Interinstitutional Faculty Senate

School of Nursing Room 602
Oregon Health & Science University
Portland, OR
Friday, January 8, 2010

Present (Senators): Joel Alexander (WOU), Sharyl Carpenter (EOU), Mark Clark (OIT), Janet Crum (OHSU), Deijing Dou (UO), Peter Gilkey (UO), Joan Gross (OSU), Gail Houck (OHSU), Jeff Johnson (EOU), Grant Kirby, Kirsten Lampi (OHSU), Robert Mercer (PSU), Ron Reuter (OSU Cascades), John Rueter (PSU), Ellen Siem (SOU)

Present (Visitors/Guests/Speakers): Charles Allen (OHSU Faculty Senate), Janet Billups (OHSU Legal Dept.), Lois Davis (PSU Administration), Carol Howe (OHSU Faculty Senate), Dalton Miller-Jones (OUS Board), George Pernsteiner (OUS Chancellor), Rosemary Powers (OUS Board), Robert Turner (OUS)

Joel called the meeting to order at 12:35 PM. Crum welcomed IFS to OHSU and gave some logistical information about restrooms and dinner.

Lois Davis, PSU chief of staff to the president and former OHSU Vice President of Public Affairs (12:40-2:00 PM)

Davis began working at OHSU in 1987. When Kohler became president a few months later, the OUS Board promised increased funding, but instead funding actually decreased. Then tax limitation measures and Oregon Health Plan were passed. Originally the Oregon Health Plan required that every doctor doing business with OHSU go through an RFP process, which was not workable. At the same time, buildings were deteriorating, but OHSU had tried for 6 years to get state approval to build new facilities. They had a potential outside partner to build, but lost the opportunity for that funding, because they couldn't move quickly enough. They realized they had to do something to deliver a quality product.

Beginning in about 1991, OHSU began making the case to the Legislature for the public corporation model. They got lots of pushback from the Legislature and OUS. By 1993, the governor agreed to direct the system to do a study to determine what needed to be done with/for OHSU. By 1995, incoming governor Kitzhaber and the legislative co-chair agreed to introduce legislation to convert OHSU to a non-state agency. People wanted to see it as privatization, but OHSU never intended to be a private institution. They asked an advisory committee to review 4 different options

• Staying the same
• Becoming completely private
• Moving to a quasi-public model
• Combining with another state agency, the Oregon Health Division

The advisory committee concluded that 1) OHSU shouldn't be private, because it was a public asset; 2) joining with the Oregon Health Division didn't make sense, and 3) additional state funds weren't available to allow OHSU to remain a state agency. They knew that the institution could do better if it had more money or more freedom.
Davis thinks that Kitzhaber believes the change was largely successful—and he's likely to be Oregon’s next governor.

Davis believes that if they hadn't converted, the hospital would no longer be part of the institution. That has happened in other states. Where that has occurred, the hospital and the educational institution become further and further apart.

She was emphatic that OHSU is a public institution, a freestanding unit of the government.

OHSU reviewed each aspect of government status, identifying what worked and what didn't. For example, they felt it was important to maintain public ethics and public records but not to keep public contracting laws, because they were a barrier to success. They kept existing collective bargaining agreements with their unions, but negotiations are between OHSU management and the unions, without state involvement. OHSU did not lose its public characteristics. The OHSU Board is nominated by the governor and confirmed by the Senate. The law requires the governor to submit a biennial budget for us and the state to continue to partner with us. It probably would have been better if the language regarding expectations had been clearer, as people had very different memories about what was or wasn't said. OHSU’s lesson: Be very careful about the language you use, because people don’t hear the caveats. They only hear the main or interesting points.

OHSU has the same public mission as they had before, but they have more freedom to sell their own bonds and conduct business. Even though the state doesn’t back OHSU bonds, there is a perception in the bond market that if push came to shove, the state would back them. OHSU’s remaining connection with the state is very important for bonding.

OHSU didn’t get everything it wanted. They would like to have:

- Specific language to indicate that they would educate as many students as the state would fund
- Some access to state-backed bonds, similar to the University of California’s arrangement. The University of California can sell their own bonds, or the state can back them.
- Ownership of their property. Property that belonged to the state before the conversion still belongs to the state, which grants OHSU a rolling 99-year lease. That hurts OHSU in the bond market, because this property doesn’t actually belong to the institution.

