlegell, and Tony Van Vliet. Directors Don Blair and Gretchen Schuette were absent due to business conflicts.

**OUS staff present included:** George Pernsteiner, Ryan Hagemann, Jay Kenton, and Susan Weeks.

**Others present included:** Presidents Dan Bernstine, Martha Anne Dow, Khosrow Fatemi, John Minahan, Ed Ray, and Elisabeth Zinser. UO Vice President Frances Dyke was also present.

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

2. **DISCUSSION ITEM**

a. **Long-Range Planning Framework**

Director von Schlegell started the discussion with reference to outside materials describing why college cost so much and the impact of revenue shifts. He observed that looking at different cost structures would probably be a part of the long-range planning effort.

Director von Schlegell reviewed some observations that could emerge from the long-range planning effort as it unfolded, noting that he would like to throw out a "jump ball" for consideration as the Board prepared for a proposed long-range planning retreat. He described various scenarios including a growing gap between cost and state funding, unpredictable sources of funding, and goals regarding the number of degrees the System is prepared to award. Director von Schlegell shared that he believed the long-range planning effort would reveal that OUS is an expensive brick-and-mortar,
expensive benefits model. He stated, "We're going to find that the quality will continue to be under siege trying to keep up with quantity." He added that many assume quality will continue to be there, but that funding could become an impediment to quality.

Director von Schlegell continued, noting that the long-term return on the investment of higher education has been lost to short-term constraints. He observed whether it would be possible to maintain the System if the Legislature provided a stable and predictable amount of funding. He noted the importance of engaging in reality-based long-range planning. He discussed possible avenues of strategy before opening the floor to comments and questions.

President Lorenzen shared that he had asked staff to prepare an analysis of affordability from a different perspective. He was interested in what Oregon could afford, as opposed to what students and families could afford. President Lorenzen reviewed different measures, including total dollars appropriated per student, where Oregon ranked 47th; total state appropriations for higher education as a percentage of personal income, where Oregon ranked 40th; and the percentage of students in postsecondary education, where Oregon ranked 29th. President Lorenzen observed that, with these preliminary measures revealing that the state might be able to afford more, significant changes would have to be made if the state wanted to maintain quality.

Director von Schlegell wondered if there was another state with a large gap between income and amount spent per FTE. He summarized that it demonstrated underinvestment. President Lorenzen added that, in the past, in trying to develop various measures to compare OUS to other peer comparators, Oregon was frequently at the bottom of the heap. Director Van Vliet noted that there had been a downward slip over the past 25 to 30 years. President Lorenzen echoed Director Van Vliet's comments and added that to maintain quality, the Board would need to propose alternatives to get the public's attention. Director Sohn added that numbers did not generally convince the public. He asked if the implication of the discussion was that long-range planning was about funding.

Director von Schlegell noted that over the course of the long-range planning effort, he thought the Board would encounter cost and infrastructure questions and Director Sohn clarified his question about funding. President Lorenzen added that he thought the effort was about the realistic expectation of funding and the impact of that realistic expectation on the long-range plan the Board puts together. Director von Schlegell stated that the Board needed to look out over several years and connect some dots based on reality.

Acting Chancellor Pernsteiner stated that approximately 15 years ago, the state funded K-12 and community college students at or near the top of national rankings and funded the University System near the middle of national rankings. He observed the quiet erosion of that funding over the years and described how the System, despite shifting the cost to students, fundraising, and letting assets erode, managed to continue producing graduates. Pernsteiner offered that the question was now whether the System could maintain quality. He stated that the question before the Board was, What
is our intention? Pernsteiner listed some variables that the Board might consider, such as quality, quantity, choice, program duplication, and cost, and noted that the System could not sustain another 15 years of erosion. Pernsteiner observed that in a plan the Board made about ten years ago, the System projected approximately 83,000 students. He noted that there are about 80,000 students in the System now, but the assumptions about funding made at the time of the plan are completely inverted. He added the importance of a long-range plan because of demand analysis and enrollment goals from the state outside of questions about funding.

