MINUTES OF THE REGULAR MEETING OF THE
GOVERNANCE AND POLICY COMMITTEE
APRIL 1, 2010

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MEETING NOTES

1. Call to Order
Chair Kelly called the meeting to order at 8:04 a.m. Committee members present included Chair Paul Kelly, Matt Donegan, Jim Francesconi, Rosemary Powers, and David Yaden. Other Board members present included Brian Fox and Dalton Miller-Jones (8:35).

Chancellor’s Office staff present included Chancellor George Pernsteiner, Ryan Hagemann, Bridget Burns, Larry Galizio, Ruth Keele, Patricia Snopkowski, Charles Triplett, Bob Turner, and Susan Weeks.

Others: Provost Jim Bean (UO), Vice President Frances Dyke (UO), President Chris Maples (OIT), Jack Isselmann (Tonkon Torp), Emily McLain (OSA),

2. Approval of March 2010 Meeting Notes
Chair Kelly called for a motion to approve the minutes; Director Yaden made the motion, Powers seconded; motion passed.

3. Discussion Items
   a. UO Athletics
Chair Kelly called upon Chancellor Pernsteiner to provide background on the item. Chancellor Pernsteiner advised that, in 2009, Mr. Mike Bellotti accepted the position of Athletics Director with the University of Oregon, following 14 years as the head football coach. On March 30, Mr. Bellotti informed the UO that he was accepting a position with ESPN. Subsequently, it became known that the University had entered into an agreement with Mr. Bellotti for a $2.3 million pay-out and, further, that there was no written record or contract between the University and Mr. Bellotti concerning his services as Athletic Director. In light of these circumstances and disclosures, Pernsteiner advised he has directed Patricia Snopkowski, Director of OUS Internal Audit, to review the agreement and the circumstances surrounding its execution in order to ensure that all applicable laws, rules, and Board policies have been met. Further, in light of Board policies concerning the financing of intercollegiate athletic programs, he requested a determination of whether the agreement has lead to or will lead to any effect on the funding for the academic programs at the University to ensure that no state General Fund
appropriations or student tuition income will be used to satisfy the agreement and to
determine the impact, if any, of payments to be made under this agreement on the annual
budget and operating expenditures of the department of intercollegiate athletics in this year or
any year covered by the agreement. Finally, Ms. Snopkowski was asked to review best practices
for employment agreements and severance agreements used in intercollegiate athletics
programs around the country and to recommend to the Chancellor and University President
Richard Lariviere any changes to policies, rules, and practices that she deems may best comport
with best practices in order to ensure that the public trust and the University’s integrity are
maintained. Director Snopkowski will consult with Legal Counsel Ryan Hagemann, Human
Resources Director Denise Yunker, and other appropriate officials in the conduct of her review.
The University of Oregon has pledged all cooperation with this effort. At the direction of Chair
Kelly, the IAD report and recommendations will be provided to the Governance & Policy
Committee for review at the April 29th meeting.

Chair Kelly prefaced his comments by noting that it is a reality of the times that private
philanthropy and foundation funding are both integral and necessary components to the
success of Oregon public universities. It is an irony under the circumstances that that is all the
more so because of a steady disinvestment of public funding by Oregon over many years so
that we are now at the point of where state funding is a relatively modest percentage of total
operations. But this is not unique to Oregon—it is a national challenge faced by virtually all
states. Key responsibilities of the Board in this case would include protecting the public trust we
hold to govern the Oregon University System and ensure the integrity of the universities’
misions; ensure that public funds entrusted to the System are spent properly; and,
Furthermore, ensure that the private funds are not spent in ways that impair the fundamental
public mission of the Oregon University System and each of its universities. Kelly noted that the
review conducted by the OUS Internal Audit is in addition to the Oregon Attorney General’s
Office and the next step of the Board will be to receive and discuss the audit report and then
make recommendations that might be appropriate to the full Board regarding both remedial
actions, and/or policy changes or reinforcement that may be necessary.

