

Portland State University

**PDXScholar**

---

Public Administration Dissertations and Final  
Research Papers

Public Administration

---

2014

# Higher Education Reform in Oregon, 2011-2014: A Policy and Legislative History

Sean Pollack

*Portland State University, [spollack@pdx.edu](mailto:spollack@pdx.edu)*

Follow this and additional works at: [https://pdxscholar.library.pdx.edu/pubadmin\\_theses](https://pdxscholar.library.pdx.edu/pubadmin_theses)



Part of the [Education Policy Commons](#), and the [Public Administration Commons](#)

**Let us know how access to this document benefits you.**

---

## Recommended Citation

Pollack, Sean, "Higher Education Reform in Oregon, 2011-2014: A Policy and Legislative History" (2014).  
*Public Administration Dissertations and Final Research Papers*. 1.  
[https://pdxscholar.library.pdx.edu/pubadmin\\_theses/1](https://pdxscholar.library.pdx.edu/pubadmin_theses/1)

This Paper is brought to you for free and open access. It has been accepted for inclusion in Public Administration Dissertations and Final Research Papers by an authorized administrator of PDXScholar. Please contact us if we can make this document more accessible: [pdxscholar@pdx.edu](mailto:pdxscholar@pdx.edu).

# **Higher Education Reform in Oregon, 2011-2014: A Policy and Legislative History**

Sean Pollack

## **Introduction**

When the Oregon Higher Education Coordinating Commission (HECC) was first convened in the summer of 2012 its first topic of conversation among its members was, “why we here, and what are we supposed to be doing?” The Commission was a body created by legislation but convened with no formal authority, no clearly defined role, no staff, and no budget. The state education agencies such as the Oregon University System (OUS) and the Department of Community Colleges and Workforce Development (CCWD) were barely paying attention. The Commission members were all distinguished education professionals and student activists with a range of experience and expertise, but not household names.

It is now summer 2014. No longer does the HECC question its role. Only one original member of the Commission is still serving (Vice Chair Betty Duvall), and the HECC is now acknowledged as the sole state level authority governing (or “coordinating”) all of state higher education, meaning all seven state universities and all seventeen community colleges. Many of the governance functions of the OUS chancellor’s office have been distributed to independent boards (chosen and ratified by the Governor and legislature), and the CCWD has been subsumed within the HECC, no longer an independent state agency with its own policy authority. In the intervening two years, a series of bills passed by the Oregon legislature had conferred nearly all the policy-making authority for state funded higher education on this formerly toothless Commission. HECC now has a staff of over 20 (more than forty if the staff from the other agencies that have been absorbed by HECC are counted) and an annual budget of \$3.8 million. HECC’s chair, Tim Nesbitt, and executive director, Ben Cannon, are two of Governor John Kitzhaber’s closest advisors on education, which as much as anything signals this Commission’s

importance. In 2012 almost no one expected the HECC to last, much less become the state's hub for higher education policy.

While internal governance still happens locally for the community colleges, and now for universities with their new institutional boards, HECC sets the post-secondary policy agenda through a variety of means, most prominently its budgetary authority. It requests the higher education budget and determines the distribution formula, which is currently shifting to an outcomes based formula rather than the traditional FTE/seat time formula.

Collectively these are the most significant set of changes in Oregon higher education in perhaps eighty years, and they have been made in tandem with a substantial redesign of the K-12 system to create a “seamless” preschool to grad school (or P-20) education pipeline. The budgetary and other changes they will bring will have a significant effect on the entire higher education sector in Oregon over the next decade, assuming they are embedded firmly enough to weather future political change. The purpose of the research and discussion that follows is to take a broad look at the policy and legislation currently being enacted to discover its origins, theoretical backgrounds, and speculate on the future of Oregon higher education under this new framework.

The actors, changes, and their effects are already numerous, but several main state level initiatives will come into focus: the 40/40/20 by 2025 goal,<sup>1</sup> the creation of the new governance structure, and the shift to outcomes based funding, all of which are underwritten by a transition to a completion, degree attainment, and employment agenda.

---

<sup>1</sup> Discussed more fully below, “40/40/20” is a set of policy initiatives meant to raise Oregon's educational attainment levels with 40% of high school graduates obtaining a college degree, 40% an associate's degree or certificate, and the remaining 20% ending formal education with high school, but achieving a 100% high school graduation rate.

## The Impetus for this Study

Higher education is under scrutiny today more than at any time since perhaps the 1960s. Since the coming of the recession in 2008, students have flocked to post-secondary education to start or finish a degree or certificate, learn new skills, or wait out the bad job market. At the same time, recent graduates were finding few if any job opportunities and student debt had risen to its highest levels ever. The combination of factors reactivated long-standing debates about the merits and purpose of higher education. Calls for reform ensued, and policy makers at the state and federal levels began to take notice. One indicator of the heightened scrutiny is the increase in legislative intervention. During the 109<sup>th</sup> Congress (2005-06) there were fifty-seven laws passed related to higher education in both the House and Senate. By the 110<sup>th</sup> Congress, in the thick of the recession in 2007-09, ninety-seven higher education bills were passed; in 2009-10, there were eighty-one.<sup>2</sup>

Locally, there has been growing dissatisfaction with the state's level of educational attainment since the 1990s. Oregon is plagued by high dropout rates compared to other states, and the state's economy lags behind the nation in terms of household income. Because of its formerly robust natural resources economy, Oregon had never developed what education researchers term "a college going culture," where young people emerging from high school were well prepared for post-secondary education and entry into one of the professions. Since the 1990s education has now come to be seen as the antidote to Oregon's lagging statewide economy with fewer middle class jobs.

The state's response to the problems of low education attainment and economic development is the subject of this study. Oregon's still-unfinished reformulation of its education

---

<sup>2</sup> <https://www.govtrack.us/congress/bills/subjects/education/5991> accessed July 24, 2014.

funding model have begun a series of changes in the education community and policy arena, the results of which are still to be realized but are being widely anticipated (with varying degrees of concern) by Oregon's higher education sector.

While the ultimate outcomes are as yet uncertain, the policy changes being implemented now not only affect what the state and its education institutions can do, but also their institutional priorities and even the range of possibilities for discussing the need to respond to changes local and global. As the state adopts a set of policy goals, the public discourse<sup>3</sup> surrounding education is changing to respond to those new initiatives. We are witnessing a disruption of decades old patterns of interactions between public colleges and universities and the state. How will these changes affect the essential work of teaching, research, job training, and degree attainment?

#### The impact on Oregon's community colleges

As the outcomes based funding comes online, different institutions will implement it differently. A relatively wealthy research university like Oregon State University (which has successfully concluded a \$1 billion capital campaign) will feel the impact of differences in state funding much less than a smaller regional university such as Southern or Eastern Oregon. Certainly with regard to a new funding model, the community colleges have even more at stake than the state's universities in any change in the support fund or allocation model. The community colleges are more dependent on state funding than are the state universities. Where only 10 years ago, they received in excess of 50% of their revenue directly from the state, today the figure is closer to 35%. State support per student FTE at the community colleges has been in

---

<sup>3</sup> Used throughout this study, *discourse* refers to a way of thinking that is encoded in language and sets the boundaries for discussion of a controversial area; in this case higher education, its purpose, and the state's role in funding, encouraging, or otherwise shaping that system. When powerful individuals or groups repeatedly employ keywords, phrases, or signs that attempt to influence or determine the direction of a public discussion with potentially far reaching consequences, it is an inherently political act that seeks to maintain one set of rules or alternatives for discussion, while foreclosing others (Foucault, 1973).

freefall since 2009-11, when it fell from a high of \$2,500 per student to \$1,657 in a single biennium.<sup>4</sup>

This disinvestment has come at precisely the time when demand had increased, resulting in sharp increases in tuition. As the institutions generally responsible for the “middle 40” -- degrees and certificates generally below the bachelor’s degree-- community colleges have the broadest constituencies to serve, often in urban and rural areas that face chronic and long term economic challenges.

With the new emphasis on outcomes and graduation, what the state now commonly calls “production” of degrees and certificates, comes a change in the traditional mission of the community college. Their focus has always been access and affordability rather than degree completion. A community college was the place to explore college at relatively low tuition and experiment, or just learn new skills without necessarily taking a degree to attain a desired professional goal. Furthermore, the community colleges have always had a strong emphasis on adult basic skills and developmental education, a pressing need that is not on the state’s list of stated priorities. While their completion rates and “on time” graduation rates have not been impressive, this is largely due to the fact that the community colleges serve part time students, many of whom have one or more jobs, families to support, and who must often drop classes and return when their schedules, finances, or life situations allow. Certainly, there are also many university students who fit this profile, but getting the part time community college student, with all the challenges they tend to face, to graduation according to a traditional full time student time line can feel like an insurmountable task. The so-called non-traditional students are the majority of community college attendees.

---

<sup>4</sup> The community college support fund (CCSF) dropped to a low of \$1,657 per FTE in 2011-13 but has been climbing since then; it is projected to be \$2,241 per FTE in the 2015-17 biennium.

