

# Oregon Higher Education Anew: Autonomy and Accountability to Serve the State and Its Citizens



presented to  
Oregon Higher Education Work Group  
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**NCHEMS**

National Center for Higher Education Management Systems

**WICHE**



Western Interstate Commission for Higher Education

- What We Present Here Today
  - Begins with Principles We Articulated in July
  - Incorporates
    - What We Heard from You
    - What We See in the Two Proposals that Aligns with:
      - The Principles, As Set Out, and
      - What We Heard from You.
  - Recommends a Structure and Finance Policy
  - Compares our Conclusions with Previous Proposals

- **Preeminent Principle: State Should Focus on Goals**
  - Start with Defining Goals & Establishing Benchmarks
  - Determine Gaps Between Performance and Goals
  - Develop Strategies to Close Gaps
  - Keep Tying Finance and Accountability Back to Goals

# Oregon's Goals

- A Population Educated for the Desired Quality of Life – 40/40/20
- A Population Educated for Oregon's Desired High-Demand/High-value Occupations – 40/40/20 in the Right Balance
- Innovation and Research to Support Economic Expansion and Diversification in Oregon
- Reduction of Geographic and Demographic Gaps in Achieving the Quality of Life Desired for All in Oregon

# Principles (Continued)

## Simply Stated:

- States have an obligation to
  - Set Goals – State “What” Should Be Accomplished
  - Create a Financing Framework that Ensures Adequate Educational Capacity and the Utilization of that Capacity to Achieve State Goals
  - Establish Measures of Accountability – Determine “Whether” Goals are Being Attained
  - Delegate to Institutions the Determination of “How” Goals are to be Achieved

# Additional Critical Principles

- Formulate Policy from Perspective of the State and Its Citizens (Both Individual and Corporate)
  - Institutions are Means to an End, not Ends in their Own Right
  - The Ends are:
    - College/program completion for students
    - A supply of educated workers for employers
- Devise Policies to be Applied Systematically – to All Institutions or All Institutions in a Given Sector
  - Not to be Applied only to a Single Institution
  - Policy should Recognize and Reflect Differences in Mission
- Encompass in Higher Education Policy All Educational Programs Designed to Serve Adults -- OUS, CCs, Vocational Education Centers, Adult Basic Ed, ESL

# Additional Critical Principles (Continued)

- **Benefits Should Accrue to All**
  - Geographic Areas of the State
  - Racial and Ethnic Subpopulations
- **Finance Policy Should Be Structured to Yield**
  - Adequate Funding for Institutions
  - Affordability from the Perspective of Both Students and the State
- **The Higher Education Enterprise Must Be Well Managed And “Efficient” – Producing the Outcomes Specified in the Goals at the Lowest Cost Consistent with the Ability to Maintain Quality**
  - System
  - Campuses

# Givens

- Where Change is Not Worth the Brain Damage
  - Locally Governed Community Colleges
  - The OUS System for Governing the Seven Universities
  - No Institutional Closures (Mission Adjustment, Perhaps)
  - No Change in the Tax Structure, So Few Additional Public Resources
- Where Change is Imperative and Worth the Struggle
  - Major Change in the Relationships between the State, Higher Education, and Other Partners – This Extends to both Governance and Finance

