

Memorandum

Date: January 17, 2014

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

From: Sheila M. Stearns, AGB Consultant and AGB Senior Fellow

Subject: **Considerations and Comparisons Regarding the Possible Creation
of an Affiliation Model of University Governance**

Introduction

The following is an analysis of issues, costs, and benefits of an affiliation arrangement for three of the technical and regional universities (TRUs) and Oregon State University (OSU), one of several options the University Governance Work Group is considering for the governance, oversight and administration of Eastern Oregon University, Southern Oregon University, and Western Oregon University. The UGWG asked the Association of Governing Boards of Universities and Colleges (AGB) to examine this option to assist the Work Group in its deliberations.

Included in this request were instructions to exclude Oregon Institute of Technology from this analysis and include Oregon State University as the institution with which TRUs would affiliate. Therefore, this analysis assumes that three of the TRU institutions affiliate with Oregon State University and are governed by its new Board of Trustees. The result would be a statutorily authorized affiliation of five universities (including OSU-Cascades) headed by a research-level university. Also, as requested, in the analysis of this option we have focus on a comparison with the option of individual governing boards for each of the TRUs.

A related analysis (attached) prepared by AGB consultant Tom Meredith describes issues relating to the possible formation of a **multi-campus system** with its own Board of Trustees, with each of the TRU universities reporting on an equal footing to their shared governing board, without a lead or flagship institution in the system. This would be a smaller version of the current Oregon State Board of Higher Education, in terms of the number and size of institutions reporting to the board, size of the system office required, and number of students served.

Listed below are operating assumptions, issues, and cost-benefit observations for the OSU Affiliation Model, with cost-benefit comparisons between an affiliation model and individual governing boards for each university:

- **Affiliation** In this context, affiliation means one governing Board of Trustees for Oregon State University, three TRU institutions, and OSU-Cascades in Bend. The presidents/campus heads for the TRUs report to the president of OSU. The degree to which institutions affiliated with OSU are integrated structurally and programmatically is to be determined and could vary by institution and over time. Extensive integration would create a multi-campus university and is not the same as affiliation.

Affiliation will present many changes for each of the TRUs, compared to their relationships with OSBHE and the system office. An affiliation relationship is different from a system in an essential way—rather than being led by a system head, the president of OSU would oversee the campus heads of the affiliated institutions. Rather than a system staff serving each of the institutions in the system, OSU’s administration would provide some of the planning, budgeting, and other oversight and service functions for the affiliated campuses.

There is no standard or template for an affiliation relationship, and it would be different from that between OUS and the Cascades campus. Due to the changes brought about by SB270, some functions currently performed by the system will go the HECC and some to the Shared Services Enterprise. With the affiliation model, some system and university president functions would go to OSU’s administration. TRU campus heads would likely have diminished authority in some areas, as they would no longer be the ultimate decision maker.

- **HECC** The OSU affiliated campuses and their governing board shall be subject to the authority of the Higher Education Coordinating Commission (HECC) regarding academic program approval, tuition levels, state financing, and other responsibilities of the commission. COST/BENEFIT: It would more be cost-effective for one board rather than four individual institutional boards to interact with and implement HECC and various legislative requirements.
- **Governance** The fiduciary responsibilities of governing boards have never been greater in the changing landscape of higher education. It is imperative to achieve vital state and national goals that all members of governing boards receive effective and continuous information about the challenges and issues of the universities they oversee. COST/BENEFIT: It is more cost-effective to make the appropriate level of investment in board education in one board than in multiple boards. As the OUS Board has demonstrated, a span of control that includes many institutions is manageable, however, it would change the expectations of those recently appointed to the board of OSU.
- **Board Support** Governing boards require significant investment for their operation and development. Oregon State University forecasted expenses of \$265,000 per year for its Board of Trustees. The individual TRU universities estimated the annual cost of board operation for each with its own board at

\$160,000 per university (Report to the Special Committee on University Governance, December 15, 2013). COST/BENEFIT: OSU would have to recalculate its estimated cost of board operations if the Board of Trustees governs three additional universities. The increased cost would be marginal, but net savings would not be \$480,000. There would likely be increased travel costs for additional key campus administrators to attend OSU board meetings and for the board to meet on the campuses of affiliated institutions. Related support of the board by administrators is noted, below, in regard to Legal Services, Administrative Structure, and other sections.

