

Memorandum

Date: November 1, 2013

To: University Governance Work Group,
Oregon State Board of Higher Education

From: Sheila M. Stearns, AGB Consultant

Subject: Transition Options for University Governing Boards in Oregon

Greetings Chair Donegan, Chancellor Rose, and members of the Work Group. It was a pleasure to meet with you on October 17 in regard to governance options available now to Oregon's public universities. In this memorandum, I briefly describe characteristics, advantages and disadvantages of three governance options for the four regional and technical universities of Oregon.

My reflections take into account the following:

1. Three governing options suggested by you in our initial phone call and in the meeting of the governance work group last week, options that may best enable the universities to prosper and meet the state's goals for educational attainment of 40-40-20 by 2025;
2. Fundamental principles of effective university governance as identified by AGB;
3. Governance standards of the Northwest Commission on Colleges and Universities, the accrediting agency for all of Oregon's universities; and
4. Best practices and comparable examples of governing structures for regional universities in a few other states.

Current Relevant Developments:

- Recent legislation (SB270) provides that Oregon will soon have three public universities with their own governing boards, (Oregon State University, Portland State University, and University of Oregon), members of which have already been nominated and are scheduled for appointment in late November. These governing boards will assume their full powers effective July 1, 2014.

- This same legislation provides the option for the presidents of each of the other four institutions in the Oregon University System (Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University) to request of the State Board of Higher Education their own governing board. This request may be made during the period March 1, 2014 to June 1, 2015 (Section 168a).
- The Higher Education Coordinating Commission is a relatively new board with considerable authority to accomplish what its name implies: the coordination of the over-arching public purposes for Oregon higher education achievement, especially the 40-40-20 degree attainment goal by 2025, responsibility for statewide strategic planning, and the authority to approve or disapprove academic programs and a new financing model for higher education. HECC will not hire or supervise presidents, but it will evaluate annually those governing boards in reports to the legislature.
- A Shared Services Enterprise is under construction by the presidents and their staffs to distribute administrative expertise among the public universities through specialization by one university, on behalf of all. Shared services will include complex administrative functions such as risk management, payroll, employee benefits, etc. This will be accompanied by a protocol for distributing the costs of conducting the enterprise among the universities utilizing a shared service.
- The University Governance Work Group has been formed by the State Board of Higher Education to advise the Board and a legislative panel about governance options for four public universities, sometimes known as the TRUs (technical and regional universities) or simply as the regional universities: Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University. This report is focused on governance options for these four institutions.

The three options you are considering include:

1. Consortium Model, also referred to as NewOrg in some of your conversations, and perhaps best described as a **Multi-Campus System**, if the universities involved share a common governing board. If they do not share a governing board, but develop a more informal alliance through a presidents' council or some other legislatively created mechanism, then consortium might be an appropriate descriptor.
2. **Affiliation Model**, in which universities can be affiliated in several ways with Oregon State University, Portland State University, or the University of Oregon,

and are governed by that institution's governing board.

3. All campuses, including the four regional campuses, each with their own individual **institutional governing board**, partly or potentially connected to each other in several ways: through HECC, through a Shared Services Enterprise, and possibly also through a President's Council of the Oregon universities, or subset thereof.

Each option has advantages and disadvantages. The following analysis is hardly all-inclusive of pros and cons, but provides an overview.

Principles of Good Governance: Before reflecting on pros and cons of the three options, the University Governance Work Group might consider each in light of the following principles of good governance. The committee could identify additional important principles within the Oregon context. At a minimum, the governance structure that is selected should ensure that each university:

- Achieves statewide educational and economic goals;
- Collaborates systematically with other universities and K-12;
- Fosters communication to the public and the legislature with a unified voice;
- Promotes fiscal stability through cost efficiencies; and
- Enhances academic quality through focus on mission-centered programs.

Three Governance Models:

1. Multi-Campus System Model (Consortium Model or colloquially, "New Org")

Definition: Some of you in your documents or letters have referred to the possibility of some sort of consortium governance arrangement for the four TRU (technical and regional universities). My take is not quite Merriam-Webster, but in your recent usage you have begun to use, I understand the consortium or NewOrg model to mean a state governing board for the four regional universities, with members of that board appointed by the governor and approved by the Senate, or in the same manner in which board members are appointed to other universities. This model is generally known nationwide as a multi-campus system.

Multi-campus systems exist in many states. They are not called state systems because they do not include all the public universities in the state as the SBHE currently does (a state system) until July 1, 2014.

To establish a multi-campus system, Oregon would probably need to develop legislation that would create or rename the governing board for the four universities. It would likely keep some of the staff and policies from the SBHE to retain talent, expertise, and policies that are in place and working.