Davis mentioned the Virginia model. In 2006, the University of Virginia gained some flexibility, but they aren’t quite a public corporation. There are specific performance standards in the statute which are negotiated in memoranda of understanding with each institution.

Davis commented on the politics involved in OHSU’s change to a public corporation. They set the stage and made their case over time. OUS, DAS, and other state agencies felt criticized by implication. Two people opposed the measure: Ted Kulongoski (who was then attorney general) and Dave Frohnmayer. Frohnmayer was opposed, because he felt that OHSU was “too important an asset to lose,” but a few years later, he made a bid to move OUS to the University of California model (University of Oregon at..., Oregon State at...). Having a medical school would have been an important asset. Davis thinks his long-range plan was to bring OHSU back into the state system as part of the University of Oregon.
Discussion
Did OHSU consider having the hospital break away? Yes, they discussed that option. Reports from other states suggested that model didn’t work well: the hospital and the academic institution developed an us/them relationship; the doctors weren’t as tied to the academic institution; and the hospital didn’t provide financial support to institution. Plus, Oregon is a bit different, because OHSU is the only academic medical center in the state.

OHSU lost several partnerships because of state limitations. Also, the original Oregon Health Plan legislation required doctors affiliated with the OHSU health system all around the state to go through an RFP process. That wasn’t possible. The conversion to managed care was taking place at the same time.

The business community was supportive, because under the new model they could partner with OHSU. For example, the construction industry has done very well, because OHSU can build what it needs, when it needs it.

OHSU leases its property from the state for $1. OHSU is completely responsible for upkeep. They would never have succeeded if they had asked for the property. People were afraid that OHSU would lose its public characteristics.

They lost only 3 votes in the entire Legislature.

Could the state have asked OHSU to buy the land? That wasn’t a consideration, because the state wanted to retain it. They wanted to be able to pull back if the experiment failed. Plus, the land is valuable, so it helps the state to get bonds.

Re: defining outcomes and expectations, does that include tuition rates? The OUS presidents have signed a list of consensus principles, 5 principles upon which they all agree. These principles are key to any legislation, and tuition is addressed by one of them.

Many models are being floated, including:

- OUS becomes a public corporation
- Frohnmeyer model in which the 3 largest institutions break out with separate governing boards
- Chancellor’s working draft
- PSU white paper, which talks about different models (VA, NC, CA) and the need for freedoms but no specifics.
- Consensus principles

At this point, the presidents would like to see a model that includes differential tuition with high financial aid. That model could provide greater financial help for students who really need it. For example, in engineering and fine arts, the market will bear higher tuition than in some other areas. They are also proposing different funding models for each institution, e.g. a local tax to support one institution. There would be flexibility around funding models. The presidents strongly agree that they have to be in it together, and additional state subsidies will be needed for regional institutions, because they don’t have the same ability to partner with big donors, get local revenue, etc.

How long did it take OHSU to do this? Could OUS do this in the next session? It's conceivable that they could do it in the next regular session. OHSU spent 6 or 7 years laying the foundation for the change,
but at that time it was heresy. Now it's already been done successfully, and OUS has already gained some flexibility. It's all about timing: if the right people are in place (e.g. for OHSU, a supportive co-chair, supportive governor, Republicans in power in the House who saw this as a pro-business solution), it could happen. We may have Kitzhaber as governor, there's no money (just like when OHSU did it), and the consensus principles from all 7 OUS presidents is very powerful.

Having all the individual institutions on board is more powerful than having the Chancellor as champion, because people identify with individual institutions—much as people identify with Emanuel rather than Legacy Health System.

What about the decrease in state funding for OHSU? Is there the potential for state legislators to pull back from the big universities? Davis said:

- The percentage of state funding is a bit misleading, because OHSU's outside revenue has more than doubled. The actual dollar amount of state funding hasn't changed that much; the trend line is the same as funding for higher education overall. Also, OHSU was able to convince the Legislature to provide $200 million for research when they had never invested in research before.
- The state is now retiring OHSU's bonds, $16 million/year in debt retirement from Oregon Opportunity bonds.
- Since becoming a public corporation OHSU has more than doubled in size, from around 5000 employees to > 12,000. At the time of the transition, it was ranked 69th in research nationwide and is now 19th.