- **Shared Services** The OSU affiliated campuses will participate in some features of the Shared Services Enterprise (SSE) as described in the report of the Shared Services Work Group. COST/BENEFIT: Uncertain. The December 15, 2013 report (cited above) indicated that increased incremental costs for the three TRU universities of using a Shared Services Enterprise would be \$640,000 (this excludes Oregon Tech's estimate of incremental costs). How much of that incremental cost could be saved by affiliating with OSU and sharing its administrative capacity is uncertain. OSU expenses in several areas of administration would increase with the affiliation of three TRU universities. Whether it would rise to the \$640,000 level projected for services provided through SSE would have to be discussed and analyzed by OSU and the affiliating universities. The net cost of course would depend on how much of the current OUS staff and resources would be redirected to Oregon State University. If the affiliation option is pursued, we recommend that a dialog between OSU and the regional universities begin immediately to adapt or refine the calculations they developed for the Shared Services Work Group.
- **Presidential Authority** The president of Oregon State University will serve as CEO or lead president of the affiliated universities. The precise level of authority of the president of OSU, how much authority is delegated to him, and how much the Board and he delegate to the affiliated universities, should be clarified specifically by the act creating this structure and codified in writing by OSU's Board of Trustees early in the process. COST/BENEFIT: The authority of TRU presidents and their relationship with their governing board would be clearer if each had its own governing board than if they reported to the board of OSU through the president of OSU. Individual boards do not have to wrestle with the level of authority of campus presidents reporting through a lead chief executive, though this can be addressed in law and policies. It is more expensive to have individual boards, but they would provide greater clarity about presidential responsibility and board/president relationships.
- **Branch Campuses** OSU has one branch campus, OSU-Cascades in Bend. It is already fully integrated within OSU because that is how it was founded. The day may come, as has occurred in other states, when a relatively small branch campus grows to the level that its region needs and can support the suite of

programs and services of the other (proposed) affiliated campuses, such as alumni and athletic programs, to name just two. That appears to be unwise at this point and for the foreseeable future for Cascades. Cascades' level of governance integration with OSU is appropriate, but it is probably not achievable or even perhaps a good model for the separately accredited TRUs that have decades-long roots in their regions and communities. That level of integration is the multi-campus university option discussed in an earlier report.

- **Accreditation** Each of the three TRUs would retain their independent accreditation with the Northwest Commission on Colleges and Universities. Per accreditation standards, all presidents of independently accredited universities do not have to report directly to the governing board, but they must have a governing board and clear access to it. Any requirements or restraints regarding communication of presidents with the board should be clarified in writing at the outset. COST/BENEFIT: No financial impact, but a benefit to the smaller universities with their own institutional governing boards is high level continuous access to their boards, with their undivided attention. A cost to the OSU board and administration would be the added responsibility of oversight and involvement in the regional and specialized accreditation of three additional universities.
- **Titles** Whether or not any executive titles would be changed would be determined by the legislative action creating this structure or OSU's governing board at an early stage. Titles do not have to be changed for affiliation to work well. COST/BENEFIT: If titles are changed, there are costs to changing stationery, business cards, and various documents. This is a relatively small issue. The much larger issue than titles is the benefit of having campus chief executive officers who are identified and respected in their positions for responsibilities that are comparable to CEO's in similar universities around the country. Titles are part of this, and if handled poorly, the cost of CEO recruitment and retention in the TRU universities could be a recurring and significant challenge.
- **Mission Focus** Each of the universities will continue with its current mission, and changes thereto would have to be approved by the OSU Board of Trustees and by HECC within the framework of Oregon's strategic plan for higher education achievement. COST/BENEFIT: The biggest risk found in other states with dispersed institutional boards is the temptation to add and duplicate programs competitively. The OSU board would serve as another check and balance assisting HECC in overseeing program expansion at affiliated institutions. With individual governing boards, an effective Presidents' Council, as exists in Michigan and as proposed by the TRU presidents, can serve a similar function. If a Presidents' Council is considered, serious thought should be given to a statutorily authorized council that includes all seven university

