Interinstitutional Faculty Senate

Market Center Building, Room 541
Portland State University
Portland, OR
Friday, December 4, 2009

Present (Senators): Joel Alexander (WOU), Sarah Andrews-Collier (PSU), Sharyl Carpenter (EOU), Duncan Carter (PSU), Janet Crum (OHSU), Dejing Dou (UO), Peter Gilkey (UO), Gail Houck (OHSU), Jeff Johnson (EOU), Grant Kirby (OIT), B. Starr McMullen (OSU), Robert Mercer (PSU), Erin Moore (UO), Ike Nail (WOU), Ron Reuter (OSU Cascades), Maureen Sevigny (OIT), Ellen Siem (SOU), Joanne Sorte (OSU)

Present (Visitors/Guests/Speakers): Scott Burns (past president of IFS), Dalton Miller-Jones (OUS Board), George Pernsteiner (OUS Chancellor), Robert Turner (OUS)

IFS President Gilkey called the meeting to order at 12:40 PM.

George Pernsteiner, OUS Chancellor (12:30-1:35)
A Board retreat was held this week, featuring two separate discussions. Discussion on the first day centered around the characteristics of OUS member institutions, both common and distinguishing characteristics. The discussion of distinguishing characteristics focused on:

- Different admission requirements based on who appears to be likely to succeed at each institution
- Tailoring specific doctoral programs at research universities to avoid overlap
- Collaboration to bolster programs rather than duplicate them.
- Importance of location, size, and modality of instruction
- Public service and changing focus from local to regional.

There appeared to be some confusion about whether or not research is done at regional institutions, but it is.

There will be more discussion regarding the "rules of engagement" for developing new programs and expanding into new geographical areas. Pernsteiner's primary concern is for areas in which there is a need/demand for a program, but the institution in that area doesn't want to do it, and another institution does. There needs to be a way for the out-of-area institution to provide the program without encroaching upon the local institution.

There was a discussion of faculty workloads at regional institutions vs. research institutions. The subtext: If we make one campus a branch of another, will faculty at the branch have the same research/workload expectations as at the main campus?

The Provosts Council and Academic Strategies Committee will address some of these issues. The discussion allowed the Board to give these groups some guidance.
The second day of the Board retreat was devoted to structure. Discussion began with the financial situation in 2011. If the January ballot measures fail, we can expect a $40 million reduction in state funding for OUS. In 2011, the federal stimulus money will be gone, but the economy probably won't have improved enough to generate adequate tax income. OUS will also face a major increase in PERS costs, about 6% of salary more than currently being paid. Workers Comp and property insurance premiums are expected to increase by about $25 million in 2011-2013. OUS will face another 15-20% budget cut, regardless of enrollment.

OUS faces big demand, big new fixed costs, and reduced state funding. How do we achieve the Board's goals of educating more Oregonians and spurring innovative research in that environment? We can't continue to do business the way we are now and expect to continue to have positive results. That's why the Chancellor asked Dave Frohnmeyer to write a report recommending changes to the structure of OUS institutions. The current system does not work to achieve the system's goals. The Board decided to empower the Governance Committee and Jim Francescone to address these issues.

The Board developed a list of guiding principles, which Pernsteiner distributed to the IFS. The purpose of these principles is to convince the state to provide the flexibility to allow the university system to achieve its goals. For example, OUS can get insurance more cheaply in the marketplace but is locked into the state system. OUS will need money and a change in statutes to achieve its purpose.

Pernsteiner asked the IFS to participate with the Governance Committee as they address the issues in the document he distributed.

IFS members asked Pernsteiner to go through the highlights of the document:

- Principle 2: Need a new compact with state that includes more funding and more flexibility
- Principle 4: OUS will work as a system rather than 7 individual institutions. Meeting the state's goal is not always the primary concern of an individual institution.
- Principle 5: A compact will be developed in consultation with a variety of stakeholders, some of whom still need to be identified.

Elements to consider:

- **Student Success**
  - Geographic and demographic access and equity - no matter where someone is in Oregon, they should have access and be able to succeed at the same level as someone living anywhere else. OUS won't leave any group behind because they can't afford an education, come from different ethnic background, live in a particular area, etc.
  - 55% of students this fall were first-time freshmen, down from 70% some time ago. Any system we use has to recognize this change. We need to collaborate with community colleges and high schools. The most successful group of first time freshmen come in with an average of 28 credits (international baccalaureate, advanced placement, etc.), and they are more likely to graduate in 4 years. So collaboration with high schools is key to success and saving money.
  - Special attention to the success of Oregon students
  - Diversity