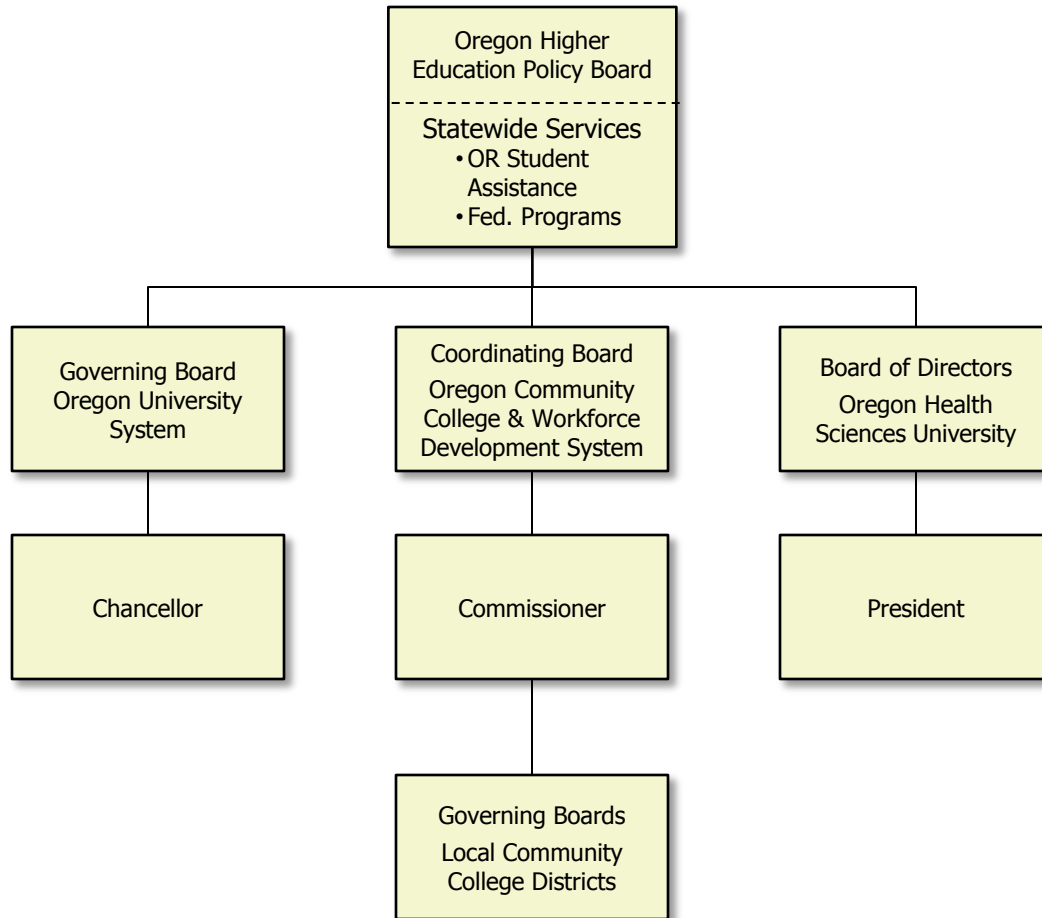
# Priorities for Attention and Absolute Action

- Create True Higher Education System, Not an Accumulation of Institutional Interests or Separate Foci on Universities Versus Community Colleges
- Establish Clear Delineation of Responsibilities Among
  - Legislature
  - Executive Branch
  - Statewide Policy (Coordinating) Board
  - OUS Governing Board
  - Community College Coordinating Entity
  - Local Community College District Boards

# Priorities for Attention and Absolute Action

- Establish the OUS as a State Enterprise
  - Accountable for Achieving State Goals
  - Not a State Agency
  - Powers Comparable to Community College Districts

# A Governance Structure Consistent with State Goals, Principles & Givens



# ROLES AND RESPONSIBILITIES OF KEY ENTITIES

# Governor/Executive Branch

- Recommend to the Legislature a Consolidated Budget for Higher Education System to Accomplish Goals Established by Oregon Higher Education Policy Board (OHEPB)
- Recommend State Appropriations for Each Major Sector (OUS, Community Colleges and Workforce Development, and Student Financial Assistance) According to Policies and Methodologies Recommended by the OHEPB
- Appoint Members of OHEPB, OUS Board and Community College and Workforce Development Coordinating Board
- Delegate to the OHEPB Authority for Rulemaking related to the Postsecondary Education System—Subject to Appropriate Accountability

