MINUTES OF THE REGULAR MEETING OF THE
GOVERNANCE AND POLICY COMMITTEE
MARCH 18, 2010

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Committee members present included Chair Paul Kelly and Directors Matt Donegan, Rosemary Powers, Kirk Schueler (arrived at 11:30), and David Yaden. Other Board members present included Hannah Fisher, Jim Francesconi, and Dalton Miller-Jones.

Other participants included: Chancellor George Pernsteiner, Vice Chancellors Jay Kenton and Susan Weeks, Board Secretary Ryan Hagemann, Brad Burda (WOU), Tamara Henderson (OSA), Courtney White (UO), Melissa Unger (SEIU), and Vice President Mary Ann Zemke (OIT). Chancellor’s Office staff present included Ruth Keele, Bob Kieran, Marcia Stuart, and Bob Turner.

Chair Kelly called meeting to order at 9:05 a.m.

1. Issues Discussion
   a. Tuition Guidelines
   Chancellor Pernsteiner provided background; questions posed for discussion included who approves, who sets framework, who sets the process? Does the Board have any role in setting tuition at all or should campuses have autonomy in the decision? Fundamentally, a conclusion must be reached as this policy affects other policies.

   Director Donegan opined that this issue is very important to the students and that their perception is that campus autonomy will lead to tuition increases (“tuition hikes”); he asked if this perception is an actuality or is it a misconception. Chancellor Pernsteiner advised that there is, inherently in the decision, a perception that autonomy inescapably leads to tuition increases; however, in cases where the Board or the State has relinquished tight control in tuition-setting and campuses are impacted by a reduction in state funding, the shortfall has been made up from tuition increases. The question of, “whom do you serve” is the question that is preeminent to the students: equal access and success regardless of income level, geography, and race. However, the Board may set a tuition policy without actually setting tuition levels, thereby giving campuses autonomy in the setting process. Director Schueler asked for clarification on the present practice; Chancellor Pernsteiner advised that campuses set their tuition and then submit their proposals to the Board for approval. Generally, the campuses set tuition along a narrow corridor; however, community colleges, under independent boards, set their tuition levels but include a reference to “governing documents” that follow along the line
of the University System. Director Fisher advised that the aspect of the community college board representing the students to the legislature gives students a “sense of ownership” whereas since the OSBHE can make independent approval, the students don’t have that same sense.

Director Fox asked what the incentive is on the campus level on the issue of cost. In other words, who would the campuses want as students—low income and low quality or high income and high quality, thereby providing a better reputation. He opined that the campuses would want the latter and set tuition to impede access to low-income students. Director Yaden noted that, nationally, a trend has been established to increase the quality of the product and not decrease the cost to students (he agreed that this builds an inherent bias). Schueler asked if there are policies that could prevent this practice. Powers shared the University of Texas process. Fox asked if there could be performance measures to ensure access and tuition-setting; quality institutions and access institutions—serving different roles, character, and missions. Francesconi opined if we could align the right policy with the right political mix, all would benefit. He added that the worst place to set policy and/or tuition is the legislature, second worst would be at the Board level, and the best place would be at the campus level. Very broad and flexible guidelines should be established, with student input, for the campuses to operate within.

Director Donegan emphasized giving students a voice and providing access are the two outcomes that should be provided under the governance structure. Francesconi opined that, in Oregon, more funds could be raised for financial aid through tuition increases, but that not all of the campuses would have the ability to raise tuition to cover their needs. Yaden asked, why can’t we set what it would cost a student to attend a university based on their income (sliding scale) and based on the cost of education by school? An Oregonian would then know what it would cost them to attend a university, based on their income level. An institution could have the autonomy to set tuition but they would be required to work within the income-based cost structure. Chair Kelly noted that, if we were to look at this concept, the Committee would need more information and statistics to base their judgment upon. Ms. Henderson (OSA) advised that the higher income level students may go outside the state to seek an education that is less expensive yet still high quality. She cautioned that, if the System went this route, the students may experience “sticker shock.”

Ms. Henderson asked what in the current policy of campus setting tuition levels and Board approving is not working? Francesconi advised that it is the legislative ability to apply budget notes onto the state funding allocation that is the fundamental difficulty. Pernsteiner agreed and added that campuses can set tuition levels for graduate and nonresident students independently as that tuition is not affected by budget notes or state allocations. Campus autonomy cannot be discussed under the current process because of the budget caps and the affect those have on campuses (OIT in particular). If the tuition proposals were not constrained by the legislature, the Board would have this discussion with the campuses every year. Director Miller-Jones expressed his opinion and caution (hearing a consensus that campuses should have more autonomy and yet maintain the public higher education system) that increasing
tuition—pricing the students out of the ability to attend and affecting quality—will influence the lifetime earning potential of Oregonians.

Chancellor Pernsteiner summarized: no one is saying that the Board should not have a role whatsoever, but the questions then are: Does the Board mandate the process? Does the Board mandate a formula? Or does the Board provide guidelines (outcomes, financial flexibility in how the campuses develop financial proposals). Do we want to only focus on the process or do we want something beyond that?

Chair Kelly reminded the Committee that their charge is to look at a new compact with the state and that a tuition policy is only part of that charge. If we drill down too deeply in the tuition issue, we are outside of that charge. Is it process? Formula? Guidelines?

Kelly added that there was consensus that the campuses should have authority to set tuition and that the Board should continue to have a role in the tuition process. The Board would ask the campuses to develop their recommendations/decisions within a framework designating who would be involved in making that decision, how, when, and what the steps in the process would be. The Board would not mandate the outcome but mandate the “process.”

