

Consequential Governance

2024 Regents Education Program Oklahoma State Regents for Higher Education

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Senior Fellow, Senior Consultant
October 9, 2024



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About AGB

Mission

- AGB advances higher education as a public good by preparing college, university, and foundation governing boards to fulfill their fiduciary duties and exemplify the highest ideals of trusteeship.

We help our members:

- understand governance
- work collaboratively to oversee the institution
- lead through strategic challenges and opportunities

Membership: 2,000 higher education institutions, systems, and foundations; 40,000 individuals

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10:15 Agenda

Board Roles and Responsibilities

- Fiduciary
- Governing
 - Mission, Future
 - Partnership, Communication

Being a Fiduciary

The Situation

Susan Miller is president of the alumni association and a voting member of the governing board.

The alumni association threatens to oust her as president unless she votes “no” on a proposal to demolish a beloved but needy old building.

What should Regent Miller do?

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Fiduciary Duties

The **duty of care** requires a board member to reasonably exercise their responsibilities **in the best interests of the institution.**

The **duty of loyalty** requires that board members **consider only the good of their institutions** in performing their duties, not their own interests or those of other individuals or organizations.

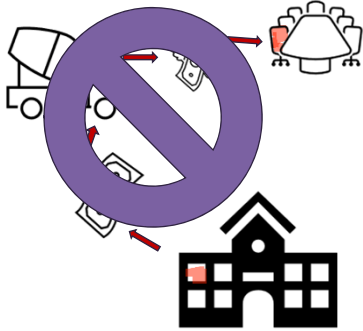
The **duty of obedience** requires board members to **ensure that their institutions operate according to stated purposes and according to the law.**

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Fiduciary: Best Interest of the Institution

Conflict of Interest:
Pursue Regent Self-Interest

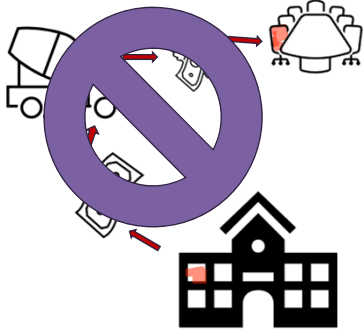


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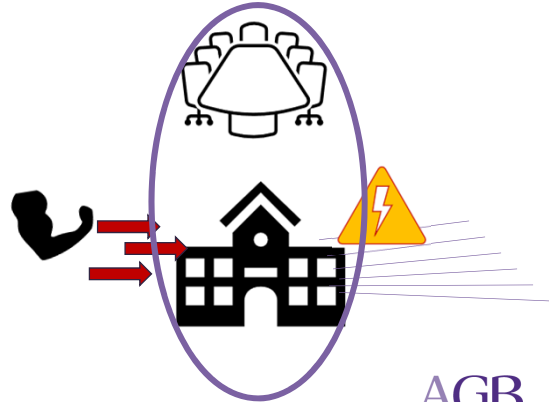
Fiduciary: Best Interest of the Institution

Conflict of Interest:
Pursue Regent Self-Interest



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Undue Influence:
Allow Interference with College Best Interest



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Fiduciary: C of I? Undue Influence?

- A Regent's vote on the budget is intended to please the governor.
- A board denies tenure because a major donor opposes her research.
- A board complies with the legislature's decision to close an academic program.
- A board accepts the governor's choice to be the new president, disregarding the search committee's recommendation.
- A board hires a new president – former member of Congress, impressive networks and manner with no experience in higher education or in organizational leadership.

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Fiduciary: C of I? Undue Influence?

- **C of I + UI** - A Regent's vote on the budget is intended to please the governor.
- **UI** - A board denies tenure because a major donor opposes her research.
- **UI** - A board complies with the legislature's decision to close an academic program.
- **C of I + UI** - A board accepts the governor's choice to be the new president, disregarding the search committee's recommendation.
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Fiduciary or Non-Fiduciary Act? It Depends

- Test: How would the Regent vote if she had no conflict or influence?
- Does the vote create a problematic appearance of impropriety, conflict, or undue influence?
- When should a Regent abstain?
- What are the likely consequences of voting with (or against) the influence? Loss of funds, reputation, retaliation, and the like?
- Under what conditions can it be best to swallow hard and vote against your objective conviction?