## The discursive shift: Economic growth as the imperative of public education

Oregon's new emphasis on degree completion and STEM<sup>5</sup> education is partly rooted in a noteworthy transformation of the governing assumptions surrounding state funded higher education. When education researchers speak of the changes being made at institutional, state, and federal levels, they note a discursive shift that has accompanied the reductions in state funding and the move to privatize the financial burden of higher education. A prevailing theory holds that economic development and job training are the primary goals of state higher education. It is almost unheard of today to question the idea of a higher education "market" as part of the larger market driven economy. Moreover, unregulated markets are spoken of as virtually unquestionable rather than systems to be managed (Newfield, 2011). It is assumed that people go to college to get jobs afterward. Public higher education, the argument goes, has become a business subsidized by the state in the service of economic growth. "Our narratives once spoke of social justice and the advancement of civilization . . . Now we are only engines of the economy. While this may be true, that narrative does not fire the imagination . . ." (Birnbaum and Eckel, 2005, p. 352).

To this assertion Oregon's policy makers might respond that economic development is necessary for social justice to take hold and for civilization to advance. The ideal of a prosperous state with an equitable, accessible, and effective system of education ought to fire the imagination. Can we successfully create a system that fuels prosperity and fosters social and intellectual growth, even when that growth is difficult to quantify or measure in the state's achievement compacts? And can the reforms underway bring Oregon closer to that ideal?

---

<sup>5</sup> A common acronym for Science, Technology, Engineering, and Math. The state's 2015-17 biennium budget will include new funding for a targeted number of these degrees and certificates for the community colleges.

While Oregon’s government-education sector is restructuring its political and fiscal basis, it may also be engaging a far-reaching conversation about the intellectual and social foundations and goals of post-secondary education. That continuing conversation, along with the legal and policy interventions, informs this research throughout.

This report is divided into several sections. It begins with a short narrative history of the changes enacted by the state since 2011 and the reactions to those changes by the public institutions. A further investigation into the “prehistory” of the current reform agenda follows, detailing earlier attempts to begin the changes currently underway and the political and intellectual roots of Oregon’s current state level education agenda. Specific aspects of the state’s restructuring of the education bureaucracy are examined in the following section in an attempt to discover their possible long-term implications, coupled with a brief discussion of the outcomes of similar restructurings have accomplished in other states. A consideration of the effects and implications for the state’s community colleges follows, and the conclusion is an attempt to imagine changes and results that may follow by the year 2025, Oregon’s aspirational year for achieving 40/40/20.



## **The Oregon Change Agenda, 2011-14**

To most observers, the events and actions that brought Oregon to its current transition point have occurred quickly; so quickly, in fact, that many education professionals are only dimly aware of the changes underway. This summary of events, elements, and actors will set the stage for a substantive discussion of the policy issues in subsequent sections.

### The creation of the Oregon Education Investment Board

John Kitzhaber made education reform a platform issue in the 2010 campaign. A very closely contested vote saw Kitzhaber re-elected to an unprecedented third term<sup>6</sup> as Governor and also left the Oregon legislature evenly divided among democrats and republicans. Early in 2011 he and his chief education policy advisor, former Oregon House representative Ben Cannon, went to work selling the public on the idea of education reform in a series of public meetings meant to elicit feedback, but also to prepare the political and policy sector for the empanelling of a new state level education body, the Oregon Education Investment Board (OEIB). Members of the proposed body, along with the Governor and Cannon, met members of the public in a variety of settings. Some audiences at these early 2011 public meetings were receptive, such as the meeting at Portland Community College's Rock Creek Campus. Others, such as those gathered at Self Enhancement Incorporated – a minority serving non-profit in north Portland – were openly skeptical if not derisive of what seemed yet another level of bureaucracy with no power to change anything.

The bill that created the OEIB, SB 909 (2011), eliminated the position of superintendent public instruction and gave the Investment Board the authority to set performance targets and goals for attainment by public schools, and in turn use those targets as the basis for a

---

<sup>6</sup> Kitzhaber served two terms as Governor of Oregon 1995-2003. Ted Kulongoski served two terms following Kitzhaber in 2004-11. Kitzhaber is currently running for a fourth term as of this writing in 2014.

recommended budgeting investment strategy. Chaired by the Governor, the Board sets its goals and targets with the avowed purpose of creating a seamless “unified system for investing in and delivering public education from birth to college & career.”<sup>7</sup> The OEIB’s current focus includes the removal of barriers and easing of transitions between education levels; equity, the work of ensuring that all students have equal access to good education opportunities, and the making of “investment” recommendations. The Board itself has no budget allocation authority, but because it is meant to oversee and report directly to the Governor, the perception generated is that the Board has a high level of influence over state policy. The Board also hires the state’s Chief Education Officer.

#### The creation of the office of Chief Education Officer

Governor Kitzhaber began talking about a Chief Education Officer for the entire state during the 2011 legislative session. Senate Bill 909, which created the office along with the HECC and OEIB, granted the Chief Education Officer an expansive if somewhat vague set of authorities to “lead the transformation of Oregon’s public education system from early childhood through high school and college” so that all Oregonians may participate “in the economic and civic life of their state” (OEIB, 2011 “Chief Education Officer”). This position was given ultimate “direction and control authority” over then extant officers of higher education, including the Commissioner for Community Colleges and Chancellor of the Oregon University System, as well as the state directors of early childhood and elementary education.

Acting as a liaison between the Governor, Legislature, and the broader education community, the Chief Education Officer’s job is also to serve as the public face of the Governor’s restructure and reform agenda. It is unknown how many serious candidates were

---

<sup>7</sup> “Chief Education Officer” <http://education.oregon.gov/Pages/default.aspx>

interviewed, but the OEIB and the Governor eventually chose Rudy Crew as its first Chief Education Officer in May 2012. Crew attained national stature as the head of New York City's public school system, receiving credit for raising achievement and quality of instruction. After public differences with then-mayor Rudolph Giuliani, he departed for a series of city, county and statewide education officer positions, most of them lasting only a few years (Hammond, 2012, "Former NYC schools chief").

Crew took the helm in the summer of 2012. While he was in Oregon, Crew was a lightning rod for media attention. Occasionally clashing publicly with school boards and other education officials, Crew nevertheless accepted the charge of re-imagining a unified, more efficient, more equitable education system. Under his leadership, the state implemented the achievement compact, a system of goal setting and reporting between the state and every school, district, college, university, and community college in the state. He advocated for more funding for early childhood and better teacher training. He made \$150 million in requests to the legislature for new programs and improvements to the system, but lawmakers did not allot nearly that much.

Although he signed a three-year contract, after little over a year as Chief Education Officer Crew left Oregon for the presidency of Medgar Evers College. Publicly he claimed passion for the Oregon work and no interest in leaving while rumors of the Medgar Evers presidency swirled, but he would later tell the New York media "Oregon was not a good fit" (Haberman, 2013, "Back in New York"). Soon after Crew's departure, reports emerged of Crew's lack of engagement with Oregon's education system and focus on highly paid outside speaking engagements. His out of state travel to these engagements was often billed to the state, and the state responded by scrutinizing such expenses closely (Hammond, 2013, "Education Czar"). His abrupt departure apparently left both the public and his former supporters at the state feeling as

though they had been taken. As soon as the story of his taking the Medgar Evers presidency broke, so did the story of his prolific travel and lucrative speaking engagements.

Despite the apparent failure of Crew as the first Chief Education Officer, it could be argued that his hiring was part of a well-planned media and public engagement strategy. Doubtless, the Governor would have preferred that Crew serve his full contract term, and it is certain that he was not as effective as any would have liked, but his presence and media savvy were an asset to the Governor and the education policy agenda he had undertaken. Crew made news nearly every time he appeared in public, and that media coverage provided a great deal of free publicity for the achievement compacts, the 40/40/20 initiative, and the other elements that might have gotten little sustained public attention without someone of Crew's star power.

After Crew's departure, Kitzhaber's education advisor Nancy Golden was appointed to the Chief Education Officer position. By all accounts, she has focused singly on attaining the goals set out by the Governor's change agenda. In particular, she is frequently seen at elementary schools throughout the state talking about the importance of early reading initiatives and increasing school attendance.

### The University Boards

For a number of years, University of Oregon, and later Portland State University, had sought to break loose from the governance of the Oregon University System Chancellor and the State Board of Higher Education as Oregon Health Sciences University had done in 1995. In the 2012 legislative session, HB 4086 passed and gave both U of O and PSU the authority to form local governing boards and break away from the OUS, which had been the governing authority (setting policy, hiring and firing presidents, and determining tuition rates) for the seven state universities.

The two universities framed this desire for local governance as a question of institutional autonomy: the ability to raise funds, to be free to pursue capital campaigns independent of OUS and the state, and to seek new forms of financing, such as taking on bonds or other public debt. PSU argued that it needed “access to the ballot” for bond initiatives independent of OUS and the Legislature (PSU, “The Case”). University of Oregon wanted the authority to hire or dismiss its president, as the 2011 firing of Richard Larivierre by the OUS Chancellor was a sore point with the University and its supporters.

OSU and the technical regional universities (Oregon Institute of Technology, Western, Eastern, and Southern) all initially opposed this move by PSU and U of O, the two largest of the seven universities. It was observed that the OUS and the State Board of Higher Education were put in place in 1930 to prevent the competitive free for all for state funds that characterized pre-OUS higher education. Moreover, the State Board of Higher Education had served as a mediating force allowed the regional universities to flourish without undue interference from the larger, more powerful schools. Others argued for maintaining the unified approach to state funding and tuition (Sarasohn, 2012; Powers and Miller-Jones, 2010). Without the unified system, coordinated economic growth would be undermined; the urban areas would continue to win more, and the rural continue to lose.