# Legislature

- Adopt (e.g., by Joint Resolution) Goals for Higher Education as Framework for Establishing Policy and Enacting State Appropriations for the System and Monitoring System Performance
- Establish Level of State Appropriations for the Higher Education System
- Make Appropriations for Each Sub-system (OUS, Community Colleges and Student Finance Aid) According to Policies and Methodologies Recommended by the Oregon Higher Education Policy Board

# Oregon Higher Education Policy Board

- Legal Status: State Agency with Delegated Rulemaking Authority for Higher Education System
- Powers
  - Provide Statewide Policy Leadership for All Higher Education in Oregon as State Agency with Delegated Rulemaking Authority
  - Develop State Goals, Accountability Measures and Metrics for Postsecondary Education System (in collaboration with State Board of Education)
  - Develop System Strategic Plan for Achieving State Goals
  - Approve Institutional Missions

# Oregon Higher Education Policy Board (Continued)

- Powers (Continued)
  - Recommend to the Governor and Legislature the Higher Education Request for Annual Appropriations for:
    - Student Financial Aid – Shared Responsibility
    - OUS – Ongoing Operations
    - Community Colleges – Ongoing Operations
    - New Capacity (New Facilities and/or Programs)
    - Performance
  - Maintain Statewide Data System (p-20) in Collaboration with State Board of Education
  - Administer Student Financial Assistance Programs
  - Approve/Authorize Non-Public and Out-of-State Institutions

# Oregon University System (OUS)

- Legal Status: Public Corporation
  - Accountable for Achieving State Goals
  - Not a State Agency
  - Powers Comparable to Community College Districts
- Powers
  - Carry out All Powers Currently Assigned to the Oregon State Board of Higher Education
  - Recommend University Missions to the OHEPB
  - Develop Finance Policies and Methodology for Allocation of State Appropriations Among Campuses in Accordance with OHEPB Policies

# OUS (Continued)

- Powers (Continued)
  - Manage the System Effectively and Efficiently with Flexibility Balanced by Accountability, including (as examples) authority to:
    - Establish Tuition Policies
    - Retain and Invest Tuition and Other Non-State Revenues and Retain Earnings
    - Carry Over Unexpended State Appropriations and Other Revenues from One Fiscal Year to the Next
    - Adopt and Administer Human Resource Policies Separate from the State of Oregon (Health Insurance, Retirement Plans, etc.)—Subject to Protections for Employees Currently Enrolled in State plans.
    - Approve Non-State Funded Capitol Projects
    - Obtain Legal and Audit Services Independent of State agencies

# OUS (Continued)

- Powers (Continued)
  - Retain Revenue and Keep Interest Income on Investment of those Revenues
  - Delegate Management Responsibility to Universities--Subject to Accountability for Performance Related to State Goals and Mission

# Coordinating Board, Oregon Community College and Workforce Development System

- Transferred from State Board of Education to Oregon Community College and Workforce Development Board
- Retain Authority of Current Department of Community Colleges and Workforce Development

# Local Community College Districts

- No Change in Authority/Powers
- State Relationship to New Coordinating Board as Existed under State Board of Education



# FINANCE POLICY IN A NEW OREGON HIGHER EDUCATION SYSTEM

# Principles to Guide Finance Policy

- A System Wide Set of Finance Policies Created Through the Policy Board Should be Consistent with the Following Principles:
  - State Appropriations to Institutions, Tuition and Student Financial Aid Policies Should Operate in a Synchronized Fashion
  - Finance Policies Should Promote Achievement of State Goals
  - Policies Should Incorporate Revenues from the Following Sources:
    - State Appropriations (For Operating and Capital)
    - Local Appropriations (For Operating and Capital)
    - Tuition And Required Fees

# Finance Policy Principles (Continued)

- Institutional Funding Should Be:
  - Benchmarked Against “Efficient” Institutions Rather Than Peer Group Averages
  - Established with Improved Performance as a Significant Part of the Equation
- Institutional Finance Policy Should:
  - Promote Sound Institutional Management
  - Reward Acquisition of Resources from Entities other than State And Local Governments and Students
- The State (Not Individual Institutions) Should Assume Responsibility for Need-based Student Financial Aid and for Mandatory Tuition Waiver Programs