An example of a tuition formula is included in the material. A formula can be non-market based. The guidelines role would involve setting the guidelines or framework that sets limits for campuses but would not be as rigid as the current process that must adhere to legislative budget notes. Francesconi opined that process and guideline approaches are appropriate but not the formula approach as it would be too rigid; the System is not ready to go to the income-level formula approach. Directors Schueler and Powers agreed. Director Donegan also agreed and added that the degree of prescriptiveness of the guidelines will be determined by how else we can meet these outcomes outside the tuition. In other words, the size of the guidelines (expanses and scope) will be driven by how well we achieve access and affordability outside of tuition. He advocated for greater autonomy of the campuses and less prescriptiveness in the guidelines. Director Yaden stated that he cannot give an opinion at this time without hearing the other policy topic discussions; however, he noted that he is fine with the direction the Committee is going. Chair Kelly expressed his support. Director Miller-Jones stated his agreement with the two approaches; he also thought that Director Yaden’s proposal could be included in the guidelines. Director Fisher agreed, adding that students should be provided access for comment at the campus level. Director Fox stated he agrees with the process and guidelines; however, he agreed with Director Yaden in needing the other policy topics discussion. Vice Chancellor Kenton said that tuition and General Fund allocations go hand-in-hand and campuses will need to know their state funding allocations in order to set their tuition levels.

Director Fox asked if tuition and state appropriations and remissions should be equal to cost or should they be linked to market. Pernsteiner advised campuses could set tuition by market (by program) but be constrained by guidelines. Market-based with differential levels is already the practice for graduate and nonresident tuition. Fox asked, if market-based to maximize revenue,
what will happen with the excess revenue generated by the higher tuition? Pernsteiner agreed that that will be one of the important questions needing to be addressed.

Cost: Do we countenance going above or below current cost levels? A policy choice would be either stating cost levels remain constant or can fluctuate. An option would be that the Board imposes a percentage reduction in cost on campuses. Kelly summarized that the Board supports the campuses and/or Board to increase or reduce tuition based on program impact, cost to students, regardless of the level of state appropriation.

On graduate, nonresident, and international student tuition, it was expressed that the Board should not be involved in setting that tuition. However, Director Miller-Jones stated that the Board should be involved when it comes to the issue of capacity for Oregonians. Donegan advocated that making education available for nonresidents at Oregon institutions would benefit the state by bringing in bright students who may remain in the state following graduation. Pernsteiner advised that, in the 1970s, the Board had a policy to encourage access to nonresidents but with the budget cuts over the next three decades, the policy changed to maintain access for residents. Statistically, nonresident graduates tend to leave the state whereas resident graduates tend to remain in Oregon. Currently, the Board does not have an established policy pertaining to graduate students; however, as the demand for master’s degrees within the state increases, the Board may need to adopt a more prescriptive policy on graduate tuition in order to meet this demand. Director Powers asked how the GTF policy would be impacted (that, if a graduate student is given an assistant teaching position for which they aren’t paid, their tuition is waived, but they pay fees). Pernsteiner advised this would need to be addressed.

Henderson advised that students are seeking greater input in the use of tuition to pay for capital projects.

On the issue of continuing education, off-site, and other tuition, the Committee has indicated that these should be included in the guidelines.

b. Need-based Grant Aid

Pernsteiner advised the fundamental question is should there be a policy or should the State have this responsibility (through the OSAC Oregon Opportunity Grant). The demand for need-based grant aid is great in Oregon; the 2010-11 funds for the OOG were depleted by the third week of the FAFSA filing period (mid-January). Has the state accepted the responsibility of the legislation that was approved during 2007-2009 (i.e., fully funding the OOG)? He opined that the State will never have the funding to fully fund the OOG but that remissions and supplemental funding from foundations will be required to meet the aid requirements. Director Fox asked: Is the underlying goal of the System to maximize access to higher education for students? If yes, then how can that most effectively be done? Is it the universities’ role to minimize cost and the state deals with their responsibilities, or does the System focus on maximizing revenue to support access issues? The Chancellor stated that maximizing access and minimizing cost go hand-in-hand; Fox agreed. Director Miller-Jones noted that the state has
allocated all that it can to support the OOG but the demand far outstrips the monies available. The question is, should the Board require any need-based aid or rely on the state to fund aid. Directors Powers concurred but stated that we not abandon the hope that the state will regain the ability to fund the OOG; Yaden concurred but noted the risk that the state can view it as an opportunity to not fund the OOG; Chair Kelly noted that there is consensus.

Vice Chancellor Kenton advised that OUS fee remissions are at 10 percent whereas most states are at 20 percent. Yaden asked if an alternate funding stream was contemplated by the legislature; Pernsteiner affirmed that it was contemplated but that it would require a ballot measure and was polled that it would not pass (“Oregonians believe that they should pay their way through college”). Chair Kelly stated that the level of support (30 percent) is not an issue for the Committee at a policy level but the manner/process is the issue.

In discussion of the method for allocating aid, five examples were given in the materials; Chancellor Pernsteiner advised that campuses currently retain remission aid generated by tuition. Director Fox supports centralizing the funds from the campuses and reallocated to campuses based on student need. Donegan supports using state funds (through allocation rather than OOG) rather than using tuition but worried that the state may decrease an allocation in one area to allocate in this area. Pernsteiner noted his concern that, once it is included in the state’s allocation, that it would become intractable similar to the Resource Allocation Model. Francesconi recommended tabling the decision until a future meeting in order to gather student and campus input. Fox cautioned that if state funding is reduced, some institutions may elect to privatize for greater autonomy. Donegan opined that pooling the grant aid could provide students greater choice in selecting a college.

2. Adjournment

Chair Kelly advised that the next meeting is scheduled for April 1, 8-11 a.m. He requested feedback from OSA on students’ stance on financial aid. The meeting was adjourned at 2:06 p.m.