OUS for its part largely kept silent on the issue of university boards in 2011-12, preferring to advocate instead for a halt to the systematic disinvestment of the last decade. (OUS did find itself in the odd position of educating the house subcommittee charged with system redesign about the range of possible state system arrangements as found in other states). Privately, however, OUS staff by 2012 could see the beginnings of the end of the System and the SBHE as a governing entity if the university boards were allowed to go forward. And this is the situation as it stands as

of this writing. PSU, OSU, and U of O boards have been empanelled, and the other four institutions are currently creating their own governing boards. OUS and the SBHE have governing authority over the four regional technical universities (RTUs) until July 1, 2015, when five new institutional boards will come online, and the SBHE will sunset.

Among the unknowns is whether the institutional boards will result in more local autonomy for these institutions, as the bill that finally passed seemingly gave more power to the Governor and legislature, rather than the local university OUS and Chancellor George Pernsteiner sought to loosen state regulatory control in previous years, and had succeeded to some degree. But ironically, as individual institutions sought autonomy, what they got was an independent board subject to gubernatorial and legislative appointment. None of these boards have locally elected members, but instead are chosen the by the Governor and ratified by the legislature. As these boards have only become officially active as of July 1, 2014, there is little to say at this time about what they have done.<sup>8</sup> It is noteworthy, however, that out of twelve total members on PSU's board (for example), only three actually attend or work at the institution they represent. And few members have any public sector experience; rather, they represent the business interests of the state, with multiple members from high technology manufacturing and financial services (PSU, 2014, "Meet the Board of Trustees").<sup>9</sup> Furthermore, much remains to be understood and tested as the local governing boards actually begin to exercise their authority. Academic affairs will likely prove contentious, as there are faculty governance groups such as senates and committees that have traditionally exercised considerable authority over matters of teaching,

---

<sup>8</sup> University of Oregon's first high profile public action in August 2014 was to secure the resignation of the president, Michael Gottfredson, who had served only two years. The stated reasons were that the Board wanted to find a leader with "excellent academic credentials," to make U of O a top tier research university. Perhaps the Board sought to exercise its new power to appoint or dismiss a president to banish the memory of the firing of its popular former president Richard Larivierre. See [http://www.oregonlive.com/education/index.ssf/2014/08/university\\_of\\_oregons\\_new\\_boar.html](http://www.oregonlive.com/education/index.ssf/2014/08/university_of_oregons_new_boar.html) Accessed August 9, 2014

<sup>9</sup> <http://www.pdx.edu/board/meet-the-psu-board-of-trustees>. Accessed July 24, 2014.

learning, faculty hiring and promotion, and the creation of new programs or the merging or discontinuation of existing departments or degrees. The largest unions representing faculty or staff do not have official representation on the boards. Shared governance for faculty and students is codified within the Oregon Administrative Rules (OARs) that were binding on the SBHE.<sup>10</sup> It is not yet clear to what extent those OARs will apply to the local boards. It has been recently suggested that the 2013-14 labor impasse between the faculty union (AAUP) and the PSU administration was rooted in an attempt to vest more power over faculty tenure and promotion with the board, and remove it from the purview of the faculty (Swetzoff, 2014) – an impasse ultimately settled in the faculty’s favor. Student government leaders at PSU have expressed concern that the board will not have the interests of students or faculty as its focus, but rather increasing the access of the business community into the workings of the university, affecting policy for its own economic and political interests.<sup>11</sup>

### The Oregon University System’s future

There have been perhaps no more visible or far-reaching higher education governance changes than those affecting the legal status of the Oregon University System. If nothing else, OUS and the State Board of Higher Education have been in place longer than any other higher education state level bodies in the state, and an Oregon higher education sector without the OUS

---

<sup>10</sup> In particular, there are a number of OARs specifying faculty participation in Consultative Procedures. “580-021-0010 The president shall establish written procedures through which faculty, department heads and deans shall have the opportunity for effective participation in deliberations leading to recommendations for appointment, reappointment, tenure or promotion of faculty. The procedures established shall also provide for consideration of information from other appropriate sources, including, but not limited to, student evaluations of faculty. Stat. Auth.: ORS 351.070.” Other OARs cover conditions and terms of employment for staff, faculty tenure and promotion, and post-tenure review. See [http://arcweb.sos.state.or.us/pages/rules/oars\\_500/oar\\_580/580\\_021.html](http://arcweb.sos.state.or.us/pages/rules/oars_500/oar_580/580_021.html) accessed July 26, 2014.

<sup>11</sup> The university boards are notably different from the community college boards. Community college boards are elected by the voters of their district, and members usually have significant direct ties to the institution. A more detailed examination of the relationship between the new governing bodies and existing community college boards will be taken up in a subsequent section.

playing governance, coordination, policy, and advocacy roles is new territory with many unknown features.

OUS was initially formed in 1929 by legislation that sought to coordinate the growth and administration of the state's higher education needs, and "eliminate unnecessary duplication of programs, facilities, activities, and publications" (OUS, "80 Year Chronology"). The state Board of Higher Education was also formed at this time, under the theory that the higher education in Oregon was a single enterprise with multiple sites and units dispersed throughout the state. In 1931, the state's first Chancellor was hired, thus completing the essential leadership structure (OUS, "History").<sup>12</sup> There were numerous changes to the System and individual institutions over the ensuing decades, but the Board and the Chancellor have been the mainstays of governance for eight decades.

Changes began for OUS in 2011, when it successfully obtained a change in legal status from state agency to "public university system." Although OUS sought the shift away from state agency status, that change came amid numerous others that fundamentally changed the relationship between OUS, the Governor, and the member colleges in the System. Most notably, SB 909 creating the OEIB, HECC, and the office of the Chief Education Officer effectively brought supervision of nearly all of public education within the purview of the state (Fraser, 2011). Then-Chancellor George Pernsteiner got a new boss in the person of Rudy Crew. The ascension of Crew created notable tensions within the Chancellor's Office, as did the successful push by PSU and U of O to break from the System.

OUS found itself unable to negotiate successfully in this new governance environment. The Governor's support was clearly behind the Chief Education Officer and the newly created OEIB.

---

<sup>12</sup> See <http://ous.edu/about/chanoff/ous-history>



This made getting legislative support for the retention of the Chancellor's office essential functions and its governing powers difficult. The momentum was behind change.

OUS made some game attempts to rebrand and reframe its role in the state. Former OUS Chief of Staff Bridget Burns often observed that the Oregon University System has no natural constituency; public perception or lack of awareness of the System at that time would seem to bear this out. The only time the general public is aware of the System is when a president gets fired or tuition gets raised. OUS wanted to be known as something other than a former state agency; to that end it started a number of initiatives meant to highlight the broad based social and economic benefits of higher education to counter the ascendant notion that education is a private good whose benefits accrue only to individuals. Many of these projects accomplished their goals, but could not alter the forces of change that were already in motion.

In January of 2013 Chancellor George Pernsteiner stepped down from the post he had held for nearly a decade. At that time Governor Kitzhaber began to push for a new State Department of Post-Secondary Education, and it was clear that the chancellor's office would be largely redundant with such a state agency, the chief education officer, and the universities forming their own local boards. SBHE President Matt Donegan and others offered praise for Pernsteiner's tenure, but all spoke of the need for "new leadership" in the twenty first century (Schmidt, 2013).

As it turned out, there would be no new State Department of Post-Secondary Education formed, as the measure failed to get out of the Subcommittee on Education in the 2013 legislative session. Most of the powers that the Governor contemplated for this proposed department were eventually vested in the Higher Education Coordinating Commission, which now is in charge of the CCWD, the Oregon Student Access Commission, the Office of Degree

Authorization, and has the primary budgetary request and distribution formula authority for the state's higher education support funding.

### The PERS Grand Bargain

The so-called Grand Bargain (SB 820 and 861) of the special 2013 legislative session had, ostensibly, nothing directly to do with education. A package of bills on taxes, cuts to Public Employee Retirement System (PERS) cost of living adjustments, and other issues was finally voted on in September of 2013. The PERS reforms were projected to save \$4.6 billion in the coming decades. The PERS legislation's constitutionality will be decided in the Oregon Supreme Court by early 2015. Although there was no direct connection to education funding or reform, both the universities and the community colleges almost immediately received supplemental appropriations from the state, dollars earmarked to "buy down" tuition. The community colleges, for example, received an "extra" fifteen million over and above the state's 2013-14 community college support fund. Those funds were one-time only, however, and there can be no certainty of similar tuition control measures at this time.