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Governing: Mission and Future

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The Situation

A board member who is a hospital administrator suggests that the university should strongly consider developing a new undergraduate program in nursing. He asks the provost to conduct a feasibility study and report its findings back to the board in six months.

Any problem here? How could the Regent's expertise be helpful without raising concerns?

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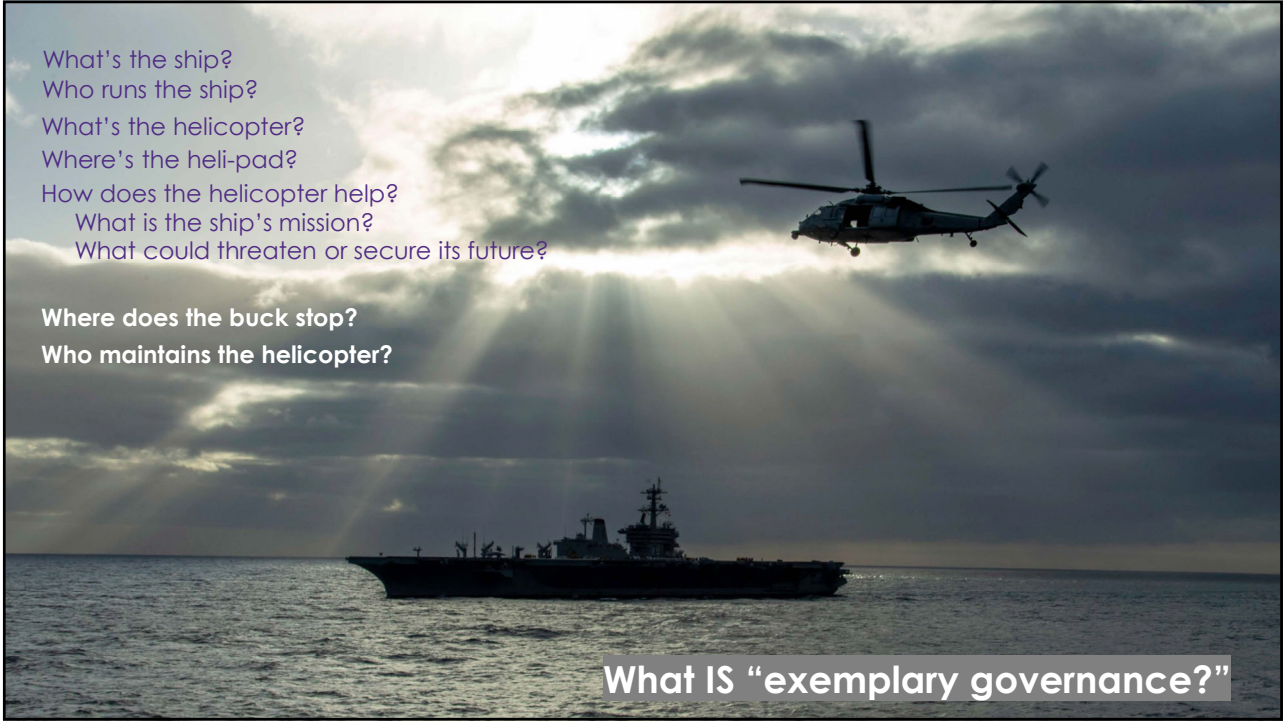
Fundamental Board Responsibilities

- WHAT** {
1. The institution is fulfilling a stated **mission** that is aligned with public purposes.
 - Assure academic quality, successful student outcomes.
 - Protect institutional autonomy and academic freedom.
 2. The institution has sufficient resources and is on track to continue having sufficient resources into the **future**.
 - Assure fiscal integrity, asset protection.
 - Assure appropriate faculty and shared governance.
- HOW** {
3. Select, support, assess, compensate the **CEO**.
 - Charge the CEO to lead strategic planning. Approve and monitor revisions to and performance on the intended outcomes.
 4. Demonstrate exemplary **governance**.