Did the Legislature pull back from some schools/missions but not others? The Legislature didn't change funding for any school, but one year OHSU opted to take its entire cut on the health system side. There were some legislators who felt more strongly about one school than another, but ultimately they didn't reduce funding for any individual school.

Everyone in higher education agrees that we need fewer line items and budget notes. OHSU has relatively few line items. Area Health Education Centers (AHEC), Oregon Poison Center, and Child Development and Rehabilitation Center (CDRC) are funded specifically. OHSU sometimes gets budget notes. With a new model for OUS, the Legislature could still attach lots of strings to funds, but the goal is more flexibility.

Could the Legislature pull back money from an institution with a large donor? That's one of the reasons the presidents came together.

The Consensus Principles went to the Chancellor this week. She doesn't know how the Chancellor intends to distribute the document.

How was the nature of the governing board determined? The original desire was to avoid specifying the board composition in detail, lest they end up with a huge board or too many insiders and not enough outside expertise. Other than the president and a student, the board is made up of outsiders. There is concern that it has become more of a patronage board than anyone ever intended. There's no one on the board with health care experience, and OHSU is forbidden by legislation from including anyone from out of state, so they don't have anyone with academic medical center experience. In the last session, they tried to get a labor representative, but the Legislature said no.
What are the downsides? The worst thing was the perception that OHSU is private. That perception led people to be suspicious of OHSU’s motives and made it hard for OHSU to go back to the Legislature for funding. Davis recommends we be very clear about our public character.

Does she think the change would be a good idea? Yes she does. OHSU leadership would say the same thing. She commented that the really ugly period wasn’t the political process to get it approved but the changes after the fact. Back then, they had no control over payroll, personnel matters, etc. They had to build an HR system, business office, etc., from scratch. Some employees won’t like the changes and won’t make it. Expectations will vary. A lot of people will be excited.

Under a new model, our contract with the state will include accountability metrics that will specify what we will do, but the Legislature won’t tell us how to do it. Is that right? Yes, that’s absolutely critical. Does that relate to trust? The Legislature and university personnel change over time. Details need to be in writing to avoid relying on people’s memories. The further you get from the state, the less they feel responsible for you. Plus, if you have the flexibility to raise money from other sources, that may lead the Legislature to cut funding. It’s important to have a funding floor, e.g. agree to educate as many Oregonians as the state provides money to educate. But one legislature can’t bind the next one, so you really need a constitutional amendment to have a guaranteed funding floor.

Would this model make mergers more likely? Yes. There is a perennial OHSU/PSU task force at Mitch Greenlick’s behest. Two thirds are stakeholders from OHSU and PSU, and one third are people from the community. The task force just restarted in December. It will examine existing and potential collaborations and whether or not a merger makes sense. Previous consultants have said that a merger can’t work with PSU as a state agency and OHSU as a public corporation.

Are there close collaborative relationships between other OUS institutions? Yes. There’s already lots of collaboration.

Interesting collaborations between OHSU and PSU are being discussed, e.g. public safety.

Health benefits: OHSU can handle its own health care, which saves money. That won’t happen with other institutions, but there are lots of options for health insurance. Costs likely could be reduced.

Is OHSU part of the PEBB? No. OHSU opted to leave PEBB and is fully independent for health care. Would OUS staff be PERS-eligible? Yes. OHSU grandfathered PERS members in if they wanted to remain in PERS. Employees can now choose PERS or the OHSU retirement plan.

Legislation: Any public requirement not specifically listed in their statute didn’t apply to them. Now OHSU has to have a specific conversation to opt in or out.

Janet Billups, OHSU Legal Dept. and part of the team that crafted the OHSU public corporation legislation: OHSU Public Corporation Background (2:05-3:00 PM)

Billups has been a lawyer since 1980. She was hired by Dave Frohmayer in 1987 to be lawyer for PSU and OHSU. She had a temporary assignment in the Chancellor’s office. Then in 1992 she was hired by Peter Kohler as general counsel to work on the public corporation legislation. She’s very proud of the
public corporation legislation and thinks it has stood the test of time. The legislation was authored by Billups, Tim Goldfarb, Leslie Hallick, and Peter Kohler.

She was asked to address the following topics:

- Why did OHSU choose the public corporation model?
- Legislation and its perceived implications at the time
- Legislators’ responses at the time and over time
- Benefits and negative consequences to OHSU, separating the health system from academics
- Whether this model could be recommended to an academic/research institution

She answered the last question with an unqualified, absolute yes based on OHSU’s experience.

