OREGON STATE BOARD OF HIGHER EDUCATION
MINUTES OF SPECIAL MEETING
SMITH MEMORIAL CENTER, ROOMS 327/328/329
PORTLAND STATE UNIVERSITY
PORTLAND, OREGON

ROLL CALL

The special meeting of the State Board of Higher Education was called to order at 8:40 a.m. by President Robert L. R. Bailey.

On roll call, the following answered present:

Mr. Robert Adams  Mr. Rob Miller
Ms. Britteny Davis  Mr. George Richardson
Mr. Mark Dodson  Mr. Leslie Swanson
Mr. Richard Donahue  Ms. Laurie Yokota
Mr. Robert Bailey

Chancellor's Office -- Chancellor Thomas A. Bartlett; Robin Brown, Associate Director, School Relations; Shirley Clark, Vice Chancellor, Academic Affairs; Francesca Clifford, Assistant Director of Communications; Melinda Grier, Director, Legal Services and Compliance Officer; Larry Large, Vice Chancellor, Public Affairs; Virginia L. Thompson, Board Secretary.

Eastern Oregon State College -- President David Gilbert.

Oregon Health Sciences University -- Lesley M. Hallick, Vice President, Academic Affairs; Leif Terdal, Professor.

Oregon Institute of Technology -- President Lawrence Wolf.

Oregon State University -- Roy Arnold, Provost/Vice President for Academic Affairs.

Portland State University -- President Judith Ramaley; Lindsay Desrochers, Vice President, Finance and Administration; Janis Nichols, Director of Communications; Graig Spolek, Chair, Mechanical Engineering; Richard Toscan, Dean, Fine and Performing Arts.

Southern Oregon State College -- President Joseph Cox.
Introduction

President Bailey opened the meeting by referring to the paper, *Possible Systems of Governance and Finance for Higher Education in Oregon*, distributed as a focus for discussion. Dr. Gerald Kissler, Senior Vice Provost for Planning and Resources at the University of Oregon, presented the highlights of the paper.

Dr. Kissler referred to work completed by the state of Maryland in 1987-88 at a time when it was considering potential changes in the governance system. Five organizational principles emerged for the design of any new higher education governance structure in that state. There should be opportunities:

1. For quality;
2. For distinctiveness;
3. For professional leadership;
4. For lay leadership; and
5. To reward performance.

Prior to discussion of the various systems of governance and finance, several Board members asked for clarification as to the impetus of the present considerations: Is the discussion driven by the present financial condition within the state, or is it driven by the perceived need to re-examine the present structure to achieve the vision and goals...
of higher education in the future? There was general agreement that in the public arena, in particular the legislature, it is in the best interest of higher education to be in a position to raise the level of dialogue above a defensive stance about the budget and more toward how to assure a future for higher education in Oregon. Although there is a crisis in the state, there are also opportunities for changing the ways the System does business and organizes for meeting future needs.

Privatization

Following the introductory remarks and clarification, discussion focused primarily on the alternative to convert the Oregon State System of Higher Education (OSSHE) to a public corporation. The primary rationale for this consideration was to gain greater financial predictability and stability for longer-term planning. The states of Pennsylvania, New Hampshire, and Vermont were discussed as examples of state-related institutions that are quasi-public corporations. The institutions are examples of revenue generation by high tuition. In the case of Pennsylvania, there have been massive infusions of resources from private sources specifically for developing centers of excellence.

President Brand, speaking for the University of Oregon, indicated that the main issue in considering this is public policy -- how to preserve for Oregon an institution like the University of Oregon that is of high quality with a set of programs that should be available to the state. The issue, according to Dr. Brand, is one of finances; there is nothing wrong with the present governance structure.

One of the risks of privatization is that with increased tuition there is the possibility of pricing the institution out of the range of students, in particular those Oregon students at the mid-range of income and ability to pay. Privatization would require that tuition levels be market-driven and, as a result, they could be too high. Another concern is that graduate and professional programs might become too expensive. Finally, there is a risk that an institution over a five- to ten-year period might be able to stabilize under a privatization model, but there is the risk the state might either withdraw all state funding or might decide to pull the institution back under its
jurisdiction. These risks speak to the fact that a great deal of care must be taken when an initial contract is written with the state.