presidents, as is the case in Michigan. Otherwise its effectiveness in facilitating the coordinating work of campuses and HECC will be diminished.

- **Administrative Structure** Campus governance on each campus could resemble current administrative structures, but greater intra-campus collaboration could reduce the need for some management positions or the qualifications required for those positions. For example, the finance officers for the universities would still report to their respective presidents, but they must interact on a regular basis with finance personnel on the OSU home campus in Corvallis. Vice presidents may become directors if more of their duties are assumed by the central office at OSU. The chief academic officer on each campus would also report to the president of the regional university he or she serves, but could be a dean who must interact frequently with the vice president on the OSU home campus, who would have overall responsibility for coordinated academic affairs in the entire Oregon State University. The president of OSU should expect that chief officers in areas such as academics and finance would be consulted in the annual evaluation process to ensure that interaction is systemic, hierarchical but respectful, and continuous within the Oregon State Universities. COST/BENEFIT: Through collaboration fostered by a single board, affiliation should be able to enhance academic quality and student services, and reduce administrative overhead and duplication. If it is not structured to accomplish these outcomes, it should not be undertaken.
- **Executive Officers** At minimum, each campus would need a CEO and individuals (titles to be determined) in charge of academic and student affairs, finance and administration, and communications and community partnerships. Those senior officers do not have to carry the full portfolio and salary implied by the title or level of current vice presidents. The level of administrative overhead at each university should be justified to the Board of Trustees in formative stages of the affiliation. The level of integration and authority of OSU's president and administration, in relationship to the affiliated campuses is to be determined. COST/BENEFIT: Universities with individual governing boards may continue to use the titles and have the portfolios of other larger universities, even if the enrollment base of the institution makes it difficult to support. The level of responsibility and concomitant salaries are higher than they would have to be in an affiliated model, and perhaps the number of positions. Overall, affiliation should result in personnel savings in the executive and management ranks, although some of the savings may need to be reallocated to shared services.

Note: In some cases, the greatest resistance to affiliation comes not from presidents or communities but from employees who fear the loss of positions or authority when affiliation creates efficiencies. This is understandable, but adroit presidents and the Board of Trustees can achieve administrative contraction over time with strategic and respectful consolidation. The goal of affiliation is

to strengthen the viability and quality of each university, not to protect all jobs at all costs.