Director Nesbitt echoed Chancellor Pernsteiner’s notion that doing more with less was not sustainable. He observed that the state had been taking steps downward throughout the 1990s and cautioned that there were political threats on the horizon, such as a proposed spending limit, that would cut the System off at the knees. Director Nesbitt offered that part of the planning effort should be how to engage these political questions, including how to engage voters.

Director Van Vliet asked if the enrollment projections reflected the effort of the Joint Boards to create a seamless system and Susan Weeks clarified that the statistics reflected what it would take to meet the goals of the state. Amid Director Van Vliet’s discussion of K-20 efforts, Director von Schlegell asked about how much money was dedicated to education over a biennium. Chancellor Pernsteiner observed, from all sources, it was approximately $13-14 billion. Director von Schlegell noted that it demonstrated the necessity of looking at how money is spent, in addition to how much money the System has. Director Nesbitt observed that accountability was always part of the equation and Director von Schlegell reiterated that both the revenue and cost side of the coin needed to be evaluated in the planning effort.

Director Sohn discussed political assumptions and questions that should be a part of the planning effort, including the difference between whether Oregonians are willing or not to fund a higher education system and the education effort that would be necessary to convince Oregonians if they were not willing, initially, to fund a system of higher education. He noted that it would include questions such as what can the System fund and what will the System fund. Director Sohn added that the exercise of starting from scratch might help pinpoint some priorities or tell the Board what it needs to do differently. Director von Schlegell observed that with the current funding assumptions, it would be necessary to start from scratch because the System would not be able to tweak its way to success. President Lorenzen used Washington State as an example and noted that in its conception of a seamless education system, if the money were not there, the education system would not be able to maintain its promises to students. He observed that, without funding, one of the alternatives, in order to maintain quality, might be to impact access. He stressed that he was not advocating the position, but that it might be a necessary alternative if funding was not available.

Director Richmond returned to Director Sohn’s comments and stressed that it was important to identify what sort of structure was sustainable. Director Van Vliet observed that identifying the priorities of a sustainable system of higher education was similar to
the structure of the Oregon Health Plan, where particular values are prioritized and maintained in priority order according to the funding available. He stressed the value would be to maintain the System's quality. Director von Schlegell turned to the OUS presidents for comments. President Ray observed that it was valuable for the planning effort to be reality-based. He described the importance reflecting upon and understanding political realities. President Ray noted reports and plans sit on shelves because the political process does not take ownership of the effort. He stated it would be helpful to articulate a sustainable base case because the last thing the Board would want is to be "the engine of success for people with low expectations." President Zinser reflected upon President Lorenzen's comments and added that a breakdown of how the metrics compared geographically within Oregon would be important. She also echoed Director's Sohn comments about public advocacy.

Neil Bryant discussed political realities. He noted that there would probably not be a significant change in the state's tax structure. He added that there were many new legislative requirements, including budget notes, under which the Legislature expects the Board to tackle some of the tough questions emerging from the long-range planning effort. Bryant discussed the new requirement regarding fundraising and Article XI-G bonds. Bryant referenced the Governor's funding proposal for education, observing the Legislature has not completely bought in to the idea. Director Van Vliet commented that it was basically an expenditure limitation and Director Sohn added that it was better than previous funding. Director von Schlegell asked whether Oregonians felt that higher education was a luxury and that those receiving the education should pay for it or whether they felt that education received enough money and that the System should figure out a new way to do business.

Director Van Vliet asked whether the legislature felt that higher education was treated well in the past session and Bryant confirmed that many believe that higher education was one of the true winners of the session. Director von Schlegell turned the conversation over to Susan Weeks for a discussion of funding assumptions and how to build a sustainable long-range plan. Director Richmond added that it would be important to get in the mode that other agencies do when it comes to funding and have a compelling way to describe the struggles that face the System. President Lorenzen commented that it might include a different way to look at budget, as opposed to merely adding policy packages.