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Adapted from AGB, Merrill Schwartz, "Building Effective Boards at Public Institutions" 2019

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Board-President Partnership is KEY

- Regents and the president have the same legal duty – to act as **fiduciaries**, putting the best interests of the college above all else.
- The board GOVERNS the university and MANAGES the board. The president LEADS and MANAGES the university.
- The university's success depends on the **collective wisdom** of the president and the board, which in turn depends on mutual transparency, respect, and communication.

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Helicopter Roles

- Govern the institution, partnering with the president
 - Fiduciary responsibility
 - Fulfilling the fundamental purpose, mission
 - Ensuring the future
- Manage the helicopter
 - Board and Regent self-assessment
 - Annual Board goals
 - Perpetual governance development

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Govern with Confidence

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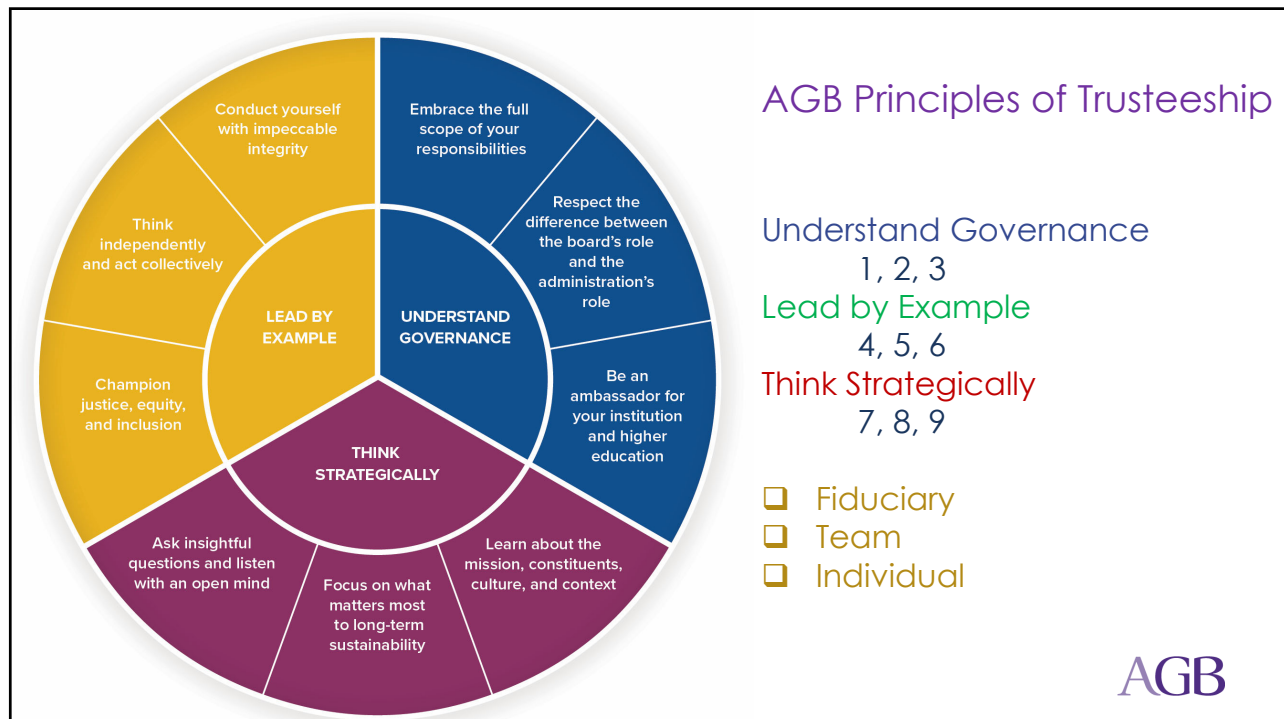
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The Situation

Life is good at Sample College. The president is trusted, well-liked, and hard-working. Nevertheless, some members of the Finance Committee are beginning to worry about possible erosion in long-term financial sustainability.

