MINUTES

Board members present included: President Matt Donegan, and Directors Lynda Ciuffetti, Jill Eiland, Allyn Ford, Jim Francesconi, Farbodd Ganjifard, Paul Kelly, Brittany Kenison, Jim Middleton, Emily Plec, Kirk Schueler, and David Yaden. Board members absent: Orcilia Forbes

Chancellor’s Office staff included: Chancellor Melody Rose, Jay Kenton, Karen Marrongelle, Di Saunders, and Charles Triplett.

Campus staff included: Presidents Mary Cullinan (SOU), Bob Davies (EOU).

Others present included: Professor Jeff Dense (IFS), Mario Parker-Milligan (OSA).

1. CALL THE MEETING TO ORDER/ROLL CALL/WELCOME

President Donegan called the meeting to order at 10:00 a.m. and asked the Board Secretary to take the roll.

2. ACTION ITEM

   a. Conditions for Institutional Governing Boards at EOU and SOU

   Docket Item:

   Conditions Recommended by the State Board of Higher Education for Institutional Governing Boards at EOU and SOU

   DRAFT

   PREAMBLE

   On April 4, 2014, the State Board of Higher Education endorsed presidential requests for institutional governing Boards for Eastern Oregon University (EOU) and Southern Oregon University (SOU) subject to mutually agreed upon conditions that are endorsed by the Governor. These conditions in no way speak to the authority of the Institutional Board of Trustees. Rather, they are conditions relative to whether or
not the Boards continue as the duly empowered governing bodies or whether those responsibilities are fulfilled through a different governing structure at a future date. The Boards of Trustees of Eastern Oregon University and Southern Oregon University, once established, are fully empowered to fulfill the responsibilities of a university governing board and are expected to carry out those duties on behalf of the State of Oregon.

HECC shall have the authority and responsibility at any point to recommend to the Governor that governance of the university be modified should there be substantial evidence of lack of progress toward plans, negative trend lines or other factors indicating that a university is failing in its mission or is no longer fiscally viable. Likewise, the Governor has authority under HB 4018 (2014) to act based on such recommendation.

Additionally, the State Board of Higher Education and institutions recognize that at any time, the Governor has the authority to recommend governance modifications of Oregon public universities to the Legislature.

The intent of the identified conditions and process is to work in collaborative partnership with the State Board of Higher Education, Higher Education Coordinating Commission, the Governor’s Office and institutions. This collaboration is intended to resolve current challenges at EOU and SOU and remove additional conditions not required of other Oregon public universities and to see EOU and SOU flourish under institutional governing boards. To that end, the following principles, timeline and conditions are established.

INSTITUTIONAL BOARD CONDITIONS

Principles

1. Institutional Board Conditions should be as simple and clear as is possible.
2. Institutional Board Conditions should be limited to the core issues that necessitate conditionality, namely financial sustainability consistent with a focused mission in alignment with state and regional needs.
3. Institutional Board Conditions should focus on the operating condition of the institution absent extra-ordinary and discretionary revenue and expense items, specifically including appropriations not available to a majority of the public universities.

CONDITIONS: METRICS AND TIMETABLE

June 30, 2015: Mission Review

The State Board of Higher Education and Chancellor’s Office, from now through June 30, 2015, will work with the EOU and SOU administrations and in consultation with appointed, but not serving, institutional board trustees as possible, to clarify and strengthen their mission, to develop strategies to foster a competitive niche within the institution’s mission, and provide a pathway towards long-term financial viability. These strategies should include the unique role of these institutions in meeting the state’s 40-
40-20 goal, aligning with regional economic development needs, and supporting the Higher Education Coordinating Commission’s strategic priorities.

**December 31, 2015: Second Review**

Continuing to recognize the Governor’s authority, the purpose of the Second Review is to provide feedback to the institutions to assist them in succeeding in removing these conditions. Through the Initial Review, HECC should provide feedback related to institutional progress and suggested areas of emphasis and needed improvement. By December 31, 2015, on behalf of the EOU and SOU Boards of Trustees, the respective Presidents shall present to the HECC an interim progress analysis on:

- Mission refinement;
- Program rationalization;
- Contribution towards 40-40-20; and
- Financial stability progress and trajectory.

**December 30, 2017: Third and Final Review**

No later than December 30, 2017, the Boards of Trustees of Eastern Oregon University and Southern Oregon University will submit to the Higher Education Coordinating Commission a comprehensive report demonstrating the institution’s unique mission, program focus, and long-term financial viability. The Commission will evaluate whether the institution effectively demonstrates a clear institutional focus and durable niche within the portfolio of public higher education assets in Oregon and that this niche:

- Supports the state’s and region’s civic, cultural, economic and 40-40-20 needs;
- Enables a cohesive and sustainable enrollment model; and
- Supports the long-term viability of the institution.