Director Burns noted that understanding the attitudes of Oregonians was important, but when the Board discussed ideas such as closing the doors for students, it would most likely impact people that value higher education and would adversely affect any effort to change the attitudes of those that do not buy into the notion that higher education is valuable. Director Dyess added that she wanted to discuss program duplication and observed that, for the most part, program duplication was purposeful and permitted programs to be offered throughout the state. Director Van Vliet echoed Director Dyess' comments.
Susan Weeks walked through prepared materials, first observing potential demand on the System over 20 years. She explained, assuming current patterns of participation, what it would take to maintain current levels of demand, let alone the goals articulated in the Oregon Benchmarks. Director Van Vliet asked if the statistics assumed business as usual and Weeks confirmed that it did. Director Dyess asked if the report assumed that Oregon was a net importer of educated citizens and Weeks confirmed that it reflected current patterns of participation. Weeks observed that, in order to maintain current patterns of participation, OUS would need to enroll approximately 34,000 more students. She noted that the System did not have the capacity for that right now and would need to ask other questions, such as whether participation would need to be limited and who would be excluded. Director von Schlegell asked if there was a quality side to the analysis and Weeks replied the report was simply the numbers. Weeks commented on the disproportionate growth in different geographic regions and noted the Board would need to grapple with how to serve all of the populations of the state considering different growth patterns. President Zinser asked if there was data that showed baccalaureate participation across different geographic regions and Weeks replied that there was data, although it was tied to the 2000 census.

Weeks turned to some proposed guiding principles that would assist the Board in a long-range planning effort focused on a 20-year horizon. In addition to the 20-year horizon, Weeks noted that the effort would be bold and provocative, but reality-based. She continued with the outline, noting the effort would be broadly strategic rather than focused on specific policies; student success would be the single most important outcome for the System; OUS would serve every area of the state, every income level and every ethnic group; OUS would work in partnership with other education sectors, the Legislature, and the Governor to make a university education accessible and affordable; OUS and OHSU carry the primary responsibility for knowledge creation and research in the state; and that quality is the primary focus on the Board's planning.

Director von Schlegell emphasized that he was interested in Director Richmond's concept of sustainable planning and that quality would need to be defined in order for the planning effort to move forward. Chancellor Pernsteiner added that it would be important to emphasize what was not included in the guiding principles. He noted that the principles did not include the concept that the System would serve all comers. Pernsteiner observed that, while the principles offer that the System will serve every part of the state, every income level, and every ethnic group, they did not say how many. He noted that with agreement on the principles, the planning effort would be easier because the Board would always have something to which it could look as the planning effort unfolded. President Minahan offered comments on quality and asked the Board if it was willing to consent to the notion that a student should pay between 70 and 80 percent of the cost of a public education. He noted that the proposition might exclude certain segments of the population from participation and that he was not comfortable with the notion. President Minahan added that it was difficult to talk about K-20 education when the sectors had completely different funding systems.
Director Nesbitt returned to Chancellor Pernsteiner's comments regarding the guiding principles and that the System would not take all comers. Director Nesbitt observed that the principles did not preclude the notion that the System would take everyone who came to the System and Pernsteiner noted the principles did not state that the System would affirmatively do so. Pernsteiner added that the Board, as part of the continued planning effort, would be presented with three funding scenarios in October: a continuation of the current path, the Governor's proposed 61 percent plan, and a scenario based on some model states. Pernsteiner observed that several variables would be considered under each of the funding scenarios. Director Nesbitt noted with the debate about quality and quantity are additional variables, including resources and ability and willingness to pay on one hand and demand and expectation on the other. He observed that demand comes from individuals and expectations come from leaders and that he would be interested in cultivating the demand and expectation side of the equation, as opposed to hunkering down on the resources side.

Director Richmond commented on structure, noting that there would always be a subset of students that would embrace the traditional face-to-face, residential education but that the future and changing demographics would require the System to be more modular and adaptive to the needs of students. She observed that there could be new structures that would base tuition on how education was delivered. Director Sohn echoed Director Richmond's comments, noting the implication that there is a market for educational services. Director Richmond observed that she was concerned that a for-profit, private educational institution would come to Oregon and take the modular market if the System was not strategic about how to reach a wide variety of students.