- What, if anything, should those regents do about their concern?
- Who would be responsible if the college gets an alarmingly low bond rating?

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Principles of Trusteeship

- | | |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Understand Governance | <ol style="list-style-type: none"> 1. Embrace the full scope of your responsibilities as a board member. 2. Respect the difference between the board's role and the administration's role. 3. Be an ambassador for your institution and higher education. |
| Lead By Example | <ol style="list-style-type: none"> 4. Conduct yourself with impeccable integrity. 5. Think independently and act collectively. 6. Champion justice, equity, and inclusion. |
| Think Strategically | <ol style="list-style-type: none"> 7. Learn about your institution's mission, constituents, culture, and context. 8. Focus on what matters most to long-term sustainability. 9. Ask insightful questions and listen with an open mind. |

The Situation

A reporter called Regent Jones about her dissenting vote on a Board decision to approve funding for a major renovation. Regent Jones should:

1. Explain her dissenting vote
2. State that she supports the Board's decision and is confident that the renovation will be worthwhile
3. Bring Regent Taylor, who also dissented, into the conversation
4. Decline to comment

The Situation

Regent Sam Wheeler and Dean Joe Allen are long-time good friends. Dean Allen reveals privately that he fears a negative decision from his field's accreditor is imminent. Wheeler, shocked, asks, "Why haven't we heard about this at the board's Academic Affairs Committee?"

What are the issues here?

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11:15 Agenda

Financial Stewardship
Business Model
Public Funding Model
Environmental Pressures
Oklahoma Data

Stewardship

- Finances support a clearly stated mission and take intergenerational equity into account
- All need a basic understanding of the institution's financial condition
- Ensure financial alignment with strategic options
- Identify and manage risk, ensure compliance
- Approve budgets, long-range plans, proposals for major change
- Noses in; fingers out (stay in the helicopter)

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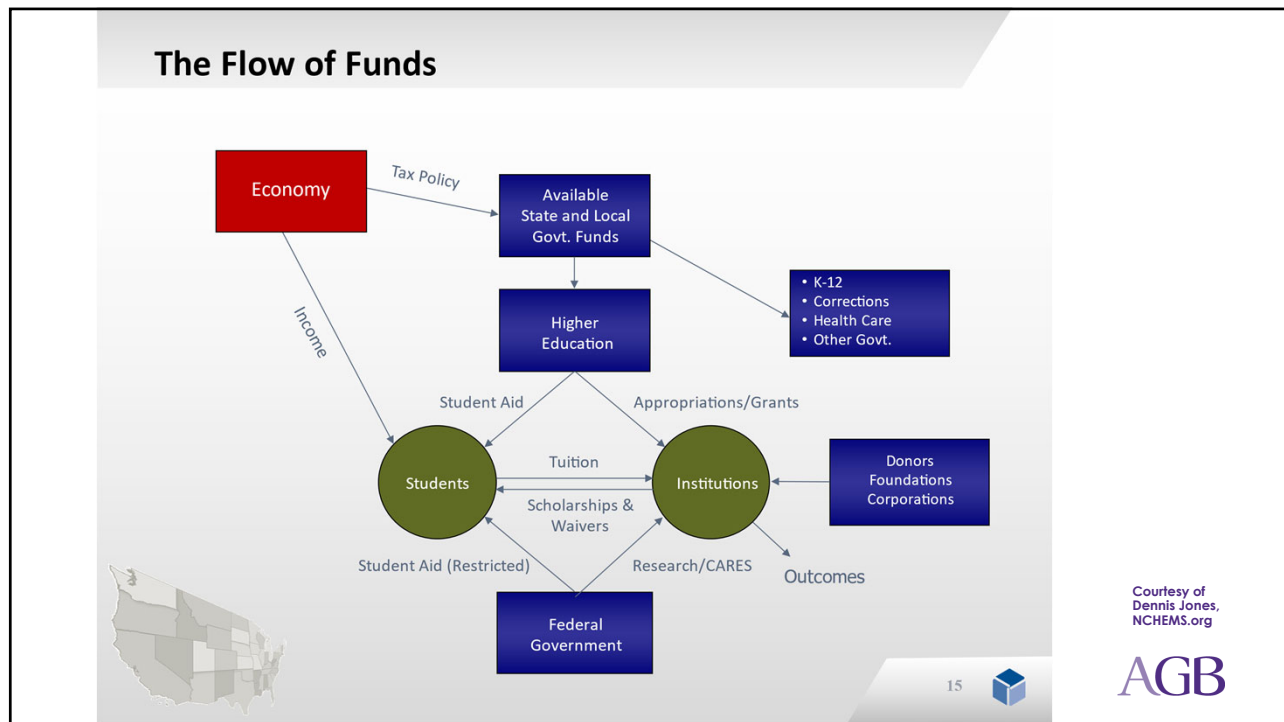
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Understanding the Business Model: Questions from the Helicopter