Directors Yaden, Powers, and Francesconi expressed agreement that the proposed review is
very appropriate. Director Donegan asked for clarification as to the role of the Governance
Committee in the review of the report; Kelly advised that the report would be received by the
Committee and, during discussion, recommendations would be developed for submission to
the full Board, if needed. Director Fox noted that it would be helpful to determine how
prevalent the University of Oregon’s actions are at universities across the nation. Chair Kelly
thanked the Committee for their comments.

b. Need-based Grant Aid

Chair Kelly called upon Chancellor Pernsteiner to frame the discussion (see docket materials at
http://www.ous.edu/state_board/meeting/dockets/ddoc100401-GPC.pdf). He advised that, of
the two alternatives presented, the presidents strongly opposed Alternative 1b and 1c because,
if a student pays tuition on one campus, they did not want the money to migrate to support a
student on another campus; all responding presidents favored 1a. Most presidents did not comment on Alternative 2 but those that did comment favored retaining the funds on the campus and change the distribution formula of state funds in order to account for the differential abilities to pay of the student bodies on their campuses. But the concern was that, if the Resource Allocation Model was changed, it would be more difficult to understand the allocation methods and that simplicity and clarity are important characteristics of an allocation method. This is important to discuss as it could affect the other proposals for which the Board has expressed support, such as collaboration with community colleges and K-12 and service to first generation and minority students.

If only Alternative 1a were adopted, those campuses with greater tuition revenue ability to pay on behalf of their students would have an advantage over those campuses that cannot. As in other discussions, the Committee is not asked to solve the problem but to set the framework. President Chris Maples advised he shared the opinion of his colleagues in not wanting to redistribute the tuition funding between campuses but he is not concerned with modifying the RAM to accommodate a change. Director Fox asked President Maples to clarify his concern about redistributing tuition funds; Maples advised that it feels like a “hand out” and would not like to be “silied” or perceived as a receiving campus. Students could view the redistribution as subsidizing students at other campuses.

Director Francesconi stated that, if the assumption is correct that Alternative 2 would supplement Alternative 1a, adjusting the formula would accomplish the state objectives. Therefore, looking at Alternative 2 with the idea of adjusting the RAM formula to include access and retention (student success), he proposed assigning this action to the Finance & Administration Committee. Director Schueler agreed and advised he is not opposed to Alternative 2 but thought that a financial review would be necessary. When queried, Emily McLain advised she is not up-to-date on the item and advised that the OSA will be meeting this weekend and she will seek their input and bring comments to the April 29th meeting.

Director Donegan asked, in terms of the Oregon Opportunity Grant, if the 30 percent is insufficient; Chancellor Pernsteiner agreed that 30 percent is not sufficient if the goal is to achieve the same results but when recycling tuition as need-based aid (fee remissions), a point can be reached of diminishing returns. The 30 percent source was determined based upon other systems of higher education practices but to increase beyond that may not be a winning strategy. Director Miller-Jones emphasized that the Committee should continue to support student access and success and also to enhance the ability of the smaller schools to apply the resources to enable students to graduate.

Director Yaden stated, with the 30 percent being the growth of the access, over time, that means the amount of fee remission funding available is growing as a percentage of the total amount of tuition generated. He asked if that level of funding has changed; Kenton advised that the System currently is at approximately 10 percent, up from about 7 or 8 percent over the past few years; however, peer institutions maintain a funding level of approximately 20 to 25 percent. Chancellor Pernsteiner advised that the legislature has set caps and restricted fee
remissions to 8-9 percent in previous biennia; therefore, we must remain aware of their interest because the more tuition is used for remissions, the higher the “posted rate” becomes, even if the net income does not change.