Advantages to a multi-campus system

- **Fewer governing boards:** One board for four institutions. Oregon would have four boards instead of seven for the seven public universities.

- **Policy focus:** A shared board is somewhat more likely to operate at a policy level rather than at a management level since its members must oversee several universities, not the details of one unit. Ideally, as Aims McGuiness of NCHEMS advised the Virginia coordinating board: “Effective boards focus on core policy functions; build and sustain a long term agenda for the state; shift from detailed program review/approval to focus on changes in mission, and exhibit balance in process and decision-making by working with all entities.”

Caveat: For multi-campus boards (and state boards as well), a strong board chair and excellent board education are necessary to keep the board and its agenda focused primarily at a policy level rather than on management details of a particular campus.

- **State and Regional advocacy:** A single board for Oregon’s small to mid-size universities can develop regional expertise outside of metropolitan areas that benefits all the similarly situated institutions. It often creates allies and advocates among at-large board appointees from other regions who gain new knowledge and appreciation of the mission and service of universities elsewhere in the state.

- **State Advocacy:** A multi-campus system provides a collective and larger voice with state officials, including the legislature, than that of just a single institution. A system comprised of institutions of similar missions can build understanding and support among a larger number of legislators who will appreciate their special role in state higher education. The same collective voice can also work with other external stakeholders, such as the K-12 community, and the corporate and business community.

Caveat: Not all regional multi-campus system boards travel to meet on a rotating basis on the campuses they govern, but to do so is best practice. If the new regional board never meets on the campuses it governs, then this

potential advantage is diminished.

- **Operating efficiency and synergy:** Experience in Oklahoma and Nebraska suggests that one board for the small/midsize universities does foster or even requires synergies among the institutions they govern because of their shared agenda, board, and meetings.

- **Cost-savings:** University governing boards are not inexpensive to maintain in either time or money. A shared multi-campus board can share the costs and should receive sufficient appropriation for its operation. The system staff may also provide specialized expertise, such as legal services, that smaller institutions may otherwise outsource. Small institutions, no matter how frugal, generally have to spend a higher percentage of their budgets staffing their own independent governing board than do larger universities, even taking into account travel time for their executives attending system-level meetings. Governing boards require staff coordination, travel budget, and board development. None of these is inexpensive.

Caveat: The cost-savings advantage can be undermined, or perhaps be “a wash” if an overly large system office is maintained or created to serve it.

- **Complex collaboration:** Especially in states wherein most university employees bargain collectively, the expertise for bargaining, for employee benefits administration, and other complex issues can be a distinct advantage within a system office under a single board, rather than dispersed among many. Another example includes the economies of scale for comprehensive employee benefits administration.

Disadvantages of a multi-campus system

- **Lukewarm institutional support:** Board loyalty and advocacy may be diluted when the board oversees several universities instead of just one. The connection between the board and each institution is more distant. Unless they feel threatened by a major issue, few alumni or local citizens will make the trip to board meetings in other locations when their campus is just part of a particular agenda. Arguably, the dilution is less when universities are part of a four-campus system rather than a seven-campus system.

- **Costs:** This is the other side of the “cost savings” mentioned above. Executive teams, faculty and student leaders, and others have to travel frequently to other parts of the state for board meetings. In other states with multi-campus systems, generally the board holds only one meeting per year, if that, on each campus. Yet at the meetings held elsewhere in the state, the president usually needs several key members of his or her executive team, depending on the action agenda. Additionally, campus administrations often reimburse student, staff, or faculty associations to assist them in

having a representative at most meetings – even if they are hundreds of miles away.

- **Lack of cohesive strategic planning:** Depending on whether a state chooses an executive with authority over the presidents (chancellor model) or an executive director whose responsibility is primarily organizational for the board and as a convener for the presidents, the system can be more of a loose confederation rather than a system of regional universities responding in a unified way to strategic objectives.

Two examples

The Nebraska State College System (NSCS) is a multi-campus system with three universities in rural areas of the state. The board of seven members appointed by the governor always has a member from one of the three communities. The other four are at-large appointees from around the state, plus the chief K-12 school officer of the state. Of the four standing meetings per year, each campus hosts the board once a year. Until ten years ago, the chief executive was entitled Executive Director. Now the individual holds the title of Chancellor to signify, among other things, that the presidents report to him and not directly to the Board of Trustees. The office has a staff of about nine people. The system office does the collective bargaining for all the campuses and the faculty of all three institutions is in one bargaining unit.