The PERS cuts and immediate increase in higher education funding (and the immediate financial relief institutions felt in their PERS contributions) created a proximate link in the public discourse between fiscal discipline in the public sector and increased investment in post-secondary education. The tuition buy-down brought a temporary halt to annual double digit percentage increases that had become the norm since 2009. Portland State, for example, saw a 66% increase in tuition and fees from the start of the recession in the 2008-09 academic year to the 2012-13 academic year.<sup>13</sup>

---

<sup>13</sup> Tuition and fees, undergraduate resident student at PSU in 2008-09 for 15 credit hours: \$1635. In 2012-13 that same student would pay \$2551 in tuition and fees. All seven of the state universities had similar increases. The community colleges as well were forced to increase tuition and fees dramatically throughout the duration of the

## An expanded gubernatorial and legislative role in higher education

Governor Kitzhaber's 2013-15 education budget outlook contained a proposal for a Department of Post-Secondary Education (DPSE) to "centralize coordination of the state's role in establishing policy for and contributing to the funding of, the 17 community colleges, seven public four-year universities, and the Oregon Health and Science University" (Office of the Governor, n.d., "Education").<sup>14</sup> The proposed department would have overseen the HECC, CCWD, OSAC, and would have distributed funds to the campuses (this function is currently taken by the Department of Administrative Services). As noted above, the bill to fund this Department never left committee for a vote. Regardless of the lack of a DPSE, however, a consensus had emerged that Governor Kitzhaber had successfully consolidated power over the state's higher education agenda and funding system by concentrating the budgetary request and distribution formula authority and policy agenda setting in the HECC. HECC's Executive Director, Ben Cannon, was a long time education policy advisor to the Governor, and the HECC's most influential members are longtime supporters of and advisors to the Governor.

Moreover, the Chancellor's office was in a wind-down mode after the departure of George Pernsteiner, and the Governor had attained appointment authority over the new local university Boards. The only thing that has not changed, as far as governance is concerned (as of 2014) are the locally elected governing boards that oversee community colleges. Every other group or executive function over higher education is now selected by the Governor.

The historical precedent for the Governor's expanded role in setting the education agenda can be found in the Governor's implementation of the Oregon Health Plan in the 1990s. The overarching goals for both initiatives are the same: establish metrics, align the system with

---

recession. Source: *OUS Factbook*, 2008-09 and 2012-13. <http://www.ous.edu/facts-reports/tuition-fees> (accessed August 10, 2014).

<sup>14</sup> Accessed online at [http://media.oregonlive.com/education\\_impact/other/KitzEducation13-15.pdf](http://media.oregonlive.com/education_impact/other/KitzEducation13-15.pdf), July 27, 2014.

those goals, and pay for the desired outcomes rather than to maintain institutions or processing people through a system with no focus on outcomes.<sup>15</sup> As HECC Executive Director Ben Cannon explains,

The place to go is healthcare, a global budget for maximizing health outcomes. That's the philosophical/conceptual frame. In health it's investing in nutrition rather than hospitals. Evaluating investments for their impact on outcomes; that's really key. And you can't do that if the organizing principle is institutions, you build out hospitals, clinics . . . you just continue looking at how you build institutions. The genius is that we're not about building healthcare systems; we're about building health in communities. We have organizations that are responsible for building health; that's how they get paid. They're responsible for building health, not delivering treatment. And he [Governor Kitzhaber] would say that's how our education system should be organized. Ultimately, that's going to mean a very different looking system.<sup>16</sup>

But with a new emphasis on outcomes comes a new set of challenges. Significantly, creating consensus on what outcomes the state ought to pay for and incentivize in such a system. "It's a huge can of worms. It's been very helpful to have the 40/40/20 goal organizing all the outcomes that we're going for, but that's not enough. There's not enough detail to drive a lot of investment. But it is an education attainment and completion agenda." And those discussions continue, with institutions trying to plan for an uncertain future where their core functions will be tied to a new and untested resource allocation model.

---

<sup>15</sup> See <http://www.oregon.gov/oha/Metrics/Documents/2013%20Performance%20Report.pdf>

<sup>16</sup> Interview with Ben Cannon, April 3, 2014. All quotations and references to Mr. Cannon in this report are from that interview.

## Sources and Analogues of the Current Reform

### The national accountability movement

Although Oregon's reform initiative has some features that are if not unique, at least unusual, the current policy agenda shares some similarities as policy with what is often called a national accountability movement. We have now become accustomed to the use of the term *accountability* in conjunction with education, particularly K-12. Accountability took longer to become embedded in higher education policy discussions but it is no exaggeration to say that the discussion has shifted toward one of measurement, outcomes, and assessments attached to public funding.

Growing calls for accountability in K-12, centered on teacher performance, culminated in the federal legislation known as No Child Left Behind in 2002. The recent discourse of accountability in higher education has focused on the value proposition<sup>17</sup> due to rising tuition and student debt. The movement in higher education is often termed SAA for *Standards, Assessment, and Accountability* (Zumeta and Kinne, 2011). There is a desire for more standards, assessment, accountability nationally in higher education, centered on such questions as what are students learning, and how do we know they are learning? Does the current state higher education curriculum match the economic and social needs of the twenty first century? Because the federal government has become the major funder of higher education through the Department of Education's financial aid programs, higher education has come under increased federal scrutiny. However, the accountability movement affects higher education differently from the K-12 sector. NCLB and similar initiatives are focused much more on standardized testing as the primary

---

<sup>17</sup> The term value proposition is commonly used to describe the individual economic benefit of educational attainment, weighed against its economic costs. Historically, research has clearly indicated that the economic value of a college degree far outweighs its cost in tuition and expenses. However, with so many college graduates currently unemployed, many are doubting the value of education. See "The Value of a College Education," CQ Researcher Nov. 20. 2009 (19.41), 981-1004.

measure of achievement and success. And the consequences of failure seem punitive. Currently, many states are now allowed to opt out of NCLB in favor of their own education reform in initiatives (as Oregon has done). So far, higher education has seen less emphasis on standardized testing as the important metric for success. What is the policy window of opportunity here? Does this represent an opportunity to strengthen the public mission of the public university through cooperation and collaboration with the governor, OEIB, HECC, and the Chief Education Officer? (Toman and Card 2010).

As Schmidlein and Berdahl (2005) point out, the shift away from seat time funding to performance based is another larger trend. “State level accountability is about the effectiveness of our institutions and public policies, collectively, in meeting the educational needs of the citizens of the state; it is not about efficiency of each institution or providing consumer information to support the private choices of individuals” (quoting Schulock, p. 74). Oregon, however, appears to be trying to do both: meet the educational needs of the state and its citizens, and provide consumer information, with the state as consumer in chief. All of this raises a larger question, to whom is higher education accountable? There has never been a clear answer to this, but Oregon’s education policy community are now seeing that the state is going to demand a certain amount of oversight for its funding, insufficient though it is acknowledged to be. But how deep can that accountability reach? “Because neither complete accountability of the campus to the state, nor absolute autonomy of the campus from the state is feasible, the crucial question confronting policymakers is where the line between campus and state should be drawn” (McLendon, 2003, p. 479). The institutional boards and the achievement compacts will form the basis for negotiating this new relationship between state and campus. At this time, it appears that Oregon’s own accountability agenda is centered on the achievement compacts and outcomes

based funding rather than on standardized tests or other measures that attempt to reach directly into the classroom.

### The fruits of reorganization: Evidence from other states

While Oregon's challenges are not unique, the state's approach to higher education reform is in many ways unusual. But a detailed discussion of the Oregon agenda requires a brief survey of similar efforts at reform in other states.

Since the 1990s there have been several waves of reorganization, deregulation, centralization, and dismantling of system level governance in a number of different states (Davies, 2011). Most of these reorganizations were accomplished by gubernatorial and legislative action, and were not the direct result of self-reorganization by state-level higher education governing boards and system offices. Broadly speaking, this is the pattern in Oregon as well.

Ironically, as the states have withdrawn their subsidies, state governments are taking a more activist role in public higher education. The overarching trend is greater gubernatorial and legislative control of the public higher education agenda, and greater political involvement in higher education governance and administration at both the institutional and state/system level. As public universities feel the strain of constricted budgets and decreased state appropriation, they must also deal with tighter oversight and greater political involvement in higher education affairs. Since the 1990s there have been gubernatorial or legislatively engineered restructuring of public higher education systems in Massachusetts, Illinois, Florida, Arkansas, and Connecticut, to name only a few (Davies 2011; McLendon 2003; Tandberg and Anderson, 2011).

State level governance "reform" in most cases results in the creation of new governance structures that report directly to the governor or other chief executive, or rapid decentralization

and disbandment of long-standing governance structures such as state boards of regents or boards of higher education. In a number of states, this mandated restructuring has resulted in rapid turnover in state-level leadership, policy confusion, and has created ill will among state campuses as they compete in a non-coordinated way for diminishing state resources. This is a reversal of the historic trend in the 1940s-60s, which was to consolidate into systems in order to avoid competition for state resources.

A consensus is emerging in the literature on higher education governance reform: there is increased scrutiny, less funding, and the reform processes set in motion often result in “more formal autonomy, but less real autonomy, because this new formal autonomy has many strings attached” which make institutions more the instruments of the political sector, rather than the public education sector and its immediate stakeholders (Christenson 2011, p. 504).

Policy entrepreneurs and issue opportunists (a governor or legislator) may seize upon restructuring to advance a particular solution agenda that may or may not be related to the real problems that face higher education. As Tandberg notes, “political motivations often serve as the impetus for higher education governance restructuring rather than a purely rational decision making process” (p. 586).