- **Affordability**
  - Tuition guidelines
  - Grant aid – what do we do with institutional fee remission/financial aid? State opportunity grants are used by some states, but they are risky, because they are not
always funded consistently. Could we move to a systemwide model like the University of California?
- Innovation/connection to state economy - we want to get paid for that
- Performance framework - how will success and progress be measured? It costs more to educate some students than others. Funders and evaluators need to recognize that some students are more difficult to serve than others because of factors such as geography and language.
- Reducing costs – It costs too much to educate a student.
- New avenues of funding
  - Structure
    - The current structure needs to be more flexible. For example, with more flexibility we could save $25 million on risk management insurance. Block grant funding would minimize line item control at DAS.
    - One or multiple public corporations
    - Pernsteiner thinks the Committee will focus on the roles of the state board and institutional boards and the relationships between them. Unfortunately, community colleges aren't interested in working with us. They get 63% of their funding from the state, while OUS gets 14%. Community colleges get a single budget line with no Legislative notes, while OUS gets about 6300 budget lines and tons of notes, all of which limit our flexibility.
  - Capital: We don't have a good way to pay for new buildings. In most states, if you build an academic building, the state pays for some or all of it. That usually doesn't happen in Oregon. We will need more buildings if we are going to educate more people.
  - The price of flexibility: Pernsteiner has been told by several groups that we will have to pay off obligations to pension fund, pay for buildings we currently occupy, etc.—we will have to buy our freedom.

Pernsteiner doesn't want OUS to have the same problem that OHSU has had: the state says it's no longer responsible for funding OHSU. Oregon has one of the oldest populations of physicians in the nation, but we make sure that potential doctors don't stay in Oregon. We charge the highest in-state tuition in the nation, but doctors don't make as much money in Oregon as they can elsewhere. So OHSU graduates go somewhere else to practice and pay off their education debt. They have learned from the OHSU experience that state funding and state policy must be kept connected.

What incentives the Board provide to the institutions to achieve state goals? What performance contracts will the state and the Board enter into? If we don't achieve them, we will go into state receivership--i.e. where we are right now. So we don't have anything to lose by trying.

There is no way we will reach the goal of educating Oregonians to a world standard if we don't have more money and more freedom from state control. This is the time to go for it, because we're in a crisis. If we wait till the crisis is past, we will lose the urgency and the opportunity and won't achieve the goal.

**Discussion**
Will structural changes happen in the next year or two? What will prevent business as usual? We are meeting enrollment goals, but there's a problem with quality. We will make this proposal in July, but we will have a fallback proposal too.
We spend slightly less per student than average, but the makeup of our income is very different. We are 46th in the nation in state funding. The intention is that as enrollment grows, cost per student will be less than inflation.

Since salaries are the biggest expense, when we talk about reducing cost per student, are we talking about reducing salaries? Pernsteiner thinks we’ll have to change our delivery model to accommodate more students at less cost.

Are regional interests being kept in mind, or is the focus only on the big campuses? The Board recognizes that not all students thrive on large campuses. There is no intention to reduce the number of campuses. We need to increase capacity.

Where does Pernsteiner plan to focus, to share his passion? His main focus right now is the Board, because if the Board proposes it, it will have some legs politically. At the same time, Pernsteiner is working with legislative leaders to minimize opposition. He's also working with some members of the business community. We need the Board, legislators, and the business community to agree that we need to make a change. If we aren't successful, we will have to cap enrollment.

Resource Allocation Model, a/k/a “Da RAM” – Jay Kenton, OUS Vice Chancellor for Finance and Administration (1:35-2:35)
The RAM was intended to determine how state funds would be distributed to OUS institutions.

Kenton distributed his slides to the group. The RAM was adopted in 1999. The previous model was used to allocate both tuition dollars and the state allocation, so campuses didn't control their tuition dollars.

Governor Kitzhaber’s Task Force on Higher Education and the Oregon Economy recommended that the state buy services from OUS. Each campus would be semi-autonomous. Competition between institutions would be good, but campuses should also work together.

The RAM is based 2 precepts

1. Funding based on enrollment. Funds follow students, and each campus retains its own tuition money. The following types of students are funded: Oregon residents, all EOU students, all PhD students, graduate assistants, and a few others. Meanwhile, programs are funded based on matrix of costs: faculty salaries, number of students who could be educated in a classroom, specialized equipment/settings needed, etc. This matrix determines how much a school receives for teaching an FTE in a given program. Enrollment is projected so schools know how funding will change as enrollment changes. This model is clear and transparent, which allows institutions to determine how much funding a faculty member generates but also makes it easy for the Legislature to make changes.

2. Funding for support programs and services that aren't tied to enrollment, plus targeted programs to support research, public services, smaller campuses, etc.

This model assumes that all campuses have approximately the same tuition rates, but that is no longer true.
They requested funding based on peer median cost by discipline. Even in 1999, when funding was solid, OUS institutions were only funded at 88.8% of peers. That figure is now 54.3%. Students used to pay only about 1/3 of the cost of their educations, but now they pay around 2/3, and the percentage is increasing.