Why did OHSU choose any model at all? The cost of doing business went up, while state support went down. Money was the driving force but not the only reason.

Background

- The state was not able to provide necessary flexibility for a university to be competitive in research, health care and education
- State administrative processes were cumbersome and duplicative
- The cost of doing business was high compared to comparators, which meant we would be included in fewer health plans and would lose patients. The hospital is a major economic engine. The cost of doing business was higher for both the clinical and academic sides, e.g. increasing state assessments for things that didn’t seem to provide any benefit, such as landscaping. Inability to respond to rapid changes and needs in health care, research and health education limited opportunities for increased self-funding.
- Decision-making was slow and protracted; four layers of decision making required to reach many critical policy or business decisions. For example, a sponsor offered to fund a Level 3 Biosafety Laboratory as well as research using it. The construction contract would be done according to standard industry processes. They had to move quickly, but DAS required a low bid construction process, so OHSU lost the opportunity to have the facility constructed, as well as the associated sponsored research.
- State employees who were trained to handle traditional government services could not provide necessary focused services for an academic medical and research center.

Result: a university poised on the edge of superior achievement risked a rapid slide to mediocrity.

Goals for a new structure

- Better serve Oregon’s evolving health and education needs. They never considered splitting these.
- Streamline operations and reduce administrative costs
- Capitalize on funding and revenue opportunities
- Improve delivery of services through plant modernization
- Maximize federal investments
- Focus accountability to the public
Not disturb employee rights and security—important that unions and Faculty Senate not feel threatened. No changes were proposed as a subterfuge to weaken employee rights. There was no intention to get rid of tenure, and OHSU still has tenure.

Enhance OHSU’s potential as an important biomedical research university

Sample choices for models to achieve goals

- A hospital district was discussed in the late 1980s but never seriously considered. They didn’t want to split off the hospital; wanted to keep OHSU’s 3-part mission intact. If they created a hospital district, the Multnomah County commissioners would have been in charge of the hospital.
- Pick and choose administrative relief from some state agency management: They were tempted to do that, but it would have started the discussion by casting certain state agencies as enemies.
- Restructure to focused, contemporary and competitive university. This discussion included: "What are we? A university with 3 missions." How do we create that identity? Comment: this is a very different context than focusing on lack of funds. Funding was the trigger for the discussion, but the problem was addressed independent of funding. Did business language and ability to communicate with the business community drive the discussion? It was more than that. They needed to involve the business community, so they had to use their language, but they also needed to use the language of public accountability, which was essential to getting legislative support. Someone commented that words like "focused" and "modern" would upset some university people. Billups noted that, "Focused," meant focused on being a university rather than part of a state bureaucracy.

A public corporation = an entity that is created by the state to carry out public missions and services. It provides services that are also provided by private enterprise. It is granted increased operating flexibility to best ensure success while retaining principles of public accountability and fundamental public policy.

Perceived implications at the time focused on retaining

- Missions; not drift into being just another hospital
- Still be seen as a resource for Oregon, "owned" by Oregonians
- Public accountability (budget request, budget report, public records, constitutional rights)
- Academic freedom
- Employee security (tenure and unions retained)
- Adherence to a spirit of fairness that is grounded in contracting and other similar state agency laws. OHSU is not subject to low bid law, but they subscribe to the principles of open competition. Question: Are contracts subject to prevailing wages requirements? Yes.

Could these principles be changed down the road? They built into the legislation language that ensured employee rights would not change. Could legislation be written in such a way that these rights weren’t retained, e.g. to eliminate tenure? She doesn’t think that could apply to current employees, because we have employment contracts, and most tenure is a matter of contract. She hasn’t read anything to indicate that’s on the table for OUS.

Did rights of new employees change? Yes in certain schools. Example: In the School of Nursing, there were more people hired on contracts rather than tenure lines. Some still get hired on the tenure track. Health care benefits have changed but not because of the legislation. They were matters of administrative authority anyway.
Someone commented that we as faculty want to be sure that our rights and protections are written into the legislation. Billups commented that at OHSU, there was some assurance that benefits wouldn't be immediately withdrawn.