- **Legal Services** General Counsel for OSU should be responsible for the legal needs of the board and the affiliated universities, and will need to add capacity for increased workload distributed across several campuses. COST/BENEFIT: The synergy of university attorneys working together in one staff distributing workload and specialization is very cost-effective. The staffing in the OSU General Counsel office would need to be reviewed, perhaps to absorb some of the legal functions currently provided to the campuses by the OUS office, transferring resources from that office.
- **Integration** The new OSU Board of Trustees should require demonstrable integration or collaboration among the universities with regard to academic programs, student success initiatives, and reduction of administrative overlap. COST/BENEFIT: The benefits, especially for students, would develop over time; the cost savings would be real, but not immediately apparent. This is perhaps the greatest potential advantage of the affiliation model compared to individual institutional boards. However, the TRU presidents have indicated that a Council of Presidents could also facilitate significant collaboration. If individual boards are established for all seven universities, an effective council could facilitate the coordination work of HECC.
- **Faculty** With an affiliation model, the OSU Board of Trustees would have ultimate responsibility for campus policies, including those for faculty. The OSU board would have the opportunity to ask the affiliated presidents and their faculties to recommend disciplines that are ripe for specialization and shared curriculum. Cost/Benefit: A discipline such as computer science, to cite one example, is difficult to sustain at separate universities partly because of the cost to recruit and retain faculty. Improving academic quality through interdisciplinary collaboration among OSU affiliated campuses can be a very positive result of affiliation. Individual institutional boards may be less aware of opportunities for innovative, entrepreneurial, intra-campus activities. OSU would have to assume some of the duties of the OUS Director of Labor Relations in regard to advising affiliated institutions on their labor contract negotiations with faculty and other unions. However, OSU already has a robust human resources office that should be well-situated to provide services to the TRUs, with some incremental costs for increased workload.
- **Purchasing, IT, and Related Shared Services** COST/BENEFIT: It is striking that OSU is already very well-positioned to provide or facilitate shared services because it serves as host to many current shared services including the Fifth Site for information technology, with its assessments to the various campuses. OSU Information Services already provides programming and support for regulatory processes and projects for the Oregon University System, and support for EOU,

OIT, SOU, and WOU. Many of the Oregon University System personnel involved in supporting shared services are already located in offices on the Oregon State University campus. COST/BENEFIT: OSU and the TRU staff would have to develop specific estimates, but it appears there would be savings in an affiliated model compared to operation under multiple individual governing boards. Absent action by the SSE, the affiliation model could facilitate efficiencies.

- **Fundraising** Campus foundations and alumni relations generally remain separate and associated with each campus because of the respective alumni and donor bases built over decades. COST/BENEFIT: While long-established legally-separate foundation boards most likely will stay in place for each affiliated university, their professionals may be more likely to work together to seek advantages of scale in investment management and other areas of specialized expertise. In some states they have voluntarily chosen to merge for shared infrastructure, while keeping cost-accounting and campus-specific appeals and activities individualized.
- **Athletics** Separate athletic teams and programs remain at each campus (depending on NCAA, NAIA and conference rules and regulations). COST/BENEFIT: No impact between affiliation and individual institutional boards, but among Oregon's NCAA institutions, shared professional development for new board members regarding athletics governance and booster guidelines would be a wise investment.
- **Self-Support** All affiliated universities should benefit from greater efficiencies, but the state resource allocation model should not expect that some universities subsidize others. It should treat each university according to the assumptions, data, and strategic goals identified by the OSU Board of Trustees and the Higher Education Coordinating Commission. Regardless of governance model, each university should manage itself efficiently and be allocated sufficient funds to accomplish its mission to serve students and the state. If an institution's mission has become too broad or its infrastructure spread too thin, reorganization and mission review should occur regardless of governance model. COST/BENEFIT: The financial self-sufficiency for one or more of the TRUs is in question. While separate governing boards for each institution would no doubt provide greater board attention to each of the TRUs, the expertise of the administration of OSU and opportunities for economies of scale, are benefits of the affiliation model.
- **Policy Development and Update** The OSU Board of Trustees will enact policies regarding the full range of university governance as they assume fiduciary obligations previously assigned to the Oregon State Board of Higher Education. COST/BENEFIT: With an affiliation model, the task of adapting or adopting policies will be more efficient in the context of multiple campuses.

With individual governing boards, each board will undertake separately the lengthy and time-consuming process of policy review, although they certainly can learn from each other through their presidents, chairs, and meetings of the Presidents' Council if one is established.

- **Communications** The affiliated campuses would acknowledge in their high-level communications (contracts, accreditation reports, and web pages, for example) that they are part of Oregon State University. They can do this without changing their names or other aspects of their identities. In some cases of affiliation, regional campuses prefer to change their names to associate themselves more visibly with the home campus of the state's land grant university. For example, the former Eastern Montana College in Billings chose to change its name after affiliation to Montana State University-Billings. **COST/BENEFIT:** The cost and effort affecting communications could be minimal, but it would depend on the degree of integration sought by the new OSU board. Strategic communications are expensive. In either model, the goal should be to strengthen the quality and appeal of each campus. Mutual assistance required by an affiliation model might decrease costs and increase effectiveness through collaboration, compared to individual-board models. On the other hand, individual boards would probably bring more passion to the process of strategic communications for each university.