# General Finance Policy Recommendations

1. Tuition And Student Aid Portions of the Finance Model Should Be Based on SHARED RESPONSIBILITY:
  - Establish Tuition by Sector as a Matter of Policy
  - Peg Increases to Increases in Oregon Household Income
  - Allow Institutions to Raise Tuition above the Established Level Under the Condition that the Institution Fully Fund the Marginal Increase in the State Share of Shared Responsibility
2. Policy Board Should Recommend to the Governor and Legislature the Higher Education Request for Annual Appropriations for:
  - Student Financial Aid – Shared Responsibility
  - OUS – Ongoing Operations
  - Community Colleges – Ongoing Operations
  - New Capacity (New Facilities and/or Programs)
  - Performance

## Finance Policy Recommendations (Continued)

3. Allocations to OUS and Community Colleges Should Be Based on Benchmarks for Similar Types of Institutions in Other States. As a Minimum “Types of Institutions” Should Include:
  - Research Universities
  - Primarily Teaching 4-year Institutions
  - Community Colleges
4. Benchmarks Should Be Based on a Combination of:
  - Available Funds Per Student
  - Broad Performance Metrics

# Finance Policy Recommendations (Continued)

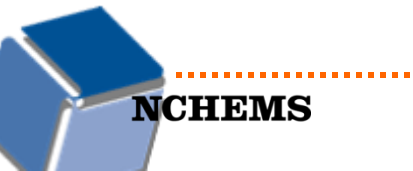
## 5. Performance Funding Metrics Should Be:

- Tailored to Each Type of Institution
- Constructed in such a way that Institutional Missions are Differentiated, Not Blurred

# Financial Management in A New Oregon Higher Education System

- Fully Enfranchise the OUS And Community College District Governing Boards with Responsibility and Authority to Manage their Respective Institutions, within the Policy Framework Established by the Policy Board and within State Statute:
  - Allow Institutions to Carry Funds Over into Subsequent Fiscal Year
  - Allow Institutions to Retain Revenue and Keep Interest Income on Investment of those Revenues)
  - Encourage Solicitation of External Funding from Other Sources

# COMPARISON WITH OUS AND RESET PROPOSALS



## Both This Proposal and Previous Proposals:

- Increase Differentiation Between Responsibilities of State Government and Responsibilities of the Oregon University System (OUS)
  - Focus of State:
    - Setting State - Level Goals
    - Funding Overall System Adequately to Accomplish Goals
    - Establishing State Level Accountability Measures
    - Holding Governing Boards Accountable for Achieving Goals (Through Combination Of Metrics Measurement and Reporting, Performance Funding, and Regulatory Oversight on Achieving Goals)
    - Divest State of All Management Related Responsibilities, including Tuition Policy, Human Resource Policy, and Purchase of Services

# Similarities (Continued)

- Focus of Governing Boards:
  - Managing their institutions to achieve State Level Goals, with full authority and autonomy to do so, including full tuition setting authority

# Dissimilarities

## This Proposal—in Contrast to Previous Proposals:

- Encompasses the Whole Higher Education System. Current Reform Proposals deal only with OUS: with 1/2 of Students and 1/3 of Institutions
- Recommends Greater Differentiation of Responsibilities Between State Government (Legislature and Governor), the State Higher Education System, and the Higher Education Governing Boards
  - Focus of State: Creation of a Higher Education Policy Board over the Entire System of Oregon Higher Education (Public Universities, Community Colleges, and Private Colleges and Universities) to Advise the Governor and Legislature on All Higher Education Policy and to Develop and Manage the Higher Education Accountability System

# Dissimilarities (Continued)

- Focus of Governing Boards
  - Advising Newly Established Policy Board on State Goals, Accountability Metrics, Funding Needs, etc.
  - Establishing Institution - Specific Goals Beyond State Level Goals, and Securing Non-state Funding to Achieve Such Goals