If the public corporation model were taken to the logical conclusion, institutions would have a longer arm's length for control of budgets and planning. This would represent a move away from a year-to-year or biennium-to-biennium approach currently required by state statute. Another benefit would be that the institution could become qualitatively superior because of more institution control. The institution might be smaller, but it could become one of the top ten public universities in the country. The primary question is whether or not the risks for the University of Oregon moving to this model are too great for the potential benefits.

Speaking from a college perspective, President Cox observed that Southern Oregon State College, since having been granted permission to raise out-of-state tuition, has seen a real influx from California. Applications for fall of 1993 are 110 percent ahead of the previous year. This trend would be indicative of the success Southern Oregon State College could expect if given more latitude through a privatization arrangement.

Part of the gamble, however, is the question of how long it will be before California "fixes" their problems and begins to attract students back. In addition, it would require two to three biennia for Southern Oregon State College to attract enough out-of-state students to offset what appears to be the downward trend in Oregon.

Dr. Lesley Hallick, Vice President for Academic Affairs at Oregon Health Sciences University, pointed out that the preliminary analysis from their institution regarding privatization concluded that the gains would primarily be in increased efficiency. These could be as high as ten percent and could be realized when layers of bureaucracy both at the state level and at the level of the Chancellor's Office are minimized. It is important, she pointed out, to understand how money saving would be realized. A portion of the savings would be that decisions are made more rapidly -- institu-
tions would be prepared to respond to market demands more immediately.

There was agreement among Board members that work should continue on analysis and development of a model for privatization/public corporation of one or two institutions. However, further consideration of this conversion of the entire System would be premature.

Differentiation

Work should also continue to focus on how to sharpen differentiation among institutions on missions and directions. This focus could result in cost savings, as well.

Technology Models

It will be important to continue to keep technology models at the forefront of any planning. Improvements in these areas can lead to increased access and efficiency. In terms of the three-year baccalaureate model, little progress can be made until the Department of Education has moved ahead on the Certificate of Advanced Mastery (CAM). At the present time, the CAM does not exist and, therefore, there is nothing further that the colleges and universities can do to implement a three-year baccalaureate model.

Planning

The Board discussed the need to develop a 20-year plan that would be driven by a mission statement. The question, according to some Board members, is not what the legislature is going to do or what the effects of Measure 5 will be when completely implemented. Rather, the basic question is what shape should a 20-year plan for higher education take. This plan should fit Oregon Benchmarks and other overall plans of the state to assure the best possible lives for the people of the state.

Several Board members offered suggestions for development of a vision statement and long-range plan. It was agreed that there should be a set of assumptions. Some suggestions for components were: preserve and strengthen the research, graduate, and professional education aspects of the State System; continue strengthening and expanding access to undergraduate education (including how many students should be served, at what locations, and at what cost); and, provision of continuing education opportunities.
The tension for the Board and the Chancellor's Office staff is between the need to focus on short-term, immediate demands for resource acquisition and the longer term needs for planning for the future. The Board must make a decision as to whether long-range planning is done with an assumption of resource constraints or of unlimited resources. It was observed that there is a great difference between the two approaches and the Board must reach agreement on this general assumption before meaningful planning can occur.

One approach suggests an assumption that the impact of Measure 5 will continue during the 1993-1995 biennium. For the future, perhaps an assumption could be that Oregon is going to continue to spend the same proportion of the state budget on higher education. The dollar amount obviously will change, but the assumption is that the percentage will remain the same. Successful tax reform could change the percentage.

The Board was reminded that the issue of timing that surrounds budgeting is a critical factor. Significant changes in level of resources must be known by March or April of 1994, the time period established by statute for submission of the budget for the 1995 biennium.

Another assumption offered for consideration is that the Board must decide if it is a board of conservatism or one that is prepared to take risks. There are justifications for either position, but the Board must have reached agreement in order to move ahead with long-range planning. It is important, some Board members agreed, to have the backdrop of a long-range vision against which to test short-term budget and management solutions. Dr. Roy Arnold, Provost at Oregon State University, pointed out that there are immediate risks in proceeding in the present direction. There are significant risks in losing quality faculty, students, and the infrastructure to sustain higher education in Oregon in the years ahead.
There was general agreement that the Board must establish benchmarks for higher education, since there were virtually none in the Benchmarks document prepared for the state. These need to be included in any vision or mission statement regarding the future.

Mr. Richardson observed that the Tuition Policy Committee had presented and the Board has approved within the recommendations to the Board, a set of value statements that should be considered in the present planning framework. These have already been approved by the Board.