Bruce Shepard, author of a report entitled The Tragedy of the Commons, argued for capping enrollment to maximize funding per student. Washington did that, but Oregon didn't. They capped enrollment at their large schools, which filled their regional universities. Plus, their legislature provided better funding than Oregon's did.

One of Kenton’s slides compared funding in 1999 with today. Despite inflation over 10 years, we are getting less per student than we did in 1999—in real, not inflation-adjusted, dollars. Over the last 10 years, fundable enrollment has grown by 22.9%, while average state funding per FTE has declined by 24.6%.

In 2003-2004, the Board capped enrollment funding. Institutions were allowed to take additional students but had to fund the increased enrollment with tuition only and were responsible for maintaining quality. This change led to more out-of-state students, effectively capping resident enrollment. We are relying on out-of-state students to support in-state students.

Do we have data showing that qualified Oregon students are not being admitted to OUS schools?

In response to this funding cap, the Legislature wrote a budget note to require OUS to use the RAM to distribute money. OUS is making half of the required adjustment in this biennium—assuming funding is available—and planned to make the other half in the next biennium. But according to Kenyon, that will be impossible in the current climate, and the budget note was dropped. Budget notes don't have the force of law, but failing to follow them can have negative consequences with the Legislature.

Targeted programs have changed over time through funding changes, Legislative decisions, etc. Having a transparent model allowed the Legislature to make specific funding decisions. Kenyon's slides show how funding has changed for many programs.

Overall funding for targeted programs has increased while enrollment-driven funding has decreased.

Returning to the RAM model (“RAM renormalization”) would follow the Legislature's wishes, simplify calculations, etc., but return us to the Tragedy of the Commons. One of Kenyon’s slides showed how funding rates will change if RAM model is renormalized. Some schools will gain significant funds, but some will lose significant funds.

One senator noted that a worrisome question is being raised at PSU: Why do we recruit Oregon students when they cost us money?

There is a concern that we will get away from acting as a system. Renormalization will help reduce stress on campuses where enrollment has increased significantly. Faculty are stressed by increasing enrollment without increasing funds - larger classes, etc.
BREAK (2:35-2:45)

Elizabeth Kaufman, Oregon Higher Education/Postsecondary Alliance (2:45-3:50)

Kaufman is a local community and political organizer who has worked on funding for K-12, libraries, etc., including the campaign for Measure 42. Jim Francescone approached her last year to organize for greater support for higher education. Community colleges need to be included but don't want to be called higher education. 18-22% of voting families have K-12 students, but there are more with higher ed students (if you count community colleges), but K-12 advocates have been more visible and noisy. Higher ed advocates have been "too nice." Making the case isn't enough. She wants to put together a statewide network based on Senate districts, organizing tuition payers, people who are going to be tuition payers, suppliers, etc., to demand more funding from legislators.

They are putting together a draft organizing plan. She wants to hear from constituencies in the system, including faculty. She has come to IFS to learn: What should public know from the point of view of faculty and people in charge of budgets?

Each member of IFS in turn shared what s/he would like the public to know. The following key points were raised:

- Students often are not prepared for college-level work.
- There is a tendency to water down the curriculum to get students through, because there is an assumption that college is for everyone.
- Students have greater mental health needs than they used to.
- We have a bad brand. People see us as a bunch of liberal elitists who don't do anything, but we are actually working long hours and are very committed to educating students.
- Faculty sometimes have to use personal funds for research, supplies, etc., because there isn’t enough money to keep basic research going.
- OHSU School of Nursing faculty can make more money in clinical practice than in teaching—and do a lot less work. The School of Nursing has a serious faculty shortage, with not enough people applying for open positions.
- Oregon students applying to graduate school are competing against students with publications and research experience. Oregon students aren’t getting this experience, because we lack resources.
- The state will lose critical industries if we can't educate people to work in those industries. Oregon will be at a disadvantage when recruiting industries/employers.
- Faculty get blamed for everything they do. If they do extra things to make up for shortfalls, they get blamed for masking the problem. But if they don’t do that, they are accused of not caring about their work/students.
- Class sizes are increasing at regionals that promote their small class size. At SOU, class sizes are increasing from 5-30%.
- Chemical spills are not always cleaned up thoroughly.
- Restructuring takes faculty out of their primary areas - e.g. from biology to environmental science.
- Enrollment is growing rapidly, but departments are not getting new faculty, new space, or new money.
• Programs are turning students away.
• Larger classes and reduced support services mean more students fail. Students who are less prepared for college aren’t receiving the support they need – an access issue.
• We have to cut corners to survive. OUS isn’t delivering the same product we did 10-15 years ago, because demand has increased while resources have decreased.
• We are providing training, not education. We are training students for jobs, despite the fact that business leaders say they want people with fundamental skills. Yet they fund training, which is good for them in the short term.
• Because students have to fund so much of their education, they have to work too many hours to get a good education. They don’t have the time and energy. We are denying capable students the opportunity to maximize their intellectual growth.
• It is cheaper to provide postsecondary education than to cover the increased likelihood of prison and greater use of social services that accompany lower education levels.
• OHSU’s medical school tuition is the highest of any public medical school in the country. Students graduate with lots of debt, then leave Oregon to practice where they’ll make more money. They especially can’t afford to practice in rural Oregon. They may choose high-paying specialties rather than primary care. OHSU is turning many students away. They have asked for funding for more slots in the medical school class but were turned down. Meanwhile people in rural Oregon already lack access to care, and the state has a shortage of health care professionals statewide.