In Florida, between 1998 and 2012, the state higher education system was reconfigured several times both by gubernatorial initiative, by legislative action, and voter initiative. In 2000, the state Board of Regents was abolished, and all governance of Florida’s state colleges and universities was localized. The resultant policy chaos caused Florida voters to pass Amendment 11, which established a new statewide Board of Governors in 2003. In the years since, there has been confusion in Florida over which powers are reserved to the Board of Governors, which to institutional boards, and which to the Legislature. In 2012, Governor Rick Scott again convened



a panel on university governance, with the possible outcome of again reforming the state's higher education system. Scott's panel eventually recommended a set of changes that resulted in a bill that increased funding for STEM degrees and technical education. Changes that Scott sought, such as an end to state funding of liberal arts degrees, "weeding out unproductive professors" and rethinking tenure were not notable features of the final bill. (Anderson, 2011; McGrory, 2013).<sup>18</sup>

In Connecticut in 2011, the legislature passed SB 1011, which effectively dissolved Connecticut State University System, and created a new Board of Regents, with the Board president appointed by the Governor. After accusations of improper salary raises by the board president and that the president of the Board wanted to push out certain community college presidents, the Board president was forced to resign in October of 2012. Connecticut illustrates that when governors exercise a great deal of control over university system governance, and those who act for the governor make mistakes, the resultant loss of credibility affects the whole system.

#### Findings from recent governance reform outside of Oregon

- Governance restructuring in Florida (2000-13) and Connecticut (2010-12) has resulted in policy confusion, rapid turnover in state-level leadership, and has created ill will among state campuses as they compete in a non-coordinated way over diminishing state resources.
- Higher education restructuring and reform does not increase student access, nor does it have any impact on graduation or completion rates, and does not ameliorate financial woes (Sarasohn 2012; McLendon 2003).

---

<sup>18</sup> <http://www.tampabay.com/news/education/k12/gov-rick-scott-signs-sweeping-education-bill/2116640> accessed July 29, 2014. <http://politics.heraldtribune.com/2011/10/10/rick-scott-wants-to-shift-university-funding-away-from-some-majors/> Accessed July 29, 2014.

- Restructuring is an inherently political process with political aims that may not be related to the real problems faced by higher education (Tandberg and Anderson 2011; McLendon 2003).<sup>19</sup>

### The conditions for change

Education policy researchers (e.g. McGuiness, 2005) have found a number of prerequisite or correlative conditions that create a fertile environment for precipitous higher education state restructuring and policy shifts. Among these:

- Tension between urban and rural areas over access to education
- Conflict between different state institutions in the same geographic area, competition for the same high-demand market
- Political aversion to institution-level lobbying, which spurs the creation of overarching state authorities to make these decisions
- Frustration with transfer barriers, low completion rates, long times to completion, “often leads to proposals to create a ‘seamless’ system” (p. 215).
- Concerns about the state board’s effectiveness or continuing relevance to state priorities. “Reorganizations often result from efforts to change leaders or leadership style” (p .216) or its failure to address any number of the other concerns mentioned.

Oregon exhibits or has exhibited many of these features, to one degree or another. Currently, the drivers of the change agenda say they are motivated by concerns over the ability of the current system to deliver education and training for the future needs of its citizens. The discussions of reframing carry a sense of economic urgency.

---

<sup>19</sup> To be clear, Florida and Connecticut are not Oregon, and John Kitzhaber shares little in common politically or in terms of policy with Rick Scott. The current changes underway in Oregon naturally prompt the researcher or members of the education community to ask, where has this been tried before, what does restructuring look like in other states? Oregon’s agenda has some substantive differences from reform agendas elsewhere, discussed further in this report.

### What is different about Oregon's change agenda?

Oregon seeks to create a seamless P-20 system, something that has not been seriously attempted before. Part of the difficulty of achieving the outcomes or goals the state has set for itself is directly related to the fact that policy makers and legislators have not, until recently, looked at public education as a continuum rather than as loosely connected autonomous sectors that compete for public funding.

Although the current shifts to an outcomes based system shares features with other “accountability” agendas at the national and state level, in the level of accountability sought did not include large concessions either from university faculty or K-12 teachers. By and large, educators were not scapegoated or identified as the “problem” as in other state level reform efforts (e.g. Florida).

While the state’s institutions are still learning about the new budget creation and distribution model, Oregon’s policy makers are no longer talking about or treating higher education as an afterthought or thinking about them as having built in revenue streams from tuition or property tax revenue. For the first time in half a dozen years, the state is talking about increasing its levels of public investment. The state funders have actively tried to help institutions hold the line on tuition in 2014 after years of steady increases. And yet, the sustained loss of state funding has resulted in staff depletion, increased tuition and fees, and deferred maintenance such that it would take years of massive reinvestment to bring the institutions back to pre-recession levels of financing and staff. And no one in a position to do so has proposed that level of reinvestment.

### Outcomes based funding: The Tennessee model

Oregon’s colleges and universities have been waiting for more than a year to fully understand the implications of moving toward an outcomes based funding model. The state has

been gathering two years' worth of data before setting the benchmarks for outcomes based funding. Oregon is not the first to try an outcomes based model, however. The Oregon HECC has held up Tennessee's outcomes based funding system as a potential model for adaptation or emulation, and so it is worth examining in some detail.<sup>20</sup>

In 2009, the model was proposed to Tennessee's governor and legislature as a new "incentive structure" meant to replace enrollment based funding, featuring "productivity metrics" weighted with respect to an individual institution's mission (THEC, 2014). The state has switched to an entirely outcomes-based funding system, and "is the only state to jettison its enrollment based model" altogether (THEC, 2014).

After a lengthy consultative process with education experts within the system and from outside, THEC settled on a model that used a set of outcomes that could be weighted to account for different institutional missions, and also included a projection model meant to calculate future changes in productivity. The model calculates outcomes such as student progression benchmarks, degrees attained, transfers, and in the case of universities, research or grant funding. The model awards a "40% premium for the production of certain outcomes by a low-income or adult student" for institutions whose mission it in particular to serve such students. The various outcomes are then weighted – multiplied by a percentage factor to indicate their relative importance—to produce the weighted outcomes. The procedure is the same for each institution; the "only difference is the weight factor applied" to each institution (Figure 1). The weights applied are determined by THEC and are ranked according to a set of institutional priorities.

---

<sup>20</sup> In July 2014, the Oregon HECC executive director invited university and community college presidents to hear a presentation from members of the Tennessee Higher Education Commission (THEC) on their outcomes based funding model. That presentation is the source of information on Tennessee's allocation system.

# TN Outcomes-Based Formula

## University of Tennessee Knoxville



| Outcome                              | Data     | Scaled Data |   | Weight       |   | Weighted Outcome |
|--------------------------------------|----------|-------------|---|--------------|---|------------------|
| Student Progression: 24 Credit Hours | 4,619    | 4,619       | x | 2%           | = | 92               |
| Student Progression: 48 Credit Hours | 5,200    | 5,200       | x | 3%           | = | 156              |
| Student Progression: 72 Credit Hours | 5,385    | 5,385       | x | 5%           | = | 269              |
| Bachelors Degrees                    | 4,593    | 4,593       | x | 15%          | = | 689              |
| Masters Degrees                      | 1,573    | 5,244       | x | 15%          | = | 787              |
| Doctoral/Law Degrees                 | 477      | 9,540       | x | 10%          | = | 954              |
| Research/Grant Funding               | \$128.1M | 6,404       | x | 15%          | = | 961              |
| Student Transfers                    | 822      | 822         | x | 5%           | = | 41               |
| Degrees per 100 FTE                  | 20       | 989         | x | 10%          | = | 99               |
| Graduation Rate                      | 66%      | 1,641       | x | 20%          | = | 328              |
|                                      |          |             |   | <b>Total</b> |   | <b>4,376</b>     |

All steps are identical at each university. The only difference is the weight factor applied to each university.

Tennessee Higher Education Commission ★ ★ ★ ★ ★ ★ ★ 1 ★

Figure 1: An example of weighted outcomes from the Tennessee model

In addition to the student credit hour benchmarks shared with the universities, community colleges in particular have a set of outcomes that are unique to them, such as Job Placements, Remedial & Developmental Success, and Transfers.

The effect this has on an institution’s funding cycle is notable. As the THEC’s report notes, “State appropriations have to be earned anew each year” with no institution receiving a minimum base funding. (THEC, 2014). That would seem to introduce an element of instability that would make it difficult for institutions to do long range planning. What is interesting to note, however, is that outcomes based funding has not significantly increased or decreased what would have been an institution’s projected funding under the old enrollment model (Figure 2).

# TN Outcomes-Based Formula



## 2011-12 State Appropriations Based on Enrollment (Hypothetical) vs. Outcomes (Actual)

| University            | Enrollment Model | Outcomes Model | Percent |
|-----------------------|------------------|----------------|---------|
| Austin Peay           | \$25,017,700     | \$25,028,100   | 0.0%    |
| East Tennessee        | \$44,149,100     | \$43,971,600   | -0.4%   |
| Middle Tennessee      | \$70,510,100     | \$69,890,400   | -0.9%   |
| Tennessee State       | \$28,269,900     | \$28,096,600   | -0.6%   |
| Tennessee Tech        | \$35,105,700     | \$35,089,500   | 0.0%    |
| University of Memphis | \$88,517,700     | \$88,586,500   | 0.1%    |
| UT Chattanooga        | \$33,031,600     | \$32,739,200   | -0.9%   |
| UT Knoxville          | \$140,503,900    | \$140,932,100  | 0.3%    |
| UT Martin             | \$23,373,800     | \$23,222,200   | -0.6%   |
| Community Colleges    | \$181,990,000    | \$182,272,700  | 0.2%    |

Tennessee Higher Education Commission ★ ★ ★ ★ ★ ★ ★ <sup>1</sup> ★

Figure 2: Estimated Enrollment funding vs. Actual Outcomes Funding

THEC officials offer that there is now actually *greater* stability in funding, as it is “now a function of 10 variables, rather than a single variable (enrollment)” (THEC, 2014). Moreover, Tennessee’s state officials tout the model’s transparency and flexibility, allowing it to have clear discourse parameters for its policy discussion with the higher education sector. But does all this outcomes funding actually result in *better* outcomes—more degrees attained at a faster rate—for students? Is Tennessee making progress toward its goals of greater statewide educational attainment?