Chair Kelly reiterated that the opening policy statement be modified from “The Governance & Policy Committee agreed that...” to “The Board should require some level of need-based aid be provided from university sources in order to ensure that every qualified Oregonian has the opportunity to attend and succeed in every OUS university.” He concluded that the Committee, with that commitment in mind, recommend Alternative 1a and 2 and tasked the Finance & Administration Committee with reviewing the RAM with the proposed alternatives. Director Powers concurred and expressed her support of the approach; Director Francesconi concurred but added that he is supportive of a study to determine whether or not the 30 percent level should be raised. Chancellor Pernsteiner noted that the study should include looking at Director Donegan’s suggestion of changing the basis to a percentage of the total tuition revenue rather than a percentage of the increase; Director Francesconi agreed and made a formal request for the information to be provided at a later meeting.

OIT President Maples commented that the challenge will be in keeping the process transparent; Chancellor Pernsteiner agreed and added another challenge will be in keeping it simple.

c. Existing Campus Performance Framework

Chancellor Pernsteiner provided background, calling the Committee’s attention to page 4 in the materials listing all of the current performance measures. He noted that these categories are used to evaluate campus presidents’ performance evaluations. He called upon Vice Chancellor Weeks who provided the guiding principles that are generally used in setting performance measures and then called upon Ruth Keele, director of performance measurement and outcomes, who advised that the Provosts’ Council is currently reviewing the targets for the campuses, adding that a review of campus measures is conducted every two years. Chancellor Pernsteiner advised that the current list was developed a decade ago under previous presidents and that he has tasked the current presidents to review and make recommendations in July, instructing them that the campus goals were to be tied back to the Board’s strategic plan. The July deadline was set so that the campus measures were set subsequent to the Committee’s discussion of the performance framework for the future. This would preclude the presidents having to conduct the review twice if the Committee decides that the direction, goals, and measurements need to be changed or adjusted from the current framework.

Director Francesconi noted that diversity is only listed under OSU and questioned that as the Board has directed the campuses to include diversity; he indicated that that demonstrates the need for updating the list. Chancellor Pernsteiner, in response, advised that the performance framework was set two years ago, whereas the diversity measurement was established last year—Oregon State had already added diversity to its list. However, because of actions taken by the Board since the framework was updated, other measurements have been added to presidential evaluation criteria, including diversity, but are outside of the framework. Director
Yaden advised that the Governor’s Reset Committee is emphasizing “output” as a measurement (e.g., employability), noting that other states have “pushed further on this road.” He cited examples such as actually using different tests of actual learning and employability and employments after one- and five-years. One of the pitfalls from the Oregon Benchmark process is that it becomes so big and complicated with the decision to measure everything that focus is lost and the benchmarks don’t become a true accountability.

Director Donegan asked how the undergraduate success is measured. Charles Triplett, performance program manager, advised that every two years a survey is conducted querying graduates concerning whether or not they are employed or enrolled in graduate school and graduate satisfaction and internships, graduate success, employability, etc. However, last year, the study was suspended due to budget cuts so there will be one study lacking in the 2009 framework. He did indicate that the survey is being currently conducted for reporting in 2011. Donegan asked if income earnings or employment quality are included on the survey; Triplett advised that income was included in past surveys. Since graduates at the one-year point have not typically been established in career paths, the five-year information provides a better measurement for economic development. Chancellor Pernsteiner advised that the System used to conduct more surveys; however, with one-third of staff and one-third of the budget compared to five years ago, the number of surveys conducted has been reduced. This then means the level of information available to the Board has also been reduced. Following a discussion of the merits of using third-party information (e.g., U.S. News and World Report magazine), Vice Chancellor Weeks advised that third-party sources do not have the richness of information pertaining to Oregon students and it can lend itself to unreliable information and also a shortage of usable information. Only detailed surveys that have been sustained over a number of years can track trends and historical changes in graduate demographics in Oregon. Director Yaden stated that he finds a national “best practices” report to be very helpful in providing information of what is happening in other states and requested that information from Vice Chancellor Weeks.

Director Donegan asked what the System is seeking to accomplish with the faculty salary metric and how it is being rewarded. Chancellor Pernsteiner advised that, although this information is garnered for all campuses, on the campus framework, only the University of Oregon has included it as a metric for the purpose of tracking peer institution faculty salary levels in comparison to UO’s faculty and assist in seeking increased funding.