Mr. Dodson expressed a desire for the Board to agree on assumptions and a process that could be started by Chancellor's Office staff immediately to enable development of a vision and long-range plan. This process should begin while at the same time the short-term problems faced by decisions of the legislature and Governor will also need to be addressed. It was suggested that the Board direct staff to present the Board with a "plan for planning" that would answer, among other things, questions regarding a reasonable time period for development of the plan, a mechanism, possibly including a task force, to work on the project; and, a process for involving all Board members during the process. To accomplish this, it was suggested that a portion of every Board meeting be devoted to discussion of progress on planning and development of a vision. Another idea was to schedule an extended meeting or work session of the Board facilitated by an external person. Finally, it was suggested that a task force, similar to BARC, be established that would draw outside experts into the process. Once there are elements of a plan in place, alternatives for governance and finance can be examined and either accepted or rejected within that framework.

Next Steps

It was agreed that Chancellor's staff will develop a plan that would come to the Board at the April meeting. The plan should reflect the ideas and concerns expressed by Board members.

OREGON STUDENT LOBBY REPORT

Robert Nosse, Executive Director of the Oregon Student Lobby, indicated the support of students for the approach the Board was taking in focusing on both the short-term financial crisis and long-
range planning. "We (OSL) expect to be invited and participate in some way or another. We wish you the best of luck."

President Bailey and Chancellor Bartlett thanked Mr. Nosse for his leadership. "The OSL has taken leadership in a very responsible way and gained a lot of credibility in Salem because of it," said Mr. Bailey. The Chancellor urged the OSL to organize another student rally in Salem as quickly as possible.

Mr. Donahue reported that the Public Information Committee had met several times and had arrived at several agreements. The Committee will: emphasize the positive; focus on the contributions of higher education to the state; and translate the values of higher education in terms that translate to people's lives. The Committee is exploring methods and ways to show how public education touches the lives of individuals in Oregon.

Mr. Donahue underscored, "We recognize that we have to talk about higher education as more than just undergraduate education. We know that Oregonians value jobs, kids, and local schools -- and we have to translate the higher education message in the same way. The Committee wants to emphasize the urgency, but not despair, of sustaining higher education in Oregon.

"The Committee recognizes there is a feeling of some sort of a personal investment in higher education -- but not a societal one. Higher education is not a luxury. The public needs to want quality education and the excitement of learning. All of this must be translated in a message that can be delivered in less than 30 seconds.

"It is going to be a continuing challenge to the Committee to try to get the messages distilled, simplified, and directed."

Vice Chancellor Large indicated that the reports from Salem continue to change virtually minute by minute. The House of Representatives had, during the past week, passed an appropriations bill for basic school support lower than the Governor's mandated budget. However, the Senate did not pass the bill and returned it back to committee.
Vice Chancellor Large indicated that speculation is that as the legislators have grappled with the real implications of even the 1993-1995 levels of cuts, the $1.2 billion deficit "has etched itself into the minds of the legislators. It has become real. Most of them are saying they feel they can cut $500 million without doing irreparable harm. However, even those who are of a strong cut first, revenue later mind-set, feel that going beyond that is not in the best interest of the state."

Higher education had completed successful hearings on two statewide services: the Agricultural Experiment Stations and the Cooperative Extension Programs. It was not clear whether the Ways and Means Committee hearings would continue as scheduled since the Speaker of the House had withdrawn the House members from the Committee in anticipation of a separation of what is currently the Joint Committee of Ways and Means and the creation of an appropriations committee in the House and a parallel one in the Senate.

Vice Chancellor Large reported that there is a bill before the House Education Committee that proposes elimination of the Chancellor's Office. The hearing on that bill is scheduled for March 16, 1993, at 1:30 p.m.

Finally, higher education has been invited to participate in a hearing of the Senate Revenue Committee chaired by Senator Shirley Gold. Participants have been invited to review and evaluate several revenue proposals with the potential of forming a revenue package that would be referred to the public.

Mr. Richardson introduced newly elected Metro Service District councilor Ed Washington.

President Bailey reminded Board members that the next meeting was April 23, 1993, at Western Oregon State College and will include a scheduled Board visit to Western Oregon State College. A meeting of the Joint Boards will also be held on April 23.
Meeting #617          March 12, 1993

ADJOURNMENT     The meeting was adjourned at 11:00 a.m.

Virginia L. Thompson, Secretary
Oregon State Board of Higher Education

Robert L. R. Bailey, President
Oregon State Board of Higher Education