The Tennessee Higher Education Commission does an excellent job of reporting raw numbers of students enrolled, numbers of citizens with or without degrees, and one year retention rates. While it is clear enrollments have increased in the last ten years, and one-year retention rates are generally strong, there is no clear correlation between the switch in funding models and a notable increase in the state’s measurable goals. Job placement rates for

community college students, for example, were high to begin with and have not increased appreciably. And in general, degree attainment rates are poor in rural counties and stronger in urban areas served by colleges and universities. One suspects this was the case before outcomes funding.<sup>21</sup>

### The local origins of 40/40/20 and the P-20 system

Here in Oregon, the current change agenda is a story that played out in a space of under three years (2011-14), but has been decades in the making. Measure 5, passed in 1990, made the Governor and the legislature key players in state higher education funding. An amendment to the state constitution adopted by referendum, Measure 5 placed limits on property taxes. It had the effect of creating property tax compression that diminished both elementary school and community college funding, necessitating decreases in university direct appropriations to make up the loss, which in turn required universities to rely more on tuition, eventually requiring more state intervention to stabilize the funding streams. It was around this same time that the CCWD was formed partly in response to give community colleges a permanent voice at the table of state government and in funding debates (Marsh, 2012).

Although many Oregonians were not aware of the 40/40/20 goal and the idea of the P-20 system until 2011-14, both ideas have significant history in Oregon dating back at least to the 1990s. Duncan Wyse, president of the Oregon Business Council, HECC commissioner, and former chair of the state Board of Education, noted recently that 40/40/20 was originally a benchmark that he proposed during the Ted Kulongoski administration (2003-11).<sup>22</sup> And the idea of a seamless education continuum, and a state board overseeing that system, according to

---

<sup>21</sup> *Tennessee Higher Education Commission Fact Book*, 2013-14. <http://tn.gov/thec/Legislative/Reports/2014/2013-2014%20FACTBOOK.pdf> Accessed August 10, 2014. It is also true that Tennessee has only two biennia of data from which to draw conclusions on outcomes based funding.

<sup>22</sup> All quotations by Duncan Wyse come from an interview that took place on April 30, 2014.

Wyse, emerged long before that, in the early 1990s during the period of the Unified Education Enterprise. “The ideas that John Kitzhaber took with the investment board were not new ideas. I never dreamed of 40/40/20 [by 2025] being a rallying cry,” Wyse notes, however. Although it was Governor Kitzhaber and Ben Cannon who decided to elevate it to a statewide policy goal in 2011, 40/40/20 was an existing economic and educational development goal.

Lumina Foundation, in its policy goals, calls for a similar level of attainment by the year 2025, and calls for states to “Improve student outcomes, Align investments, Create smarter pathways”<sup>23</sup> – all of which mirror the rhetoric of Oregon’s agenda, Wyse observes that he is not aware of a significant Lumina influence on Oregon, or vice versa; the initiative was not exogenous to Oregon (“I doubt they copied us, but we didn’t copy them”).<sup>24</sup>

The completion and attainment agenda as it is playing out now was first systematically proposed in great detail in Oregon in a report published in 1997, during the first Kitzhaber administration, by the Governor’s Task Force on Higher Education and the Economy.<sup>25</sup> The Task Force was made up of business leaders from that era representing banking and finance (Wells Fargo), high technology (Advanced Data Concepts), health care (Providence), construction (The Papé Group) and others. Oregon Business Council president and current HECC member Duncan Wyse did most of the research and actual writing on the Report.

The report calls out barriers and trends for the future of higher education and the economy and recommends a realignment, or complete revamping, of the then-current system to make

---

<sup>23</sup> <http://strategylabs.luminafoundation.org/goal-2025/>

<sup>24</sup> Similarly, the state’s completion and accountability agenda shares many notable features with the broad higher education agenda of the right-leaning American Legislative Exchange Council (ALEC). Oregon, however, has not officially adopted some of ALEC’s controversial policy goals such as legal requirements for “intellectual diversity” among faculty—that is, setting aside positions for right of center scholars. See <http://www.alec.org/publications/10-questions-legislators-should-ask-about-higher-education/>

<sup>25</sup> Referenced hereafter as “Task Force, 1997.”



higher education in Oregon more globally competitive and responsive to economic changes and needs of the workforce. There is a call for deregulation of Oregon higher education by removing “protectionist policies that assign particular schools exclusive rights to geographic territories and program offerings” (Task Force, 1997, p. iv). Although there are no geographically exclusive colleges in Oregon, community colleges are by statute required to serve a district in which no other community college can establish a campus or program (though students retain free choice of attendance inside or outside the district). Other specific recommendations of the Task Force include:

- Create a learner centered system focused on degree completion
- Abolish the Oregon University System, and make each institution “semi-autonomous” (p. ix).
- Establish new permanent state structure for governance and coordination of all universities and community colleges
- Implement a new financing system that includes performance metrics and “accountability”

The report also makes frequent mention of the then-emergent technologies and practices of online learning, envisioning a future global marketplace for education, with Oregon’s colleges and universities “forming alliances with providers worldwide to bring the highest quality learning opportunities to Oregon” (p. 20).

According to Wyse, the report is the basis of all the current reform. “If you read it, pretty much all of what we’ve just done is all laid out in this report. All the decentralization and the new funding model all came out of that report. After that report came out, Speaker [of the Oregon House Mark] Simmons had a bill to essentially do the HECC. The community colleges, interestingly, killed it. It was before its time.” There was push from OSU at that time to get out

of the OUS as well. But the political conditions were not right for that either in the late 1990s. Reading the report, one is struck by just how much of the agenda is being enacted now but with rhetoric adjusted for the times—outcomes rather than performance based; autonomy rather than decentralization. Observing both the recent history of reform and the history of its inception, it appears that the economic downturn of 2008-12 provided the perfect policy window of opportunity to enact many of the plans laid in 1997. 2008-11 in particular offered a “triple double” of negative indicators: double digit unemployment percentages, double digit enrollment percentage increases, and double digit percentage increases in tuition. As Winston Churchill once observed, “never let a crisis go to waste.”

## **The policy environment for Oregon’s community colleges**

Community colleges in Oregon have historic roots in the high schools. Often they were set up to provide an alternative set of educational opportunities for those who were not, at the time of graduation, contemplating university attendance or who wanted a terminal educational degree or certificate that could be obtained in two years or less, often in a technical or (in the discourse of the 1950s-60s) vocational field (Cohen, Brawer, and Kisker, 2014). They were not, for the most part, meant to be feeder institutions for the universities originally, but they have become the largest source of transfer students for all Oregon four-year institutions. Because of this historical linkage to high schools (where many community colleges held their first classes) and their organization into districts similar to K-12, the state Board of Education, which governs elementary and secondary education, has always played a policy making role for them. The placement of the community colleges within the purview HECC makes sense from a system-redesign perspective, however, as their affiliation with the State Board of Education has become more of a historical artifact.

But the relationship between the HECC and community colleges has some elements that yet to be fully understood, particularly with regard to local community college boards. Unlike the universities, whose boards are only just beginning their work, some community college boards have more than half a century’s worth of governance experience and history. Ostensibly, there should be little overlap between the HECC and the local boards, and few if any areas for conflict to arise. The subcommittee of HECC charged with the merging of the community college authorities and the HECC is at work on a set of “Community College State-wide Structure & Support Principles” (HECC, 2014, “Principles”). Although the document is currently in process, there should be much to reassure community colleges and their boards that

the HECC has no plans to abridge their statutory governance rights and responsibilities. Both the state and the representatives of the community colleges are calling it a “power sharing” agreement. Among many other principles, the state promises to “Create targeted administrative rules to the extent necessary to address state level issues while supporting local boards’ roles over all other policies governing operation of the college” (“Principles”).

The Department of Community Colleges and Workforce Development and its recent demotion from independent agency to sub-group of the HECC has caused community colleges and their advocates (such as the Oregon Community Colleges Association) to take a very guarded approach. The current state of affairs has the CCWD becoming an “Office” of the HECC, rather than a department. Coupled with this change, the future policy center for workforce development remains uncertain. Will this unique and key function of the community colleges continue to be part of the new post-secondary continuum, or will it be placed with the state Employment Department? Naturally, community colleges would prefer the former.

Of particular concern to the colleges is the fact few HECC senior staffers have direct experience with community colleges. The staff and leadership remain very university-centric. However, the HECC has taken on some key staff from CCWD, and they will, until 2015, have someone on staff at a high level who will be familiar with community colleges, even though that position will not have the authority that the commissioner of community colleges once did, particularly in the area of making a budget request, or setting the community college policy and legislative agenda (HECC, HB 4018 Subcommittee).

#### The legitimate concerns of community colleges

Community colleges have noted frequently that the state’s achievement compact structure isn’t designed to measure all of the things that community colleges do and the positive social and

economic effects they create. The HECC is only beginning to understand the role of community colleges in creating the majority of bachelor degrees in the state. HECC also is now conceding that the “middle 40” cannot be an age-cohort, whereas they are only counting students currently in the pipeline to reach bachelor degree completion (HECC. 2015-17 Budget Priorities).