Weeks returned to the agenda, reviewing the connection between the planning effort and the work of the Joint Boards. She discussed a conceptual framework that illustrated the work of the various educational sectors and the intersection that would be the primary focus of the Joint Boards. Director von Schlegell asked what "setting the bar for educational attainment" meant and Weeks replied that it was a measure of the number of people with degrees. Director Sohn asked if it meant proficiency and Weeks explained that "attainment" referred to number of degrees and goals while the second point on the list addressed proficiency. She continued with the review, discussing the integrated student data transfer process, alignment of teacher preparation with postsecondary requirements, coordinated benchmarks, and a coordinated budget presentation. President Lorenzen asked where the coordinated budget fit into the scheme and Pernsteiner noted under accountability.

President Zinser asked for clarification on student success and whether it referred to success across K-20 and Weeks replied that student success, while a focus of the Joint Boards, should remain a discrete responsibility of individual Boards. Weeks asked if the conceptual framework represented the Board's understanding of the Joint Boards focus and Directors Sohn and Van Vliet, members of the Joint Boards Working Group, replied yes.
Weeks turned to next steps. She observed that in addition to the current meeting, there would be a work session in October to discuss funding scenarios and Vice Chancellor Jay Kenton had been working on developing analysis for the scenarios. Weeks noted that this background work would be in anticipation of a long-range planning retreat in November. Chancellor Pernsteiner commented that much of the day's discussion revolved around the choices that were inherent in choosing the number of students that the System would serve. He noted that the long-range planning effort could be focused on how to make some of the choices more explicit under the funding scenarios. Pernsteiner stated that the presidents would like to comment on the tradeoffs after the October meeting, but before the proposed retreat. He shared that the long-range planning effort should not only be reality-based and sensitive to political realities, but should reflect operational reality.

Chancellor Pernsteiner noted that staff was working on a model that would permit Board members to view the hydraulic effect between different choices, depending on which variables were changed. Director Dyess suggested using the guiding principles to determine which variables would not move and Pernsteiner added that was one of the reasons why a definition of quality was so important. Pernsteiner summarized that another way to conceive of the effort would be to ask, "Will you be able to serve more students or serve them better by making this change or not?" Director von Schlegell reiterated the importance of understanding economic realities and capturing incentive. He suggested to President Lorenzen the formation of a Board committee on public relations and education. He stressed the importance of conveying the message about higher education and the long-range planning effort.

President Lorenzen noted that there might be time to start examining a high-tuition, high-aid model and what its impact on access would be. He also observed that the Board should proceed deliberately with any education effort and examine carefully what it would like to accomplish with education. Director Burns echoed Director von Schlegell's comments and observed that the System needed a creative solution focused on changing attitudes about higher education. Director Dyess stressed the importance of telling the positive side of the story. Director Nesbitt returned to his previous comments and noted that the long-range planning effort revealed much about how the Board manages to raise expectations. He stated that in previous engagements, the public was sympathetic with the observation that students and families are paying more for college, but their effort was not being matched. Director Nesbitt offered the shared responsibility model as a possible framework.

Director von Schlegell turned to President Dow for some comments about the perception that higher education is a "blue state" issue and she concurred that marketing was the biggest challenge. President Dow added one of OIT's most important strategic planning initiatives was marketing and branding.

Weeks concluded with administrative details. She commended two books provided for Board members. Director von Schlegell asked about the possibility of a November retreat and Pernsteiner stressed the significance of common guiding principles and a
definition of quality. Director Dyess suggested the input of the Interinstitutional Faculty Senate regarding the definition of quality and stated that she would like to hear from IFS between the September and November meetings. IFS President Bob Turner offered that faculty had worked hard on the issue of quality and that its report was in draft form. He noted that IFS would be willing to accelerate completion if it would assist the Board and Director von Schlegell replied it would.

Director von Schlegell shared with Board members the plan to find a consultant for the retreat and Director Richmond asked that the consultant not be a former chancellor that would keep Board members "in the box." Director von Schlegell asked if there were any dates on the table. After brief discussion about a November date and the previously scheduled December date set aside for a potential telephonic meeting, Director von Schlegell offered Secretary Hagemann would coordinate and set a date.

3. **ADJOURNMENT**

  Director von Schlegell adjourned the meeting at 5:02 p.m.

---

John von Schlegell  
Director

Ryan J. Hagemann  
Secretary of the Board