Legislators' responses at the time and over time

- Some were enthusiastic about the spirit of innovation
- Skepticism over ability of OHSU to retain public missions, accountability and employee base
- Ultimately passed unanimously in House and with one "nay" in Senate
- Over time, a consistent effort must be made to engage legislators in understanding that OHSU still belongs to Oregon and is not just another private university

There was a perception that OHSU is awash in money and doesn't need state support. That misconception continues today.

Regarding the skepticism, we still have twice the low-income care load of other health systems, still have significant in-state students, and provide state services such as Poison Center.

Benefits achieved

- Streamlined, single layer operations = reduced administrative costs
- No adverse impact to employees
- Vigorous health system: Labor and delivery is an example. At the time of conversion, it had one bathroom in the entire area. The hospital was able to get funding to build a new wing, but it took 6 years to get approval. That's money lost, as patients were routed to other hospitals.
- Academic missions retained
- Extraordinary growth in research

Research has grown at least threefold since the legislation was introduced.

Negative consequences

- OHSU has been incorrectly portrayed at times as a private university, which led to the Oregon Tort Claims Act challenge
- OHSU must vigilantly remind state leaders of its public missions

Billups stated emphatically that OHSU is a public body, not private or quasi-public.

Discussion

Someone expressed concern that the Legislature would see OUS as less a public body and would be less likely to support us.

Does OHSU have entities that are affiliated but independent corporations? Physicians used to be organized into a private nonprofit, but that was integrated into the university about a year ago. Some inventions have been spun off into private companies that are not part of OHSU.

Was it easier to be an incubator for spinoff companies as a public corporation? Everything is easier.

Do we have 501c3 foundations? OHSU has a foundation that's the fundraising arm, as do some OUS institutions.
If state funding is so low, why do we need to continually remind leaders that we are public? Because our state funding is the only way we can fund education.

Which legal requirements of being a public corporation is OHSU still bound by? OHSU is bound by all laws that apply equally to all public bodies (e.g. cities, counties, courts), such as public accountability laws (open meetings, constitutional protections on free speech, religion, ethics statutes, etc.). They are not bound by state agency laws.

What helped to persuade the Legislature that this was a good idea? Concrete examples, e.g. access to capital markets and a financial analysis comparing the cost of remaining part of the state vs. what would be saved by leaving. OHSU has sold bonds to investors several times but had a very difficult time getting approval to sell bonds while a state agency. That’s a key aspect.

Could it be structured so that a college within a university could sell bonds? It’s not likely, because to sell bonds, you need assets and a revenue stream. But it would be easier to partner with investors.

State regulations require jumping through lots of hoops, even when it isn’t taxpayer dollars that are being spent.

BREAK (3:00-3:10 PM)

Discussion with Carol Howe and Chuck Allen, OHSU faculty (3:10-4:00 PM)

Carol Howe is former president of the OHSU Faculty Senate and Chuck Allen is the current president. Both were faculty members during OHSU’s transition to a public corporation.

OHSU has very different kinds of faculty, and not all their interests are aligned. Some faculty are invested in the clinical enterprise, while others are primarily interested in research or teaching. The transition to a public corporation was driven primarily by the survival of the clinical enterprise. Teaching and research faculty didn’t know the right questions to ask. Howe thinks some things could have been done differently, e.g. the composition of the OHSU Board, which doesn’t include academics.

According to Allen, central administration, contracting, and finance got a lot more flexibility, but the transition did not make a big difference to faculty in teaching and research. Allen recommends that OUS identify the financial engine, because that will drive any transition. For OHSU, that engine was the clinical enterprise.

Money for research has increased, but it isn’t clear to what extent that is due to the public corporation model. OHSU acquired 3 research institutes around the time of the transition, along with their faculty, and the NIH budget doubled.

Other points from the discussion included:

• OHSU has to manage cash flow to keep bonding authorities happy.
• How did faculty respond to the change? For most, it didn’t make much difference.
• Becoming a public corporation doesn’t mean you won’t ever have financial problems. How much can we generalize from OHSU’s experience, or are we a special case?
• Because there isn’t enough state support to pay for central administration, departments have to pay overhead tax, so they have to generate enough money to sustain their department and cover overhead.
• The key issue is the (lack of) state funding, more than the organizational model. The problem is disinvestment in higher education, and a public corporation model won’t solve that.
• The Board consists primarily of lawyers and finance people, so they see the university from a financial perspective and don’t always understand the impact of decisions on faculty.
• OHSU’s corporate culture has been slow to change, but it is changing. There’s a conflict between HR evaluation criteria, intended to create more service-oriented corporate culture, and traditional expectations for faculty performance.
• There’s a concern that changes will be made by relatively few people but will be delivered to all of OUS.
• What was the impact of OHSU’s transition on students? Significantly higher tuition. There has been some pressure to increase enrollment, especially of out of state students. Tuition rates make an effective case with the Legislature.