Emily McLain, OSA, asked, with limited resources available for conducting graduate surveys, whether the campuses could conduct their own surveys and then the results collected by the System office. Weeks advised that some of the campuses do conduct their own surveys but that the System-level survey contains specific information not included in campus surveys. Ms. Keele added that since campus surveys contain mission-specific questions, it increases the level of difficulty in aggregating the information at the System-level.

With regard to faculty salaries, Director Miller-Jones noted that each institution has a set of comparators and asked that, with most cases, the faculty total compensation would be
compared to the median of those peers. Weeks clarified that the comparison with our institution to the percent of the average faculty salary for the peers, excluding our institution. Director Donegan asked if cost-of-living adjustments were made; Weeks advised that, although the cost-of-living adjustment information is gathered, the metric does not include those adjustments as the relative position does not change significantly. Miller-Jones opined that faculty in Oregon are not concerned with just relative position but that, for a long time, faculty have absorbed lower compensation rates due to the quality of life and benefit packages, which tend to “balance out” what is lost in salaries. He expressed his desire to have “aspirational targets” rather than median or average (e.g., spires of excellence, urban-serving and urban-focused research universities). Weeks replied that Ms. Keele is leading a review of peer institutions and noted that they have encountered several issues—the largest being that the regional institutions’ list is a combined list and not specific to any one institution—but that attention is being given to the balance of statistical and aspirational peer lists.

d. Performance Framework—OUS Total

Chancellor Pernsteiner advised that four targets are recommended for a state compact (see page 5 of the material): Resource Allocation Model (RAM) fundable enrollment (the enrollment of Oregonians), total degrees earned by Oregonians, employment/continuing enrollment of graduates, and externally-funded research. He noted that data is being gathered to determine the rate of residents versus nonresidents remaining within the state following graduation. If the number of nonresidents remaining in the state is high, the Committee may want to go with the total of fundable enrollment rather than limiting it to residents. “But if they don’t tend to stay within the state, then if we’re looking to raise the education level of Oregon, we have to care about who actually will stay here.” Total degrees is the first of the “outcome” measures and relates back to the first Board goal of raising the education level in Oregon. With the inclusion of measures tracking employment and continuing enrollment of graduates, the Board will be saying to the state that we care about the employment of our graduates—the employability of the graduate and the quality of the employment. It is also in the state’s interest to have many of our graduates continue in graduate school because, as the economy becomes more complex, there is more need for employees who are educated at the graduate level, as well. An externally-funded research measure is a surrogate for an innovation economy that would spur the economy, noting that, over time, the measure may be adjusted but for now emphasizes to the state that research is important and is going to become increasingly important, and we’re committing to do that research.

Other measures are listed for Board- and Systemwide-level and additionally those for which we would track, reward, or set targets on the campus level; see page 7. Not all targets or categories may pertain to all campuses because of the mission-differentiation among the campuses. These additional measures should be weighed against the four overall goals of the Board set within the Strategic Plan and the Board’s commitment to the state.

He then directed the discussion toward additional targets that the Board would want to put forward to the state in the funding compact. Director Powers asked why affordability is not a
target that the Board should support and stated that affordability would be of great interest to the legislature. Pernsteiner advised that the legislature is mainly concerned about tuition restraint and none of the other targets listed under affordability.

In response to Director Miller-Jones’ earlier comment pertaining to diversity as a measurable outcome, Chair Kelly opined that diversity may not be a measurable outcome resulting from state funding—that the state would be concerned with how Oregon would benefit from its continuing General Fund support. He said that, although diversity is an important goal for the Board, it may not be an element within the bargain with the state in terms of outcomes for their money. Miller-Jones stressed that, in his opinion, diversity is a measurable outcome to which the Board is committed and should be included as a category as the legislature, at some point, will care about diversity in terms of defining our relationship. We need to find ways to demonstrate that we are committed to the broad public education mission and there’s no better way than that.