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Financial Environment for Higher Education

- Cost/Affordability
- Student Loan Debt
- Sustainability of Financial Model
 - Barely 50% of CFO's think their institution's finances are sustainable in the next decade
- Dramatic Decrease in State Support of Public Institutions

HLC Financial Indicator: CFI: Composite Financial Index

- CFI is a calculated composite of four ratios:
 - Primary Reserve Ratio,
 - Net Operating Revenues Ratio,
 - Return on Net Asset Ratio, and
 - Viability Ratio
- Range (publics): - 4 to 10
 - 0 to 10 = financially responsible, per HLC

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Non-Financial Indicators, HLC

- Significant **enrollment** changes over three years
- Increase or decrease of **degrees awarded** over three years
- # **Full-time faculty** (HC) change (decrease) over three years
- Minimal # **full-time faculty** (#FT faculty/# degree programs <1)
- **Student to teacher ratio** = 35 or greater

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OK vs U.S. Appropriations/ Net Tuition/Student

FY 2023

Education Appropriations Net Tuition

Oklahoma

2-Year Less state, higher net tuition



4-Year Less state, "same" net tuition



U.S.

2-Year



4-Year



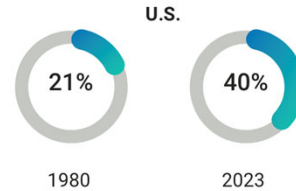
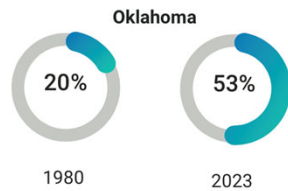
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Extracted 9/25/2024 at <https://shef.sheeo.org/state-profile/oklahoma/>



How Has the Student Share Changed Over Time? ↗

Over time, the student share (the proportion of total education revenues at public institutions coming from net tuition revenue) has increased in most states. Student share generally rises during economic recessions and levels off during economic recoveries. The sharpest increase in student share occurred during and immediately following the Great Recession. Tuition revenue comprises more than 50% of total revenues in nearly half of all states. Oklahoma had an above average student share in 2023. Oklahoma's two-year student share was 31%, and the state's four-year student share was 61%.



Student share is much higher than in 1980 and re U.S., especially at 4-year institutions

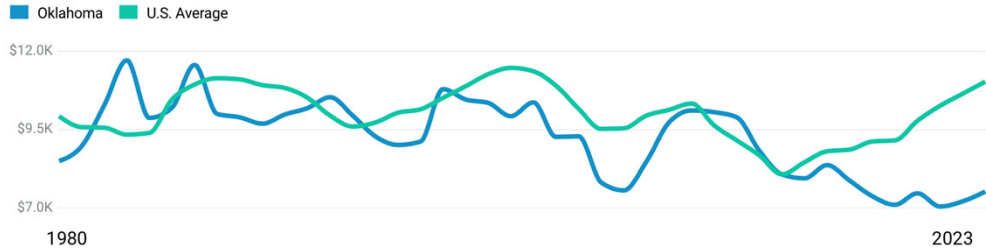
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Per-Student Education Appropriations Over Time [↗](#)