The unified budget request and linking of funding to “outcomes” elides the tremendous local variations and differences among community colleges.

While the HECC works out which outcomes the state will fund, and how they will be weighted, its most recent statement on the 2015-17 biennium budget request, while no precise funding request has been named,<sup>26</sup> includes targeted funding for “high demand” career and technical education degrees and certificates (but no percentage of the total funding request has been named at this time). Community college leaders have expressed concern that this earmarking of a significant part of the support fund will detract from the overall support fund, as it is not as yet known if this is “new” money, or a proportion of an appropriation that is roughly the same as the current biennium (HECC, “2015-17 Budget Priorities” July 18, 2014).

Throughout the shift to outcomes funding and the restructuring process as it has occurred since 2012, the slow trickle of actionable information from state policy makers leads to speculation and a sense of uncertainty and tension as they pursue their operations because they do not yet know how it will affect their ability to fulfill their public mission.

Oregon’s community colleges have been and will continue to be open to the state’s political and policy environment. Though they have strong rhetorical (and legislative) support from lawmakers, the community colleges’ mission has expanded over the years to include not only job training, but university transfer credits, adult basic education, advanced high school education,

---

<sup>26</sup> August 11, 2014 HECC released its preliminary community college support fund request for 2015-17, \$519 million, with \$489 million as a base support fund and the rest for targeted outcomes such as career and technical education and STEM degrees.

economic development, GED study and attainment. And they must do all of these things while charging less than half the per credit hour tuition of a state university. If the state's goal is to create a seamless system for the student, the community colleges would appear to have a much larger task before them than anyone has yet acknowledged.

## **Oregon higher education in 2025: Possible futures**

Our continuing comfort with profound inequality is the Achilles heel of American education.  
*Linda Darling Hammond*

Chaos reigns under heaven. The conditions are excellent.  
*Mao Zedong*

Future predictions, even based on good data and sound reasoning, have a poor track record. And even if successful, what value do such predictions create? This section is not meant to lose focus on the present changes in our midst, but rather to ask how some of the trends affecting higher education in Oregon and nationally might interact and converge to create the future that is already arriving, day by day. At the conclusion of this research, I feel certain of only one thing. As Duncan Wyse puts it, “the whole education system is going to look entirely different in ten to twenty years.”<sup>27</sup>

### Changes in institutional and state level governance

Will restructuring accelerate the decline of faculty governance at the state universities? With more and more power locally invested in administrators, and more policy authority vested in the governor, legislature, and the local boards (which arguably are extensions of gubernatorial power), it is difficult to imagine otherwise. Will we see a continued gradual – or precipitous-- decline of indefinite tenure as a practice for faculty at state institutions?

The 1997 Report of the Governor’s Task Force envisioned a future where colleges and universities no longer have monopolies over certain programs, degrees, or geographic areas in a global marketplace for education. This idea of globalized education content providers supplying curriculum and teaching to a distributed network of campuses and students has continued to gain currency in the intervening years. Roughly speaking there are two visions of this global marketplace that will continue to play out before us. One vision hails the advent of numerous

---

<sup>27</sup> Wyse, Interview, April 30, 2014.

new free outlets for education loosely connected to or entirely separate from the current higher education sector. MOOCs and MIT's Open Courseware project<sup>28</sup> are but two examples that empower anyone with Internet access to join classes or access high quality education materials for free use. Developing alongside the open access movement are alternative credentialing initiatives, such as “badges”—skills based certifications that may or may not be connected to a traditional post-secondary institution (Kamenetz, 2010).

Another competing vision has many reformers calling for the elimination or downsizing of local faculty and programs so that the “best”(i.e. having an elite reputation) education institutions can distribute or sell their “content” to less elite institutions. Commentators like Clay Shirky ask why we need hundreds or thousands of lecturers on Shakespeare in the United States, when there are only a few good ones, and they all work at Harvard and Yale.<sup>29</sup>

Will the globalization of networked learning eventually mean an end to community college districts with locally elected boards? Local community college boards, their duties, and the regionally determined services of community colleges are all set by section 341 of the Oregon Revised Statutes. ORS §341.009 (8) dictates in particular that community colleges must structure their programs appropriately for the “needs and resources of the area that [it] serves . . . ” and not some vaguely defined global marketplace. But future legislation could completely alter the historic mission of the community college, forever changing the definition of “community” as it pertains to these institutions.

Will HECC, OEIB, and the institutional boards outlast the next decade? Is the current reform agenda solid enough to withstand a political transition that will almost surely happen in 2018? No reform agenda is meant to be permanent. A new system is meant to emerge from the

---

<sup>28</sup> <http://ocw.mit.edu/index.htm> (Accessed August 4, 2014).

<sup>29</sup> <http://www.shirky.com/weblog/2014/01/there-isnt-enough-money-to-keep-educating-adults-the-way-were-doing-it/> (Accessed August 4, 2014).



current cycles of change and eventual turnover in elected and appointed policy makers. Given the evidence from other states, nearly anything is possible depending on the levels of public and legislative support for the reorganization and new funding model. It is difficult, however, to imagine a return to the pre-2011 status quo, with a restored OUS and CCWD.

### An education market bubble?

Since the recession in 2008, there has been a steady undercurrent of commentary predicting an education “bubble” or market collapse, similar to that of the stock market and real estate markets in 2008-09. The theory holds that, as student debt has topped \$1 trillion for the first time in history, increased default rates because of the weak economy and unsustainable lending practices, coupled with diminishing returns on the economic value of a college degree, will lead to collapsing enrollments and failure of institutions. Such a scenario seemed unthinkable a decade or so ago, when the value of college education remained largely unquestioned.

Recently, many Oregon institutions have seen declines in enrollments, in part due to an improving economy, but possibly also because many students are now priced out of higher education. Even with Pell Grants and student loans, many students may be calculating that the overall cost of attendance may be infeasible, especially the students served by community colleges— students who tend to have the adult responsibilities of work and parenting to contemplate as they pursue their studies. Oregon’s attempt to increase higher education productivity and increase access to need based aid through the Oregon Opportunity Grant will not, of themselves, guarantee that the education students get will help them find employment if jobs continue to be difficult to find.

We have yet to see a rash of failures of non-profit private colleges or state institutions. But there have been increasing numbers of high-profile for-profit institutions either shutting down or

being sold off.<sup>30</sup> Career and technical education is the most expensive to produce; if there is a consolidation of this market, it will likely center on the community colleges.

But the underlying problem of costs remains, even if there is no collapse. Higher education financing will likely face federal intervention to control and manage costs, as federal student aid programs now fund the majority of higher education.

### The trend of income and opportunity inequality

Increased educational opportunity in the form of state and community colleges, the GI Bill, and federal financial aid were in part responsible for the period of income equalization and creation of the American middle class as it was known in the mid twentieth century. “Over a long period of time, the main force in favor of greater equality has been the diffusion of knowledge and skills” (Piketty, 2013, p. 31). But according to economist Thomas Piketty, this equalization of income between 1945-80 was an aberration in the economic history of Europe and the United States. Income and wealth disparity, increasing inequality, and wage stagnation are the norm since the nineteenth century, and these forces are currently reasserting themselves.

If those economic and social trends continue, how will they play out in higher education? Will only the privileged few have the experience of sitting in a small, seminar-style classroom, interacting directly with peers and faculty? Will liberal learning, traditional training for leadership and citizenship, become a “luxury” that state level policy makers are unwilling to subsidize because such education cannot translate into an immediate payoff in the form of a job, or because we don’t have a good metric that shows what outcomes we produce by teaching critical thinking, reflection, and empathy in the humanities?<sup>31</sup>

---

<sup>30</sup> Perez-Peña, R. 2014. “College Group Run for Profit Looks to Close or Sell Schools.” *New York Times*. Accessed <http://www.nytimes.com/2014/07/05/education/corinthian-colleges-to-largely-shut-down.html> July 8, 2014.

<sup>31</sup> Long term data show, however, that those who major in liberal arts achieve similar earning levels in their peak earning years to those who hold professional and technical degrees. Grassgreen, A. 2014. “Liberal arts grads win

If we leave the core liberal arts—the traditional disciplines of the humanities and social sciences—out of the discussion to focus solely on STEM rather than STEAM,<sup>32</sup> we may unintentionally ignore a rich source for innovation and even job creation that cannot be outsourced or automated the way that the majority of technical, manufacturing, and even information economy jobs almost certainly will in the next twenty years. The majority of Oregon’s engineering or computer science students won’t start the next Intel, nor will the majority of business majors start the next Nike. But a few might. Likewise, the majority of English majors or film students won’t start the next Laika or Dark Horse, but a few will if the universities have the latitude to pursue these priorities. The governor’s office does a great deal of work to attract the creative sector (film and television) to the state. Why not allow that to flourish here by making creative sector development just one of the state’s education strategies?

As Newfield (2011) demonstrates in his research, higher education in these core liberal disciplines has been a force for moderating the inequity inherent in a market driven economy by solidifying a socially and politically moderate, upwardly mobile middle class that until recently formed a political majority in the United States. A systematic diminishment in our universities of the liberal arts in our colleges and universities will continue this process of erosion of that middle class.