Chancellor Pernsteiner (4:00-5:40 PM)

Budget
If measures 65 and 66 don’t pass, there will be a big budget hole. The state could use reserve funds, but $200 million of reserves has been promised to K-12. Reserve funds may be held back to cover revenue shortfalls. It’s possible that revenue will be down at the next revenue forecast, but he thinks that forecasts will gradually climb back up sometime next year. But someone has predicted that change will come in the current quarter. But no matter how fast we make the turn, it won’t be fast enough to forestall big cuts in 2011-13, because we’ll lose the stimulus money then, and the recovery might be big enough to trigger the kicker. Next week the governor will begin a poll on kicker reform. He wants to find out how votes on the ballot measures correlate with opinions on the kicker. He wants to propose that personal kicker funds go into the rainy day fund, but the governor can’t propose legislation for the February session. Any proposal for that session must come from a legislator.

If the ballot measures fail, we will face a 5-10% reduction in state support. The pro rata share for all state agencies is 6.083%, so the average will be that much. OUS spoke with the Board about how to address that. They propose that in year 1, we use our fund balances plus cuts already unfolding. OSU will achieve cuts through reorganization, WOU will take cuts from vacant positions, and the chancellor’s office will take cuts. Next year, EOU and OSU-Cascades will take cuts through fund balances, and everyone else will face reductions. Impact of reductions: We will not serve as many new Oregon students as we forecast we would serve. We have spent the last 5 years successfully convincing Oregonians to go to college. It will be hard to then send the message that we don’t have room for all who want to come. If we are cut 5%, we will be able to serve 900 fewer students, and if we are cut 10%, we will be able to serve 3000 fewer. All of these will be new freshmen or transfer students, as we are committed to serving existing students. EOU, SOU, and Cascades will grow, however, because they have the capacity. The biggest reduction by far will be at PSU, which will suffer over half of the lost enrollment.

The alternative is to raise tuition. Every president said they wouldn’t raise tuition in the current year. If we want to raise tuition to buy back some enrollment, we want the Legislature involved in this decision to share responsibility with the Legislature.
Even if the measures do pass, we will have to do some minor trimming.

The Oregon Opportunity Grant is funded out of general funds. Award levels have been reduced, and new awards have been shut off. Even after that, they have a $12 million hole. What happens to awards that have already been made? If the measures pass, the governor will propose that the Legislature fund that money to honor existing awards. If the measures fail, existing awards may be cut. At that point, only community colleges and public universities will be affected, because private colleges in Oregon are all on semesters and therefore have already given out the money. For next year: There were 50% more FAFSA filings (over 12,000) in the first 2 working days of 2010 compared to the first 3 working days of 2009. The pace has not abated in the 2 days since. We have the largest high school graduating class in Oregon's history this June. Admission demand will probably track those numbers. At a time of unprecedented demand, a chance to turn Oregon around, we are cutting budgets.

The Board made clear that we can't erode the quality of education any further. We really should be spending more for more services to get the outcomes we're seeking.

What do our students need to know and be able to do to be effective participants in our economy? The Board is working with employers on this issue. Employers want communication and critical thinking. A 20-year-old survey by the Oregon Business Council showed the same results.

A representative from EOU presented to the Board and employers the effects of EOU's interventions on retention. The effect was staggering, but it was the kind of expensive handholding that we typically don't do or that we cut when budgets are tight. Business folks seemed to understand that. What kind of help can they provide? Money and politics. The Oregon Business Association is involved in a proposal to tie an increase in the corporate minimum tax to additional funding for OUS.

OUS has investigated states that have imposed enrollment limits. Whether or not they work is tied to how the message is delivered. We don't want to paint the Legislature as the bad guys, because they don't want to cut us. They're doing something they don't want to do.

Someone commented that there's no sense of urgency, that budget crises happen periodically and are an ongoing problem. What message does Pernsteiner advise we relay to our faculty?