The Regional University System of Oklahoma (RUSO) changed its name about five years ago to better identify itself as a governing board of regional universities. Its Board of Regents has nine members, each with a nine-year term. The CEO is an Executive Director with a staff of seven to administer the work of the board and the policies of the system. The four university presidents report to the board, although the Executive Director does the groundwork and campus interviews to prepare biannual presidential evaluations for the “board committee on presidents.” The four committee members reach conclusions on the actual evaluations.

The Pennsylvania System of Higher Education (PASSHE), the University of Louisiana System, the Texas State University System, and the California State University are examples of large systems with strong regional universities under the governance of one board. The PASSHE and CSU systems are large with 14 and 23 institutions, respectively.

2. An Affiliation Model

Definition: An affiliation model does not have a precise definition in higher education that I know of, but examples can be found in many states. One variation can be described as an **integrated flagship model** with branch campuses. These tend to exist where there has been population growth in a state or region, and the flagship university has reached out or responded to communities expressing the need for a

branch campus in their area. OSU-Cascade in Bend seems to be an example of this form of affiliation. Purdue, Penn State, Ohio State, Colorado State and many other flagship universities have established branch campus systems in this manner.

A second example of affiliation is not the establishment of branch campuses, per se, but nevertheless tying the regional campuses to one of the flagship campuses in the state for purposes of some control and operating efficiencies under the governing board of the flagship university or the overall state system board. The regional campus presidents generally report to the flagship president, not directly to the board.

Advantages of an affiliation model

The advantage to the state is the governing connection of two or more presidents and universities working together for common purposes and accountability. Success reflects well on both or all presidents in an affiliated arrangement; failure can reflect badly on both/all. It tends to encourage collaboration. Another big advantage is expansion of “the bench” for smaller universities. Where this works well, affiliated universities similar to Oregon TRUs have familial access to a broad range of expensive administrative services such as IT, legal, architectural, facilities management, and fiscal, to name a few, with or without a system office, and with or without a Shared Services Enterprise. The flagship university grows and extends its services through interdependent support with the other universities affiliated with it.

Affiliated campuses are also somewhat more likely to have cooperative arrangements among faculty in similar programs and disciplines, such as identification by joint faculty of learning outcomes and common course numbering. All of these possible advantages depend on the ability and willingness of both or all presidents in the affiliation to communicate throughout their campuses that the two (or more) universities are a team which explicitly rewards collaborative behavior through most policies. Similarly, mobility is somewhat easy for students at the smaller affiliated campuses who wish to transfer to the flagship campuses, particularly for upper division study.

Note: This can be and has been accomplished without changing identities, logos, athletics, foundations, or other campus-specific traditions.

Disadvantages of an affiliation model

Same as above, in one sense; tethering two or more universities creates both good and bad news. For one thing, all presidents already have a lot on their plates and collaboration adds to it; the single life is simpler, cleaner. Another downside can be dicey but hard to get out in the open: the real or perceived loss of stature and authority for the president of the smaller affiliated university. The loss of autonomy is real, impairing the ability of one president to make expeditious management decisions

without the constant disquiet of a “mother-may-I” relationship with another president. It can create the reality and/or perception of yet another level of bureaucracy for the president to navigate.

The experience of many presidents of the larger universities and their faculty and senior staff is that they are expected to expand (in some cases almost double), their responsibilities with and for another university, without any allowance financially or otherwise, for the time, travel, and expanded responsibilities and duties of joint responsibility for affiliated universities. It is the experience of many presidents and the faculty and staff of both the larger and smaller affiliated universities that they are expected to attend more meetings and absorb more responsibility without any corresponding added value to their ability to perform the core duties of the presidency on their home campus.

The experience of the smaller universities and their staffs sometimes is that they are never sure who is boss: is it horizontal (e.g., one chief academic officer to the chief academic officer at the larger university), or vertical (to the president on one’s own campus). It might seem easy to answer; it rarely is in practice. Sometimes when sharing occurs, presidents feel resentful that they are accepting charity; other times they feel (usually incorrectly) that their coffers are being raided to benefit the big university where the CEO/president has his or her corner office and closest allegiance. On the other hand, the president of the flagship is frequently accused on his own campus of giving away the store to smaller campuses, or funneling money (e.g. tuition dollars) to another campus that some believe should fund activities on the large campus.

Two examples

Oklahoma has two affiliated systems among their public universities. Two campuses are affiliated with the University of Oklahoma under its governing board. Five campuses are affiliated with Oklahoma State University under its board, although OSU is actually a multi-campus system within a larger state system of the OSU Agricultural and Mechanical Universities (OSU/A&M). Generally, affiliated campuses with long histories maintain their historical names and other aspects of identity such as athletics, foundation boards, etc.