Conclusion

This analysis has described assumptions and issues relating to the potential affiliation of three TRU universities with Oregon State University, and how it would compare to the creation of individual institutional governing boards for all the TRU institutions. The questions Oregon leaders must answer are: does the affiliation model increase the potential for quality enhancements, fiscal stability, and cost savings for the state of Oregon and for all the universities that would be governed by the Oregon State University Board of Trustees? Or, can the TRU campuses form a small, multi-campus system with a synergistic structure that exceeds the benefits of affiliation, through the oversight of one governing board specializing in three or four institutions somewhat similarly situated. Or, are individual boards for all seven universities the best answer for effective governance, with positive cost-benefits and reduced bureaucracy for all concerned? This analysis is meant to inform your judgment as you seek answers to these questions.

Addendum 1

Nebraska State Colleges System (NSCS)

The Nebraska State College System comprises three colleges, Wayne State, Chadron State, and Peru State. The total enrollment of the three colleges is just under 9,000 students (headcount). The Governor appoints six board members from around the state to six-year terms, who must be confirmed by the legislature. The seventh member is the chief state school officer (K-12), a voting *ex officio* member. The Governor also appoints annually one non-voting student member from each of the three colleges for one-year terms.

The Board of Trustees meets five-to-eight times per year, with one meeting per year on each campus. The system office in Lincoln is headed by a chancellor. The three presidents' report to the chancellor, but the Board is involved in annual evaluations and presidential selection or termination. All three colleges are members of AASCU, the American Association of State Colleges and Universities.

The system office is located near the capitol building in Lincoln. The system chancellor directs legislative communications with the assistance of a lobbyist for whom NSCS is one of several clients. The office staff includes ten employees: chancellor; five vice chancellors (general counsel/employee relations; finance/administration; student affairs/public information; facilities/information technology; academic planning/partnerships.) The staff also includes an operations director, a director for system-wide accounting, office manager, and staff assistant.

The annual budget for the office from general fund appropriations is approximately \$1.5 million. The total annual budget of the three colleges is \$131 million, of which \$45 million is from general fund appropriation.

Addendum 2

The Regional University System of Oklahoma (RUSO)

RUSO comprises six universities: East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, Southwestern Oklahoma State University, and the University of Central Oklahoma. The six universities are distributed among 12 locations, with a combined headcount enrollment in 2013 of 42,375. Two other systems in Oklahoma are “integrated flagships,” in which two or more smaller universities are affiliated with the research universities, either University of Oklahoma or Oklahoma State University.

The aforementioned systems and colleges, along with their respective governing boards, are subject to high-level authority of the Oklahoma State Regents for Higher Education, authorized by constitutional amendment in 1941 and headed by a chancellor.

The governing board for the six RUSO universities has nine members. Eight are appointed by the governor from one of each of the eight congressional districts, for nine-year staggered terms. The ninth member is the elected State Superintendent of Public Instruction. The Board of Trustees meets seven times per year in regular session, once each on one of the six campuses, and once in Oklahoma City. The Board’s administrative office in Oklahoma City is headed by an Executive Director. The six presidents report directly to the Board, although the Executive Director facilitates the annual evaluation of the presidents for submission to the Board.

The system Executive Director facilitates communications with the Oklahoma legislature. The system office includes six employees: executive director, general counsel, assistant general counsel, finance officer, executive assistant, and administrative assistant. The office budget includes funds for other unspecified salaries including temporary employees and various outsourced functions. The revenue to support the system office annual budget of approximately \$900,000 derives from a formula-based assessment to the six universities.