Will the state’s attempt to create a seamless education pipeline with opportunity for all create, unintentionally, a 21<sup>st</sup> century version of the two-track vocational/educational system that characterized early relationships between community colleges and universities? Oregon’s “Equity Lens” keeps the state focused on access, opportunity, and progress within a completion

---

long term.” Inside Higher Ed. Accessed March 3, 2014 at <http://www.insidehighered.com/news/2014/01/22/see-how-liberal-arts-grads-really-fare-report-examines-long-term-data#sthash.7L5hpYyQ.dpbs>

<sup>32</sup> Science, Technology, Engineering, Arts, and Math.

agenda. But let us also hope that the state's definition of "equity" includes the development of the intellect along with economic development.

What future are we preparing the state for? What is 40/40/20 for? An emerging body of knowledge says that we are on the cusp of an economic and labor market disruption that will dwarf those that have come before. If (as the prevailing theory holds) post-secondary education is for job preparation, what if we are preparing people for jobs that will no longer exist in ten to twenty years?

The future is by no means assured, especially if we are unprepared to think beyond the post industrial/information economy paradigm that we are only now coming to terms with. Some hail the "jobless" future of automation as ushering in a golden age of prosperity and leisure.<sup>33</sup> But given the tendency of wealth to concentrate in fewer and fewer hands, the prospect of the jobless future also portends greater economic inequality and the political unrest that goes with it.

The state's model of economic development through increased post-secondary attainment is based on a long-standing correlation between increased educational attainment and increased income and the ability of an educated workforce to attract economic investment by employers, which in turn increases employment and the tax base. But again, what if that pattern no longer holds? Recent national data suggest that the wage premium for a college education has been flat for decades, while wages for the "middle skill" jobs have fallen—jobs that used to require a high school diploma (but are now taken by college graduates) (Kamenetz, 2010, p. 41).

Oregon education policy makers have observed that the educational system we have today worked well for the world as it existed in 1970, and it needs reform. They are surely correct on this point. But if our current economic paradigm is reaching the end of its life, we need to think

---

<sup>33</sup> See Wadhwa, 2014. "We're heading into a jobless future, no matter what the government does." <http://www.washingtonpost.com/blogs/innovations/wp/2014/07/21/were-heading-into-a-jobless-future-no-matter-what-the-government-does/> (Accessed August 10, 2014).

beyond 2025 to imagine a new economy and deliberately examine what other policy goals are served by post-secondary education. Without a detailed agenda for a public mission, including but not limited to employment, including but not limited to liberal learning for citizenship and ethical engagement with our political, social, and economic systems, state post-secondary education will lose its reason for being—either by slow deterioration or in a dramatic collapse.<sup>34</sup> No one, neither reformer nor traditionalist, would wish this for the people of Oregon or the nation.

---

<sup>34</sup> On this point, see Marginson (2011), who draws an analogy between contemporary higher education and the Tudor monasteries before they were looted and closed in 1539: “. . . every so often, nation-states and societies discover that they can live without the institutions they have inherited. When these institutions stand for nothing more, nothing deeper or more collective, no greater public good, than the aggregation of self-interest . . . then the institutions are vulnerable. Self-interest can be channeled in other ways. The institutions disappear and their functions are picked up elsewhere” (p. 412). I take his point to be that a higher education system cannot exist merely to perpetuate itself, nor can it be directed solely toward a relatively narrow set of economic interests determined by a powerful few.

## References

- Anderson, Z. (2011, October 10). Rick Scott wants to shift university funding away from some degrees. *Herald Tribune*.
- Cannon, B. (2014, April 3). Interview.
- Christensen, T. (2010). University governance reforms: potential problems of more autonomy? *Higher Education*, 62(4), 503–517.
- Davies, B. G. K. (n.d.). Perspectives: Changing Roles of Governing and Coordinating Boards. *Change: The Magazine of Higher Education*.
- Foucault, M. (1973). *The Order of Things: An Archaeology of the Human Sciences*. New York: Vintage.
- Fraser, J. (2011, June 17). Senate passes reorganization plan for Oregon universities, community colleges. Portland Oregon. Retrieved from [http://www.oregonlive.com/politics/index.ssf/2011/06/senate\\_passes\\_reorganization\\_p.html](http://www.oregonlive.com/politics/index.ssf/2011/06/senate_passes_reorganization_p.html)
- Grassgreen, A. (2014). Liberal Arts Grads Win Long Term. *Inside Higher Ed*. Retrieved March 03, 2014, from <http://www.insidehighered.com/news/2014/01/22/see-how-liberal-arts-grads-really-fare-report-examines-long-term-data#sthash.7L5hpYyQ.dpbs>
- Haberman, C. (2013, December 2). Back in New York With the Same Passion, but to Less Fire and Smoke. *New York Times*. New York, N.Y.
- Hammond, B. (2012, May 29). Former NYC schools chief Rudy Crew on track to take charge of Oregon education from preschool through college. *Oregonlive*. Portland Oregon.
- Hammond, B. (2013, July 16). Ex-education czar Rudy Crew racked up tons of travel, expenses, vacation, records show. *Oregonlive*. Portland Oregon.
- Kamenetz, A. (2010). *Edupunks, Edupreneurs, and the Coming Transformation of Higher Education*. New York, N.Y.: Chelsea Green.
- Marginson, S. (2011). Higher Education and Public Good. *Higher Education Quarterly*, 65(4), 411–433.
- Marsh, T. (2012). *To the Promised Land: A history of government and politics in Oregon*. Corvallis, Oregon: Oregon State University Press.
- McGrory, K. (2013, April 22). Gov. Rick Scott signs sweeping education bill. *Tampa Bay Times*. Tampa Bay, Fla.

- McGuinness Jr, A. (2005). The States and Higher Education. In P. J. Altbach, Phillip G., Berdahl, Robert O., Gumport (Ed.), *Higher Education in the Twenty First Century: Social, Political and Economic Changes* (2nd ed., pp. 198–225). Baltimore, MD: The Johns Hopkins University Press.
- McLendon, M. K. (2003). Setting the Governmental Agenda for State Decentralization of Higher Education. *Journal of Higher Education*, 74(5), 479.
- Newfield, C. (2011). *Unmaking the Public University: The Forty Year Assault on the Middle Class*. Boston, MA: Harvard.
- Perez-Peña R. (2014, July 4). College Group Run for Profit Looks to Close or Sell Schools. *New York Times*. New York, N.Y.
- Sarasohn, D. (2012, June 9). Oregon Can't Afford Higher Ed Playoff. *Oregonlive*. Portland Oregon. Retrieved from [http://www.oregonlive.com/news/oregonian/david\\_sarasohn/index.ssf/2012/06/oregon\\_cant\\_afford\\_higher\\_ed\\_p.html](http://www.oregonlive.com/news/oregonian/david_sarasohn/index.ssf/2012/06/oregon_cant_afford_higher_ed_p.html)
- Schmidtlein, F. A., & Berdahl, R. O. (2005). Autonomy and Accountability: Who controls academe? In P. G. Altbach, R. O. Berdahl, & P. J. Gumport (Eds.), *American Higher Education in the Twenty First Century* (2nd ed., pp. 71–89). Baltimore, MD: Johns Hopkins University Press.
- Shirky, C. (2014). The End of Higher Education's Golden Age. *shirky.com*. Retrieved August 04, 2014, from <http://www.shirky.com/weblog/2014/01/there-isnt-enough-money-to-keep-educating-adults-the-way-were-doing-it/>
- Stripling, J. (2012, October 11). Connecticut's Higher-Education Chief Resigns amid Controversy over Pay Raises. *Chronicle of Higher Education*. Retrieved from <http://chronicle.com/article/Connecticuts-Higher-Education/135044/>
- Swetzooff, B. (2014). There's a new board in town. *Portland Spectrum*. Retrieved June 10, 2014, from <http://portlandspectator.org/theres-a-new-board-in-town/>
- Tandberg, D. A., & Anderson, C. K. (2011). Where Politics Is a Blood Sport: Restructuring State Higher Education Governance in Massachusetts. *Educational Policy*, 26(4), 564–591.
- Toman, J. K. E. & Card, K. A. P. (2010). PARTNERS OR ADVERSARIES: A COMPARATIVE CASE STUDY OF HIGHER EDUCATION SYSTEMS AND STATE-LEVEL ACCOUNTABILITY. Retrieved from <http://www.eric.ed.gov/PDFS/ED509751.pdf>
- Wadhwa, V. (2014, July 24). We're headed for a jobless future no matter what the government does. *Washington Post*.

Wyse, D. et al. (1997). *Higher Education and the Oregon Economy*. Portland Oregon. Retrieved from <http://www.orbusinesscouncil.org/docs/Higher Education & the Economy 1997.pdf>

Wyse, D. (April 30, 2014). Interview.

Zumeta, W. and Kinne, A. (2011). Accountability Policies: Directions Old and New. In D. Heller (Ed.), *The States and Higher Education Policy: Affordability, Access, and Accountability* (pp. 173–99). Baltimore, MD: Johns Hopkins University Press.

### **Government Documents**

Higher Education Coordinating Commission. *Community College Statewide Structure and Support Principles*. (2014).

Higher Education Coordinating Commission. *HB 4018 Subcommittee Report*. (2014).

Higher Education Coordinating Commission *Budget Priorities 2015-17*. (2014)

*Tennessee Higher Education Fact Book*. (2014). Knoxville, Tennessee.