Kaufman’s comments: People do appreciate us, but they don’t hear from us the way they do from K-12 teachers. The public appreciates us and supports our benefits. Decision-makers are the problem.

We have to show the crisis before people will act.

Normally we aren’t supposed to talk about how students aren’t getting as much as they would elsewhere, but we have to. How do we describe the problem without undermining colleges and universities?

BREAK (3:50-4:00)

Implications of converting major OUS campuses to public corporations – discussion (4:00-5:10)
The IFS had an extended discussion on this topic. The minutes in this section capture the major points raised.

It's critical to involve faculty and the whole campus in setting performance metrics as outlined in Pernsteiner's document handed out earlier, Structural Change Issues to be Considered.

There are two major issues, student success and the performance framework.

We already have standards for student success. But if we set absolute standards for performance/success, we will be held to them, regardless of how much money we're given.
Will separate public corporations compete with each other for limited resources?

What does flexibility really buy us? 3 pieces: governance model, finance, accountability to the state.

The small universities are in survival mode.

Does Frohnmeyer’s proposal have traction? It isn’t clear that the Board is fully engaged with the fundamental issues in the report. Board members have heard about the state of higher education in Oregon from the governor and a few other sources. Having Board only meet 4-5 times per year plus an occasional campus visit may not provide enough sustained exposure to higher education issues. Most meetings are at PSU, so the Board doesn’t regularly visit all the campuses as often as before. The Board seems disconnected from the fundamental nature of university.

When they visit campuses, they see conference rooms in the nicest buildings. They don’t see crumbling facilities and crowded classrooms.

OHSU’s change to a public corporation is perceived as intended to benefit the health system, allowing it to compete effectively in the era of managed care. The OHSU Board is composed of business people, with no academic voices. Faculty have very little contact with OHSU Board.

Faculty aren’t major players in decisions on higher education in the state. We have to weigh in more, because we aren’t going to get what we want for our students by letting people who don’t understand universities make the decisions.

Houck reported that Steve Stadum of OHSU recommended to PSU’s president that they not adopt the public corporation model. PSU has released a plan for the public corporation model to the OUS Board.

Turner encouraged IFS to write an evidence-based document opposing the proposal. The document should 1) include a careful examination of the success of the OHSU model and 2) information about a change in accreditation standards, which are moving toward accountability in student learning and assessment of student learning. He thinks the business model is inaccurate in its portrayal of OHSU and lacks expertise in dealing with evolving accreditation standards. If faculty aren’t involved in this process, accreditation will suffer. We should release the report to the Chancellor first as a draft. Then take it to the Board. He recommends that a subset of IFS work on this issue.

Walking away from OUS isn’t going to make it better but only weaken it. We need to figure out what’s wrong and fix it.

Independent boards won’t approach Salem in unison but will be competitors.

Frohnmeyer is not suggesting that the current OUS board would be abolished. It would continue to serve, but each public corporation would have its own board.

There is a concern that if UO raises its tuition, well-heeled families with high-performing students will select it, assuming it is better because it costs more.
How does the proposed solution fix the problem described? If institutions become public corporations, they will be able to sell bonds to support growth, and they will be free from restrictions on tuition. They will be able to raise money without respect to restrictions from the state.

Frohnmeyer’s proposal includes recommends a constitutional amendment that would provide funding as a block grant rather than allowing lots of legislative control. Also, institutions would retain interest from their tuition money, whereas now DAS retains this interest.

Couldn’t all the problems described in the report be solved by convincing the Legislature to change practices and rules to provide more freedom to OUS?

Could regionals become branch campuses? That would limit their ability to create their own brands and relationships with their local communities. Could they retain their uniqueness as branch campuses? Or are we entrenched in our current models?

If we want a choice, we have to generate that choice.

If we can get a response to the Chancellor by mid-March, we can be part of the discussions at the Provosts Council on this issue.

An OHSU Faculty Senate survey on OHSU’s strategic plan includes faculty concerns about the corporate model.

Meeting adjourned at 5:10 PM