In 1993-94, the **Montana** Board of Regents changed the reporting relationships of the presidents of the regional universities. Two of the four regionals became affiliated with Montana State University, and two with the University of Montana. There are many more details, of course, but for this discussion the only presidents who continued to report directly to the Commissioner and to the Board of Regents were the presidents of the two flagship campuses. One of the advantages was increased collaboration among the units within each affiliation. Campuses maintained their individual accreditations, athletics, foundations, etc. A notable disadvantage is that

even after 20 years the affiliation is resented by some presidents and communities, and creates an awkward resource-sharing and accountability ambiguity that can be troublesome to officers of both institutions, to the board itself, and to puzzled accreditation teams.

An advantage/disadvantage cited by a president in Oklahoma of his institution that is affiliated with one of the flagship universities in that state is that he likes the autonomy and hands-off approach of the president to whom he reports. But he misses the contact, support, and accountability of reporting directly to a board dedicated to his institution.

It should be noted that both Oklahoma and Montana are examples of integrated flagship affiliation.

3. Governing Boards for Each University

Definition: Governing boards for each institution are self-explanatory. They differ from state to state primarily in whether and to what extent the presidents and the boards report to a coordinating board rather than directly to the legislature.

Advantages of institutional governing boards for TRU universities

- **Focused attention and advocacy:** The primary advantage for each university in having its own governing board is oversight and advocacy that is strongly focused on the issues of that particular university, with its own traditions and culture. This may mean less travel time and more focused local or regional meetings for presidents and board members, provided the local board does not decide to meet too frequently. Most college or university boards can be effective with four to six meetings per year, occasionally with conference calls or committee meetings between regular meetings; monthly meetings would be excessive.

Caveat: The president of a large Midwestern university recently commented to me that the advocacy of institutional boards is, in his long experience in three states, generally ineffective politically. For board advocacy to be effective, it must be coordinated by the president and led by him or her and the board chair. Clarity on who speaks for the institution and board is imperative. He notes that in terms of advocacy, they do have more weight and effectiveness on the development and fundraising side than in the political arena.

- **Presidential preference:** Even with the above caveat, my impression is that many presidents across the country would trade the extra hassle and expense of having their own boards for the sake of more autonomy, enhanced personal support, and enthusiastic attention by at least one board on their own beloved university. The

purpose of state universities is to educate students, advance knowledge, and enrich the economic and cultural milieu of the state. The purpose is not to make presidents happy. But enthusiastic, highly productive presidents are critical to the success of the educational mission.

Disadvantages of institutional governing boards for TRU universities

- **More governance:** For all of its virtues, an institutional governing board is another governance layer that requires significant staff work, travel expenses out of the already stretched campus budget, and at the very least one additional support staff member. It requires additional meetings staffed entirely by campus personnel, with responsibility for orientation, board education and development including board assessment retreats and occasional attendance at state or national board-development seminars. Individual boards require time, preparation, entertainment, and follow-up for yet another meeting of yet another set of civilians who occasionally are more interested in local, athletic, or management details than in supporting the university toward overall excellence or statewide strategic objectives.

- **Accountability without commensurate resources.** In Oregon, all institutional boards and their universities will be reviewed by HECC. They may be held accountable for shaky fiscal situations that may or may not stem from board policy decisions or presidential management decisions. Unlike local community college boards, they will not have the power to raise revenue via mill levies. The ability to raise tuition beyond five percent is (wisely, I think), subject to approval by HECC. Alumni from regional universities frequently have a high proportion of local non-traditional students in vital professions that are not highly compensated. Former teachers' colleges have a high percentage of teachers with relatively modest incomes, or graduates in other vital but relatively modest income service professions. Philanthropy cannot pick up the slack as it sometimes can in universities with, for example, endowed professorships or alumni who earn high salaries even in their first jobs.

- **Institutional prestige over state achievement goals:** It is natural for institutional governing boards and their presidents to enhance their university. One way to do this is to recruit and attract students on a more selective basis, which may enhance national rankings, but does not serve well educational attainment objectives for all citizens who can benefit from higher education, regardless of family income, and regardless of their higher retention risk. It may be difficult for institutional boards to adhere to the institutional mission, and as a consequence, they and their presidents are in frequent conflict with state higher education officials over mission or academic program expansion. This happens often in states with independent governing boards. Such boards should not be "speed bumps" on the road to a decision by a coordinating board or agency, but rather exercise authority and due diligence.