1) Under the current revenue structure, it's never going to get any better. The tax/revenue structure has to change to address the problem.
2) Yes we do this a lot, but we have to keep our goals in mind. This cut will take us off track.
3) How can we do so much with so little money? We have to keep our goals in mind. We've already done the knee-jerk response (get rid of adjuncts, raise tuition, etc.) and discovered that isn't a winning strategy.

Possible cuts in 2011-2013 are much more serious, similar to Measure 5 cuts. Solving the kicker issue now will make a big difference, but legislators don't see it as urgent.

**Governance**

Pernsteiner will send a draft of his Issues to be Considered documents to the Board. He distributed these documents to the IFS, a new draft since the one distributed at our December meeting. The first document is a recast version of the document distributed at the December IFS meeting. He has added a 6th principle. The draft schedule is new.
The Governance Committee will discuss the policy statements in that document, then they need to discuss three issues:

1) Tuition issues: What if an institution wants to raise tuition to improve quality? What if an institution wants to raise tuition to pay for new capital? What would be the consultation process for a campus as it set tuition? The Oregon Student Association is concerned about that.

2) Need-based aid

3) Performance framework

Pernsteiner asked us not to share this document until he shares it with the Board next week. It has already been distributed to the Oregon Student Association.

Pernsteiner asked us to review information about these issues in his document and give him advice/comments on them. He also asked us to consider how we would like to participate in this process.

He thinks that the change to a public corporation will happen in 2011 if it's going to happen.

He shared the 5 principles to which all OUS presidents have agreed.

If we don’t make a proposal for some kind of change, all we have going into 2011 is a budget cut strategy. It is in our interests to come up with something else.

Question: Was the statement of principles a nod of agreement with the chancellor’s draft? They were prepared independently.

The restructuring is likely to unfold along 2 simultaneous paths

1) Governance Committee

2) Governor’s Reset (?) Committee. On January 29, the presidents will make a proposal to the Reset committee. The Governance Committee will hopefully address issues in the Chancellor’s document.

Possible options for restructuring:

- Restructure the whole system as a single entity. Pernsteiner thinks this option is necessary in order to meet statewide goals.
- Each institution functions as an independent entity. Institutional presidents prefer this option, because they want freedom and flexibility.
- The Board serves as a coordinating body for everyone and continues to be the governing board for the smaller campuses. The Board would have the same flexibility as the boards of the larger campuses. This idea has no support from the presidents.
- A single board for community colleges and OUS. He thinks this option won’t happen.
- Nothing changes. Oregon is good at having lots of options but changing nothing.

Would we be the first in the nation to do this? Not exactly. Lots of states give their university systems more autonomy (CA and OH) or give more autonomy to individual campuses (VA). This model is being called a public corporation here only because that’s what OHSU is called. The state controls more of the university system in Oregon than is true in most states.
What can we say to show that the public corporation model will make OUS better? Systems that have made this change recently have specified deliverables. We can argue that we’ll be able to serve more students. But we don't have easy savings like we did in 1995, when OHSU became a public corporation and OUS won a few freedoms. Unless we reduce benefits (which no one wants to do), we won’t have big savings.

Is there opportunity at campuses other than UO? OHSU raised tuition, but that doesn’t fit with access goals. What is analogous to clinical revenue at other campuses? OHSU speakers said we have to identify the income source.

What will the new model get us? Maybe more flexibility to deal with cost drivers and tuition. It won’t get us more state money but gives us a hunting license for the future, i.e. the flexibility to go after other sources of funds. Should we wait since the new model won’t spare us a short-term crisis? No, because we have several converging influences that make this an opportune time:

- New governor who would like to accomplish something
- Legislature that will likely work together better and that doesn’t want to hurt students by cutting our budget (they want a way to cut our budget without affecting students).

We could set up the framework now, and the Board would decide when each campus makes the change. The worst thing that could happen would be for the Legislature to say they’ve solved the problems with higher education by letting UO become a public corporation, with no other changes. Pernsteiner wants everyone to have a path.

He wants to do this in June, so the gubernatorial candidates can commit to a plan for higher education during the campaign.

If IFs wants to be an active player, how would we best do that? Do we designate someone to interact with committee or have our own group with which OUS interacts?

Gilkey will arrange for Pernsteiner to meet with the new committee of UO faculty devoted to performance metrics.

The meeting was adjourned at 5:40 PM.