To these ends, EOU and SOU are required to provide:

- Pro-forma financial statement of no less than five-years;
- Audited financial statements – which may include current OUS statements unaudited at the institutional level;
- All relevant and material assumptions; and
- Any requested supporting documentation.

Particular HECC attention will be focused on the institution’s ability to maintain financial stability within the outlined mission and program framework and absent extra-ordinary and discretionary revenue (e.g., state appropriations) and expense items.

While not serving as a single decision point, a trend analysis of the following metrics will substantially inform the HECC report:

1. Primary Reserve Ratio, target: 5%-7% minimum;
2. Debt Burden Ratio: target <7%;
3. Contribution Ratio:
4. Current Ratio: target at least 2:1; and
5. Enrollment Analysis.

These five indicators will be informed by generally accepted financial standards best practices (indicated above), institutional peer data where available, and in reference to the other Oregon public universities.

Following the Third Review (December 30, 2017), the HECC will determine if the universities have not met the necessary conditions and per HB 4018 (2014), notify the Governor. Should HECC determine the institutions have made significant progress towards achieving stability, HECC may recommend to the Governor that conditions be removed and that the SOU and/or EOU governing board(s) be on the same status as the other Oregon public universities.

In order for the Commission to effectively evaluate each review period, the institutions will grant full and unfettered access to business records, including financial and enrollment information, and university personnel as deemed necessary by the Commission. At its discretion the Commission may retain third-party experts to assist in the evaluation and testing of the facts and assumptions imbedded within the report.

In both the Second and the Final Review reports, HECC will evaluate institution performance relative to existing pro-forma, retrenchment plans, enrollment projections, and other institutional planning.

Board Discussion:

Chair Donegan explained that this special meeting of the full Board was inspired by its recent action on institutional board’s for Eastern Oregon University and Southern Oregon University and the need to establish some additional criteria. The full Board is being convened to finalize and approve those conditions. He then turned to Director Middleton to present the item.

Director Middleton spoke to the process that was undertaken to arrive at the conditions, noting that a first draft was with HECC and, after discussion, another draft was completed. That was then sent to the presidents of Eastern Oregon University and Southern Oregon University for comment. Director Middleton then took the Board through the draft conditions as presented in the docket.

Chair Donegan called upon the presidents of Eastern Oregon University and Southern Oregon University for any comments they would like to make. SOU president Cullinan noted that the process had been positive and collaborative and was a reasonable path for SOU going forward. EOU president Davies affirmed that the process had been collegial and that the conditions being set forth were appropriate. Incoming interim president at EOU, Jay Kenton, stated that the process had been thoughtful and that it was going to be a way to help the institution focus on the needs of the region.
3. **Public Input**

Jeff Dense, president of the Interinstitutional Faculty Senate, spoke briefly regarding the conditions for Institutional Governing Boards at EOU and SOU. He pointed out that, “These two institutions and the regions they serve are integral to the attainment of the State’s ambitious 40/40/20 goals and moreover the future success of the State of Oregon. As I previously stated at your April 4th meeting, I best keenly understand how financial thresholds such as achieving a percentage of reserve funds by a stipulated date are at the nexus of your decision today. However, I have to ask you to respectfully urge you to contemplate how fiscal metrics may adversely affect the third conditional leg suggested by House Bill 4018, the stability of the University’s academic programs. IFS recommends if fiscal metrics are employed as a condition of institutional board approval, further academic program reductions be avoided as a lever to maintain the existence of institutional governing boards at EOU and moreover adversely impact accreditation efforts.”

**Action:** Chair Donegan called for a motion to approve the conditions for institutional governing boards at Eastern Oregon University and Southern Oregon University. Directors Eiland and Yaden moved and seconded, respectively. Motion passed.

Chair Donegan called upon Chancellor Rose for final comments. She acknowledged the tremendous work of colleagues in the Chancellor’s Office and recognized two members of the executive cabinet who will shortly be leaving the Chancellor’s Office: Di Saunders, who will be moving to Oregon Tech and Karen Marrongelle, who will be moving into the role of Interim Dean of the College of Liberal Arts and Sciences at PSU.

4. **Adjournment**

With no further business, Chair Donegan adjourned the meeting at 10:30 a.m.