Higher education often faces the largest cuts of any budget category during economic recessions. As a result, state funding has changed over time. Education appropriations per FTE (a measure of state and local support for public higher education, excluding RAM) in Oklahoma have decreased 11.3% since 1980. In 2023, public institutions in Oklahoma had \$7,540 in education appropriations per FTE, approximately 68% of the U.S. average. General operating appropriations in Oklahoma have decreased 33.5% per FTE from \$10,029 in 2001 to \$6,665 in 2023.



OK state funds per student 1980-2015 were like U.S. but now about \$3,500 less than U.S.

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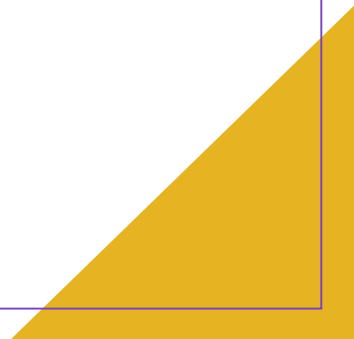
Extracted 9/25/2024 at <https://shef.sheeo.org/state-profile/oklahoma/>



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11:45 Agenda

- Strategic Leadership:
- Navigating Challenges and Opportunities
- Basic Readiness
- Strategic Questions





Some Current Challenges and Opportunities 2024-25 Top Strategic Issues for Higher Education

-  Board Independence and Leadership
-  Student Success, the Student Experience, and Inclusion on Campus
-  Leadership Succession and Support
-  Business Model Innovation and Digital Transformation

Readiness for Challenge and Opportunity

Create the institution's future together on a base of -

- Strategic planning and thinking, equity lens
- Shared governance, faculty engagement
- Leadership development, partnership
- Data and analysis
- Financial sustainability
- Commitment to implementation
 - Sustained effort
 - Accountability
- Trust and good will

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The “Ready” Board

- Understands the business model of the institution
- Has developed a healthy board culture and effective partnership with the president
- Effectively fulfills its roles and responsibilities
- Asks good questions

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Board Culture

HEALTHY

- Team players
- Distributed influence
- Collective wisdom
- Engaged listeners
- Constructive dissent
- Transparency
- Confidentiality
- Diligence
- Mutual accountability

UNHEALTHY

- Huddle of quarterbacks
- Dominant inner circle
- Individual convictions
- Assertive speakers
- Back-channel sabotage
- Obfuscation
- Leaks
- Disengagement
- Collective impunity

Source: Chait, Richard, "The Bedrock of Board Culture", *Trusteeship*, May-June 2016.

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Understanding the Business Model Questions from the Helicopter

Who do we
serve?

What is our
value
proposition?

What channels
do we use to
access our
students?

What is our
relationship with
our students?

Where do
revenues come
from?

What are our
key program
offerings?

What are our
key resources –
competitive
advantage?

Who do we
partner with?

What is our cost
structure?

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Strategic Questions Relate to (e.g.):

- Vision
- Strategy
- Resources
- Future
- Capacity
- Readiness
- Productivity
- Results
- Long term
- Evidence
- Quality
- Human capital
- Retention
- Enrollment

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Good Regent Questions

- What are we missing?
- What would be the 5- to 10-year impact?
- How does this advance our strategy?
- What are the key national trends?
- Is there anything on your mind that we can help you think through?

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Questions and Wrap Up

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Some Online AGB Resources

- [Statement on Board Responsibility for Institutional Governance](#)
- [For Community College Leaders](#)
- [Higher Education Governing Boards: An Introductory Guide for Members of College, University, and System Boards](#)
- [AGB Statement on Board Accountability](#)
- [The Board's Role in Financial Oversight](#)
- [The Role of the Board Professional](#)
- [AGB Knowledge Center \('index'\)](#)
- [AGB Board Bot](#)

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