The Chancellor stated he did not disagree with the comments but that he is not sure that the other goals can be achieved without both diversity and affordability; however, limiting the number of metrics included in the compact will clearly illustrate to the legislature that “these are the big items and this is what you’re going to get.” The fear is that if we grow the list too much that the message will be diluted and the legislature will pay no attention to any of the metrics because there will be too many for them to track and we will lose the opportunity to have a real impact.

Dr. Joel Alexander, IFS president, pointed out that affordability and diversity are addressed in the RAM fundable enrollment (enrollment—students of color and enrollment of students on need-based financial aid by average income). Chancellor Pernsteiner agreed and added that diversity is also included as a stand-alone category pertaining to student enrollment, faculty and staff, and MWESB/DBE contracting. Director Yaden stated that, under the diversity issue, he is concerned that we need to look at the outcomes—the end of the pipeline—of the employability of the graduate, including income equality. It is a fundamental measure to “determining whether or not higher education is contributing to the growing inequality in America or not.”

Director Schueler asked for clarification as to the difference between externally-funded research and technology transfer/economic development. Pernsteiner advised that, after contemplation, he determined the measure should be economic development and innovation and that the ways to achieve the measure includes externally-funded research and technology transfer/economic development. Director Donegan said that value and cost-efficiency are two components of the compact and asked how cost would be categorized (time to degree, cost to family); Pernsteiner advised that cost is included in many different ways (e.g., under the category of affordability). Donegan agreed but said that providing solid statistics that demonstrate how the costs are being kept low and, on a comparative basis, how much the state is obtaining in return for their investment would be a tangible way to support our cause rather than just “making claims that we’re low.” Pernsteiner acknowledged that data and
analagous peer information is widely shared but candidly added that “that has never been of much interest.” But as a tax-payer and investor in the state and System, Donegan stated that value, quality, and cost are very important but, from what the Chancellor is saying, the cost piece has never been an informative part of the debate other than just simply for us.

Director Fox added that as we drive mission diversification and specification between institutions, there’s going to be a natural differentiation in cost based on institutions. If you have high-powered faculty at some they will, inherently, cost more, whereas others may have more of a teaching mission and research mission—they will have the lower cost basis. Rather than aggregating cost, the cost statistics should be specific to the campus. Director Yaden said that cost is always going to be a significant element in the discussion, whether it’s in the accountability framework or tuition (affordability) and is appropriately kept in the context of the financial arrangement that we’re striving for with the state. The Chancellor noted that the discussion was actually using “cost” in two different ways: 1) cost to the student and 2) cost to the institution to educate the student and conduct research. OUS institutions are among the lowest in the country in total cost (cost to educate). Ms. McLain stated that Oregonians “think about it in terms to the cost to the Oregonian and that it does matter who is paying the cost, regardless of how much it costs. We won’t ever understand how much it costs to run an institution or we don’t understand how much it costs to do research, we’re never going to understand in the same capacity that you will because you run the institution, but when it comes to the people who are paying tuition and it comes to the people who are paying tax dollars, they care about how much it costs to people and that has to do with tuition even if you don’t care about who it is that’s paying it, it has to be a part of your new compact. The legislature isn’t going to listen to any discussion that doesn’t include that.” Fox said that he generally agrees but that our tuition, by and large, is low when compared with our comparator institutions—the cost is low, the tuition is low.

Chair Kelly clarified that the discussion concerns two different types of cost: operating costs (i.e., the seller’s cost) and cost to the student in paying for the education (i.e., the buyer’s cost). He agreed to Donegan that it is important to be cognizant of the cost to operate the System as compared to what it costs to buy into the System as a student but, from what the Chancellor is saying, that part does not seem to get a lot of attention. But the reaction of the public, especially in bad times, is that government is too big and needs to cut operating costs. They have no concept as to what those are and we need to continue to be able to explain it even beyond saying that we’re low. With the pending reduction in state funding, Director Francesconi noted that the Board will need to monitor the costs incurred by the institutions in much more detail than the legislature will in order to drive the outcomes that we desire on the performance side.