- **Quality of boards:** The quality of boards really varies around the country for public universities. When a southeastern state transitioned to institutional boards for each unit in the 1990's, the governor for the most part appointed each unit's advisory board to become its governing board. This worked well for a few years, I am told, until some appointments began to be made primarily as rewards for political activism rather than to support the educational quality of the university or statewide educational goals. Some boards in that state became so contentious politically that governance and quality of the university took a back seat to political ideologies playing themselves out on a university governing board.

Caveat: To make all governing boards more effective, it is a good practice, indeed best practice, for the governor to consult with the president and the current board chair or regional leaders about the needs of the board when vacancies are approaching. Good boards need diverse individuals from a variety occupations and backgrounds. As with judicial nominating commissions, the quality of boards is strengthened when there is a formal mechanism for board or presidential input to the Governor, clear criteria for selection, and when political payback is kept to a bare minimum in the process.

Fundamental Responsibilities of Effective Boards of Colleges and Universities

(See AGB's *Effective Governing Boards* and also Merrill Schwartz's article in *Trusteeship*, March/April 2010.)

1. Keeping the mission current and aligned with public purposes.
2. Selecting a chief executive for the institution.
3. Assess the performance of the chief executive and set compensation.
4. Task the CEO with leading strategic planning process; participate in process and monitor progress.
5. Ensure institution's fiscal integrity.
6. Ensure the educational quality of the academic programs and the institution overall.
7. Protect institutional autonomy and academic freedom, and the public purposes of higher education.
8. Ensure the policies are current and properly implemented.
9. In concert with the chief executive, engage regularly with the institution's major constituencies.
10. Conduct the board's business in an exemplary fashion with appropriate transparency.

Northwest Commission on Colleges and Universities Governing Standards

Institutional accreditation is essential for a college or university in order for its students to be eligible for federal financial aid and its education and degrees to be valued. Each of Oregon's accredited colleges and universities—from the smallest community college to the largest research university—is evaluated by a regional commission on the following standards over a seven-year cycle. To the extent that the governing board(s) can synchronize their reviews and expectations with those of NWCCU, the less faculty and administrative time will be consumed in meetings and in writing reports. Some boards pay little attention to their university's assertions and supporting evidence as submitted to NWCCU; they should and they must.

The Governor should provide nominees to governing boards with a statement of expectations in advance and ask if they have the time and dedication to read, reflect, and respond to the many reports, including the documents pertaining to the university's accreditation review. Ideally the enormous campus effort to conduct self-analysis for accreditation standards provides rich evidence for governing boards, not just for NWCCU, evidence that is either reassuring or alarming, but invaluable either way. Accreditation reports can simultaneously provide evidence to the governing board (whether a single unit board, affiliated, consortium, or system model) of the institution's compliance with mission, public purpose, and expectations of the governing board itself and of the state's coordinating board.

The five NWCCU standards categories are listed below. Within each category are more specific outlines which colleges and universities must address, including a subsection on Governing Boards, within Standard Two.

Standard One:	Mission, Core Themes, and Expectations
Standard Two:	Resources and Capacity
Standard Three:	Planning and Implementation
Standard Four:	Effectiveness and Improvement
Standard Five:	Mission Fulfillment, Adaptation, and Sustainability

This excerpt is from the sub-section on the Governing Board from Standard Two (Resources and Capacity) and should be kept in mind for the Work Group's discussion:

The Governing Board (2.A.4 through 2.A.8)

2.A.4

*The institution has a functioning governing board consisting of at least five voting members, a majority of whom have no contractual, employment, or financial interest in the institution. **If the institution is governed by a hierarchical structure of multiple boards, the roles, responsibilities, and***

authority of each board—as they relate to the institution—are clearly defined, widely communicated, and broadly understood.

2.A.5

The board acts only as a committee of the whole; no member or subcommittee of the board acts on behalf of the board except by formal delegation of authority by the governing board as a whole.

2.A.6

The board establishes, reviews regularly, revises as necessary, and exercises broad oversight of institutional policies, including those regarding its own organization and operation.

2.A.7

The board selects and evaluates regularly a chief executive officer who is accountable for the operation of the institution. It delegates authority and responsibility to the CEO to implement and administer board-approved policies related to the operation of the institution.

2.A.8

The board regularly evaluates its performance to ensure its duties and responsibilities are fulfilled in an effective and efficient manner.

As the University Work Group on University Governance considers its recommendations to the Special Committee on University Governance for the upcoming legislative session, it would be wise for all concerned, not just the campus presidents, to be aware of and to synchronize to some degree with the governance standards for regional accreditation.

We hope this document informs the Work Group's deliberations. Thank you for inviting AGB into your discussions on the future of public higher education governance in Oregon. I welcome your questions.