Director Francesconi suggested broadening the first outcome category to “Oregonians’ access and success” as RAM-fundable enrollment narrows the scope in one’s mind while reading it. Director Schueler asked if, under “employment/continuing enrollment of graduates” whether or not that included only graduates employed in Oregon or in general or enrolled in graduate school in Oregon or out-of-state. Chancellor Pernsteiner advised that the Committee could
define the metric; Oregon currently retains about 78 percent of its graduates within the state, which is high by national standards. Vice Chancellor Weeks advised that the metric currently includes employment in-state and out-of-state (with 22 percent employed out-of-state). Schueler recommended using only the statistics of graduates remaining in Oregon as that speaks to the return on investment; citing the “Ford Model-T” approach as an example, the taxpayer would ask “how many degrees do I get for how much taxes I pay?”

Chancellor Pernsteiner expressed his concern that if the Board emphasizes cost and tuition—diming it down to the lowest-possible cost and lowest-possible tuition—value will be sacrificed. Donegan agreed and stressed that quality must be “front and center. Any reasonable buyer is going to expect to pay for quality.” That’s the value proposition that must be put to the state; this shouldn’t be a “race to the bottom.”

Chair Kelly recommended moving “Total Degrees earned by Oregonians” to the first category, demonstrating the state General Fund return on investment; the a sublevel would be “what is the quality of the degree being produced” to ensure that we’re not mass producing junk in numbers; and then “what’s the cost of achieving that in terms of value for the money.” This would address affordability for the student and the taxpayers return on investment.

Director Powers, in response to the discussion on cost and what does the taxpayer get, added a reconfirmation of something that we’ve lost in the current day and that’s the notion of higher education as a “public good.” It’s been “talked about it as a private expectation, that if you can go to college and pay for it, then that’s great but we, as a state, don’t really have too much responsibility for you.” The message needs to be that higher education is for the public good; therefore, she recommended, in the reordering of the framework, that a preface be added that reinforces that the performance framework is based on the sense that the state is committed to higher education as a public good. Rather than thinking in marketplace terms as producing a product, the emphasis should be on the greater public good. Not just becoming vocationally competent but becoming a critical-thinker and understanding things philosophically.

Chancellor Pernsteiner summarized that the framework categories have expanded to five: 1) Total degrees earned by Oregonians (including within that measures of quality and cost followed by the remaining sublevel measures); 2) employment/continuing enrollment of graduates; 3) access for Oregonians (success, outcome in adult population, ensuring that institutions have broadly engaged people from across Oregon); 4) economic development and innovation; and 5) affordability (noting that the measures need to be revised to a “value for dollars” viewpoint rather than an absolute number). Director Donegan recommended titling #5 as “value” rather than affordability and Director Schueler opined that it is really “efficiency.”

Director Fox stated that there are two very different things that the “customer or the investor” is looking at: the student is concerned with the affordability of their degree, which is a value proposition (what I’m spending for what I’m getting) and that will drive their choice toward an institution; the second is a broader state objective, the “social issues” of broad access, affordability for different income stratas or specific populations. The first four elements are
state-mission but the fifth element is directed at the other “investor” group but tied back to the state’s mission. He opined that the legislature does care about the value proposition for students, as well. It is difficult to define that measure and report it in an aggregate manner. Director Francesconi recommended adding efficiency as the fifth category and moving affordability to the sixth category.

Consensus was reached to accept the “suggestion” listed on page 7 as a premise for the approach and Chair Kelly directed the Chancellor to refine the structure for the next meeting.

In reviewing the fundamental questions pertaining to campus targets, the Committee agreed that the System’s compact with the state would not include campus targets. Ms. McLain said that, as the students support a strong System, she would opine that the OSA would support this approach. Although there are campus common- and specific- targets, they are not currently tied to an overall target for the System.

4. Adjournment

With no time remaining for further discussion, Chair Kelly adjourned the meeting at 11:06 a.m.